29th ANNUAL REPORT

of the

Securities and Exchange Commission

For the Fiscal Year Ended June 30, 1963

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SECURITIES AND EXCHANGE COMMISSION

Headquarters Office
425 Second Street NW.
Washington, D.C. 20549

COMMISSIONERS

January 6, 1964

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

ORVAL L. DUBOIS, *Secretary*

LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SIR: On behalf of the Securities and Exchange Commission, I have the honor to transmit to you the Twenty-Ninth Annual Report of the Commission covering the fiscal year July 1, 1962 to June 30, 1963, 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, 1964)

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BYRON D. WOODSIDE of Virginia	1967
MANUEL F. COHEN of Maryland	1968
JACK M. WHITNEY II of Illinois	1964

Secretary: ORVAL L. DUBOIS

Staff Officers

EDMUND H. WORTHY, Director, Division of Corporation Finance.
ROBERT BAGLEY, Associate Director.
ALLAN F. CONWILL, Director, Division of Corporate Regulation.
SOLOMON FREEDMAN, Associate Director.
GORDON HENDERSON, Associate Director.
WALTER WERNER, Director, Office of Program Planning.
RALPH S. SAUL, Director, Division of Trading and Markets.
IRVING M. POLLACK, Associate Director.
PHILIP A. LOOMIS, JR., 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, N.Y., 10007

Region 2. Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine.—Philip E. Kendrick, Federal Building, Post Office Square, Boston, Mass., 02109

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, Ga., 30309

Region 4. Illinois, Indiana, Iowa, Kansas City (Kansas), Kentucky, Michigan, Minnesota, Missouri, Ohio, Wisconsin.—Thomas B. Hart, Bankers Building, Room 630, 105 West Adams Street, Chicago, Ill., 60603

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, Tenth and Lamar Streets, Fort Worth, Texas, 76102

Region 6. Wyoming, Colorado, New Mexico, Nebraska, North Dakota, South Dakota, Utah.—Donald J. Stocking, Room 802, Midland Savings Building, 444 17th Street, Denver, Colo., 80202

Region 7. California, Nevada, Arizona, Hawaii.—Arthur E. Pennekamp, Room 821, Market Street, San Francisco, Calif., 94103

Region 8. Washington, Oregon, Idaho, Montana, Alaska.—James E. Newton, 9th Floor, Hoge Bldg., 705 Second Ave., Seattle, Wash., 98104

Region 9. Pennsylvania, Maryland, Virginia, West Virginia, Delaware, District of Columbia.—Alexander J. Brown, Jr., Room 302, 310 Sixth Street NW., Washington, D.C., 20549

Branch Offices

Cleveland, Ohio, 44113.—Room 1628, Standard Building, 1370 Ontario Street.

Detroit, Michigan, 48226.—Room 1503, Washington Boulevard Building, 234 State Street.

Houston, Texas, 77002.—Room 2226 Federal Office and Courts Building, 515 Rusk Ave.

Los Angeles, Calif., 90028.—Room 309 Guaranty Building, 6331 Hollywood Blvd.

Miami, Fla., 33132.—Room 1504, 51 SW., First Ave.

St. Louis, Mo., 63103.—Room 4266A Federal Building, 1520 Market Street.

St. Paul, Minn., 55101.—Room 1027, Main Post Office and Customhouse, 180 East Kellogg Blvd.

Salt Lake City, Utah, 84000.—Room 1119, Newhouse Building, 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 co-author 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 Securities Act of 1933, was assigned to the Securities Division of that Commission which was charged with the administration of the Securities Act. Commissioner Woodside transferred to the Securities and Exchange Commission upon its establishment by the Securities Exchange Act of 1934. 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 Security 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, and was reappointed effective June 5, 1962, for the term expiring June 5, 1967.

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. Commissioner Cohen joined the Commission's 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, and was reappointed for the term expiring June 5, 1968.

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

IMPORTANT DEVELOPMENTS DURING THE YEAR

Special Study of Securities Markets

Fiscal year 1963 was a particularly notable one for the Commission by virtue of the substantial completion of the Special Study of Securities Markets, which was first undertaken, at the direction of Congress, in September 1961. The Study's Report was transmitted to Congress in three segments, on April 3, July 17, and August 8, 1963. As stated by the Commission in transmitting the final segment, the Report "is clearly the most thorough examination of the securities markets since the early 1930s. Size alone is but a poor measure of its importance and achievement. The Report would have high usefulness if only for its orderly presentation of basic facts about the markets. More importantly it offers a foundation for regulatory and industry actions for a long period to come."

In its 13 chapters totaling some 3,000 pages,[1] the Report provides a detailed catalog of practices involved in the operation of the securities industry and markets, as well as developments and problems in their regulation and self-regulation. A brief summary of the content of the Report will indicate the breadth of the subject matter reviewed by the Special Study.

Chapter I of the Report, after describing briefly the purposes and methods of study and the general nature of recommendations arrived at, sets forth general data highlighting the growth of the securities industry in the postwar period, which was an important reason for the Study and provides the background for many of the subjects explored. Chapters II and III are concerned with the broad range of persons and business entities engaged in the securities business—broker-dealers, salesmen, salesmen's supervisors, and persons engaged in giving investment advice. The first of this pair of chapters examines the standards and controls relating to their entry into and removal from the business; and the second, their activities and respon-

[1] The Report is available from the Superintendent of Documents, Government Printing Office, Washington, D.C., as House Document No. 95 of the 88th Congress, 1st session. Part I: $2.25, Part II: $3.50, Part III: 50 cents, Part IV: $3.75. The letters of transmittal and the Study's conclusions and specific recommendations are set forth in a summary volume, Part V: 55 cents.

sibilities in the course of that business and the related controls. Chapter IV deals with primary and secondary distributions of securities to the public, with particular emphasis on new issues and briefer review of other specific areas such as the disclosure requirements of the Securities Act of 1933 and the Securities Exchange Act of 1934, unregistered distributions, intrastate offerings, and real estate securities.

Chapters V, VI, VII, and VIII extensively explore the functions, structures, and problems of markets in which securities are traded after their distribution. Chapter V is a general introduction to this group of chapters. Chapter VI covers the exchange markets, with special attention to the most important of these, the New York Stock Exchange. The chapter reviews the functions and activities of various specialized categories of members, particularly specialists, odd-lot brokers and dealers, and floor traders, and also deals with the subjects of short selling and commission rate structures. Chapter VII discusses the over-the-counter markets, their vast and heterogeneous character, their wholesale and retail components, the quotations systems, and present controls over all of them. Chapter VIII then examines various interrelationships among trading markets, including patterns of distribution of securities among exchange and over-the-counter markets, institutional participation in various markets, over-the-counter trading in listed securities, and the regional exchanges as "dual" and primary markets.

Chapter IX reviews the legal requirements and standards in respect of reporting, proxy solicitation and "insider" trading which are applicable to issuers of securities in public hands, contrasting those relating to securities listed on exchanges with those relating to over-the-counter securities and emphasizing the need for legislation in the latter area. It also considers problems in the dissemination of corporate publicity by issuers of both kinds of securities. Chapter X deals with the purposes, effects, and enforcement of securities credit and margin regulations and some inconsistencies and anomalies of the present regulatory pattern. Chapter XI is concerned with certain aspects of open-end investment companies ("mutual funds") which are for the most part covered neither by the recent industry study conducted by the Wharton School of Finance and Commerce nor by continuing inquiries of the Commission's Division of Corporate Regulation. It contains the results of an investor survey and also specifically treats with selling practices, contractual plans, and certain problems in connection with fund portfolio transactions. Chapter XII deals with the self-regulatory pattern which is largely unique to the securities industry. It evaluates the regulatory functioning

of the New York Stock Exchange, the American Stock Exchange, the principal regional exchanges, the National Association of Securities Dealers, Inc. ("NASD"), and certain quasi-regulatory agencies, notes the absence of self-regulatory organizations in certain areas, and assesses the role of the Commission in relation to all of them.

The market break of May 1962 was thought to merit separate examination as a major market phenomenon, and also afforded an opportunity to study certain aspects of the securities markets, already studied under more normal conditions, in the circumstances of a precipitous decline. The results of this study are set forth in Chapter XIII, the final chapter of the Report.

The Commission's judgment on the state of the securities markets and their regulation was summarized in its transmittal letter accompanying the first segment of the Report: "At the outset we emphasize that, although many specific recommendations for improvements in rules and practices are made in the Report of the Special Study, the report demonstrates that neither the fundamental structure of the securities markets nor of the regulatory pattern of the securities acts requires dramatic reconstruction. . . . At the same time the Report makes very clear that important problems do exist, grave abuses do occur, and additional controls and improvements are much needed."

The Report points up many shortcomings in investor protection, of various kinds and degrees, and makes 175 specific recommendations for their correction. In transmitting the Report to Congress, the Commission stated that "we do not embrace every recommendation as our own, but we do accept them as a sound point of departure for proposals to the Congress, for rule-making by the Commission and by the self-regulatory agencies, and for discussions with the industry." The Commission's letters of April 19, and July 23, 1963, to Chairman Oren Harris of the House Interstate and Foreign Commerce Committee and Chairman A. Willis Robertson of the Senate Banking and Currency Committee, and its transmittal letter to Congress of August 8, 1963, stated the Commission's response to each of the Study's recommendations.

As stated, the Study Report is a basic informational document. Among other things, it describes for the first time, in an organized and complete fashion, the operation of the current over-the-counter market, and the impact of the New York Stock Exchange minimum commission rate schedule on the securities markets. In addition, the Report provides an over-all review of the operation of self-regulation.

Secondly, the Study and its Report have been and will be a springboard for both industry and regulatory action. The Study's impact

has already been felt in many ways. Even while still in progress, it stimulated an extensive self-examination by various segments of the securities industry, most notably the self-regulatory agencies. As a result, these agencies have made a number of improvements in rules and practices, which may be in whole or part attributed to the Study. Thus, the American Stock Exchange followed up its reorganization, as reported in last year's annual report, by a number of beneficial changes. It substituted a staff system for the self-perpetuating standing committees of Exchange members, substantially augmented its staff and adopted higher listing and delisting standards. The Exchange also took disciplinary action against various members and allied members whose activities had been discussed in the January 1962 staff report on the Exchange. In sum, the Exchange has now instituted a responsible regulatory system as a basis for meeting its obligations under the Securities Exchange Act. The New York Stock Exchange has also made a substantial number of significant improvements. Qualification standards applicable to various classes of members and member-firm employees were raised. The rules covering market letters were strengthened and the procedures for review of these letters by the Exchange were improved. The Exchange staff was increased to strengthen the capacity for self-regulation. The NASD also increased its staff and expanded its surveillance activities. It is now undertaking a complete review of its by-laws, rules, and organizational structure, which is expected to result in more effective organization and operation.

The second result of the Special Study Report has been the Commission's legislative program, submitted to Congress in June 1963.[2] Following hearings before a subcommittee of the Senate Banking and Currency Committee on a bill embodying the Commission's proposals, during which the broad purposes of the legislative program were strongly endorsed by all segments of the securities industry, the bill was passed by the Senate on July 30, 1963. As of December 1963, hearings had been held by a subcommittee of the Committee on Interstate and Foreign Commerce of the House of Representatives on the two bills introduced in the House of Representatives.

[2] The Commission's proposals were submitted to the Committee on Banking and Currency of the Senate and the Committee on Interstate and Foreign Commerce of the House of Representatives. On June 4, 1963, three identical bills embodying the Commission's proposals were introduced in the Congress. S. 1642 was introduced (by request) in the Senate by Senator A. Willis Robertson, Chairman of the Senate Committee on Banking and Currency; H.R. 6789 was introduced in the House of Representatives by Representative Oren Harris, Chairman of the Committee on Interstate and Foreign Commerce, House of Representatives, and H.R. 6793 was introduced by Representative Harley O. Staggers, Chairman of the Subcommittee on Commerce and Finance of the Committee on Interstate and Foreign Commerce, House of Representatives.

The proposed legislation, in its broadest terms, has two major purposes. The first is to improve investor protection in the over-the-counter market, primarily by extending to investors in over-the-counter securities the fundamental protections which under existing legislation are generally afforded only to investors in securities listed on an exchange. Briefly, these protections are as follows: A company listing its securities on an exchange must file a registration statement containing material information regarding its business and must keep such information current by periodic reports; security-holders whose votes are solicited must be furnished with a proxy statement, which must contain adequate and accurate information; and corporate "insiders" must report their securities transactions and are liable to the company for short-swing trading profits. The proposed legislation would extend these protections to investors in over-the-counter companies having more than 750 shareholders (500 shareholders at a subsequent date) and more than $1 million in assets. The second purpose of the proposed legislation is to strengthen qualification standards for entrance into the securities business and controls over those already in that business, again with emphasis on the over-the-counter market. The principal proposed changes in this area would include the following: All over-the-counter broker or dealer firms would be required to be members of a registered securities association, in order to bring them within the self-regulatory scheme. Registered securities associations would be required to adopt rules, subject to Commission approval, establishing standards of training, experience and competence for members and their employees and to establish capital requirements for members. In addition, the rigidity of the present statutory scheme for disciplining violators, which does not provide for direct Commission action against individual wrongdoers connected with a broker or dealer, or expressly authorize the Commission to impose useful intermediate sanctions against a registered firm short of revoking its registration, would be removed by permitting action against the individual in lieu of proceeding against the entire firm, and by authorizing the imposition of intermediate sanctions such as temporary suspension or censure. The authority of a national securities association to act directly against offending individuals would also be clarified.

A major part of the Study's recommendations can be implemented under existing legislation, through the rule-making powers of the Commission or the self-regulatory agencies. At the present time, the Commission and the industry are actively engaged in considering the Study's recommendations and analyzing the problems discussed by the Study Report. Because of the vast number of recommendations, the

Commission has thought it necessary to select out certain priority items which will be given first attention. To this end, the recommendations have been divided into two main groups. The first, those of particular concern to specific self-regulatory agencies, have been taken up with the affected exchange or the NASD and agreement has been reached on the subjects to be given first attention. Thus, in the exchange area, priority designation has been given to the proposals relating to odd-lot dealers, floor traders, specialists and automation. Further, the Commission and the NASD are giving first priority in the over-the-counter market to the quotation systems, the "markup" policy, execution of retail transactions and the strengthening of the organization and structure of the NASD itself.

The other major group of recommendations are those of concern to the securities industry as a whole, transcending the particular interest of any one self-regulatory agency. These have already been discussed with the members of the Industry Advisory Committee. The Committee is designating appropriate subcommittees to consider such vital matters as selling practices, the establishment of minimum capital requirements, and rules relating to the conduct of those who distribute securities.

The priority groups include those matters which in the Commission's opinion warrant immediate attention. As a practical matter, not all 175 specific recommendations can be implemented immediately and simultaneously. But those recommendations not receiving first priority are being neither discarded nor neglected. A considerable amount of work has already been done on a number of them; it is expected that in a reasonable period of time they will all receive full attention and action by the Commission and its staff.

The Commission has taken steps to reorganize its personnel for the implementation of the Study's recommendations. Thus, a new Office of Program Planning was created, with the initial task of assisting and advising the Commission with respect to the implementation program. The Division of Trading and Exchanges was renamed the Division of Trading and Markets and was reorganized. Many of the Special Study's personnel have been assigned to these units, as well as to other staff offices, and they are playing an important role in the implementation program.

The Special Study recommended that the Commission more fully exercise its powers of oversight and supervision over the self-regulatory agencies. Accordingly, a new office within the Division of Trading and Markets, the Office of Regulation, has been created and assigned the general responsibility of overseeing the operations of the self-regulatory agencies. At the same time, the Commission has

strengthened and instituted important oversight programs, including an increased schedule of examinations of the exchanges and of the NASD and in general securing more information about their operations.

As has been noted, the securities industry and the various self-regulatory agencies have already taken many important and significant steps which should have the effect of raising investor protection. The Commission itself has issued a proposed rule, based on the Study's recommendations, which would require financial statements in annual reports transmitted to stockholders not to be materially misleading in light of the reports filed with the Commission, and, as of December 1963, consideration was being given to other possible proposed rules. Furthermore, out of the very intensive and active scrutiny and examination of rules and practices stimulated by the Special Study Report and now being conducted by the Commission, the self-regulatory agencies and the securities industry itself, it can be anticipated that many additional important changes in rules and practices can be adopted, which will contribute to the improvement of investor protection.

Enforcement Activity

As described in more detail in other parts of this report, the Commission continued to pursue a vigorous enforcement program during the fiscal year in an effort to combat fraudulent and other illegal practices in securities transactions. The Commission, as in the past, took action on all available fronts—civil, criminal and administrative. Thus, 121 injunction or related court enforcement proceedings were instituted by the Commission during the year, a larger number than in any previous year. Six hundred and twenty-two investigations of securities transactions involving possible violations of the anti-fraud or other provisions of the securities acts were instituted. Forty-nine cases were referred to the Department of Justice for criminal prosecution. A striking example of the complexity which criminal cases in this field may assume, and the extent of the investigative work which must necessarily precede the actual prosecution of such cases, is presented by *United States* v. *Garfield*, in which, after the longest trial in the history of Federal criminal prosecutions (some 11 months), the defendants were convicted in February 1963 of manipulating the market price of the common stock of United Dye and Chemical Corporation and fraudulently distributing unregistered shares of such stock through "boiler-rooms." At the conclusion of the trial, the judge commented that "there never was a case that was proved to the hilt the way this case was proved." He commended two members of the Commission's staff for their investigative efforts, stating that "it

is evident that they performed Herculean labors by way of investigation and ferreting out the facts."

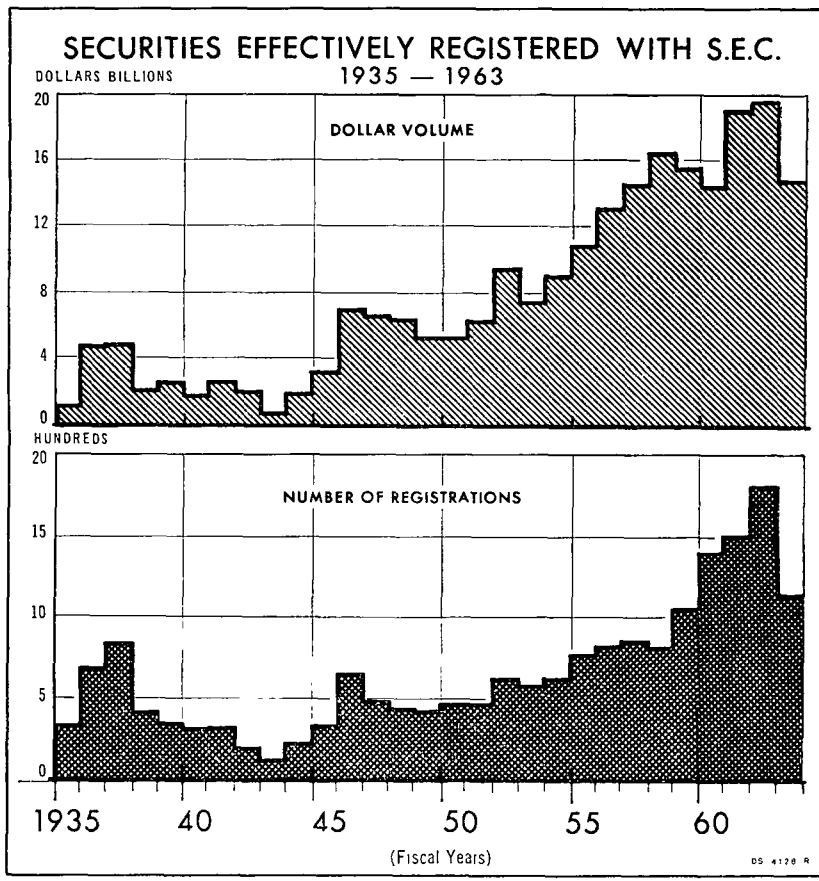
During the year 1,534 broker-dealer inspections were conducted, and broker-dealer registrations were revoked in 75 cases. Inspections were completed with respect to 219 investment advisers, and 5 investment adviser registrations were revoked. Examinations or investigations were initiated in 20 cases to determine whether stop order proceedings should be brought with respect to registration statements filed under the Securities Act of 1933, and investigations were instituted in 19 cases to determine whether other information filed with the Commission was accurate and adequate. Orders which suspended the exemption from registration provided for small security issues were issued in 53 instances.

The fiscal year also saw a further increase in the Commission's inspection program under the Investment Company Act of 1940. During the year, 84 inspections of investment companies were completed, as compared to a total of 165 inspections conducted in all prior years since the inception of the program in 1957, and 52 inspections during the 1962 fiscal year. Chiefly as a result of information obtained through inspections, 29 investigations were commenced, and 9 civil actions were instituted. The inspection and investigation program produced rather dramatic results in certain instances in terms of tangible benefits to investment companies or their shareholders. In one instance, where it appeared that an investment company's investment adviser, a broker-dealer, had taken improper brokerage commissions in executing securities transactions for the company, a settlement was agreed upon which will result in the return of more than $200,000 to the company. In another instance, where an inspection and investigation revealed that promoters had used a company and its wholly-owned subsidiary, a registered investment company, as a means of financing other corporations controlled by them, and had committed numerous violations of the Securities Act of 1933 and the Investment Company Act of 1940, the Commission's staff negotiated a settlement which provided, among other things, for a return of about $250,000 to public shareholders.

Registration of New Security Offerings

Continuing the trend set since the severe market break of May 1962, fiscal year 1963 saw a considerable reduction, by contrast with recent years, in the number of registration statements filed under the Securities Act of 1933 for public offerings of securities. A total of 1,159 statements was filed during the year, representing a dollar amount of $14.7 billion. The lower number of filings enabled the Commission's staff to reduce the processing period substantially. The median

number of days elapsing from the date of filing to the date of the staff's letter of comment, with respect to registration statements which became effective during the year (excluding certain investment company filings), was 27 during the 1963 fiscal year as compared with 57 days in the preceding year. A total of 1,157 statements in the amount of $14.8 billion became effective during the year. The chart below portrays the dollar volume and number of registrations with respect to securities which became registered during the fiscal years 1935 through 1963.



PART II

LEGISLATIVE ACTIVITIES

The Commission's major activity relating to legislation during the fiscal year 1963, namely, the preparation and submission of its legislative program based on the recommendations of the Special Study of Securities Markets, has already been discussed in some detail in the preceding part of this report.

Additionally, Chairman Cary testified before Subcommittee No. 2 of the Committee on the District of Columbia, House of Representatives, in favor of H.R. 4200, a bill to provide for the regulation of the business of selling securities in the District of Columbia and for the licensing of persons engaged in that business. Chairman Cary also appeared before the Legal and Monetary Affairs Subcommittee of the Committee on Government Operations, House of Representatives, to discuss the relation of the Federal securities laws to certain aspects of the Comptroller of the Currency's revised Regulation 9, particularly the expansion, as contemplated by that regulation, of the power of national banks to commingle funds for investment management and the relation of the Federal securities laws to the provisions of the Self Employed Individuals Tax Retirement Act of 1962. In addition, Chairman Cary discussed the problem of the exploitation of elderly citizens in securities transactions and the Commission's responsibility in that area in hearings before the Special Committee on Aging, United States Senate. Commissioner Cohen testified before the Subcommittee on Administrative Practice and Procedure of the Senate Committee on the Judiciary with respect to S. 1664, a bill to establish a Permanent Administrative Conference.

During the fiscal year the Commission and its staff analyzed or commented on 49 bills and other legislative matters referred by various committees of the Senate and House of Representatives and the Bureau of the Budget.

PART III

REVISION OF RULES, REGULATIONS, AND FORMS

As previously noted, the Report of the Special Study of Securities Markets recommended, among other things, changes in the Commission's rules in various areas. Even aside from the Special Study and its implementation, the Commission maintains a continuing program of reviewing its rules, regulations and forms 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, and in the light of the experience gained in the administration of the statutes administered by it. 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 in a professional capacity such as underwriters, attorneys and accountants. 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. These views and comments are carefully reviewed by the staff and by the Commission and are very helpful in revealing the manner in which proposed changes will operate.[1]

During the 1963 fiscal year, the Commission made a number of changes in its rules, regulations and forms, and published in preliminary form various proposed changes. The changes made during the year and those pending at the end of the year are described below.

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[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.

THE SECURITIES ACT OF 1933

Proposed Rule 156

During the fiscal year the Commission invited public comments on a proposed rule relating to transactions involving certain group annuity contracts.[2] The proposed rule, to be designated Rule 156, would define as "transactions by an issuer not involving any public offering" in Section 4(1) of the Securities Act, transactions which are exempted from the Investment Company Act of 1940 by Rule 3c–3 under that Act. Rule 3c–3, which was recently adopted, exempts from the provisions of the Investment Company Act transactions by any insurance company with respect to certain group annuity contracts providing for the administration of funds held by such company in separate accounts established and maintained pursuant to state law. It has been represented to the Commission that these contracts are individually negotiated with employers who are able to fend for themselves. The proposed new rule provides that transactions of the character referred to therein shall come within the rule only if the transaction is not solicited by advertising which, insofar as it relates to a separate account group annuity contract, does more than identify the insurance company, state that it is engaged in the business of writing separate account contracts and invite inquiries in regard thereto. The rule provides, however, that disclosure in the course of direct discussion or negotiation of such contracts would not be prohibited. The proposed rule would provide an exemption only from the provisions of Section 5 of the Act and would not, therefore, afford any exemption from the anti-fraud provisions of the Act.[3]

Proposed Rules 402A and 440

The Commission announced that it has under consideration two proposed new rules relating to the registration of securities by foreign issuers other than foreign governments.[4]

Section 6(a) of the Securities Act requires that where a registrant is a foreign or territorial person, the registration statement shall be signed by its duly authorized representative in the United States. This signature is in addition to the signatures required where the registrant is a domestic issuer. Under Section 11 of the Act, an authorized representative may be liable to persons purchasing the securities offered pursuant to the registration statement. In order for this provision to operate effectively for the protection of investors,

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[2] Securities Act Release No. 4598 (April 16, 1963).

[3] Rule 156 was adopted shortly after the end of the fiscal year. See Securities Act Release No. 4627 (August 1, 1963).

[4] Securities Act Release No. 4511 (July 16, 1962); Securities Act Release No. 4524 (August 10, 1962).

it is essential that the authorized representative be a person having a reasonable degree of responsibility. In the past, efforts have been made to meet the requirement that the registration statement be signed by an authorized representative in the United States by organizing a dummy corporation solely for that purpose. Other devices may similarly be used to evade the intent and purpose of the requirement. The proposed new Rule 402A would require that where the registrant is a foreign person other than a foreign government, the authorized representative in the United States shall meet certain qualifications designed to insure that there will be in this country a person against whom investors may have recourse in appropriate cases.

The proposed new Rule 440 would require that where the registrant, any of its directors or officers, any selling security holder or any underwriter is a nonresident (other than a foreign government or a political subdivision thereof), it shall furnish to the Commission a consent and power of attorney authorizing the Commission to accept service of process in connection with civil actions arising out of the offering or sale of the registered securities. The purpose of this rule is to make it easier for purchasers of the registered securities to obtain service of process upon foreign issuers and their insiders in connection with civil actions instituted in the courts in this country.

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

Adoption of Revised Form S–8

During the fiscal year the Commission adopted certain 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 purchase, savings or similar plans, and for registering the interests in such plans where such registration is required.[6] In addition to certain changes designed to simplify and clarify the form in certain respects, Form S–8 was 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 SECURITIES EXCHANGE ACT OF 1934

Proposed Amendments to Rule 3a12–3

Rule 3a12–3 exempts the securities of certain foreign issuers from the operation of Sections 14(a) and 16 of the Securities Exchange Act. During the fiscal year, the Commission announced that it has under consideration certain proposed amendments to Rule 3a12–3

[6] Securities Act Release No. 4533 (August 30, 1962). See 28th Annual Report, p. 12.

and invited public comments.[6] The rule, as amended, would provide that no exemption is available for voting trust certificates where the voting trustee is or, if there is more than one, at least one-half of the voting trustees are citizens or residents of the United States, or if any person or persons controlling such voting trustee or trustees are citizens or residents of the United States.

A further amendment of the rule would take out of the exemption from Sections 14(a) and 16 of the Act certain issuers organized in a foreign country. These would include (*i*) companies which have their principal executive offices in the United States and which have a substantial portion of their assets in, or derive a substantial portion of their gross revenues from sources in, the United States; (*ii*) companies which have the major portion of their assets in, or derive the major portion of their gross revenues from sources in, the United States; (*iii*) companies the majority of whose directors are citizens or residents of the United States; and (*iv*) companies more than 50 percent of whose voting securities are owned by residents of the United States.

This matter was pending at the end of the fiscal year.

Adoption of Rule 10b–9

There have been instances where persons distributing securities have represented that such securities were being offered on an "all-or-none" basis when, because of ambiguities in the contractual arrangement, it was not clear whether the conditions for a completed offering would be met if persons were found who agreed to purchase all of the securities within the specified time, but the underwriter did not succeed in collecting the purchase price for all of the securities. Rule 10b–9 was adopted to deal with this type of situation. The rule makes it a "manipulative or deceptive device or contrivance," as used in Section 10(b) of the Act, for any person, in connection with the offer or sale of a security, to make any representation to the effect that the security is being offered or sold on an "all-or-none" basis unless the security is part of an offering being made on the condition that all or a specified amount of the purchase price will be promptly refunded to the purchaser if all of the securities being offered are not sold at a specified price within a specified time and the total amount due to the seller is not received by him by a specified date. The rule would also prohibit a representation to the effect that the security is being offered or sold on any other basis under which all or part of the amount paid will be refunded to the purchaser if all or part of the securities are not sold, unless the security is part of an offering being made on the condition

[6] Securities Exchange Act Release No. 6912 (October 11, 1962); Securities Exchange Act Release No. 6930 (November 5, 1962).

that all or a specified part of the amount paid will be promptly refunded if a specified number of units are not sold at a specified price within a specified time and the total amount due to the seller is not received by him by a specified date.[7]

Proposed Rule 10b–10

During the fiscal year, the Commission invited public comments on a proposed rule relating to representations concerning the sale or redemption of certain securities.[8] The proposed rule, to be designated Rule 10b–10, would provide that it shall constitute a manipulative or deceptive device or contrivance within the meaning of Section 10(b) of the Act for any person, in connection with the offering or sale of any equity security, to make any representation to the effect that (1) the offering price of such security is based upon and varies with the current value of its proportionate share of the assets of the issuer, or (2) such security is or will be redeemable at the option of the holder at a price which is based upon and varies with the current value of such proportionate share, unless substantially all of the assets of the issuer consist of cash, cash items and securities (other than mortgages and other liens on and interests in real estate) for which market quotations are readily available and which are readily marketable.

This matter has become of particular interest in connection with proposals by certain real estate investment companies to offer redeemable securities. However, the proposed rule, as drafted, would apply to any company seeking to offer securities in the manner or of the character described in the rule. One purpose of the rule is to prohibit the offering of securities on the basis of the value of their proportionate share of the assets of the company in cases where the nature of the company's assets is such that it is impossible to determine their value with sufficient precision to compute the offering price of the securities on that basis. The rule would also prohibit the offering of securities of a company as "redeemable" securities when the assets of the company are such that their value cannot be precisely determined for the purpose of redemption and are not sufficiently liquid to make possible their conversion into cash for the purpose of redeeming the securities.

A number of comments were received in regard to the proposed rule and the rule was being considered in the light of such comments at the end of the fiscal year.

Proposed Amendments to Rules 13a–15 and 15d–15 and Form 7–K

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 Securities Exchange Act quarterly reports with respect to distribu-

[7] Securities Exchange Act Release No. 6905 (October 3, 1962).
[8] Securities Exchange Act Release No. 6874 (August 13, 1962).

tions to shareholders. Form 7–K is the form prescribed for such reports. At the time of adoption of these rules and form, the Commission announced that it would consider all views and comments submitted with respect thereto by interested persons and would make such changes, if any, as it might deem necessary or appropriate in the light of such views and comments.[9] Accordingly, after consideration of a number of comments submitted by interested persons, the Commission, during the fiscal year, invited public comments on certain proposed amendments to Rules 13a–15 and 15d–15 and Form 7–K.[10]

The rules as proposed to be amended would require the filing of quarterly reports on Form 7–K by real estate investment trusts and by real estate companies which as a matter of policy or practice make distributions to shareholders from sources other than current or retained earnings. Other real estate companies would be required to file reports with respect to quarters in which a distribution is made from a source other than current or retained earnings. It is proposed to amend Form 7–K to eliminate the two-column reporting now required and to clarify the language of the items of the form so as to simplify the preparation and filing of the required reports.

This matter was pending at the close of the fiscal year.

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

During the fiscal year, the Commission adopted regulations governing the filing of annual reports pursuant to Section 15(d) of the Securities Exchange Act of 1934, relating to employee stock purchase, savings and similar plans.

A new Form 11–K was adopted for use in filing annual reports with respect to such plans. A new Rule 15d–21 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 the plan files annual reports on Form 10–K or U5S and as a part of such reports furnishes the information, financial statements and exhibits required by Form 11–K and if it furnishes to the Commission copies of any annual report submitted to employees in regard to the plan. A new general instruction was added to Form 10–K which specifies the procedure to be followed where an issuer elects to file information and documents pursuant to Rule 15d–21.[11]

Proposed Rule 16b–9

Section 16(b) of the Securities Exchange Act provides for the recovery, by or on behalf of the issuer of equity securities registered on a national securities exchange, of short term trading profits realized by

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[9] Securities Exchange Act Release No. 6820 (June 12, 1962).
[10] Securities Exchange Act Release No. 7077 (May 16, 1963).
[11] Securities Exchange Act Release No. 6857 (July 23, 1962).

directors, officers and principal security holders of the issuer. The Commission is authorized to exempt from Section 16(b) transactions not comprehended within the purpose of that Section. During the fiscal year, the Commission invited public comments on a proposed new Rule 16b–9 which would exempt from the operation of Section 16(b) certain acquisitions of shares of stock in exchange for similar shares of stock of the same issuer.[12]

The proposed rule would exempt any acquisition of shares of stock of an issuer in exchange for an equal number of shares of another class of stock of the same issuer pursuant to a right of conversion under the terms of the issuer's certificate of incorporation, for the purpose or in contemplation of a public sale which in fact occurs. The exemption would be available only if the shares surrendered and those acquired in exchange therefor evidence the same rights and privileges except that the shares surrendered may, in the discretion of the board of directors, receive a lesser cash dividend than the shares for which they are exchanged. The exemption would be further conditioned upon there being no other acquisitions of securities of either class within 6 months before or after the exempted transaction. The exemption would apply to any such acquisition occurring either before or after the effective date of the rule, except that it would not affect judgments rendered prior to the effective date.[13]

Proposed Amendments to Form 8–K

Form 8–K is the form prescribed for current reports filed pursuant to Sections 13 and 15(d) of the Securities Exchange Act. During the 1962 fiscal year, the Commission announced that it had under consideration certain proposed amendments to the form and invited public comments.[14] The amendments are designed to require prompt reporting of material changes affecting a company or its affairs when it appears that they are of such importance that reporting should not be deferred to the end of the company's fiscal year. The amendments relate to matters such as the pledging of securities of the issuer or its affiliates under such 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 acquisition 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. This matter was still under consideration at the close of the year.

[12] Securities Exchange Act Release No. 7058 (April 11, 1963).

[13] The proposed rule was adopted shortly after the end of the fiscal year. See Securities Exchange Act Release No. 7118 (August 19, 1963).

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

THE INVESTMENT COMPANY ACT OF 1940

Adoption of Rule 3c–3

During the fiscal year, the Commission adopted a new Rule 3c–3.[15] The rule exempts from the provisions of the Act transactions of insurance companies with respect to certain group annuity contracts providing for the administration of funds held by an insurance company in a separate account established and maintained pursuant to legislation which permits the income, gains and losses, whether or not realized, from assets allocated to such account to be credited to or charged against such account without regard to other income, gains or losses of the insurance company.

It is contemplated that employers would make payments to such accounts as a means of accumulating the funds required to discharge their obligations under pension plans to provide their employees with annuities in fixed-dollar amounts upon their retirement. It is also contemplated that the assets allocated to such a special account would be invested free of the usual restrictions applicable to investment by insurance companies in common stocks. Under the type of pension contract which would utilize such special accounts, the risk of market fluctuation of equities occurs only during the accumulation period and is on the employer. The annuity which will be provided for a retired employee is not affected by market fluctuations.

Although the insurance companies may not be acting as trustees, the arrangements for utilization by employers of such special accounts maintained by insurance companies would be similar to arrangements excepted from the definition of investment company pursuant to Section 3(c)(13) of the Act, relating to accounts maintained by bank trustees for the investment of funds which employers have set aside to meet their obligations under qualified pension plans.

The exemption provided by the rule is available only if the following requirements are met: the pension plan must meet the qualification requirements of Section 401 of the Internal Revenue Code or the requirements for deduction of the employer's contribution under Section 404(a)(2) of the Code whether or not the employer deducts the amounts paid for the contract under such Section; must cover at least 25 employees as of the plan's initiation date; must not provide for payment of retirement benefits measured by the investment results of the assets allocated to the segregated account; and must not permit the allocation to the separate account of any payment or contribution by employees.

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[15] Investment Company Act Release No. 3605 (January 7, 1963).

Amendment of Rule 30d–1

The Commission also adopted certain amendments to Rule 30d–1 under the Investment Company Act of 1940.[16] This rule relates to reports required to be furnished to stockholders of management companies pursuant to Section 30(d) of the Act.

Paragraph (a) of the rule previously required the first report of a registered management company to be made as of a date not later than the close of the fiscal year or half-year first occurring on or after December 31, 1940. Since that date no longer has any significance, this provision has been amended to provide that the first such report shall be made as of a date not later than the close of the fiscal year or half-year first occurring on or after the date on which the company's notification of registration under the Act is filed with the Commission.

Another amendment to paragraph (a) provides that, with certain exceptions, reports shall be mailed to stockholders within 45 days (rather than within 30 days, as previously required) after the date as of which the report is made. The procedure for securing an extension of time in certain cases has also been simplified.

Paragraph (b) of the rule has been amended to provide expressly that the financial statements included in such reports for the company's fiscal year shall be certified by independent public accountants. The rule has been consistently construed to require such certification and the amendment merely makes the requirement explicit.

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

Rules 31a–1 and 31a–2, which relate to the records to be maintained and preserved by registered investment companies, certain majority-owned subsidiaries, and other persons having transactions with registered investment companies, were amended during the fiscal year to prescribe with greater specificity and detail the records of securities transactions required to be kept, and to require the keeping of certain memoranda and documents not previously required.[17] At the same time, a new Rule 31a–3 was adopted, which sets forth certain requirements in circumstances where the records specified in Rules 31a–1 and 31a–2 are prepared or maintained by others on behalf of the person required to maintain them.

[16] Investment Company Act Release No. 3574 (November 16, 1962).
[17] Investment Company Act Release No. 3578 (November 28, 1962).

PART IV

ADMINISTRATION OF THE SECURITIES ACT OF 1933

The Securities Act of 1933 is primarily a disclosure statute designed to provide investors with material facts concerning securities publicly offered for sale by an issuing company or any person in a control relationship to such company 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 generally. 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 any security proposed to be publicly offered may be effected by filing with the Commission a registration statement on the applicable form containing the prescribed disclosure. Generally speaking, when a registration statement relates 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 disclosure

which should be made available to an investor in order that he may make a realistic appraisal of the company and the securities and thus exercise an informed judgment 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. The Commission has prepared special registration forms which vary in their disclosure requirements so as to provide maximum disclosure of the essential facts pertinent in a given type of case while at the same time minimizing the burden and expense of compliance with the law.

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 profit-sharing 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

Registration statements are examined by the staff of the Division of Corporation Finance for compliance with the standards of accurate and full disclosure. The registrant is usually notified by an informal letter of comment of any material respects in which the statement appears to fail to conform with the applicable requirements and is afforded an opportunity to file correcting or clarifying amendments. In addition, the Commission has power, after notice and opportunity for hearing, to issue an order suspending the effectiveness of a registration statement if it finds that material representations are misleading, inaccurate or incomplete. In certain cases, such as where the deficiencies in a registration statement appear to stem from careless disregard of applicable requirements or from a deliberate attempt to conceal or mislead, a letter of comment is generally not 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 1963 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 (or on the 20th day after the filing of any amendment thereto). Since most registration statements require one or more amendments, they usually do not become effective until some time after the original 20-day period. This waiting period is intended to afford investors an opportunity to become familiar with the proposed offering through the dissemination 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 ease with which the facts about the new offering can be disseminated and understood, 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.

During the 1963 fiscal year, 985 registration statements became effective.[1] The number of calendar days which elapsed from the date of the original filing to the effective date of registration for the median registration statement was 52, compared with 78 days for 1,646 registration statements in fiscal year 1962, and 55 days for 1,389 registration statements in fiscal year 1961. The number of registration statements filed during fiscal year 1963 was 1,159, as compared with 2,307 and 1,830 in fiscal years 1962 and 1961, respectively.[2]

The following table shows by months during the 1963 fiscal year the number of calendar days for the median registration statement during each of the three principal stages of the registration process,

[1] This figure excludes the 172 registration statements of investment companies filed pursuant to the provisions of Section 24(e) of the Investment Company Act of 1940, that became effective during fiscal year 1963. The average elapsed time on these 172 statements was 20 calendar days.

[2] These figures include 174, 201 and 156 registration statements, respectively, filed by investment companies pursuant to the provisions of Section 24(e) of the Investment Company Act of 1940 during fiscal years 1963, 1962 and 1961.

the total elapsed time and the number of registration statements effective:

Time in registration under the Securities Act of 1933 by months during the fiscal year ended June 30, 1963

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 1962	35	20	13	68	81
August	31	17	14	62	82
September	31	30	16	77	82
October	33	19	16	68	89
November	24	22	13	59	73
December	31	25	15	71	75
January 1963	24	16	9	49	68
February	25	18	9	52	61
March	23	11	7	41	62
April	20	10	5	35	115
May	24	11	5	40	113
June	25	12	6	43	84
Fiscal 1963 for median effective registration statement	27	17	8	52	985

[a] See footnote 1 to text, *supra*.

VOLUME OF SECURITIES REGISTERED

During the fiscal year 1963, a total of 1,157 statements in the amount of $14.8 billion became fully effective under the Securities Act of 1933. This was a decrease of 37 percent in number of statements and 24 percent in dollar amount from the record registrations of the preceding fiscal year. The chart on page 9 shows the number and dollar amounts of fully effective registrations from 1935 to 1963.

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 1963, 80 percent was for account of issuer for cash sale, 12 percent for account of issuer for other than cash sale and 8 percent for account of others, as shown below.

Account for which securities were registered under the Securities Act of 1933 during the fiscal year 1963 compared with the fiscal years 1962 and 1961

	1963 in millions	Percent of total	1962 in millions	Percent of total	1961 in millions	Percent of total
Registered for account of issuer for cash sale	$11,869	80.2	$16,286	83.3	$16,260	85.3
Registered for account of issuer for other than cash sale	1,782	12.1	1,523	7.8	1,504	7.9
Registered for account of others than issuer	1,139	7.7	1,738	8.9	1,306	6.8
Total	14,790	100.0	19,547	100.0	19,070	100.0

The $11.9 billion of securities to be offered for cash sale for account of issuer represented a decrease of $4.4 billion, or 27 percent, from the previous year. This was due chiefly to a decrease of almost $4.3 billion in common stock, debt securities declining by only $140 million. Debt securities made up $4.4 billion of the 1963 volume, preferred stock $270 million and common stock $7.2 billion. Of issues for cash sale, most of the common stock, 88 percent, was to be offered over an extended period, including investment company issues, stock to be issued under employee purchase 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 1963, and contains a classification, by type of security, of issues to be offered for cash sale on behalf of the issuer during those years. More detailed information for 1963 is given in Appendix Table 2.

Corporate issues scheduled for immediate offering following effective registration amounted to $5.1 billion, a decrease of $1.2 billion from the previous year. Of the total, electric, gas and water companies registered $2.3 billion of securities, about the same amount as in the preceding 2 years. The total for communication companies was $1.1 billion, exceeding the volume registered in fiscal year 1962 by 35 percent. All other groups, except for the extractive industry, registered lower amounts for immediate offering. The decline was greatest for manufacturing companies with $850 million of issues in 1963 compared with $1.8 billion in 1962. Issues registered for offering over an extended period amounted to $6.5 billion, as against $9.7 billion in fiscal year 1962.

	1963 in millions	Percent of total	1962 in millions	Percent of total	1961 in millions	Percent of total
Issues offered for immediate sale:						
Corporate:						
Manufacturing	$844	7.1	$1,818	11.2	$1,979	12.2
Extractive	141	1.2	92	.6	105	.6
Electric, gas and water	2,266	19.1	2,327	14.3	2,385	14.7
Transportation, other than railroad	16	.1	57	.4	221	1.4
Communication	1,135	9.6	840	5.2	2,389	14.7
Financial and real estate	541	4.6	772	4.7	1,264	7.8
Trade	88	.7	287	1.8	258	1.6
Service	52	.4	111	.7	82	.5
Construction and misc	3	.0	15	.1	36	.2
Total	5,086	42.9	6,319	38.8	8,718	53.6
Foreign government	266	2.2	247	1.5	155	1.0
Total for immediate sale	5,352	45.1	6,566	40.3	8,873	54.6
Issues offered over an extended period	6,516	54.9	9,721	59.7	7,387	45.4
Total for cash sale for account of issuer	11,869	100.0	16,286	100.0	16,260	100.0

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

	1963 in millions	1962 in millions	1961 in millions
Investment company issues:			
Management open-end	$3,500	$4,213	$3,621
Management closed-end	69	309	196
Unit investment trust	1,055	1,258	1,330
Face-amount certificate	96	176	254
Total investment companies	4,720	5,956	5,401
Employee saving plan certificates	667	572	487
Securities for employees stock option plans	990	1,314	1,299
Other, including stock for warrants or options	139	1,879	200

Of the $5.1 billion expected from the immediate cash sale of corporate securities for the account of issuer in 1963, 73 percent was designated for new money purposes, including plant, equipment and working capital, 17 percent for retirement of securities and 10 percent for all other purposes including purchases of securities.

REGISTRATION STATEMENTS FILED

During the 1963 fiscal year, 1,159 registration statements were filed for offerings of securities aggregating $14.7 billion, as compared with 2,307 registration statements filed during the 1962 fiscal year for offerings amounting to $21.6 billion. This represents a decrease of 49.8 percent in the number of statements filed and 32 percent in the dollar amount involved.

Of the 1,159 registration statements filed in the 1963 fiscal year, 357, or 31 percent, were filed by companies that had not previously filed registration statements under the Securities Act of 1933. Comparable figures for the 1962 and 1961 fiscal years were 1,377, or 60 percent, and 958, or 52 percent, respectively.

From the effective date of the Securities Act of 1933 to June 30, 1963, a cumulative total of 22,854 registration statements has been filed under the Act by 10,863 different issuers, covering proposed offerings of securities aggregating over $240 billion.

Particulars regarding the disposition of all registration statements filed under the Act to June 30, 1963, are summarized in the following table:

Number and disposition of registration statements filed

	Prior to July 1, 1962	July 1, 1962 to June 30, 1963	Total June 30, 1963
Registration statements:			
Filed	21,695	[a] 1,159	22,854
Disposition:			
Effective (net)	18,628	[b] 1,120	[c] 19,714
Under stop or refusal order	219	3	[d] 220
Withdrawn	2,118	491	2,609
Pending at June 30, 1962	730		
Pending at June 30, 1963			311
Total	21,695		22,854
Aggregate dollar amount:			
As filed (in billions)	$225.4	$14.7	$240.1
As effective (in billions)	215.9	14.8	230.7

[a] Includes 174 registration statements covering proposed offerings totaling $4,250,676,997 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 37 registration statements that became effective during the year but were subsequently withdrawn; these 37 statements are counted in the 491 statements withdrawn during the year.
[c] Excludes 34 registration statements effective prior to July 1, 1962, that were withdrawn during the 1963 fiscal year; these statements are counted under withdrawn.
[d] Excludes 1 registration statement that became effective during the year by lifting of stop order; and also excludes 1 registration statement that was withdrawn after the stop order was lifted. These statements are counted under effective and withdrawn, respectively.

The reasons given by registrants for requesting withdrawal of the 491 registration statements that were withdrawn during the 1963 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	44	9
2. Registrant was advised that statement should be withdrawn or stop order proceedings would be necessary	5	1
3. Change in financing plans	167	34
4. Change in market conditions	237	48
5. Financing obtained elsewhere	6	1
6. Regulation A could be used	3	1
7. Registrant was unable to negotiate acceptable agreement with underwriter	27	5
8. Registration not required	2	1
Total	491	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 shows the number of proceedings under Section 8(d) of the Act pending at the beginning of the 1963 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	5	
Proceedings initiated during fiscal year	8	
		13
Proceedings terminated during fiscal year by issuance of stop orders		3
Proceedings pending at the end of the 1963 fiscal year		10

Two of the proceedings which were terminated during the fiscal year through the issuance of stop orders are described below:

The Richmond Corporation.—The registrant, a District of Columbia corporation organized in 1959, engages in various phases of the real estate business, including the ownership of undeveloped acreage, income-producing properties, and promissory notes secured by mortgages and deeds of trust. It filed a registration statement covering a proposed offering of 142,858 shares of 10 cent par value common stock at $7 per share, 36,500 common stock purchase warrants to be sold to the underwriter at 1 cent per warrant, and 36,500 shares of common stock reserved for issuance upon exercise of the warrants.

The Commission instituted proceedings under Section 8(d), and the registrant stipulated certain facts and consented to the entry of a stop order.[3] Following are some of the more important deficiencies in the registration statement:

The Commission found the registration statement to be materially deficient in failing to disclose that various officers and directors of the registrant were engaged, through companies similar to the registrant which they control, or in person, in competitive real estate activities which involved potential conflicts of interest with the business purposes of the registrant. The Commission accordingly concluded that the statement in the prospectus that "There are no business relations between the Board members or officers or promoters which are competitive with, or in conflict with the business purposes of the company," was materially false and misleading.

The managing underwriter named in the registration statement, a sole proprietorship, was organized February 14, 1961. Its owner's only prior experience in the securities business was as a securities salesman between May and December 1960. The firm's only experience as

[3] Securities Act Release No. 4584 (February 27, 1963).

an underwriter was in connection with two proposed offerings neither of which involved securities of real estate investment companies. One of these offerings was deregistered shortly after the registration statement became effective. In the other offering, made pursuant to a claimed exemption from registration under Regulation A under the Act, the firm acted together with co-underwriters and sold 30,000 shares at $2 per share. The Commission held that the limited experience of the underwriter was a material factor bearing on the success of the offering and that the failure to disclose it was a material omission.

The Commission's opinion stated that the underwriter's investigation of registrant's business was so limited in nature that he did not exercise the degree of care necessary for and required of an underwriter to satisfy himself as to the accuracy and adequacy of the prospectus. His investigation consisted of (1) visits to two of the registrant's three tracts of land, (2) an examination of a list of registrant's stockholders and (3) the obtaining of a credit report on the registrant's president. As to all other matters in connection with the registration statement, the underwriter apparently relied only on representations of the registrant's management. The Commission referred to a report, which preceded the passage of the Act, in which the Congress recognized that the high standards of honesty, care and competence required of fiduciaries were responsibilities assumed by reputable investment bankers.[4] The Commission also cited various provisions in the Securities Act and the Securities Exchange Act which imposed upon underwriters a responsibility to conform to those standards upon pain of severe civil liability or revocation of broker-dealer registration.

Doman Helicopters, Inc.—The registrant was organized in 1945 for the purpose of developing certain inventions in the field of helicopter rotor construction. It had never engaged in any substantial manufacturing activity and had never earned a profit. Its financial history had been marked by continual difficulties and by the repeated conversion of creditors' rights into common stock positions. Its future plans were predicated on a proposed helicopter to be called the D–10B, which was intended to be a variant of an earlier model, two prototypes of which had been sold to and tested by the Defense Department. After testing these earlier prototypes and after making an extensive study of the registrant's rotor system, the Department of Defense had found "no significant advantages in the Doman rotor system over other types."

On April 19, 1962, registrant filed a registration statement with respect to 681,971 shares of its common stock to be offered to the public

[4] H. Rept. No. 85, 73d Cong., 1st Sess. (1933) at p. 5.

without the aid of underwriters. At that time its liabilities were in excess of its assets and its shares had a book value of minus 30 cents per share. This book value would have increased to 55 cents per share if all of the shares covered by the registration statement had been sold at the proposed offering price. Purchasers would therefore have suffered a substantial immediate dilution, the benefit of which would have inured entirely to the existing stockholders.

The cover page of the prospectus stated that the shares were being offered as a speculation and referred the reader to a section headed "The Company," which summarized the registrant's poor financial history and stated that it was then insolvent, but which made no reference to the dilution aspects of the offering, to the fact that there was no D–10B in existence, or to the history of the registrant's dealings with the Defense Department. Elsewhere in the prospectus a passing reference was made to the registrant's unsuccessful efforts to secure military markets for its helicopters. But neither the nature of those efforts, which had in fact been strenuous and persistent, nor the Department's adverse action with respect to them was disclosed. The prospectus spoke of the D–10B as though it were an existing helicopter and claimed that it was superior to other helicopters without ever disclosing that it had never been flown, tested or even assembled in prototype form. The prospectus claimed that the registrant's hingeless rotor system was superior to other devices, stated that it was the "only fully developed and proven helicopter design concept" that did not involve the use of hinges, and implied that the system was protected by an elaborate patent structure. It did not disclose the fact that the system had never been subjected to normal day to day usage and made no mention of the fact that two of the registrant's competitors were developing hingeless rotor systems, something that the registrant's patents did not preclude them from doing. Moreover, during the course of the stop order proceedings the registrant conceded that hingelessness was not in itself meaningful and that the discussion of hingelessness in the prospectus was incomplete.

The Commission issued a stop order that suspended the effectiveness of the registration statement.[5] It found that there was no adequate factual foundation for the registrant's claims with respect to the merits of the D–10B and its hingeless rotor system. The failure to disclose the facts that the Department of Defense had found registrant's hingeless rotor system to be devoid of any special merit was held a material omission. The registrant argued that it was under no duty to disclose the Defense Department findings because the persons who made them were biased and incompetent and because it did

[5] Securities Act Release No. 4594 (March 27, 1963).

not intend to sell to the military. The Commission disagreed, holding that: "Irrespective of the correctness of the Department's conclusions, they constitute a determination by the technical staff and responsible authorities of the largest single purchaser of helicopters that for their purposes registrant's rotor system has no special merit. Such determination was a significant adverse factor, and the failure to disclose it rendered the prospectus misleading."

The Commission also found, among other deficiencies, that the prospectus "presented an incomplete and distorted portrayal of the complex of risk elements involved," that "it was essential that the speculative aspects of registrant's business and the dilution aspects of the offering be set forth and described concisely and lucidly at the very outset of the prospectus under an appropriate caption directing attention to the fact that special risks are present," and that neither the heading "The Company" used in the body of the prospectus nor the statement on its cover page that the securities were offered as a speculation was sufficient to serve that purpose.

Registrant argued that the registration statement against which the proceeding was directed was a mere "preliminary filing," which it had always intended to amend, contended that the proceeding had been prematurely brought since no letter of comment had been sent by the Commission's staff, and asked the Commission to deem the registration statement to have been superseded by an amended registration statement filed while the hearings were in progress. The Commission held that registrant's "preliminary filing" concept had no statutory basis, that "registrants are under a duty to make every effort to see to it that their initial filings measure up to the standards prescribed by the Act," and that letters of comment were merely informal administrative aids "developed . . . for the purpose of assisting those registrants who have conscientiously attempted to comply with the Act," which are "not generally employed where the deficiencies appear to stem from careless disregard of the statutes and rules or a deliberate attempt to conceal or mislead or where the Commission deems formal proceedings necessary in the public interest." With respect to the assertedly curative amendment that had been filed after the institution of the proceeding, the Commission pointed out that it considers such amendments only when it is of the opinion that such consideration will be in the best interests of investors and of the public. It concluded that this was not such a case in view of the serious character of the deficiencies, the large amount of the registrant's stock outstanding and held by approximately 8,000 public investors, the fact that the misleading information in the registration statement had been a matter of public record on which investors might have relied,

and the further facts that the registrant had done nothing to advise its stockholders and investors generally of the misleading character of the information in the registration statement, and that the amendment was itself misleading and inadequate.

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

Investigations pending at beginning of fiscal year	27	
Investigations initiated during the fiscal year	20	
		47
Investigations closed during the fiscal year		12
Investigations pending at the close of the fiscal year		35

EXEMPTION FROM REGISTRATION OF SMALL ISSUES

The Commission is authorized under Section 3(b) of the Securities Act 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 general exemption under Section 3(b) is embodied in Regulation A, Rules 251–263 under the Act, which permits a company to obtain needed capital not in excess of $300,000 (including underwriting commissions) in any 1 year from a public offering of its securities without registration, if the company complies with certain requirements. Secondary offerings by control persons are limited under the regulation to $100,000 in a year for any one such person, but a total of $300,000 for all such persons and the issuer. 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 1963 fiscal year, 517 notifications were filed under Regulation A, covering proposed offerings of $101,040,982, compared with 1,065 notifications covering proposed offerings of $237,238,600 in the 1962 fiscal year. Included in the 1963 total were 34 notifications covering stock offerings of $3,819,980 with respect to companies engaged

in the exploratory oil and gas business, 21 notifications covering offerings of $5,035,410 by mining companies and 16 notifications covering offerings of $3,414,548 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		
	1963	1962	1961
Size:			
$100,000 or less	143	160	165
Over $100,000 but not over $200,000	104	208	201
Over $200,000 but not over $300,000	270	697	691
	517	1,065	1,057
Underwriters:			
Commercial underwriters used	108	528	511
Officers, directors, or others as underwriters and no underwriters	409	537	546
Offerors:			
Issuing companies	476	1,000	1,006
Stockholders	34	24	28
Issuers and stockholders jointly	7	41	23

Suspension of Exemption

Regulation A provides for the suspension of an exemption thereunder where, in general, the exemption is sought for securities for which the regulation provides no exemption 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 1963 fiscal year, temporary suspension orders were issued in 53 cases, which, added to the 31 cases pending at the beginning of the year, resulted in a total of 84 cases for disposition. Of these, the temporary suspension order was vacated in 2 cases and became permanent in 55: in 27 by lapse of time, in 20 by withdrawal of the request for hearing, and in 8 after hearing. Thus, there were 27 cases pending at the end of the fiscal year.

One of the cases disposed of during the year is summarized below to illustrate the type of misrepresentations and other noncompliance with the regulation which led to the issuance of suspension orders.

717-943—64——4

General Aeromation, Inc.—General Aeromation filed a notification and offering circular under Regulation A in March 1960, relating to a proposed public offering of 84,450 shares of common stock at $3 per share. The company proposed to develop and market a self-powered vehicle, invented by Henry J. Wiebe, the issuer's president, and named "Romatt," which was designed to transport aircraft to and from various airport locations such as hangars and runways. One version of the vehicle was designed for commercial use and another for military use. The offering circular included a letter from the issuer's patent attorney to the effect that the Air Force and commercial airlines were "desperately" in need of ground handling equipment, and the circular stated that the device had been checked by competent industry sources, that no satisfactory ground equipment of comparable nature was available, and that no direct known competition existed employing the Romatt method of moving heavy aircraft on the ground. The offering circular projected a military market of up to 1,000 Romatt-type vehicles and stated that the issuer expected to market or lease a considerable number of units to commercial airlines "as they are manufactured and . . . tested."

In its order suspending the exemption for this offering, the Commission held that these representations were false or misleading.[6] It found that, at the time of filing, both commercial and military aircraft were being handled by specially designed ground equipment which was considered to be reasonably adequate. During 1958, the Air Force had issued a request for proposals for the development of ground equipment which would meet certain performance specifications, but several proposals submitted by Wiebe and the issuer had been rejected. There was no tangible evidence of prospects of acceptance of the vehicle for commercial use, and at the time of the filing, no commercial model had been completed, tested or demonstrated in actual operation.

The Commission stated that, regardless of whether the issuer in good faith believed in the merits and potential success of its product, it must make an adequate, accurate and fair presentation of all material factors so that public investors may be able to decide for themselves whether to invest. It further stated that the presentation of an optimistic picture of the issuer's prospects, though qualified by certain general concessions, but without disclosure of significant adverse information, created a materially misleading picture even though individual representations in another context might not be objectionable.

[6] Securities Act Release No. 4536 (September 19, 1962).

The Commission rejected certain evidence proffered by the issuer after the recommended decision of the hearing examiner and exceptions thereto had been filed, which assertedly reflected certain favorable developments. It pointed out that its findings were based on the deficiencies of the offering circular at the time it was filed and that subsequent developments could not remedy prior misstatements and failures to state adverse material facts.

In addition to the misstatements discussed above, the Commission found that there were a number of other misstatements in the offering circular, that the aggregate offering price exceeded $300,000, and that offering circulars were mailed out earlier than permitted.

Exempt Offerings Under Regulation B

During the fiscal year ended June 30, 1963, 231 offering sheets and 248 amendments thereto 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 1962 and 1961 fiscal years, 229 and 261 offering sheets, respectively, were filed. The following table indicates the nature and number of Commission orders issued in connection with such filings during the fiscal years 1961–63. The balance of the offering sheets filed became effective without order.

Action taken on offering sheets filed under Regulation B

	Fiscal years		
	1963	1962	1961
Temporary suspension orders (under Rule 340(a))	26	34	16
Orders terminating proceeding after amendment	13	9	6
Orders consenting to withdrawal of offering sheet and terminating proceeding	4	5	1
Orders permanently suspending the effectiveness of filing of offering sheet	1		
Notice of opportunity for hearing (under Rule 340(b))	6		
Notice and order for hearing (pursuant to Rule 340(b))	1		
Orders fixing effective date of amendment (no proceeding pending)	153	138	158
Orders consenting to withdrawal of offering sheet (no proceeding pending)	12	11	7
Total number of orders	215	197	188

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 notifica-

tion 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 the 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.

During the 1963 fiscal year, one notification was filed under Regulation E, covering a proposed offering of $264,000, and became effective.

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 1963 fiscal year, 35 notifications were filed under Regulation F, covering assessments of $937,425. 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 1963. No hearing was requested and none was ordered by the Commission, with the result that the suspension order became permanent on the 30th day after its entry.

PART V

ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934

The Securities Exchange Act of 1934 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 national securities associations and 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. The purpose of these statutory requirements is to ensure the maintenance of fair and honest markets in securities transactions on the organized exchanges and in the over-the-counter markets.

REGULATION OF EXCHANGES AND EXCHANGE TRADING

Registration and Exemption of Exchanges

As of June 30, 1963, 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-Washington Stock Exchange
Pittsburgh Stock Exchange
Salt Lake Stock Exchange
San Francisco Mining Exchange
Spokane Stock Exchange

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 any member, member firm, or person connected therewith, for violation of any rule of the exchange, of the Securities Exchange Act, or of any rule or regulation thereunder. During the year 9 exchanges reported 75 cases of such disciplinary actions, including imposition of fines ranging from $50 to $5,000 in 34 cases, with total fines aggregating $58,350; the suspension from membership of 4 member firms and 15 individuals, 2 of whom also had their specialist registration revoked; the expulsion of 3 individual members and 1 allied member; the revocation of the registration of 1 member as an odd-lot and round-lot dealer; and the censure of a number of individuals and firms. Various other sanctions were imposed against registered representatives and other employees of member firms.

REGISTRATION OF SECURITIES ON EXCHANGES

Unless a security is registered under the Exchange Act or is exempt from such registration it is unlawful for a member of a national securities exchange or a broker or dealer to effect any transaction in the security on an exchange. 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.

Pursuant to Section 12 of the Exchange Act, 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. Information must be furnished regarding the issuer's business and capital structure, the terms of its securities, the persons who manage or control its affairs, the remuneration paid to its officers and directors, and the allotment of options, bonuses and profit-sharing plans, and financial statements certified by independent accountants must be filed as part of the application.

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, semi-annual 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 applications filed on Form 10. Semi-annual 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, 1963, a total of 2,417 issuers had 4,048 classes of securities listed and registered on national securities exchanges, of which 2,835 were classified as stocks and 1,213 as bonds. Of these totals, 1,359 issuers had 1,578 stock issues and 1,135 bond issues listed and registered on the New York Stock Exchange. Thus, 56 percent of the issuers, 56 percent of the stock issues and 94 percent of the bond issues were on the New York Stock Exchange.

During the 1963 fiscal year, a total of 195 applications for registration of classes of securities on exchanges was filed. Securities were listed and registered for the first time by 115 issuers; the registration of all securities of 103 issuers was terminated.

The following table shows the number of reports filed during the fiscal year pursuant to Section 13 of the Exchange Act and those filed under Section 15(d) of the Act by issuers obligated to file reports by reason of having publicly offered securities effectively registered under the Securities Act of 1933. As of June 30, 1963, there were 2,827 such issuers, including 297 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, 1963

Type of reports	Number of reports filed by			Total reports filed
	Listed issuers filing reports under Section 13	Over-the-counter issuers filing reports under Section 15(d)	Issuers filing reports under Section 30 of Investment Company Act	
Annual reports on Forms 10-K, N-30A-1, etc.	2,204	2,170	530	4,904
Semiannual reports on Form 9-K	1,689	1,719	----	3,608
Current reports on Form 8-K	3,904	2,840	----	6,744
Quarterly reports on Form 7-K	71	191	----	262
Quarterly reports on Form N-30B-1	----	----	300	300
Reports to stockholders (Section 30(d))	----	----	1,568	1,568
Total reports filed	8,068	6,920	2,398	17,386

MARKET VALUE OF SECURITIES TRADED ON EXCHANGES

The market value on December 31, 1962, of all stocks and bonds admitted to trading on one or more stock exchanges in the United States was approximately $486,633,613,000.

	Number of issues	Market value Dec. 31, 1962
Stocks:		
New York Stock Exchange	1,559	$345,846,116,000
American Stock Exchange	1,018	24,365,144,000
Exclusively on other exchanges	470	4,015,773,000
Total stocks	3,047	374,227,033,000
Bonds:		
New York Stock Exchange [a]	1,202	$111,093,563,000
American Stock Exchange	84	1,169,762,000
Exclusively on other exchanges	26	143,255,000
Total bonds	1,312	112,406,580,000
Total stocks and bonds	4,359	486,633,613,000

[a] Bonds included 48 U.S. Government and New York State and City issues with $78,932,285,000 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, which are based on Commission compilations, represent 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 exclude those suspended from trading and a few others for which quotations were not available. The number and market values as of December 31, 1962, of preferred and common stocks separately were as follows:

	Preferred stocks		Common stocks	
	Number	Market value	Number	Market value
Listed on registered exchanges	568	$9,343,888,000	2,234	$351,093,190,000
All other stocks [a]	48	469,396,000	197	13,320,559,000
Total	616	9,813,284,000	2,431	364,413,749,000

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

The 3,047 stock issues included over 9.9 billion shares of which over 9.4 billion were included in the 2,802 issues listed on registered exchanges.

The New York Stock Exchange has reported aggregate market values of all stock 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	5.3	426.2
1962	345.8	24.4	4.0	374.2

[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
1963	414.0	1,700,456,000	54,369,863,000

The June 30 values were as reported by the New York Stock Exchange and as estimated for all other exchanges. Volumes included 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 changes are due to new listings, mergers into listed companies, removals from listing, and the like.

Foreign Stock on Exchanges

The market value on December 31, 1962, of all shares and certificates representing foreign stocks on the stock exchanges was reported at about $12.7 billion, of which $10.7 billion represented Canadian and $2.0 billion represented other foreign stocks. The market values of the entire Canadian stock issues were included in these aggregates. 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 values.

Foreign stocks on exchanges

December 31, 1962	Canadian		Other Foreign		Total	
	Issues	Value	Issues	Value	Issues	Value
Exchanges:						
New York	12	$4,210,072,000	13	$1,779,759,000	25	$5,989,831,000
American	91	6,453,681,000	36	207,139,000	127	6,660,820,000
Others only	1	539,000	2	10,650,000	3	11,189,000
Net total	104	10,664,292,000	51	1,997,548,000	155	12,661,840,000

The number of foreign stocks on the exchanges has declined somewhat in recent years, owing principally to a reduction on the American Stock Exchange from 152 in 1956, to 127 in 1962. Trading in foreign stocks has fallen from 42.4 percent of the reported share volume on this Exchange in 1956, to 18.1 percent in 1962.

Trading in foreign stocks on the New York Stock Exchange represented about 3.4 percent of the reported share volume thereon in 1956, and about 3 percent in 1962.

Reported volumes in foreign shares during 1962 consisted of about 43.5 million Canadian shares and 12.5 million other foreign shares on the American Stock Exchange and about 10 million Canadian shares and 19 million other foreign shares on the New York Stock Exchange. While the share volume on the American exceeded that on the New York Stock Exchange, it would appear that in view of higher average share prices, the latter Exchange had a greater dollar volume in foreign shares.

Comparative Exchange Statistics

The number of stocks on the New York and American Stock Exchanges has continued to increase, while 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
1963	1,579	1,025	476	3,080

Aggregate share values on the New York Stock Exchange have represented 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
1962	92.41	6.52	1.07

The ratio of share volume on the regional exchanges to the total on all exchanges has declined over the years. The regional exchange percentage of dollar volume has remained fairly constant. In the

following presentation, shares, warrants and rights are included. Annual data since 1935 are shown in appendix table 10.

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	68.48	22.27	9.25	83.81	9.35	6.84
1961	64.99	25.58	9.43	82.44	10.71	6.85
1962	71.32	20.12	8.56	86.32	6.81	6.87
1st 6 months 1963	73.55	18.30	8.15	86.45	6.04	7.51

Comparative Over-The-Counter Statistics

So far as can be ascertained from the standard securities manuals and from reports to the Commission, there were, as of December 31, 1962, about 4,458 stocks with 300 holders or more, of about 4,136 domestic companies, which were quoted only in the over-the-counter market. These stocks had an aggregate market value of about $90.1 billion, including $23.4 billion for bank stocks, $21.0 billion for insurance stocks, and $45.7 billion for industrial, utility, and other miscellaneous stocks. Registered investment companies are not included in this compilation.

Ownership of over-the-counter stocks tends to be more concentrated in officers, directors, and other controlling persons than in the case of listed securities, and in some instances the concentration is heavy.

Over-the-counter stocks referred to in the text, as of Dec. 31, 1962

	Stocks	Issuers	Market values
Reporting pursuant to Section 15(d):			
Miscellaneous	1,900	1,698	$23,849,286,000
Insurance	130	125	5,820,400,000
Reporting for other reasons:*			
Miscellaneous	147	115	4,817,370,000
	2,177	1,938	34,487,056,000
Not reporting to the Commission:			
Miscellaneous	1,224	1,147	17,040,987,000
Insurance	212	208	15,195,900,000
Banks	845	843	23,359,300,000
	2,281	2,198	55,596,187,000
Total	4,458	4,136	90,083,243,000

* 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, 1962, at which time they constituted about 25 percent of the actively quoted stocks in the National Quotation Bureau services. These stocks may be presumed to have over 300 holders each. There is a further indeterminate number of stocks with over 300 holders, inactively quoted or not publicly quoted. So far as can be ascertained, these are for the most part stocks of small companies.

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 around January 15th annually.

Number of stocks and dealer listings around January 15th

	Stocks [a]	Dealer listings
1959	6,121	23,964
1960	6,551	25,960
1961	6,918	28,270
1962	8,127	35,050
1963	8,177	34,482

[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. 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 notwithstanding numerous reductions occasioned by listings on the exchanges or absorption into other companies by purchase of assets or mergers. The number of such issuers increased from 2,435 on December 31, 1961, to 2,647 on December 31, 1962. The 2,647 reporting issuers included 1,887 having $34.7 billion aggregate market value of stocks. The remaining 760 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 1962 but not offering their shares until 1963.

Issuers reporting under Section 15(d) as of December 31, 1962 [a]

	Stocks	Issuers	Market values
Over the counter:			
Miscellaneous	1,900	1,698	$23,349,286,000
Insurance	130	125	5,820,400,000
Foreign	37	34	1,854,100,000
	2,067	1,857	31,523,786,000
On stock exchanges: [b]			
Miscellaneous	27	25	671,200,000
Insurance	3	3	1,161,900,000
Foreign	2	2	1,297,600,000
	32	30	3,130,700,000
Total	2,099	1,887	34,654,486,000

[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 20 stocks aggregating $827,300,000 which were only over the counter, which amount has been included in the over-the-counter showing of market values above.

Foreign Stocks Traded Over the Counter

About 150 foreign stocks, or American shares representing foreign stocks, were so actively quoted in the American over-the-counter markets at the close of 1962, as to suggest the likelihood of active daily trading therein in the United States. In addition, there are many foreign stocks which are less actively quoted in the domestic over-the-counter markets.

DELISTING OF SECURITIES FROM EXCHANGES

Pursuant to Rule 12d2–2 (Rule 12d2–1(b) until amended February 15, 1963) under Section 12(d) of the Securities Exchange Act, an exchange may apply to the Commission to strike securities or an issuer may apply to withdraw its securities from exchange listing and registration. During the fiscal year ended June 30, 1963, the Commission granted applications to remove 68 stocks, representing 63 issuers, from listing and registration. Since 2 stocks were each delisted by two exchanges, there was a total of 70 removals. The removals were as follows:

Applications filed by:	*Stocks*
New York Stock Exchange	14
American Stock Exchange	23
Cincinnati Stock Exchange	3
Midwest Stock Exchange	4
Pacific Coast Stock Exchange	1
Philadelphia-Baltimore-Washington Stock Exchange	5
Pittsburgh Stock Exchange	1
Salt Lake Stock Exchange	15
San Francisco Mining Exchange	3
Issuer	1
Total	70

In accordance with the practice in recent years, practically all of the delisting applications were filed by exchanges. The single removal resulting from an issuer's application removed from the American Stock Exchange a Canadian stock whose principal exchange market was in Toronto.

The considerable number of delistings by the American Stock Exchange and the Salt Lake Stock Exchange was a result of the adoption by those exchanges, during the 1962 fiscal year, of new rules and criteria for retention of listed status thereon.[1]

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 1963 fiscal year.

Proceedings pending at the beginning of the fiscal year	2	
Proceedings initiated during the fiscal year	1	
		3
Proceedings terminated during the fiscal year:		
By order withdrawing security from registration		1
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 10 days if, in its opinion, such action is necessary or appropriate for the protection of investors and the public interest so requires. During the 1963 fiscal year the Commission used this authority in three instances. One of these suspensions remained in effect at the end of the fiscal year.

UNLISTED TRADING PRIVILEGES ON EXCHANGES

Stocks with unlisted trading privileges on exchanges which are not also listed and registered on other exchanges continued to decline in number, from 187 on June 30, 1962, to 168 on June 30, 1963. The American Stock Exchange accounted for 17 of the 19 removals. The Pacific Coast Stock Exchange accounted for the balance of the removals, leaving only 2 stocks thereon in the strictly unlisted category.

[1] See 28th Annual Report, p. 50.

The distribution of unlisted stocks and share volumes therein among the exchanges is shown in Appendix Table 8 of this annual report.

The reported volume of trading on the exchanges in stocks with only unlisted trading privileges for the calendar year 1962, was about 28,135,000 shares or about 1.7 percent of the total share volume on all the exchanges. About 90.5 percent of this volume was on the American Stock Exchange, 8.2 percent was on the Pacific Coast Stock Exchange, and 3 other exchanges contributed the remaining 1.3 percent. The share volume in these stocks represented about 7.6 percent of the total share volume on the American Stock Exchange and about 4.6 percent of that on the Pacific Coast Stock Exchange.

Unlisted trading privileges on some exchanges in stocks listed and registered on other exchanges numbered 1,570 on June 30, 1963. The volume of unlisted trading in these stocks, for the calendar year 1962, was reported at about 49,252,000 shares. About 14.4 percent of this volume was on the American Stock Exchange in stocks listed on regional exchanges, and about 85.6 percent was on regional exchanges in stocks listed on the New York or American Stock Exchanges. While the 49,252,000 shares amounted to less than 3 percent of the total share volume on all the exchanges, they constituted substantial portions of the share volumes on the leading regional exchanges, reaching about 79 percent on Boston, 69 percent on Philadelphia-Baltimore-Washington, 68 percent on Cincinnati, 59 percent on Detroit, 55 percent on Pittsburgh, 30 percent on Midwest, and 22 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 Securities Exchange Act, were granted by the Commission during the fiscal year ended June 30, 1963, as follows:

Stock exchange:	*Number of stocks*
Boston	5
Cincinnati	1
Detroit	23
Pacific Coast	5
Philadelphia-Baltimore-Washington	15
Pittsburgh	1
	50

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, the leading exchanges adopted Special Offering Plans 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 2 in 1961, aggregating $1,503,750, and 2 in 1962, aggregating $587,650.

The largest number of Exchange Distributions was 57 in 1954, compared with 41 in 1962. However, the $65,459,197 total in 1962 was larger than in any previous year.

Secondary distributions, as reported since 1942, reached a peak of $926,514,294 during the calendar year 1961, and declined to $658,780,395 during 1962

Block Distributions Reported by Exchanges:

	Number	Shares in offer	Shares sold	Value
	12 months ended Dec. 31, 1962 [a]			
Special offerings	2	48,200	48,200	$587,650
Exchange distributions	41	2,530,851	2,345,076	65,459,197
Secondary distributions	59	11,981,319	12,143,656	658,780,395
	6 months ended June 30, 1963			
Special offerings				
Exchange distributions	39	1,491,798	1,402,363	55,456,679
Secondary distributions	52	9,174,840	9,529,060	396,651,376

[a] Details of these distributions appear in the Commission's monthly Statistical Bulletins. Data for prior years are shown in appendix table 11.

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 in which the price of such security is raised or depressed, or in which actual or apparent active trading is created 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 Markets 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 discover rapidly 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 subpoena witnesses and documents, 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 the activities are essentially local in character and state jurisdiction is not open to question, the information obtained may be referred to state agencies for injunctive action or criminal prosecution.

The following table shows the number of quizzes and investigations pending at the beginning of fiscal 1963, the number initiated in fiscal

1963, the number closed or completed during the same period, and the number pending at the end of the fiscal year:

Trading investigations

	Quizzes	Investigations
Pending June 30, 1962	78	12
Initiated	55	18
Total	133	30
Closed or completed during fiscal year	61	4
Changed to formal during fiscal year	18	
Total	79	4
Pending at end of fiscal year	54	26

When securities are to be offered to the public, their markets are watched very closely to make sure that the price is not unlawfully raised prior to or during the distribution. A total of 1,157 registered offerings, having a value of $14.8 billion, and 517 offerings exempt under Section 3(b) of the Securities Act, having a value of about $101 million, were so observed during the fiscal year. A total of 162 other offerings, such as secondary distributions and distributions of securities under special plans filed by the exchanges, having a total value of $374 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 1963 stabilizing was effected in connection with stock offerings totaling 24,435,202 shares having an aggregate public offering price of $680,107,579 and bond offerings having a total offering price of $216,689,800. In these offerings, stabilizing transactions resulted in the purchase of 476,799 shares of stock at a cost of $12,603,474 and bonds at a cost of $3,019,225. In connection with the stabilizing transactions, 4,337 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 filing 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.

All ownership reports are available for public inspection as soon as they are filed at the Commission's office in Washington and reports filed pursuant to Section 16(a) of the Securities Exchange Act may also be inspected at the exchanges where copies of such reports are filed. 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, 41,807 ownership reports were filed, a slight decrease from the record high of 42,983 reports filed during the 1962 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, in order that holders of such securities will be able to act intelligently on such matters. 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 limitations, 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. Certain additional provisions of the regulation are applicable where a contest for control of the management of an issuer is involved.

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 1963 fiscal year, 2,396 proxy statements in definitive form were filed under the Commission's Regulation 14 for the solicitation of

proxies of security holders; 2,375 of these were filed by management and 21 by nonmanagement groups or individual stockholders. These 2,396 solicitations related to 2,231 companies, some 165 of which had more than one solicitation during the year, generally for a special meeting not involving the election of directors.

There were 2,205 solicitations of proxies for the election of directors, 174 for special meetings not involving the election of directors, and 17 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 1963 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	116
Authorizations of new or additional securities, modifications of existing securities, and recapitalization plans (other than mergers, consolidations, etc.)	225
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)	49
Stock option plans (including amendments to existing plans)	183
Stockholder approval of the selection by management of independent auditors	908
Miscellaneous amendments to charter and by-laws, and miscellaneous other matters (excluding those involved in the preceding matters)	590

Stockholders' Proposals

During the 1963 fiscal year, 56 stockholders submitted a total of 229 proposals which were included in the 134 proxy statements of 134 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 by-laws 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 post-meeting 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 26 companies omitted from their proxy statements under the Commission's Rule 14a–8 a total of 61 additional proposals submitted by 45 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 pro-

posal even though it may have been omitted under more than one provision of Rule 14a–8) were as follows:

(a) 36 proposals were withdrawn by the stockholders;
(b) 8 proposals related to the ordinary conduct of the company's business;
(c) 7 proposals were not a proper subject matter under state law;
(d) 5 proposals were not timely submitted;
(e) 3 proposals concerned a personal grievance against the company;
(f) 1 proposal involved substantially the same matter as one previously submitted to security holders;
(g) 1 proposal and reason therefor was deemed misleading.

Ratio of Soliciting to Non-soliciting Companies

Of the 2,417 issuers that had securities listed and registered on national securities exchanges as of June 30, 1963, 2,254 had voting securities so listed and registered. Of these 2,254 issuers, 3 listed and registered voting securities for the first time after their annual stockholders' meeting in fiscal 1963; of the remaining 2,251 issuers with voting securities, 1,875 or 83 per cent solicited proxies for the election of directors under the Commission's proxy rules during the 1963 fiscal year.

Proxy Contests

During the 1963 fiscal year, 27 companies were involved in proxy contests for the election of directors. A total of 376 persons, both management and nonmanagement, filed detailed statements as participants under the requirements of Rule 14a–11. Proxy statements in 18 cases involved contests for control of the board of directors and those in 9 cases involved contests for representation on the board.

Management retained control of the board of directors in 10 of the 18 contests for control, 1 was settled by negotiation, nonmanagement persons won 4, and 3 were pending as of June 30, 1963. Of the 9 cases where representation on the board of directors was involved, management retained all places on the board in 6 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	21	
Investigations initiated during the fiscal year	19	
		40
Investigations closed during the fiscal year		13
Investigations pending at close of the fiscal year		27

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 1963.

Effective registrations at close of preceding fiscal year	5,868
Applications pending at close of preceding fiscal year	81
Applications filed during fiscal year	679
Total	6,628
Applications denied	12
Applications withdrawn	18
Applications cancelled	0
Registrations withdrawn	908
Registrations cancelled	90
Registrations revoked	74
Registrations suspended	4
Registrations effective at end of year	5,482
Applications pending at end of year	50
Total	6,638
Less: Suspended registrations, 9 revoked and 1 cancelled during year	[a] 10
Total	6,628

[a] 23 registrations were in suspension at close of the fiscal year.

ADMINISTRATIVE PROCEEDINGS

Under Section 15(b) of the Exchange Act, the Commission has the power to deny or revoke the registration of a broker-dealer. 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 that 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) willfully false or misleading statements in the application for registration or documents 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 Exchange Act 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 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 1963 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	50
Revoke registration and suspend or expel from NASD or exchanges	92
Deny registration	20
Total proceedings pending at start of fiscal year	162
Proceedings instituted during fiscal year to:	
Revoke registration	34
Revoke registration and suspend or expel from NASD or exchanges	58
Deny registration	5
Total proceedings instituted	97
Total proceedings current during fiscal year	259
Disposition of proceedings:	
Proceedings to revoke registration:	
Dismissed on withdrawal of registration	2
Registration revoked	36
Registration cancelled	2
Registration revoked and firm expelled from NASD	1
Proceedings terminated without prejudice to subsequent institution of new proceedings based on same or other charges	2
Total	43
Proceedings to revoke registration and suspend or expel from NASD or exchanges:	
Registration revoked	31
Registration revoked and firm expelled from NASD	7
Dismissed on withdrawal of registration	5
Registration cancelled	4
Suspended for a period of time from NASD	4
Proceedings terminated without prejudice to subsequent institution of new proceedings based on same or other charges	9
Proceedings dismissed and registration continued in effect	3
Total	63
Proceedings to deny registration:	
Registration denied	12
Dismissed on withdrawal of application	1
Proceedings dismissed and registration permitted to become effective	1
Total	14
Total proceedings disposed of	120

Proceedings pending at end of fiscal year to:	
Revoke registration	41
Revoke registration and suspend or expel from NASD or exchanges	87
Deny registration	11
Total proceedings pending at end of fiscal year	139
Total proceedings accounted for	259

Revocation or Denial of Registration

A summary of the cases in which the Commission revoked or denied broker-dealer registrations during the 1963 fiscal year appears at the end of this section. However, a few cases of unusual interest or significance are set forth in some detail in the following paragraphs:

Mac Robbins & Co., Inc.—On remand to this Commission from the Court of Appeals for the Second Circuit, the Commission reaffirmed its previous determination that two salesmen for the firm of Mac Robbins & Co., Inc., had engaged in fraudulent acts and practices and were each a cause of the revocation of the broker-dealer registration of the firm. The Commission found that these two salesmen were aware of and participated in that firm's "boiler-room" selling activities and had themselves made unwarranted representations to customers.[2]

The salesmen, Irwin Berko and Arnold Leonard Kahn, had been named as causes of the February 1961 revocation order against Mac Robbins & Co., Inc. along with seven other salesmen,[3] but neither the firm nor the other salesmen joined in the appeal. In remanding the case to the Commission, the Court asked the Commission to reexamine the participation by Berko and Kahn in the illegal operations of the firm, including the right of the salesmen to rely on information provided by their employer.

In its subsequent decision the Commission stated that "participation in a high-pressure sales effort involving the use of misleading sales materials, and the making of extravagant predictions and projections, without basis in factual information and without adequate disclosure of material adverse information, is inconsistent with the duty of brokers, dealers, and their salesmen to deal fairly with their customers" and a violation of the anti-fraud provisions of the Securities Acts.

On the right of salesmen to rely upon information furnished by their employer the Commission declared, "Whatever may be a salesman's obligation of inquiry, or his right to rely on information provided by his employer, where securities of an established issuer are

[2] Securities Exchange Act Release No. 6846 (July 11, 1962).
[3] 40 S.E.C. 497, 586.

being recommended to customers by a broker-dealer who is not engaged in misleading and deceptive high-pressure selling practices, that situation is not presented here. Certainly, there can be little, if any, justification for a claim of reliance on literature furnished by an employer who is engaged in a fraudulent sales campaign. In our view, a black letter rule providing exculpation of a salesman in such circumstances, because of reliance on his employer, would place a premium on indifference to responsibilities at the point most directly and intimately affecting the investor."

The Commission's position was then affirmed on a subsequent appeal to the Court of Appeals, whose decision, *sub nom. Berko* v. *Securities and Exchange Commission*, is discussed on page 116 *infra*.

A. J. Caradean & Co., Inc.—In this proceeding the Commission denied an application for broker-dealer registration by A. J. Caradean & Co., Inc. and named Jerome H. Truen and Jack Cohen, co-owners and principal officers of the applicant, as causes of the denial order.[4] The Commission found that Truen and Cohen, while employed as salesmen by N. Pinsker & Co., Inc., during 1957–59, had made false and misleading statements in the offer and sale of securities of Tyrex Drug & Chemical Corporation and Seaford-Mar Marina, Inc., in willful violation of the anti-fraud provisions of the Federal securities laws. Pinsker's registration had been revoked in 1960, for fraud in the sale of Tyrex stock.[5] "It seems clear," the Commission stated in summarizing its findings, "that both salesmen engaged in an intensive high-pressure telephone campaign to sell highly speculative and promotional securities to customers irrespective of their investment needs and objectives. Their sales techniques of highly colored representations and predictions of rapid and substantial market price rises without disclosure of adverse information and the lack of adequate information were calculated not to inform but to mislead. We do not believe that the investing public should be exposed to further risk of fraudulent conduct by individuals such as Truen and Cohen who have demonstrated their gross indifference to the basic duty of fair dealing required of securities salesmen."

Alexander Reid & Co., Inc.—In this proceeding, the Commission revoked the registration of the firm and named as causes Alexander Silberman, its president and sole stockholder, and the firm's salesmen, for the fraudulent offer and sale of the stock of Woodland Electronics Co., Inc.[6] The Commission found that representations made by the respondents regarding Woodland's contracts and production and anticipated appreciation in the price of its stock were false or

[4] Securities Exchange Act Release No. 6903 (October 1, 1962).
[5] 40 S.E.C. 285.
[6] Securities Exchange Act Release No. 7016 (February 7, 1963).

misleading. It stated that optimistic representations, even if couched in terms of opinion and expectation, were fraudulent when they lacked a reasonable basis. Respondents contended that the salesmen honestly and reasonably believed that a machine produced by Woodland would become a success, that the company had bright prospects and that the stock would rise in price. They argued that they had observed a demonstration of the machine, that the company had received many letters of interest, and that its balance sheet showed working capital of about $50,000. The Commission held, however, that these asserted facts could not afford a basis for predictions of specific and substantial price rises and offered no reasonable basis for enthusiastic predictions of business success.

Heft, Kahn & Infante, Inc.—This case, in which the Commission revoked the firm's registration for fraud in the sale of stock of United States Communications, Inc., presented the novel question of the responsibility of a research analyst who, pursuant to his employer's instruction, prepared fraudulent sales literature. The Commission found, among other things, that the analyst knew or had good reason to suspect that the key points conveyed by the "message" in the market letters prepared by him were completely unreliable. The Commission, in concluding that the analyst participated in and aided and abetted the firm's willful violations of the anti-fraud provisions of the Securities Acts, stated: "A member of the research staff of a broker-dealer may well be entitled to rely, so far as he personally is concerned, upon materials concerning a going business supplied by an issuer or by his employer absent facts and circumstances which would raise doubts in the mind of a careful and responsible analyst as to the reliability of the materials or the propriety of their use for a particular purpose. In the circumstances of this case, however, we think Binday's defense that he followed the instructions of his employer is unavailing. By proceeding with the preparation of the false and misleading market letter notwithstanding his knowledge of the absence of supporting facts and in light of the all-too-evident warnings of irregularities and the indicated irresponsibility and lack of diligence on the part of the principals of the registrant and USC [the issuer], he became an important part of an apparatus perpetrating a fraud. Under these facts, if a salesman had made these statements orally to his customer, we would have no hesitancy in finding him a cause of our order of revocation. In his fabulist role, Binday's activities were no less reprehensible and no less willful; indeed, the market letter was designed to reach a much wider audience than the oral statements of a salesman." [7]

[7] Securities Exchange Act Release No. 7020 (February 11, 1963).

The following summary, covering the cases in which broker-dealer registrations were revoked or denied other than those already discussed, reflects the principal basis or bases upon which such action was taken:

	Number of broker-dealers
False and misleading statements in offer or sale of securities	22
False and misleading statements, violations of net capital rule	10
False and misleading statements and/or other fraudulent activities, violations of securities registration provisions	12
False and misleading statements and/or other fraudulent activities, violations of securities registration provisions and net capital rule	4
Violations of net capital rule, injunctions, and in one case also a conviction	2
Failure to file required financial reports	20
Violations of credit extension regulations, and in most instances also of net capital rule	7
Violations of books and records requirements	3
False and misleading statements in registration application or financial statements filed therewith	4

Other Sanctions

During the fiscal year, the Commission suspended the following broker-dealers from membership in the National Association of Securities Dealers, Inc.: *Amos Treat & Co., Inc.*, for 12 months;[8] *D. F. Bernheimer & Co., Inc.*, for 6 months;[9] *C. A. Benson & Co., Inc.*, for 30 days;[10] and *Sutro Bros. & Co.*, for 15 days.[11]

In *Sutro Bros. & Co.*,[12] the Commission suspended the registrant from membership in the National Association of Securities Dealers, Inc., for 15 days, finding that registrant and its salesmen had "arranged" for the extension of credit in violation of Section 7(a) of Regulation T.[13] A number of registrants' customers and salesmen had financed securities transactions through First Discount Corp., a factoring firm which made credit available in amounts greater than those which registrant itself could have lawfully extended under the margin requirements of Regulation T. The illegal arrangements consisted of the conduct of salesmen who acted as intermediaries between customers and First Discount Corp., conveyed customers' communications to the factor or vice versa, and responded to requests or directives of the factor concerning customers' transactions.

The Commission said that through these activities of its salesmen, the broker had become "so involved in the extension or maintenance of credit for the customer by the lender as to be held to be arranging.

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[8] Securities Exchange Act Release No. 6971 (December 17, 1962).
[9] Securities Exchange Act Release No. 7000 (January 23, 1963).
[10] Securities Exchange Act Release No. 7044 (March 26, 1963).
[11] Securities Exchange Act Release No. 7053 (April 10, 1963).
[12] Securities Exchange Act Release No. 7052 (April 10, 1963).
[13] 12 CFR 220.7(a).

These are activities in relation to the credit absent which the credit would not be supplied by the factor. If the broker acts for the customer or the factor in these matters, he has involved himself in the financial arrangements which are entirely unrelated to his function of executing his customer's orders and following the customer's instructions as to delivery of securities and payment. If the credit provided the customer exceeds the amount which the broker could himself extend, we think the broker has violated Regulation T."

The Commission rejected the contention that the prohibitions of Regulation T did not apply to a salesman who arranged for the extension of credit through a factor for his own account or that of a member of his family. The Commission said that a salesman who effects transactions in his own account occupies a dual role of customer and representative of the broker-dealer and the credit restrictions of Regulation T apply to his activities in the latter capacity. "It is immaterial," the Commission stated, "that the salesman himself is the instrument through whom the broker-dealer arranges for the extension of credit."

While the Commission recognized that registrant had sought to discourage and to forbid factoring, the Commission concluded that registrant had not been diligent and alert enough in its supervision procedures under all the circumstances. The Commission emphasized the need for adequate supervision of branch offices in large organizations.

Suspension of Registration

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 four broker-dealers were suspended during the past fiscal year after hearings at which the evidence revealed that they were engaging in serious misconduct.[14] 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.

[14] *Lloyd, Miller and Company,* Securities Exchange Act Release No. 6883 (August 15, 1962); *Joe Bert Sissom,* doing business as *Sissom Investment Securities,* Securities Exchange Act Release No. 6892 (August 27, 1962); *Nance-Keith Corporation* (September 10, 1962); *Norman Joseph Adams,* doing business as *Adams & Company,* Securities Exchange Act Release No. 7072 (April 30, 1963).

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 33 injunctive actions and in 25 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.

As a result of recommendations of the Special Study of Securities Markets, the Commission presently has under consideration a proposed rule which would establish minimum net capital requirements for broker-dealers.

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 effective 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 5,197 reports of financial condition were filed with the Commission compared to the 1962 total of 5,228.

As of February 14, 1963, the last date for broker-dealers to file their 1962 annual financial reports, if prepared as of December 31, 1962, a large number were delinquent in their filings. An effort has been made to obtain the termination of the registrations of those broker-dealers through revocation, withdrawal or cancellation. A continuing effort will be made to secure the filing of financial reports of all registered broker-dealers in compliance with the Commission's requirements.

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

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number of such inspections totaled 1,534. 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	328
Hypothecation rules	39
Unreasonable prices in securities purchases and sales	187
Regulation T of the Federal Reserve Board	147
"Secret profit"	5
Confirmation and bookkeeping rules	847
Other	384
Total indicated violations	1,937

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. Inspections by the Commission are primarily concerned with the detection

of violations of the Federal securities laws and the Commission's regulations. The inspection programs of the self-regulatory agencies and of the states 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. 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-Washington Stock Exchange, the Pittsburgh Stock Exchange, and the National Association of Securities Dealers, Inc. It is hoped that even closer coordination may become possible in the future as recommended by the Special Study of Securities Markets. This program, however, does not preclude the Commission from inspecting any broker-dealer that has also been inspected by another agency, and such inspections are made whenever reason therefor exists.

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

The Securities Exchange Act of 1934, in Section 15A (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 manipulative 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 the rules of associations. 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 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.

During the year NASD membership decreased by 261 to stand at 4,664 as of June 30, 1963. This net decrease was the result of 454 admissions to and 715 terminations of membership. In the same period the registered representative population, which generally includes all partners, officers, traders, salesmen and other persons employed by or affiliated with member firms in capacities which involve their doing business directly with the public, declined by 15,030 to 87,375. This decline was the result of 38,292 terminations of registrations, as against 9,325 initial registrations and 13,937 reregistrations.

NASD Disciplinary Actions

The Commission receives from the NASD summaries of decisions in all disciplinary actions against members. A complaint instituting disciplinary action must be based on allegations that a member had violated specified provisions of the 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 representative, 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 from membership or suspension or revocation as a registered representative. A person found to be a cause of suspension or expulsion from membership can be employed by a member, while such suspension or expulsion is in effect, only with 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 of the violation underlying the decision. In many cases more than a single penalty may be imposed so that expulsion, suspension or revocation may be accompanied by a fine and/or censure. In cases where the penalty is a fine, censure is customarily added.

During the year the Association reported to the Commission its final disposition in 536 disciplinary complaint actions against 503

different member firms and 332 registered representatives.[15] With respect to 88 members and 57 representatives, complaints were either withdrawn prior to determination or were dismissed on findings that allegations of violations had not been sustained. In the remaining cases violations were found and some penalties were imposed on 448 members and 275 registered representatives, or other individuals who should have been but were not registered as representatives.

The maximum penalty of expulsion from membership was applied against 65 different members (1 member having been expelled in each of two separate decisions) and 16 members were suspended from membership for periods ranging from 5 days to 2 years. In many of these expulsion or suspension cases, fines were also imposed. In one case the penalty included suspension from membership for 5 days, a fine of $25,000 and an assessment of $20,000 to cover costs. In 310 cases, the major penalty imposed was fines, ranging from $50 to $8,000. In 55 other cases the only sanction imposed was censure, although censure was usually a secondary penalty imposed where expulsion, suspension or fines were the major penalties imposed.

Registered representatives found in violation of rules were similarly subjected to various penalties. The registrations of 93 representatives were revoked and 30 had their registrations suspended for periods ranging from 15 days to 2 years. Twenty-two individuals, some of whom should have been but were not registered as representatives, were found to have been causes of expulsions or suspensions of their firms. Fines were imposed on 66 representatives in amounts ranging from $50 to $5,000. Censure was the only penalty imposed on 65 representatives found to have acted improperly.

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

[15] Some members were involved in more than one such case; 17 were involved in 2 cases; 4 were involved in 3; one was involved in 4; and one was involved in 6 cases. Some decisions covered more than one complaint.

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 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 evidence. At the beginning of the fiscal year one such petition was pending before the Commission. During the year two petitions were filed; decisions were issued in three cases; and no petitions were pending at the year end.

The Commission found it appropriate in the public interest to approve petitions filed by the Association for Commission approval of the continuance in Association membership of two firms notwithstanding their employment of disqualified persons.[16]

However, the Commission denied an application by *Bruce William Grocoff*, doing business as *Lloyd Securities*, for an order directing the Association to continue him as a member while employing Robert Grocoff, his father, as a controlled person.[17] The latter had been president and sole stockholder of R. G. Worth & Co., Inc., whose broker-dealer registration was revoked in 1960, for willful violations of the Commission's net capital and record-keeping rules and the credit requirements of Regulation T. Robert Grocoff was found a cause of that order. The violations had extended over a 3-year period and continued even after assurances of compliance and after an injunction had been obtained against them. The NASD had denied applicant's request that it seek Commission approval of his continued membership with his father as a controlled person. At the hearing before the NASD Board of Governors it was stated that applicant's securities business was to be taken over by Lloyd Securities, Inc., whose principal officers and sole stockholders were applicant and Robert Worth, and that applicant and Worth would manage and supervise the operations of the corporation, while Grocoff, Sr. would be employed as a salesman and an advisor with

[16] Securities Exchange Act Releases Nos. 6969 (December 13, 1962) and 7059 (April 16, 1963).

[17] Securities Exchange Act Release No. 6842 (July 10, 1962).

respect to investment situations. Both applicant and Worth had worked for a time for Worth & Co., under the supervision of Grocoff Sr. The NASD concluded, and the Commission agreed, that in the light of the more limited experience of applicant and Worth, and in view of their personal and prior business relationships with Grocoff Sr., it was difficult to believe that the proposed arrangement of control and supervision would be adequate under the circumstances.

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 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 the acts or practices, or has omitted the acts, found by the NASD and that such acts, practices, or omissions 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 cancel or reduce the penalties. At the beginning of the fiscal year 15 review cases were pending before the Commission; during the year 19 additional petitions for review were filed, decisions were issued in 9 cases, 2 petitions were withdrawn prior to determination, and 23 petitions were pending at the year end. Among the significant cases decided by the Commission during the year are the following:

The Commission sustained findings by the NASD that *Palombi Securities Co., Inc.*, *Edward Palombi*, president and registered representative and *Harry Barath*, *James DePasquale* and *Marvin Jay Polsky*, registered representatives, had violated certain of the NASD Rules of Fair Practice and that the violations constituted conduct inconsistent with just and equitable principles of trade. It also sustained the penalties imposed by the NASD, which had expelled the firm from membership, found Palombi a cause of the expulsion and revoked the registrations of the individuals as registered representatives.[18]

The NASD had found, among other violations, that there was such a high ratio of cancellations of retail sales by the firm in the course

[18] Securities Exchange Act Release No. 6961 (November 30, 1962).

of a Regulation A offering as to indicate that the respondents had engaged in a conspiracy to and did increase sales by sending confirmations to persons who were solicited over the telephone to purchase stock but who did not, in fact, agree to make the purchase. The Commission held that the evidence supported the NASD finding. Among other things, it considered "the high-pressure selling methods, characteristic of a boiler-room operation" which were used by the salesmen and which "are often accompanied by the use of false confirmations to generate sales." The Commission also held that in determining whether the rate of customer cancellations was beyond normal expectations, the members of the NASD District Committee properly utilized their experience in the securities industry.

The Commission sustained the NASD's action in expelling from Association membership *Vickers, Christy and Co., Inc.* and revoking the registrations of *Sydney G. Vickers, Jr.* and *William J. Christy* as registered representatives. This was the first case presented to the Commission involving the responsibilities of NASD members in hiring registered representatives. The Commission (in an opinion by Chairman Cary) concluded that under the circumstances, the penalty of expulsion was not excessive, and observed: "Both the NASD and we have been concerned with raising the standards of character, competence and training of securities salesmen. . ... The salesman often represents the major point of contact between the securities business and the general public—a minimum level here can produce maximum damage everywhere."

Under the NASD's rules, any member which employs any person who is required to be registered with the NASD, must have reason to believe upon the exercise of reasonable care, and must certify to the NASD, that such person "is of good character and of good business repute" and is or will be qualified by training or experience to perform the functions assigned to him. This determination is the "complete" responsibility of the member, and "improper or unwarranted certification . . . shall be deemed to be conduct contrary to high standards of commercial honor."

The NASD found that appellants had certified to the "good character and good business repute" of four salesmen "without having exercised reasonable care" in investigating their background. The investigation consisted of casual interviews and a telephone call to Biltmore Securities Corp., a former employer of three of the salesmen. That firm was a respondent in both injunctive and administrative Commission actions. One of these salesmen had himself been the subject of injunction proceedings based on violations of the registration and anti-fraud provisions of the Federal securities acts.

Moreover, the four salesmen had previously been associated with one or more of a number of other firms against which various adverse actions had been taken. The "superficial" nature of the firm's inquiry, the Commission stated, was highlighted by its "asserted ignorance of Biltmore's difficulties and the prior employment records of the salesmen. We must doubt the depth of their interviews and investigations when they failed completely to learn of the formidable record of the salesmen's dubious connections."

The Commission also rejected, as immaterial, the contention that the NASD had not found that the salesmen in fact were not of good character and business reputation, pointing out that "the dereliction charged concerns appellants' duty to make a reasonable inquiry and to certify a reasonable belief based on information." The appellants indicated that they would not have engaged the salesmen had they known of their past connections. "Here is the crux of the case against them" the Commission stated; "they did not know and made no reasonable effort to find out." [19]

The Commission also sustained findings by the NASD that *Valley Forge Securities Company, Inc.*, and *J. William Landenberger, III* and *Claude F. McDaniel*, its principal officers and stockholders, violated the Commission's net capital rule, the credit restrictions of Regulation T and the NASD's interpretation of its Rules of Fair Practice with respect to advertising and sales literature. The NASD had expelled the firm from membership and revoked the registrations as representatives of Landenberger, McDaniel and another officer who did not seek review of the NASD action.

According to the Commission's decision the firm distributed a "Financial Bulletin" designated as "A SPECIAL MEMORANDUM REGARDING *NEW ISSUES*." This brochure, headed by the words "FROM $2.50 to $76.00 PER SHARE IN SIX MONTHS," included a list of securities that had been the subject of initial offerings which the firm was said to have either participated in or recommended to its clients and which were stated to have increased in price from 33 percent to 2,900 percent in very short periods of time. The brochure offered to place the names of interested clients on a "*NEW ISSUE LIST*," which would purportedly entitle them to preferential treatment in the disposition of new issues. The NASD found that while many of the statements were superficially true, "the general connotation of such a presentation is, in our judgment, neither wholly true, nor in the best interest of the industry." The Commission observed that while the NASD did not in so many words find the use of the

[19] Securities Exchange Act Release No. 6872 (August 8, 1962).

bulletin to be a violation of the anti-fraud provisions of the Securities Acts, the NASD did conclude that the bulletin contained statements whose implications might mislead and that it did not provide a fair basis for evaluating the facts presented. It also noted that the NASD's action was based on its published interpretation of its Rules of Fair Practice that exaggerated or sensational statements or claims, the implications of which may mislead, are prohibited.

The Commission emphasized that both it and the NASD are "concerned with raising the standards of the industry. The phenomenon of the 'hot issue' offers the less scrupulous broker-dealer a myriad of opportunities to trade on the public greed and gullibility characteristic of such a 'hot market.' The public is done disservice by the distribution of sales literature which attempts to sell new issues on the basis of a 'hot' market rather than on the merits of individual securities. This is particularly so where there is no explanation of or reference to the inherent risk in investing in new and untried enterprises. The technique used by applicants in calling attention only to past recommendations which were or would have been profitable is inherently misleading and deceptive because by its very nature it emphasizes the favorable facts, ignores any which are unfavorable, and fails to caution that investment in subsequent new issues cannot always be expected to show results comparable to the selected instances listed. Furthermore, its appeal is bottomed on what has been colloquially referred to as the 'bigger fool' theory. This is simply the assurance that regardless of whether the price paid for a security is fair and/or reflective of the intrinsic value of the security or even reflective of a rational public evaluation of the security, the security is still a good buy because a 'bigger fool' will always come along to take it off the customer's hands at a higher price. To imply that this theory will be perpetually applicable is an intolerable business practice which is the antithesis of any acceptable standards of commercial honor."

The Commission noted that applicants did not dispute their failure to comply with the net capital rule and Regulation T and sustained the NASD rejection of their contentions that these violations were inadvertent and a result of a lack of experienced employees and the inability of their accountants to prepare and submit monthly statements on time.[20]

[20] Securities Exchange Act Release No. 7055 (April 12, 1963).

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 last area of regulation come before the Commission and its staff frequently. 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 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 24 holding companies registered under the Act. Of these, 18 are included in the 16 remaining holding-company systems which are herein classified as "active registered holding-company systems," 2 of the 18 being subholding companies in these active systems.[1] The remaining 6 registered holding companies are of relatively small size and are excluded from the active holding-company systems.[2] In the 16 active systems there are 85 electric and/or gas utility subsidiaries, 40 nonutility subsidiaries, and 13 inactive companies. These, together with the 18 parent holding companies, totaled 156 system companies. The following table shows the number of holding companies, the number of susidiaries, classified as utility, nonutility, and inactive, in each of the active systems as of June 30, 1963, and their aggregate assets, less valuation reserves, as of December 31, 1962, which amounted to $12,458,709,000:

[1] These are The Potomac Edison Co., a subsidiary of Allegheny Power System, Inc., and Southwestern Electric Power Co., a subsidiary of Central and South West Corp.

[2] These holding companies are British American Utilities Corp.; Colonial Utilities Corp.; High Plains Gas Co.; Kinzua Oil & Gas Corp. and its subholding company, Northwestern Pennsylvania Gas Corp.; and Standard Gas & Electric Co.

Classification of companies as of June 30, 1963

System	Solely registered holding companies	Registered holding-operating companies	Electric and/or gas utility subsidiaries	Non-utility subsidiaries	Inactive companies	Total companies	Aggregate system assets, less valuation reserves at Dec. 31, 1962 [1] (thousands)
1. Allegheny Power System, Inc.	1	1	13	5	2	22	$640,873
2. American Electric Power Co., Inc.	1	0	12	8	2	23	1,654,766
3. American Natural Gas Co.	1	0	2	4	0	7	939,135
4. Central and South West Corp.	1	1	4	1	1	8	781,955
5. Columbia Gas System, Inc., The	1	0	11	8	2	22	1,393,333
6. Consolidated Natural Gas Co.	1	0	4	3	0	8	876,745
7. Delaware Power & Light Co.	0	1	2	0	0	3	214,716
8. Eastern Utilities Associates	1	0	5	0	2	8	114,867
9. General Public Utilities Corp.	1	0	6	3	0	10	1,077,565
10. Middle South Utilities, Inc.	1	0	5	1	3	10	859,248
11. National Fuel Gas Co.	1	0	4	5	0	10	244,701
12. New England Electric System	1	0	13	1	0	15	703,474
13. Ohio Edison Co.	0	1	3	0	0	4	726,970
14. Philadelphia Electric Power Co.	0	1	1	0	1	3	43,450
15. Southern Co., The	1	0	5	2	0	8	1,577,951
16. Utah Power & Light Co.	0	1	1	0	0	2	296,433
Subtotals	12	6	91	41	13	163	12,146,182
Less: Adjustment to eliminate duplication in count resulting from 3 companies being subsidiaries in 2 systems and 2 companies being subsidiaries in 3 systems [2]	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							312,527
Total companies and assets in active systems	12	6	85	40	13	156	12,458,709

[1] Represents the consolidated assets, less valuation reserves, of each system as reported to the Commission on Form U5S for the year 1962.

[2] These 5 companies are Beechbottom 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.

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

Section 11 Matters

At the close of the fiscal year, there was pending before the Commission Step 2 of a Section 11(e) plan filed by Eastern Utilities Associates, proposing the sale of all the outstanding common stock of Valley Gas Co. to the public common stockholders of Blackstone Valley Gas and Electric Co. and to the shareholders of Eastern Utilities Associates. This will constitute the final step to be taken for divestment of the System's gas utility properties. 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.[3] There-

[3] 38 S.E.C. 193.

after, further hearings were held to consider the retainability of the System's gas properties; briefs were filed by New England Electric System and by the Commission's Division of Corporate Regulation; and oral argument was heard by the Commission. At the close of the fiscal year the matter was under advisement.

A current problem under Section 11(b)(1) in the Middle South Utilities system concerns the question whether New Orleans Public Service Inc. may retain its gas and transportation properties together with its electric properties. On January 10, 1963, a bill was introduced in the Congress (H.R. 742, 88th Cong., 1st Sess.) providing generally that New Orleans Public Service Inc. shall not be required to dispose of its gas or transportation properties pursuant to any provision of the Public Utility Holding Company Act of 1935. The bill was referred to the Committee on Interstate and Foreign Commerce which, at the close of the fiscal year, had taken no action thereon. Two similar bills had previously been introduced in the 87th Congress, 2d Session (H.R. 10872 and H.R. 10898). No proceedings have been instituted by the Commission regarding this problem.[4]

The Commission has held, with court approval, that the existence of public minority interests in the common stock of subsidiaries of integrated registered public-utility holding-company systems constitutes an inequitable distribution of voting power under Section 11(b)(2). Such minority interests have heretofore been eliminated in most of the holding-company systems through appropriate proceedings under the Act, but the problem still exists in several others. During fiscal 1963, informal conferences were held between the staff and representatives of Allegheny Power System, a registered holding company, looking to the elimination of a 4.8 percent public minority interest in the common stock of one of Allegheny's subsidiary companies, West Penn Power Company. Shortly after the close of the fiscal year, Allegheny filed a plan pursuant to Section 11(e) of the Act, proposing that each share of West Penn's publicly-held common stock be surrendered in exchange for 1.7 shares of Allegheny's common stock.

Other holding-company systems in which a minority interest problem exists, and as to which no proceedings have been proposed by the systems or instituted by the Commission, are Columbia Gas System, Eastern Utilities Associates and New England Electric System. In respect of the latter system, the minority interests are confined to several of the gas utility subsidiaries the retainability of which, as noted above, is under advisement by the Commission.

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[4] 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 and 108 of the 27th Annual Report.

Other Developments

On January 28, 1963, an application-declaration was filed with the Commission relating to the proposed construction of a nuclear-powered electric generating plant by Connecticut Yankee Atomic Power Company, all of whose outstanding capital stock would be owned in various proportions by a group of 12 New England utility companies, including subsidiaries of certain registered holding companies.[5] The proposal involves the initial issuance of $5 million par value of Connecticut Yankee's common stock to finance part of a total estimated construction cost of about $85 million; the necessary approvals under Section 10 of the Act for the acquisition of their proportionate shares of such stock by 8 of the 12 sponsor companies; the requests of 2 of the sponsor companies, each of which proposes to acquire more than 10 percent of Connecticut Yankee's stock, for exemptions as holding companies under Section 3(a); and Connecticut Yankee's request for permission to conduct private negotiations to determine the type, amount and method of its permanent financing program. Halsey, Stuart & Co., Inc., an investment banking firm, appeared as a participant in the proceeding in opposition to the company's request to conduct such private negotiations. After the close of the fiscal year, the Commission issued an order granting and permitting the application-declaration to become effective, but denying the company's request to conduct private negotiations relating to the future sale of its senior securities.[6]

The Commission's Rule 45(b)(6) promulgated under the Act provides that the consolidated Federal income tax liabilities of registered holding companies and their subsidiaries may be allocated among the members of the consolidated group without prior approval by the Commission—provided, among other things, that such allocation is made in accordance with the method prescribed by Section 1552 (a)(1) of the Internal Revenue Code of 1954. This method (frequently referred to as the source-of-income method) requires that the consolidated tax liability be apportioned among the members of the group in accordance with the relative amount of the consolidated taxable income which is attributable to each member of the group having taxable income. Under the Revenue Act of 1962, taxpayers installing qualified property after December 31, 1961, were permitted, as an "investment credit," to deduct from their Federal income taxes otherwise payable an amount equal to a percentage

[5] This is the second proposal to come before the Commission under the Act, relating to a jointly sponsored atomic energy electric generating plant. See 22nd Annual Report, pages 162–164, relating to Yankee Atomic Electric Power Company. All but one of the sponsor companies of Connecticut Yankee are also the sponsor companies of Yankee Atomic.

[6] Holding Company Act Release No. 14947 (September 26, 1963).

(generally 3 percent in the case of public-utility companies) of the cost of such qualified property. Since the investment credit taken in a consolidated tax return reduces the group's consolidated tax liability as determined on the basis of consolidated taxable income, adherence to the Commission's Rule 45(b)(6) in such circumstances would require, in effect, that the net consolidated tax liability (i.e., the consolidated tax liability as reduced by the investment credit) be apportioned among the several members of the group under the source-of-income method. This could result in certain inequities, inasmuch as a member which generates a relatively small portion of the group's total investment credit could have allocated to it a disproportionately large amount of such credit; conversely, it could penalize a member which generates a relatively large amount of the group's total investment credit.

To resolve the problem in a manner which would accord uniform treatment to all registered holding-company groups filing consolidated tax returns, the Director of the Commission's Division of Corporate Regulation, on February 1, 1963, sent a letter to the chief executive of each of the registered holding companies advising him (1) that the consolidated tax liability after giving effect to the investment credit must be allocated in accordance with Rule 45(b)(6) unless an exception is granted by the Commission, and (2) that the Division saw no basis for denying requests for such an exception which would generally give the full benefit of its investment credit to each individual company within a consolidated group qualifying for the credit under the Revenue Act of 1962. By the end of fiscal 1963, 11 registered holding-company systems had applied for and received Commission approval for allocating the investment credit in accordance with the Division's letter of February 1, 1963; and after the close of the fiscal year an additional registered holding-company system applied for and received such approval.[7]

FINANCING OF REGISTERED PUBLIC-UTILITY HOLDING COMPANIES AND THEIR SUBSIDIARIES

During the fiscal year 1963, 12 registered holding-company systems issued and sold for cash 25 issues of long-term debt and capital stocks, aggregating $425.4 million, pursuant to authorizations granted by the Commission under Sections 6 and 7 of the Act.[8] All but one of the

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[7] Holding Company Act Release Nos. 14835 (March 26, 1963); 14850 (April 16, 1963); 14853 (April 17, 1963); 14860 (April 26, 1963); 14863 (May 1, 1963); 14877 (May 23, 1963); 14880 (May 28, 1963); 14888 (June 5, 1963); 14890 (June 7, 1963); 14895 (June 18, 1963); 14904 (June 28, 1963); 14950 (October 1, 1963).

[8] The active systems which did not sell stock or long-term debt securities to the public are: American Electric Power Co., Inc.; Delaware Power & Light Co.; Eastern Utilities Associates; National Fuel Gas Co.; and Philadelphia Electric Power Co.

security issues were sold by public distribution. Fifteen issues were sold for the purpose of raising additional capital. Of the remaining 10 issues, 9 were entirely or in part for the purpose of refunding $145.8 million principal amount of outstanding debt securities carrying a higher rate of interest, and 1 for the purpose of refunding $10 million par value of preferred stock carrying 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 fiscal 1963:

Securities issued and sold for cash to the public and financial institutions by registered holding companies and their subsidiaries, fiscal year 1963

[In millions]

Holding-company system	Bonds	Debentures	Preferred stock	Common stock
Allegheny Power System, Inc.: West Penn Power Co.	$14			
American Natural Gas Co.: Michigan Consolidated Gas Co.	30			
Central and South West Corp.:				
Southwestern Electric Power Co.	30			
Public Service Company of Oklahoma	10			
Colonial Utilities Corp.: Allied New Hampshire Gas Co.	0.4			
Columbia Gas System, Inc., The		[a] $75		
Consolidated Natural Gas Co.		35		
General Public Utilities Corp.:				
Jersey Central Power & Light Co.	11			
Metropolitan Edison Co.	15			
Middle South Utilities, Inc.: Arkansas Power & Light Co.	15			
New England Electric System:				$6
New England Power Co.	12		$10	
Massachusetts Electric Co.	60		7.5	
Ohio Edison Co.: Pennsylvania Power Co.	[b] 21			
Southern Co., The:				
Alabama Power Co.	16		5	
Georgia Power Co.	23		7	
Southern Electric Generating Co.	7.5			
Utah Power & Light Co.	15			
Total	279.9	110	29.5	6

[a] Three issues.
[b] Two issues.

The table does not include securities issued and sold by subsidiaries to their respective parent holding companies, the issuance of notes to banks, portfolio sales by system companies, or securities issued for assets or stock of other 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 did not exceed 5 percent of the total capitalization of the company. The issuance of the latter securities is exempt by the provisions of Section 6(b) of the Act.

Competitive Bidding

All but one of the issues shown in the preceding table were offered for competitive bidding pursuant to the requirements of Rule 50 promulgated under the Act.

During the period from May 7, 1941, the effective date of Rule 50, to June 30, 1963, a total of 863 issues of securities with aggregate sales value of $12,727 million were sold at competitive bidding under the rule. These totals compare with 231 isues of securities with an aggregate sales value of $2,371 million which have been sold pursuant to orders of the Commisison granting exceptions from the competitive bidding requirements of the rule under paragraph (a)(5) thereof.[9] Of the total amount of securities sold pursuant to orders granting exceptions under this paragraph, 126 issues, with a total sales value of $1,888 million, were sold by the issuer; and the balance of 105 issues, with a dollar 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.[10]

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.[11] 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.[12]

During the fiscal year, applications or declarations were filed by public-utility companies subject to the Act with respect to 18 first mortgage bond issues involving an aggregate principal amount of

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[9] 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.

[10] Ohio Valley Electric Corp., a $300 million issue; and United Gas Corp., a $116 million issue.

[11] Holding Company Act Release Nos. 13105 (February 16, 1956) and 13106 (February 16, 1956) as to first mortgage bonds and preferred stocks, respectively.

[12] The application of the statements of policy to filings through June 30, 1962, is discussed in the 23d, 24th, 25th, 26th, 27th, and 28th Annual Reports at pp. 141–143, 128–131, 137–141, 148–151, 123–126, and 89–93, respectively.

$354.9 million [18] and 4 preferred stock issues with a total par value of $29.5 million.

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 indentures covering the bond issues as filed or as a result of informal discussions between the Commission's staff and representatives of the issuers.

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 indenture 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 18 bond issues filed during the fiscal year, the indentures of 14 expressed the renewal and replacement provision as a percentage of depreciable property deemed adequate. The indentures covering 2 of the other 4 bond issues expressed the provision as a percentage of revenues, which afforded no less protection to the bondholders than would be afforded on an appropriate percent-of-property basis. As to the remaining 2 bond issues, no renewal and replacement provisions were deemed necessary since the indenture of 1 issue provided for a 100 percent amortization of the bonds through the cash sinking fund over the life of the issue, and the indenture of the other provided for a 70 percent amortization.

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[18] Includes 2 issues, with aggregate principal amount of $75 million, filed in fiscal 1963 but sold subsequently.

With respect to the four preferred stock issues aggregating $29.5 million, 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.

During the fiscal year, 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.[14] During fiscal year 1963, issuers subject to the Act took advantage of the refunding privilege to refund outstanding bond and preferred stock issues at substantial savings in interest and dividend costs under the prevailing favorable market conditions.

The following table shows the securities sold by registered holding companies and subsidiaries thereof during fiscal 1963, to refund outstanding issues:

Securities issued and sold by registered holding companies or subsidiaries to refund outstanding issues, fiscal year 1963

Company	Refunded issue			New issue		Annual interest or dividend savings to Co.—before deducting expenses other than redemption premiums	
	Principal amount or par value (in millions)	Coupon or dividend rate (percent)	Cost of money [a] (percent)	Coupon or dividend rate (percent)	Cost of money [b] (percent)	Rate (percent)	Dollar amount
Columbia Gas System, Inc., The	$17.0	5⅛	5.0571	4⅝	4.6230	0.4341	$73,797
Columbia Gas System, Inc., The	23.5	5⅜	5.0116	4⅜	4.4270	0.5846	137,381
Pennsylvania Power Co	8.0	5	4.6730	4⅜	4.3208	0.3522	28,176
West Penn Power Co	14.0	5⅛	4.7046	4⅜	4.2605	0.4441	62,174
Utah Power & Light Co	15.0	5¼	4.8135	4½	4.4590	0.3545	53,175
Southwestern Electric Power Co	16.0	5⅛	4.7677	4⅜	4.3610	0.4067	65,072
Michigan Consolidated Gas Co	27.5	6¼	5.6111	4½	4.3870	1.2241	336,627
Arkansas Power & Light Co	15.0	5⅜	5.1193	4⅜	4.3040	0.7553	113,295
Public Service Co. of Okla	9.8	5	4.7760	4⅛	4.2340	0.5420	53,116
New England Power Co	[c] 10.0	5.52	[d] 5.1234	4.56	[e] 4.5250	0.5984	59,840
Total	155.8						982,653

[a] Based on the redemption price and coupon rate, computed from date of redemption to date of maturity.
[b] Based on price to company and coupon rate, computed to date of maturity.
[c] Preferred stock.
[d] Ratio of dollar dividend rate to call price.
[e] Ratio of dollar dividend rate to price received by company.

In each instance shown in the table, the refunded issue had been outstanding for a period of 7 years or less, and each of the issuers effected substantial savings in cost of capital. Had the outstanding

[14] **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.**

issues been nonrefundable or restricted as to refundability, such savings could not have been effectuated.

Continuing studies made by the Commission's staff for fiscal year 1963 with respect to electric and gas utility bond issues sold at competitive bidding, whether or not subject to the Act, indicated 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. With respect to the ability of the winning bidder to market the bonds, the data for fiscal year 1963 are at some variance with the data for the previous fiscal year and for prior periods. The 28th Annual Report, at pages 91–93, contains 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, 1962, by companies subject to the Act as well as those not so subject. This study was extended to include fiscal year 1963.

During the period from May 14, 1957, to June 30, 1963, a total of 420 electric and gas utility bond issues, aggregating $9,255.4 million principal amount, was offered at competitive bidding. The refundable issues numbered 316 and accounted for a total of $5,931.0 million, while the nonrefundable issues—all being nonrefundable for a period of 5 years, except one which was nonrefundable for a period of 7 years—numbered 104 and totaled $3,324.4 million principal amount. The number of refundable issues thus represented 75.2 percent of the total number of issues, while, in terms of principal amount, the refundable issues acounted for 64.1 percent.[15]

The weighted average number of bids received on the refundable issues for the period was 4.64, while on the nonrefundable issues it was 4.19. The median number of bids was five on the refundable and four on the nonrefundable issues.[16] 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, 71.2 percent of the refundable issues were successful, while 67.3 percent of the nonrefundable ones were successful.[17] In terms of principal amount, 68.4 percent of the refundable issues were successful,

[15] During fiscal year 1963, a total of 59 bond issues was offered, aggregating $1,416.8 million principal amount, consisting of 43 refundable issues totaling $894.4 million and 16 nonrefundable issues totaling $522.4 million. The number of refundable issues represented 72.9 percent of all the issues, while, in terms of principal amount, the refundable issues accounted for 63.1 percent.

[16] During fiscal year 1963, the weighted average number of bids was 5.12 on the refundables and 4.13 on the nonrefundables, while the median number of bids was five on the refundables and four on the nonrefundables.

[17] During fiscal year 1963, 58.1 percent of the refundable issues were successful, as against 68.8 percent for the nonrefundables.

while 66.5 percent of the nonrefundable ones were successful.[18] 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 86.8 percent of the combined principal amount of all the refundable issues were so sold, as compared with 83.1 percent for the nonrefundable issues.[19] While the statistics for the total period from May 14, 1957, to June 30, 1963, 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, the Commission's staff will continue its studies of refundability provisions, particularly in light of the inconsistent marketing results in fiscal year 1963.

OTHER MATTERS

Request for Declaratory Order

On May 26, 1963, a hearing was held with respect to an application filed by Pacific Northwest Power Company pursuant to Section 5(d) of the Administrative Procedure Act for a declaratory order requesting a determination as to when, in the construction of a hydroelectric 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 Company, and Portland General Electric Company. The application was held in abeyance pending the outcome of proceedings before the Federal Power Commission, in which the granting of a license to Pacific Northwest was contested by certain public utility districts. During fiscal 1962, an examiner of the Federal Power Commission issued an opinion recommending the grant of a license to Pacific Northwest. The license proceeding before the Federal Power Commission was reopened at the request of the Secretary of the Interior and, at the end of fiscal 1963, the matter was under advisement by that Commission, and briefs were being prepared by the interested persons with respect to the proceeding before this Commission.

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[18] During fiscal year 1963, in terms of principal amount, 54.9 percent of the refundables were successful, as against 72.4 percent for the nonrefundables.

[19] During fiscal year 1963, the applicable percentages were 79.3 percent for the refundables and 89.9 percent for the nonrefundables.

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 such proceedings. The Commission participates in proceedings under Chapter X in order to provide independent, expert assistance to the courts, the participants, and investors in a highly complex area of corporate law and finance. It 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, Section 172 of Chapter X requires the judge, before approving any plan of reorganization, to 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 to require the adoption of a plan of reorganization.

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, 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 requests the Commission's participation.

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 fiscal year 1964. In fiscal 1963, the Commission entered its appearance in 32 new proceedings under Chapter X involving companies with aggregate stated assets of approximately $152,451,000 and aggregate indebtedness of approximately $142,965,000. They involved the rehabilitation of corporations engaged in the operation of varied businesses, including, among others, shell home construction, chain retail and discount stores, consumer finance, and real estate and mortgage investment.

During the year, the Commission participated in a total of 91 reorganization proceedings, including the new proceedings.[1] The stated assets of the companies in all these proceedings totaled approximately $743,311,000 and their indebtedness totaled approximately $692,199,000. The proceedings were scattered among district courts in 31 states and the District of Columbia, as follows: 14 proceedings in New York; 8 each in California and Florida; 7 in Illinois; 5 each in Kentucky and Colorado; 4 each in North Carolina and Oklahoma; 3 each in Maryland, Iowa, Pennsylvania, Texas and Michigan; 2 each in New Jersey and Montana; and 1 each in Connecticut, West Virginia, Tennessee, Utah, Washington, Indiana, Virginia, Kansas, Georgia, Mississippi, New Mexico, Arkansas, Ohio and the District of Columbia. Proceedings involving 13 principal debtor corporations were closed during the year. Thus, at the end of the year the Commission was participating in 78 reorganization proceedings.

PROCEDURAL AND ADMINISTRATIVE MATTERS

In Chapter X proceedings in which it participates, the Commission seeks application of the procedural or substantive safeguards to which all parties are entitled. The Commission also attempts in its interpretations of the statutory requirements to encourage uniformity in the

[1] Appendix table 12, *infra*, contains a complete list of pending reorganization proceedings in which the Commission was a party during the fiscal year ended June 30, 1963.

construction of Chapter X and the procedures thereunder.

In *Florida Southern Corporation*,[2] the second mortgagee appealed from an order of the district court approving the debtor's Chapter X petition for reorganization. On appeal the court of appeals affirmed, holding, as urged by the Commission, that a petition is not lacking in "good faith" within the meaning of Section 146(3) merely because a class of secured creditors announced in advance that it will not agree to a plan of reorganization.[3]

In *Flora Sun Corporation*,[4] this ruling was reaffirmed by the court of appeals.[5] This case also held, as urged by the Commission, that where creditors filed an answer controverting material allegations of the debtor's Chapter X petition, it was error for the district court to approve the petition summarily, without a hearing, when the answer presented a triable issue of fact. The court also agreed with the Commission that a corporation can be subject to Chapter X even though, as argued, it was owned and controlled by a single shareholder.

In *G.F.E. Industries, Inc.*,[6] the lessor of certain properties occupied by the debtor urged, among other things, that the lease had terminated pursuant to the provisions of Section 70b of the Bankruptcy Act which provides, in part, that a lease not assumed or rejected by the trustee within 60 days after adjudication or within 30 days after qualification of the trustee, whichever is later, is deemed to be rejected. The Commission urged that Section 70b is in conflict with the provisions of Chapter X regarding rejection of leases and therefore is not applicable in proceedings under Chapter X. The district court did not reach this question, since it found that the lessor had waived this statutory provision. On appeal by the lessor, the Commission again urged the inapplicability of this provision of Section 70b in Chapter X proceedings.[7]

Credit Finance Services [8] had filed a voluntary Chapter X petition in the district court in which the reorganization proceeding with respect to its parent, *Certified Credit Corporation*, was pending.[9] The creditors of the subsidiary moved to dismiss the Chapter X proceed-

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[2] In the Matter of *Florida Southern Corp.* (S.D. Fla., No. 13062 Bk).

[3] *York* v. *Florida Southern Corp.*, 310 F. 2d 109 (C.A. 5, 1962), *certiorari denied*, 372 U.S. 943 (1963).

[4] In the Matter of *Flora Sun Corp.* (S.D. Fla., No. 5562 (Bk).

[5] *Corr* v. *Flora Sun Corp.*, 317 F. 2d 708 (C.A. 5, 1963).

[6] In the Matter of *G.F.E. Industries, Inc.* (S.D. Iowa, No. 2–157).

[7] *Entin Associates* v. *Stevens* (C.A. 8, No. 17342). In its decision of October 30, 1963, the court of appeals affirmed on the ground of waiver and did not reach the questions briefed by the Commission.

[8] In the Matter of *Credit Finance Services* (S.D. Ohio, No. 32004).

[9] In the Matter of *Certified Credit Corp.* (S.D. Ohio, No. 31984).

ing for lack of proper venue, arguing that a prior bankruptcy proceeding with respect to the subsidiary was pending in another district court and that in such circumstances Section 129 does not permit a nonresident subsidiary to file a Chapter X petition in the reorganization forum of its parent. The Commission's memorandum supporting the Chapter X trustee's opposition to the motion reviewed the present state of the law and the legislative history of Section 129 and its broad policy that the administration of parent and subsidiary estates should be centralized in a single reorganization proceeding. At the close of the fiscal year the matter was pending before the Chapter X court.

In *Walco Building Corporation*,[10] the owners of land petitioned the district court to vacate, for lack of jurisdiction, an order which specifically enjoined them from interfering with the debtor's or trustee's rights on the ground that because of prior defaults the debtor no longer had a valid leasehold interest. While this petition was pending, the owners filed an action for a declaratory judgment in the state court with respect to the same matter. The district court then entered another order specifically enjoining the owners from further prosecuting that action. On appeal,[11] the Commission's brief urged that the appeal was premature since the questions raised by appellants were pending before the district court, which had power to preserve the status quo.

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 *Automatic Washer Company*,[12] as noted in a prior report,[13] the trustee obtained a judgment for more than $500,000 for fraud in the alleged sale of rubber machinery to the debtor. On appeal, the court reversed the judgment and ordered a new trial.[14] Thereafter, this claim and others were compromised for $90,000. In addition, as the result of an investigation in which the staff of the Commission participated, the trustee brought suit for fraud against Bankers Life

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[10] In the Matter of *Walco Building Corp.* (N.D. Ill., No. 61 B 8059).
[11] *Hirsch, et al. v. Yorke* (C.A. 7, No. 14125).
[12] In the Matter of *Automatic Washer Co.* (S.D. Iowa, No. 5–426).
[13] 27th Annual Report, p. 135.
[14] *Kirtley* v. *Abrams, et al.*, 299 F. 2d 341 (C.A. 2, 1962).

and Casualty Company and obtained a judgment for $406,250.[15] The collection of this judgment will yield a participation to stockholders under the plan of liquidation.

In *Swan-Finch Oil Corporation*,[16] the trustees filed an action for damages in the amount of $6 million against the American Stock Exchange, Lowell M. Birrell, Edward T. McCormick, Joseph F. Reilly, Re, Re and Sagarese, William P. Hoffman & Co., Ira Haupt & Co., Swiss American Corporation, and others. The action was based primarily upon the facts developed in the Commission's investigation of the Res, specialists on the Exchange, with respect to their unlawful sale of Swan-Finch stock. The district court denied a motion to dismiss the complaint, holding that the complaint sufficiently stated claims under Sections 6 and 10(b) of the Securities Exchange Act of 1934, Section 70e of the Bankruptcy Act and in common law conversion.[17] In another step to recover assets for the debtor, the court also granted the trustees' application for the appointment of a receiver to take possession of and collect the rents on certain property which, as alleged by the trustee, had been transferred by Lowell Birrell to his brother to defraud creditors. Subsequent to the end of the fiscal year, the trustees settled certain other litigation and pursuant to the settlements received from various parties defendant an aggregate amount of $80,000 and 31,500 shares of Swan-Finch stock.[18]

ADVISORY REPORTS ON PLANS OF REORGANIZATION

Generally, a formal advisory report is prepared only in a case involving a substantial public investor interest and presenting significant problems. When no such formal report is filed, the Commission may state its views briefly by letter, and authorize its counsel to make an oral or written presentation to amplify the Commission's views.

In *TMT Trailer Ferry, Inc.*,[19] the Commission and the stockholders' committee objected to approval and confirmation of an internal plan of reorganization which excluded stockholders from any participation. It was urged that the record on valuation was inadequate to justify exclusion of the stockholders, especially since the plan allowed some $2 million of seriously contested claims; and that the court should not have rejected summarily the stockholders' contentions that they

[15] *Kirtley* v. *Bankers Life & Casualty Co.*, 198 F. Supp. 30 (S.D. Iowa, 1961), reversed *Bankers Life & Casualty Co.* v. *Kirtley*, 307 F. 2d 418 (C.A. 8, 1962), as to exemplary damages and new trial ordered unless trustee remitted exemplary damages. Trustee subsequently filed a remittitur and accepted judgment for compensatory damages plus interest.

[16] In the Matter of *Swan-Finch Oil Corp.* (S.D. N.Y., No. 93046).

[17] *Pettit* v. *American Stock Exchange, et al.*, 217 F. Supp. 21 (S.D. N.Y., 1963).

[18] *Colamer Corporation, et al.* v. *United Western Mineral Co., et al.* (S.D. N.Y., No. 60 Civ. 2598); *Pettit, et al.* v. *Reldan Trading Corp., et al.* (S.D. N.Y., No. Civ. 154–182); *Levin, et al.* v. *Lowell M. Birrell, et al.* (S.D. N.Y., No. Civ. 153–285).

[19] In the Matter of *TMT Trailer Ferry, Inc.* (S.D. Fla., No. 3659 M Bk).

were entitled to rescind their purchases of the debtor's stock sold in alleged violation of the anti-fraud provisions of the Federal securities laws and that, as a consequence, they should be classified as general creditors for purposes of the plan. The Commission also objected to the provisions of the plan which would permit the trustee to become president of the reorganized company. The district court approved and confirmed the plan, overruling these contentions. The Commission is supporting the pending appeal of the stockholders' committee.[20]

In *Third Avenue Transit Corporation*,[21] the plan of reorganization, consummated in 1957, reserved to the trustee, with the approval of the court, the right to reject, assume, or assume as modified, a pension plan adopted by the debtor prior to the reorganization proceeding. The authority was never exercised by the trustee, and the reorganized debtor continued to pay the pensions to employees who had retired prior to the consummation of the plan of reorganization. When, in 1962, the properties of the reorganized debtor were seized in condemnation proceedings, the trustee petitioned the court for authority to reject the pension plan. Pursuant to a request by the court, the Commission advised, and the court agreed, that the reservation did not appear in the circumstances to be related or ancillary to the consummation of the plan of reorganization and that to permit its exercise now would involve the kind of tutelage over reorganized debtors which the courts have disapproved.

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 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. During the fiscal year 187 applications for compensation totaling about $7.3 million were reviewed.

In *Food Town, Inc.*,[22] the Commission recommended that the trustee's accountant should be denied compensation because the audit report had failed to include certain information bearing upon a possible $300,000 preference by the debtor. The court, in reducing the ac-

[20] *The Protective Committee for Independent Stockholders*, etc. v. *Anderson* (C.A. 5, No. 19996).

[21] In the Matter of *Third Avenue Transit Corp.* (S.D. N.Y., No. 85851).

[22] In the Matter of *Food Town, Inc.* (D. Md., No. 11070).

countant's compensation, stated that accountants retained by the trustee pursuant to an order of the court are quasi-officers of the court; that as such they owe their primary duty to the court; and that reliance upon statements made by adverse parties, and acquiescence therein by the trustee's counsel, will not relieve the accountants of their responsibility to advise the court fully of all pertinent matters coming to their attention.[23] The court also allowed some compensation to former counsel for the trustee, although the Commission had urged total disallowance because, in reliance on the accountant's audit report, he had omitted the same information from the trustee's report under Section 167, and for the additional reason that he had delegated substantially all his responsibilities to counsel for debtor who, under Section 158(3), is not disinterested.[24]

In *Parker Petroleum Co., Inc.*,[25] the Commission recommended denial of four applications for compensation totaling $93,000 by reason of Section 249 of Chapter X. The district court disallowed three of the applications for a total of $53,000, as recommended by the Commission, but held that Section 249 was not applicable to the fourth applicant and allowed $10,000 as the reasonable value of services rendered. The Commission also urged that no compensation should be allowed to the chairman of the creditors' committee or to its attorney because the committee represented both secured and unsecured creditors. The court denied an allowance to the committee chairman, but on the ground that no compensable service had been rendered. While recognizing the conflict, the court allowed the attorney $21,000 as against his request for $106,000.

In *Selected Investments Corporation*,[26] as reported previously,[27] the Commission successfully argued that a fee applicant who was denied compensation because he had represented conflicting interests could not thereafter obtain a fee from the reorganized company in settlement of an appeal by the applicant from the district court's order which had denied him compensation. As urged by the Commission, the court of appeals affirmed the ruling of the district court.[28]

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[23] In re *Food Town, Inc.*, 208 F. Supp. 139, 148–150 (D. Md., 1962).

[24] 208 F. Supp. at 147. The Commission also urged disallowance of any compensation to counsel for the debtor because he had assumed substantially the functions of trustee's counsel and because of a conflict of interest in serving as *de facto counsel* for the trustee while representing in effect the debtor's largest creditor. This issue was not decided since counsel for the debtor withdrew their request for compensation for services rendered during the proceeding. 208 F. Supp. at 150–51.

[25] In the Matter of *Parker Petroleum Co., Inc.* (W.D. Okla., No. 10807).

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

[27] 28th Annual Report, pp. 101–102.

[28] *Carey* v. *Selected Investments Corp.*, 319 F. 2d 378 (C.A. 10, 1963).

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.

Grayson-Robinson Stores, Inc.,[29] through numerous subsidiaries, operated a chain consisting of specialty stores and leased departments in discount stores, each selling women's and children's apparel, and additional stores or departments selling photographic equipment and supplies. The debtor also owned 51 percent of the stock of A. S. Beck Shoe Corporation, which manufactures shoes and operates a retail shoe store chain of over 250 units. Pursuant to agreement executed in 1960, the debtor operated the 130 stores of Darling Stores Corporation, whose outstanding stock is owned by Maxwell H. Gluck, chairman of the board of the debtor. The debtor's balance sheet as of July 28, 1962, showed total assets of about $33 million and liabilities of $33.7 million. The debtor's 803,507 shares of common stock, listed on the New York Stock Exchange, are held by about 3,470 investors. Approximately 32 percent of the stock is owned by Gluck, either individually or through Darling. In its motion under Section 328, the Commission stressed, among other things, the debtor's substantial liabilities, both secured and unsecured, the operating losses under the Gluck management, the depletion of cash, the unsuccessful attempts to refinance by proposed debenture offerings to the public, and the consequent need of an overall reorganization and an inquiry by a disinterested trustee. The district court denied the Commission's motion.[30] On appeal by the Commission, the court of appeals affirmed and in a 6–3 decision denied, without opinion, the Commission's petition for rehearing *en banc*. In dissenting from the denial of a rehearing, Judge Clark indicated that the court's original decision appeared contrary to the decisions of the Supreme Court of the United States and prior decisions in the Second Circuit, stating, *inter alia*, "that the battle for public supervision won in 1940 has all to be done again—if it can be rewon after this setback." [31]

On October 22, 1963, the Commission, in a public release, stated:

The Commission has been advised by the Solicitor General that he has decided not to file a petition with the United States Supreme Court for a writ of cer-

[29] In the Matter of *Grayson-Robinson Stores, Inc.* (S.D. N.Y., No. 62 B 584).
[30] 215 F. Supp. 921 (S.D. N.Y., 1963).
[31] In the Matter of *Grayson-Robinson Stores, Inc.*, 320 F. 2d 940 (C.A. 2, 1963).

tiorari to review the decision of the Court of Appeals for the Second Circuit in *Grayson-Robinson Stores, Inc.* v. *Securities and Exchange Commission*, 320 F. 2d 940 (1963). This decision affirmed the District Court's denial of the Commission's motion under Section 328 of Chapter XI of the Bankruptcy Act to dismiss the Grayson-Robinson Chapter XI proceeding on the ground that the proceeding should have been brought under Chapter X. The Solicitor General does not believe that the case presents a proper question for consideration by the Supreme Court at this time.

The decision not to seek Supreme Court review in this case, however, should not be construed as acquiescence by the Commission in the decision of the Court of Appeals or concurrence with the views expressed in the opinion.[31a]

American Trailer Rentals Company [32] had sold to more than 1,300 public investors automobile utility trailers which were then leased back to debtor and rented to the public. The debtor's plan of arrangement under Chapter XI proposed to offer trailer owners common stock of another company in exchange for their trailers and nothing for past-due rentals. It provided participation for the common stock of the debtor, over 61 percent of which was held by the debtor's management, who would also be included in the management of such other company. The Commission's motion under Section 328 stressed the need for an independent investigation of the past acts of management, the public investors' need for independent advice, and that Chapter XI was not the proper forum for an overall reorganization of the debtor as contemplated by the plan of arrangement. The district court denied the Commission's motion, and at the close of the fiscal year an appeal by the Commission was pending.[33] The Commission also filed a separate motion for leave to intervene and to restrain the stock offering pursuant to the plan of arrangement because of alleged violations of the anti-fraud provisions of the Securities Act of 1933. For further details, see pp. 114–115, *infra*.

American Guaranty Corporation [34] was a nationwide equipment leasing and finance company. As of September 30, 1963, it had total assets of over $26 million and total liabilities of about $24 million, of which three issues of about $4.6 million were publicly held. The debtor also had outstanding 500,000 shares of preferred stock and 204,199 shares of common stock, held in the aggregate by over 1,100 investors. The Commission's motion under Section 328 was based largely on the asserted inadequacy of Chapter XI to assure that public investors would receive fair and equitable treatment under the proposed arrangement, the claimed need for an independent inquiry into past acts of manage-

[31a] Corporate Reorganization Release No. 208.
[32] In the Matter of *American Trailer Rentals Co.* (D. Colo., No. 33276).
[33] *S.E.C.* v. *American Trailer Rentals Co.* (C.A. 10, No. 7392).
[34] In re *American Guaranty Corp.* (D.C. R. I., No. 63B17).

ment, and possible violations of the securities laws which might affect the status and rank of the claims and interests of the public investors. After the close of the fiscal year the court denied the Commission's motion, stating, among other things, that the proposed plan of arrangement was a simple composition and that the referee or a person designated by him would make the necessary investigations. The Commission has filed an appeal.[35]

Crumpton Builders, Inc.,[36] a company engaged in the sale, erection and financing of shell homes in 10 southeastern states, proposed an arrangement under Chapter XI whereby the claims of its unsecured creditors, including those of its debenture holders, are to be satisfied in full by the payment of 15 cents on the dollar, while the stockholders are to retain their stock interest undiminished. Crumpton's debentures, in the principal amount of $1,425,660, are held by 600 public investors. The president of the debtor and his wife own 39 percent of the debtor's common stock; the balance of the common stock is held by approximately 2,100 public investors. The Commission's motion under Section 328, in which the indenture trustee joined, stated, among other things, that the provisions of the proposed arrangement raised substantial questions as to fairness and equity to the debenture holders which required the application of the procedural and substantive safeguards found only in Chapter X. The court denied the Commission's motion without opinion, and the Commission has appealed.[37] The debtor has stipulated to a stay of confirmation, pending appeal.

Motions under Section 328 were filed by the Commission and granted by the court in *Vinco Corporation;*[38] *Bzura Chemical Co., Inc.;*[39] *Dilbert's Quality Supermarkets, Inc.*[40] and its subsidiary, *Dilbert's Leasing & Development Corporation;*[41] and *Dejay Stores, Inc.*[42] In the *Vinco* case creditors filed an involuntary Chapter X petition; in the *Bzura* and the *Dilbert's* cases each debtor amended its petition to comply with Chapter X. No creditor or debtor petition under Chapter X was filed in the *Dejay* case, and the debtor was subsequently adjudicated a bankrupt.[43]

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[35] *S.E.C.* v. *American Guaranty Corp.* (C.A. 1, No. 6223).
[36] In the Matter of *Crumpton Builders, Inc.* (M.D. Fla., No. 63 42 T).
[37] *S.E.C.* v. *Crumpton Builders, Inc.* (C.A. 5, No. 20712).
[38] In the Matter of *Vinco Corp.* (E.D. Mich., No. 63–192).
[39] In the Matter of *Bzura Chemical Co., Inc.* (D. N.J., No. B831–62).
[40] In the Matter of *Dilbert's Quality Supermarkets, Inc.* (E.D. N.Y., No. 62 B 920).
[41] In the Matter of *Dilbert's Leasing & Development Corp.* (E.D. N.Y., No. 63 B 148).
[42] In the Matter of *Dejay Stores, Inc.* (S.D. N.Y., No. 62 B 727).
[43] As noted in the Commission's 28th Annual Report, page 103, following the grant of the Commission's motion in *Davega Stores Corp.*, an involuntary petition for reorganization under Chapter X was filed and approved. Subsequently, when no reorganization appeared feasible, the court adjudicated the debtor a bankrupt.

In *Precision Transformer Corporation*,[44] the Commission withdrew its motion under Section 328, and the court approved a separate Chapter X petition for reorganization filed by creditors. The district court denied the Commission's motion in *United Star Companies, Inc.*,[45] the Commission appealed, and, during the pendency of the appeal, the debtor was adjudicated a bankrupt. In *Chase Capital Corporation*,[46] the district court, at the urging of the Chapter XI receiver, adjudicated the debtor a bankrupt, and the Commission's motion was, accordingly, denied.

[44] In the Matter of *Precision Transformer Corp.* (N.D. Ill., No. 62 B 2032).
[45] In the Matter of *United Star Companies, Inc.* (M.D. Fla., No. 63-4-Bk-T).
[46] In the Matter of *Chase Capital Corp.* (S.D. Calif., No. 146, 428 HW).

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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, 1963

	Number filed	Aggregate amount
Indentures pending June 30, 1962	54	$446,792,720
Indentures filed during fiscal year	174	4,397,035,540
Total for disposal	228	4,843,828,260
Disposition during fiscal year:		
Indentures qualified	181	4,339,269,940
Indentures deleted by amendment or withdrawn	20	106,999,820
Indentures pending June 30, 1963	27	397,558,500
Total	228	4,843,828,260

PART IX

ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940

The Investment Company Act of 1940 provides for the registration and regulation of companies primarily engaged in the business of investing, reinvesting, owning, holding, or trading in securities. The Act, among other things, requires disclosure of the finances and investment policies of such companies, prohibits changing the nature of their business or their investment policies without shareholder approval, regulates the means of custody of the companies' assets, requires management contracts to be submitted to security holders for 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 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, 1963, there were 727 investment companies registered under the Act, including 71 small business investment companies, and the estimated aggregate market value of their assets on that date was approximately $36 billion. Compared with the corresponding totals at June 30, 1962, these figures represent an overall increase of approximately $8.7 billion in the market value of assets while the number of registered companies remained the same. The registered companies were classified as follows:

Management open-end	350
Management closed-end	218
Unit investment trust	149
Face-amount certificate	10
Total	727

During the fiscal year, 48 new companies, including 4 small business investment companies, registered under the Act while the registrations of 48 companies, including 11 small business investment companies, were terminated. The classification of these companies is as follows:

	Registered during the fiscal year	Registration terminated during the fiscal year
Management open-end	23	14
Management closed-end	21	30
Unit investment trust	3	3
Face-amount certificate	1	1
Total	48	48

GROWTH OF INVESTMENT COMPANY ASSETS

The following table illustrates the striking growth of assets of investment companies over the years since the enactment of the Investment Company Act:

Number of investment companies registered under the Investment Company Act and their estimated aggregate assets at the end of each fiscal year, 1941 through 1963

Fiscal year ended June 30	Number of companies				Estimated aggregate market value of assets at end of year * (in millions)
	Registered at beginning of year	Registered during year	Registration terminated during year	Registered at end of year	
1941	0	450	14	436	$2,500
1942	436	17	46	407	2,400
1943	407	14	31	390	2,300
1944	390	8	27	371	2,200
1945	371	14	19	366	3,250
1946	366	13	18	361	3,750
1947	361	12	21	352	3,600
1948	352	18	11	359	3,825
1949	359	12	13	358	3,700
1950	358	26	18	366	4,700
1951	366	12	10	368	5,600
1952	368	13	14	367	6,800
1953	367	17	15	369	7,000
1954	369	20	5	384	8,700
1955	384	37	34	387	12,000
1956	387	46	34	399	14,000
1957	399	49	16	432	15,000
1958	432	42	21	453	17,000
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
1963	727	48	48	727	36,000
Total		1,220	493		

* 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, 1963, its open-end investment company members, numbering 169 and representing the bulk of the industry, had net sales of their securities amounting to $951 million.

INSPECTION AND INVESTIGATION PROGRAM

Pursuant to the statutory authority conferred by Section 31(b) of the Investment Company Act, a total of 84 inspections of investment companies was completed during fiscal year 1963. The number of inspections compares favorably with the total of 165 inspections that had been conducted in all prior years since the inception of the program in 1957 and with the 52 inspections in fiscal 1962. These inspections were planned and supervised by a Branch of Inspections and Investigations which was newly created for such purpose in the Division of Corporate Regulation.

As part of the Commission's expanding program in this area, Investment Company Act training seminars for staff members in the regional offices were conducted for the first time, with a total of some 75 participants. The object of the seminars was to train personnel in the technical aspects of inspection of investment companies and to coordinate the activities of the various regional offices in regard to the inspection and enforcement program.

In a majority of the inspections conducted during the fiscal year, violations of various provisions of the Investment Company Act, as well as violations of other statutes administered by the Commission, were brought to light. While many of the violations thus uncovered were of a minor nature and, when called to the attention of those involved, were corrected or discontinued, serious violations have also been discovered. Instances were discovered in which investment advisory contracts had not been entered into or continued in accordance with provisions of Section 15 of the Act with the consequence that the investment adviser was collecting fees based upon a void contract. In one such instance, the board of directors had failed to renew the advisory contract as required by Section 15(c). In another instance, the inspection and resulting investigation developed information indicating that certain directors were acting as investment advisers to the investment company in violation of Section 15(a). The inspection of investment companies has also disclosed in several instances violations of Section 17 by persons affiliated with the investment companies.

During the fiscal year, the responsibility for conducting investigations in matters involving violations of the Investment Company Act was transferred to the Division of Corporate Regulation from the Division of Trading and Exchanges (now Trading and Markets). A total of 29 investigations was commenced during the year through the Branch of Inspections and Investigations, chiefly as a result of information gained during the course of the inspection program.

As a consequence of the inspection and investigation program, situations were brought to light warranting the institution of civil actions

by the Commission in nine separate matters. Of the nine actions, one has been concluded with the entry of a consent decree and the appointment of receivers to liquidate the company.[1] In another action, *S.E.C.* v. *The Keller Corporation et al.*,[2] a preliminary injunction was entered December 20, 1962, enjoining certain defendants from further violations of the Investment Company Act and the Securities Act of 1933 and appointing a trustee and receiver for an unregistered investment company. As of July 1, 1963, there were eight actions still in process. In addition, as pointed out on p. 8, *supra*, the inspection and investigation program in certain instances produced tangible benefits for investment companies or their shareholders.

SPECIAL STAFF STUDY OF INVESTMENT COMPANIES

Shortly after the beginning of fiscal year 1963 the Wharton School of the University of Pennsylvania submitted to the Commission its Study of Mutual Funds, which the Commission in turn submitted to the Committee on Interstate and Foreign Commerce, House of Representatives. The Study, based on responses to questionnaires, relates to the problems created by the growth in size of investment companies. It 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. The Study 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.

As the Commission stated in its transmittal letter, many of the comments in the Study 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 1940 Act should be reconsidered. The Study draws attention to the potential for divided loyalties arising from the typical 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. Questions are raised by the Study as to the relationship or lack of relationship between the growth, size and performance of funds, and sales commissions and other sales incentives. Attention is further directed to the relationship or lack of it between growth, size and performance of funds, on the

[1] *S.E.C.* v. *Science Investments, Inc., et al.*, Civil Action No. 63–380–C (D. Mass.).
[2] Civil Action No. 1P 62–C–528 (S.D. Ind.), aff'd in No. 14116 (C.A. 7, October 8, 1963).

one hand, and advisory fees and costs of operation of the funds and of the advisers, including fees charged by advisers to other clients, on the other hand. The Study comments upon the role of and in general questions the effectiveness of "unaffiliated" directors of the typical fund.

The Wharton School Study, as noted, is a report to the Commission and not by the Commission. In forwarding the Study to the Congress, the Commission stated that it would be premature to attempt an evaluation of the conclusions in the Study, but that it was apparent that the Commission's rules under the 1940 Act and indeed some of the provisions of the statute itself might require reassessment. The Commission accordingly directed its staff to conduct a detailed analysis of the Study with a view to making such recommendations as may seem appropriate. During fiscal 1963 members of the staff of the Division of Corporate Regulation have been engaged in conducting this staff study, including intensive field visits to selected investment companies and complexes of different types, and interviews with persons in the industry, including "unaffiliated" directors. Its scope includes a review of the structure of the investment company industry generally, and a reassessment of the provisions of the Investment Company Act and the Commission's rules and regulations thereunder.

This staff project has been coordinated with the work of the Special Study of Securities Markets, which considered certain aspects of the investment company industry not covered by the Wharton School Study, namely sales techniques, the adequacy of training and supervision of salesmen, "contractual" or "front-end load" plans for the purchase of investment company shares and the possible use of inside information with respect to portfolio transactions by those closely affiliated with investment companies. The conclusions and recommendations of the Special Study in these areas are contained in Chapter XI of the Special Study report, transmitted by the Commission to the Congress shortly after the close of the fiscal year 1963. In one of the areas covered, that of "contractual" plans, the Special Study made recommendations of a tentative nature, suggesting that final recommendations be made only after completion of the comprehensive staff study.

It is contemplated that the staff study will be completed during fiscal 1964, and that its analysis, together with the reports of the Wharton School and the Special Study of Securities Markets, will aid the Commission in determining whether specific legislative recommendations should be made to the Congress with respect to the 1940 Act and what action, if any, should be taken to strengthen the rules and regulations under the Act.

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 1963 fiscal year:

Annual reports	530
Quarterly reports	300
Periodic reports to stockholders (containing financial statements)	1,568
Copies of sales literature	2,180

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) of the Act, 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 regulation of investment companies is the consideration of applications for orders under the Sections referred to.

During the fiscal year, 238 applications filed under various Sections of the Investment Company Act were before the Commission. The Sections of the Act with which these applications were concerned and their disposition are shown in the following table:

Applications filed with or acted upon by the Commission under the Investment Company Act of 1940 during the fiscal year ended June 30, 1963

Sections	Subject involved	Pending July 1, 1962	Filed	Closed	Pending June 30, 1963
2	Definition of controlled person	4	7	5	6
3 and 6	Status and exemption	12	5	8	9
7(d)	Registration of foreign investment companies	2	2	3	1
8(f)	Termination of registration	27	55	48	34
9, 10, 16	Regulation of affiliations of directors, officers, employees, investment advisers, underwriters and others	2	2	4	0
12, 13, 14(a), 15	Regulation of functions and activities of investment companies	8	18	16	10
11, 25	Regulation of security exchange offers and reorganization matters	2	1	0	3
17	Regulation of transactions with affiliated persons	30	37	38	29
18, 19, 21, 22, 23	Requirements as to capital structures, loans, distributions and redemptions, and related matters	5	12	9	8
20, 30	Proxies, reports, and other documents reviewed for compliance	2	0	1	1
28	Regulation of face-amount certificate companies	2	3	3	2
	Total	96	142	135	103

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

The Commission's Annual Report for fiscal 1962 [3] referred to applications pursuant to Section 2(a)(9) filed by shareholders of *Fundamental Investors, Inc.*, *Investors Mutual, Inc.*, and *Television-Electronics Fund, Inc.*, registered open-end investment companies, alleging that certain directors of these companies 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 with respect to certain specified common legal issues raised by the applications.[4] Following oral argument on these issues, the Commission held that a shareholder of a registered investment company is an "interested person" within the meaning of Section 2(a)(9) with standing to file an application seeking a determination under that Section, that the Commission is empowered to determine whether or not a natural person is controlled even though control of a company is not at issue, and that a determination of status by the Commission pursuant to Section 2(a)(9) is not limited in application to the period of time subsequent to such a determination. However, since the same issues and parties were before courts of competent jurisdiction in pending suits brought prior to the filing of the instant applications, and there were no policy reasons why the Commission should decide these issues first, the Commission applied

[3] 28th Annual Report, p. 115.

[4] Investment Company Act Release No. 3468 (April 13, 1962).

the doctrine of comity and dismissed the applications without prejudice.[5]

On December 19, 1962, Randolph Phillips, a stockholder of *Investors Mutual, Inc.* and other registered mutual funds for which *Investors Diversified Services, Inc.* ("IDS"), also a registered investment company, serves as investment adviser, filed an application under Section 2(a)(9) of the Act requesting a determination that Bertin C. Gamble, Gamble-Skogmo, Inc. and General Outdoor Advertising Company, acting collectively (referred to in the application as the "Gamble Group"), either alone or in concert with John D. Murchison, Clint W. Murchison, Jr. and others (referred to as the "Murchison Group"), had acquired control of Alleghany Corporation and of IDS, about 47.5% of whose voting securities are owned by Alleghany. On January 2, 1963, the Commission ordered that a hearing be held with respect to these questions of control.[6] On February 15, 1963, the Commission, upon the applications of IDS and Gamble-Skogmo, issued an order pursuant to Section 6(c) of the Act exempting all persons named in the application of Phillips from that part of Section 2(a)(9) of the Act which provides that if an application is not granted or denied within 60 days, the determination sought shall be deemed to have been temporarily granted pending final determination.[7] The exemption was to remain in effect until May 18, 1963, subject to earlier termination.

On February 15, 1963, IDS filed an application under Section 2(a)(9) seeking determinations that (a) Murchison Brothers; (b) Allan P. Kirby; (c) Kirby and certain associates; and (d) Murray D. Lincoln and/or companies controlled by or associated with him, controlled Alleghany and that Alleghany controlled IDS. This application was consolidated for purposes of hearing with the Phillips application.[8]

On May 17, 1963, the Commission granted applications filed pursuant to Section 6(c) of the Act by certain of the persons named in the IDS application seeking exemptions from the operation of the "60-day provision" of Section 2(a)(9).[9] These exemptions were to remain in effect until final determination, subject to earlier modification or termination. The exemptions with respect to the Phillips application were extended so as to be co-extensive. The hearings in these consolidated proceedings were concluded after the close of the fiscal year.

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[5] Investment Company Act Release No. 3596 (December 27, 1962).
[6] Investment Company Act Release No. 3604.
[7] Investment Company Act Release No. 3635.
[8] Investment Company Act Release No. 3637 (February 20, 1963).
[9] Investment Company Act Release No. 3699.

On January 22, 1963, the Commission issued its opinion and order denying an application by *The Prudential Life Insurance Company of America* for exemption from the Act or, in the alternative, for exemption from certain provisions thereof.[10] In its opinion the Commission found that Prudential established a separate fund to be invested in securities exclusively for the benefit and at the risk of purchasers of the variable annuity contracts Prudential proposes to sell. The Commission held that such fund was an investment company, required to be registered under the Act. The Commission granted in part and denied in part Prudential's alternative application requesting exemptions from various specific provisions of the Act. Prudential filed a petition in the Court of Appeals for the Third Circuit for review of the Commission's order, insofar as it held the separate fund to be an investment company required to be registered under the Act.[11] Following the end of the fiscal year, the Court affirmed the order.

The Commission granted an application by *American Manufacturing Company, Inc.*, for an order under Section 3(b)(2) of the Act declaring that it was primarily engaged in a business or businesses other than that of investing in securities, either directly or (A) through majority-owned subsidiaries or (B) through controlled companies conducting similar types of businesses.[12] In its decision, the Commission held that in determining primary business engagement under the statute, it could add to businesses in which the applicant engaged directly and through its majority-owned subsidiaries, the businesses engaged in through controlled companies conducting, as among themselves, similar types of businesses, irrespective of whether or not such businesses were of types similar to those engaged in by the applicant or its majority-owned subsidiaries, or to those of any controlled companies which it was not necessary to add in order to arrive at the primary business engagement.

Pursuant to the Commission's order of April 12, 1962,[13] hearings continued on an application filed by *Growth Capital, Inc.*, a small business investment company, seeking to exempt conditionally C. B. McDonald, a director of Growth Capital and also the managing partner of McDonald & Company, an investment banking firm, from the provisions of Section 30(f) of the Act which makes applicable to directors of closed-end investment companies the provisions of Section 16 of the Securities Exchange Act of 1934 with respect to insiders' transactions. The application was opposed by the Commission's Division of Corporate Regulation.

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[10] Investment Company Act Release No. 3620.
[11] C.A. 3, No. 14,730.
[12] Investment Company Act Release No. 3649 (March 11, 1963).
[13] Investment Company Act Release No. 3467.

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.

Section 206 of the Act, as amended in September 1960, prohibits an 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.[1] In accordance with this provision, the Commission, during the 1962 fiscal year, adopted Rule 206(4)–1, effective January 1, 1962, which defines certain advertisements by investment advisers as fraudulent, deceptive or manipulative. During the 1963 fiscal year an informal program was instituted to secure compliance with Rule 206(4)–1 by those investment advisers whose advertising continued to be objectionable. The cooperation of the investment advisers who were contacted has resulted in a marked reduction in the publication and distribution of advertising material violative of Rule 206(4)–1.

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 exempt from registration from basing his compensation upon a share

[1] In *S.E.C.* v. *Capital Gains Research Bureau, Inc.*, an important action under the antifraud provisions of the Act as in effect prior to its amendment, the Supreme Court in December 1963 reversed lower court decisions denying the Commission's motion for a preliminary injunction. See pp. 112–113, *infra*.

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. Under Rule 206(4)-2, which became effective in April 1962, an investment adviser who has custody of funds or securities of any client is required to segregate them, maintain them in the manner provided in the rule, and to comply with other conditions specified in the rule. Moreover, every investment adviser who is not exempt from registration is required, since the 1960 amendments, to make, keep and preserve such books and records as may be prescribed by the Commission and the Commission is empowered to inspect such books and records. The books and records to be maintained by investment advisers are specified in Rule 204-2, which became effective in July 1961.

Inspection procedures have been revised to obtain information concerning compliance with the new rules. During the fiscal year 1963, 219 inspections were completed and 131 violations of the new rules were disclosed. It is anticipated that the number of inspections will increase annually until the investment advisers registered with the Commission are subject to a regular cycle of inspections.

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, 1,564 investment advisers were registered with the Commission. The following tabulation contains statistics with respect to registrations and applications for registration during fiscal year 1963:

Investment Adviser Registrations—1963 Fiscal Year

Effective registrations at close of preceding fiscal year	1,836
Applications pending at close of preceding fiscal year	16
Applications filed during fiscal year	285
Total	2,137
Registrations cancelled or withdrawn during year	539
Registrations denied or revoked during year	5
Applications withdrawn during year	3
Registrations effective at end of year	1,564
Applications pending at end of year	26
Total	2,137

An extensive program pursued during the year resulted in the withdrawal or cancellation of the registrations of several hundred investment advisers who failed to file supplements to their registration as required by the Act.

ADMINISTRATIVE PROCEEDINGS

At the beginning of the fiscal year, 10 revocation proceedings and 1 denial proceeding were pending. With respect to these, the Commission during the year revoked 5 registrations;[2] in the denial proceedings, it held that denial of the application for investment adviser registration was not required in the public interest and permitted the application to become effective, subject to certain conditions designed to ensure that the applicant would confine his activities exclusively to those of an investment adviser.[3] During fiscal 1963, the Commission instituted revocation proceedings against 7 registered investment advisers. These proceedings, and the remaining 5 revocation proceedings previously instituted, were pending at the close of the year.

[2] *Owen K. Taylor, Inc., Edward Blatt, Walter Rosenbush, Financial Forecaster, Inc.*, Investment Advisers Act Release No. 129 (July 9, 1962); *Seymour J. Schlesinger*, Investment Advisers Act Release No. 130 (October 4, 1962).

[3] *William H. Biesel*, Investment Advisers Act Release No. 145 (May 21, 1963).

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 is important that its view regarding the interpretation of the statutes be furnished to the court.

At the beginning of the fiscal year 1963 there were pending in the courts 105 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 121 additional proceedings were instituted and 105 cases were disposed of, leaving 121 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 10 proceedings in the district courts under Section 11(e) of the Public Utility Holding Company Act, and in 14 miscellaneous actions. The Commission also participated in 46 civil appeals in the United States courts of appeals. Of these, 19 came before the courts on petition for review of an administrative order, 15 arose out of corporate reorganizations in which the Commission had taken an active part, 2 were appeals in actions brought by or against the Commission, 3 were appeals from orders entered pursuant to Section 11(e) of the Public Utility Holding Company Act, and 6 were appeals in cases in which the Commission appeared as *amicus curiae*. The Commission also participated in 9 petitions for or memoranda in opposition to *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.

Since publication of the last Annual Report, the United States Supreme Court has rendered two significant decisions in the field of securities regulation, one relating to the permissible scope of regulation by a stock exchange of its members, the other to the interpretation of anti-fraud provisions of the Investment Advisers Act of 1940.

In *Silver* v. *New York Stock Exchange*,[1] the Supreme Court, reversing the court of appeals, held that the stock exchange violated Section 1 of the Sherman Act in ordering several of its member firms to remove telephone wire connections previously in operation between their offices and those of a nonmember—a broker-dealer trading in over-the-counter securities—without giving the nonmember notice, assigning him any reason for the action or affording him an opportunity to be heard. The court found that such action by the exchange would constitute a *per se* anti-trust violation had it occurred in a context free from other Federal regulation, but agreed with the court of appeals that the exchange's rules governing its members' relationships with nonmembers are within its duty of self-regulation under the Securities Exchange Act, even where the particular nonmember deals only in "unlisted" securities. The court held, however, that particular applications of these rules by the exchange are outside the purview of the anti-trust laws only when justified by its self-regulatory duty and that the Exchange Act affords no justification for anti-competitive collective action taken without according fair procedures.

In *Securities and Exchange Commission* v. *Capital Gains Research Bureau, Inc.*,[2] decided subsequent to the end of the fiscal year, the Supreme Court held that it was fraudulent and deceptive within the meaning of Sections 206 (1) and (2) of the Investment Advisers Act of 1940 for a registered investment adviser to fail to disclose to his clients a practice—known in the trade as "scalping"—of purchasing shares of a security for his own account shortly before recommending that security for long-term investment and then immediately selling the shares at a profit upon the rise in the market price following the recommendation. The court pointed out the conflict of interests present in such a situation by noting that "[a]n adviser who, like respondents, secretly trades on the market effect of his own recom-

[1] 373 U.S. 341 (1963). Earlier stages of the litigation in this case are discussed in the 28th Annual Report, pp. 126–127.

[2] 32 U.S.L. Week 4029 (1963). Earlier stages of the litigation in this case are discussed in the 28th Annual Report, p. 129, and the 27th Annual Report, p. 163.

mendation, may be motivated—consciously or unconsciously—to recommend a given security not because of its potential for long-run price increase (which would profit the client), but because of its potential for short-run price increase in response to anticipated activity from the recommendation (which would profit the adviser)." The court rejected the interpretations of the lower courts to the effect that the Act requires the Commission to establish intent to injure and actual injury to the adviser's clients in order to obtain a preliminary injunction requiring disclosure of such practices. It pointed out that "Congress intended the Investment Advisers Act of 1940 to be construed like other securities legislation 'enacted for the purpose of avoiding frauds,' not technically and restrictively, but rather flexibly to effectuate its remedial purposes." [Footnote omitted.]

Among the numerous actions instituted in the Federal district courts by the Commission, seeking injunctions against continuing or threatened violations of the Securities Act or Securities Exchange Act, and related types of proceedings, the following were of particular interest or significance:

In *Securities and Exchange Commission* v. *Chamberlain Associates, et al.*,[8] the Commission sought to enjoin an issuing corporation and a person retained as public relations counsel for the issuer 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 Section 17(a) of that Act. The public relations counsel had prepared a "Report to Stockholders" which was a verbatim copy of a letter by the company's president. The letter contained false and misleading statements concerning the issuer. The public relations counsel displayed the report and other material to various broker-dealers, encouraged them to establish markets at prices he suggested and on one occasion placed a purchase order for 200 shares. In this manner, the broker-dealers were induced to buy and sell some 3,000 shares, most of which emanated from a Canadian source and as to which no registration statement had been filed and no exemption appeared to be available.

The district court concluded that the Commission was entitled to a permanent injunction. It held that the activities of the public relations counsel amounted to a solicitation of offers to buy and thus constituted offers to sell, as defined in Section 2(3) of the Securities Act, and that he was an underwriter as defined in Section 2(11) of that Act. The court concluded that his activities were therefore in violation of Section 5 of that Act. It further held that the counsel also

[8] S.D. N.Y., No. 61 Civ. 2150, CCH Fed. Sec. L. Rep. ¶ 91,228.

violated the anti-fraud provisions of Section 17(a) of the Act, stating that he could not shirk responsibility for the misleading statements in the Report to Stockholders by claiming that he relied upon the representations of others. The court made it clear that since it was through his efforts that the stock was to pass to the public, he had a duty to investigate further.

In *Securities and Exchange Commission* v. *Tenn-Tex Land and Cattle Co., et al.*,[4] the Commission sought to enjoin a corporation, its president and certain other officers from offering and selling investment contracts and profit-sharing agreements without registration in violation of Section 5 of the Securities Act of 1933. The securities took the form of grazing lease agreements between the corporation and investors who placed cattle with the defendants for care, feeding and breeding. Th investors agreed to pay a stipulated service charge per head of cattle plus one-half the calf crop or a monthly fee. While the defendants neither sold cattle to investors nor purchased from them, defendants offered to arrange purchases and sales for investors. The court entered a preliminary injunction, and a permanent injunction was consented to.

The case of *Securities and Exchange Commission* v. *Electronics Security Corp.*,[5] was an action for injunction against further violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(c)(1) of the Securities Exchange Act and Rules 10b–6 and 15c1–8 thereunder by a registered broker-dealer corporation and its president. The defendants consented to the entry of a preliminary injunction. At the time of the hearing on the permanent injunction the defendants urged that no injunction be entered on the ground of mootness, inasmuch as the defendant corporation had previously surrendered its dealer's license to the state authorities and had ceased to exist as an active corporation. The district court, however, issued an injunction,[6] citing *United States* v. *Parke, Davis & Co.*, 365 U.S. 125 (1961); 362 U.S. 29 (1960), where the Supreme Court had rejected similar arguments.

In *Securities and Exchange Commission* v. *American Trailer Rentals Company*,[7] the Commission petitioned for leave to intervene in proceedings for an arrangement under Chapter XI of the Bankruptcy Act to show that an offering of securities of Capitol Leasing Corporation, pursuant to the plan of arrangement proposed by the debtor, violated the anti-fraud provisions of Section 17(a) of the Securities Act of 1933. The Commission stated to the bankruptcy court that its

[4] N.D. Tex., C.A. 3–63–103.
[5] D. Minn., No. 4–61 Civ. 237.
[6] CCH Fed. Sec. L. Rep. ¶ 91,213.
[7] D. Colo., No. 33276.

responsibility for enforcement of the anti-fraud provisions is in no way lessened by the fact that the violator is involved in bankruptcy proceedings or that the sanctions afforded by the statute might be imposed in connection with an arrangement proceeding under Chapter XI. It pointed out that it was confronted with a choice between instituting an independent proceeding in a Federal district court having jurisdiction under Section 20 of the Securities Act or taking steps to bring to the attention of the bankruptcy court that proceedings therein were being employed in a manner violative of the Securities Act. The Commission noted that if it had obtained an injunction against further offerings or sales by Capitol Leasing Corporation through an independent action, the proceedings for arrangement in the bankruptcy court would have been rendered moot. It therefore appeared to the Commission both more seemly and more consonant with the best interests of the arrangement proceeding to apply to the bankruptcy court for relief.

The referee in bankruptcy denied the Commission's petition to intervene on procedural grounds and also decided that the Commission had not shown facts necessary to entitle it to relief. On review, district court held that it was error to deny the Commission leave to intervene but that the referee's holding that there was not adequate evidence in the record to support the Commission's claim could not be set aside as "clearly erroneous." An appeal has been taken by the Commission to the Court of Appeals for the Tenth Circuit where the matter is now pending.[8]

In *Securities and Exchange Commission* v. *Paul Richter*, doing business as *Meade & Company*,[9] the court had preliminarily enjoined a registered broker-dealer from violating the net capital and bookkeeping requirements under the Securities Exchange Act of 1934 and had appointed a receiver of all of the defendant's assets. A bank moved the court for an order authorizing it to sell certain securities pledged to it by the defendant as collateral for loans. The receiver and the Commission opposed the motion on the grounds that at least certain of the stock certificates held by the bank contained forged endorsements, that many other complaints of forgeries had been received from defendant's customers, and that many customers complained of having bought or sold shares without having received certificates or money therefor. The court held that it appeared there might be a cloud on the bank's title to the certificates and therefore denied the bank's motion but without prejudice to another application on timely notice to all persons whose rights might be affected by a sale.

[8] The Commission's application to dismiss the Chapter XI proceeding is discussed on p. 95, *supra*.

[9] S.D. N.Y., 63 Civ. 1620.

The decision of the Court of Appeals for the Second Circuit in *Berko* v. *Securities and Exchange Commission*[10] is of considerable significance to the Commission in connection with its enforcement activities directed against fraudulent sales of securities, particularly through so-called "boiler-rooms." As described in the last Annual Report,[11] Berko had been found a cause of the revocation of the broker-dealer registration of Mac Robbins & Co., Inc. He sought review of that finding and the court had remanded to the Commission, which thereafter issued an Opinion and Order[12] reaffirming its previous finding. In April 1963, the court affirmed that order as being supported by substantial evidence. It stated that Berko worked in an office which was plainly established to be a "boiler-room" and which he knew to be a "boiler-room," and held that these facts justified the Commission in holding him chargeable with knowledge of the contents of brochures utilized by him which he should have known to be misleading. The court accepted the Commission's conclusion that a salesman working in a "boiler-room" has a higher duty to prospective customers than one working out of a legitimate sales operation, and does not meet his obligation when he has no knowledge of the issuer other than opinions and brochures furnished by his employer without an investigation of their correctness.

During the year, the Commission participated as *amicus curiae* in several cases in which there was an issue regarding the validity or interpretation of provisions of the Securities Acts, or the rules promulgated thereunder by the Commission. Among those cases were the following:

Kornfeld v. *Eaton*[13] was an action brought by stockholders of the Norwich Pharmacal Company under Section 16(b) of the Securities Exchange Act to recover on behalf of Norwich the profits realized by defendant Eaton, an officer and director of the company, through "short-swing" transactions in Norwich common stock. Although the purchase and sale of the stock by Eaton occurred within a 6-month period, the purchase was made pursuant to the exercise of an option which had been granted to him by the company several years earlier. Following a demand by the plaintiffs that the company institute suit against Eaton to recover the profits from the transactions, Eaton paid to the company a sum computed in accordance with the Commission's Rule 16b–6, which limits the amount of profits that are recoverable from transactions of this type to the market increment occurring within the short-swing period surrounding the sale of the stock, thus

[10] 316 F. 2d 137 (C.A. 2, 1963).
[11] 28th Annual Report, p. 126.
[12] Securities Exchange Act Release No. 6846 (July 11, 1962).
[13] 217 F. Supp. 671 (S.D.N.Y., 1963).

excluding the increment arising from the long-term holding of the option. The plaintiffs claimed that the rule is invalid, urging that it is inconsistent with the purpose of Section 16(b) and that it exceeds the Commission's statutory authority to exempt transactions from the operation of that Section. The district court, agreeing with the views expressed in a memorandum which the Commission filed as *amicus curiae*, rejected the plaintiffs' contentions and upheld the rule as a valid exercise of the Commission's rulemaking authority under the Act. Subsequent to the close of the fiscal year, the Court of Appeals for the Second Circuit affirmed.[14]

Fuller v. *Dilbert*,[15] was an action by the guarantors of a purchaser's obligations under a contract for the sale of stock to have the contract declared void as in violation of Section 5 of the Securities Act and Section 16(c) of the Securities Exchange Act. The sellers moved for summary judgment, and the Commission filed a memorandum *amicus curiae*. The contract was for the sale of a control block of unregistered stock, and it was contemplated that the purchaser would not take all of the stock himself but would designate unidentified other persons as co-purchasers or sub-purchasers. It was expressly provided, however, that purchaser "and his designees" would take only for investment so that the transaction would be exempt from the registration requirements of the Securities Act, under Section 4(1) of that Act, as a transaction not involving an "issuer, underwriter or dealer." The Commission in its memorandum took the position that the contract could be performed without violating the Securities Act. Since any performances which violated the Securities Act would constitute a breach of the contract, the contract did not have to be declared void.

The other ground advanced by plaintiffs in support of their contention that the contract was void was predicated on the fact that certain shares included in its terms, which had been bequeathed to the sellers by their father, had not as yet been distributed to them at the time the contract was executed. It was urged that the sellers therefore did not "own" the stock which they were purporting to sell and that, since they were insiders, the contract was void as being in violation of Section 16(c) of the Securities Exchange Act, which prohibits any sale by an insider of equity securities of his corporation if he "does not own the security sold." The Commission urged, among other matters, that there is no particular form of legal or equitable title required to satisfy the requirements of ownership within the meaning of this Section, although some property interest is clearly required.

[14] Docket No. 28315.
[15] 32 F.R.D. 60 (S.D. N.Y., 1962).

Though it cannot be said what this property interest might be in every case, the sellers here could be considered to "own" the equity securities, without giving rise to the abuses with respect to "short sales" which the statute seeks to prevent.

The district court denied summary judgment on the ground that there were issues of fact which could not be decided upon affidavits or motion papers.

In *Borak* v. *J. I. Case Co.*,[16] plaintiff, a stockholder of J. I. Case Co., sought a declaration that the 1956 merger between Case and American Tractor Corporation was void, as well as damages and other retrospective relief, claiming that the merger had been approved at a stockholders' meeting at which proxies, solicited in violation of Section 14(a) of the Securities Exchange Act and the proxy rules thereunder, were voted. The district court, relying upon the case of *Dann* v. *Studebaker-Packard Corp.*,[17] held that it had no jurisdiction under the Exchange Act to award damages and other retrospective relief, that claims for such relief were claims arising under state law and that the state security-for-expense statute was therefore applicable to the complaint insofar as it sought other than declaratory relief. Plaintiff appealed and the Commission filed a brief *amicus curiae* urging the court of appeals to hold that in a private suit based upon Section 14(a) and the proxy rules thereunder a Federal district court has jurisdiction under Section 27 of the Act to grant damages or any other retrospective relief as the merits of the particular case may require. The court of appeals adopted the Commission's position and reversed, expressly disagreeing with the *Dann* decision insofar as it held to the contrary. Subsequent to the end of the fiscal year the Supreme Court granted *certiorari*.[18]

The fiscal year saw further significant developments in litigation under the Investment Company Act of 1940.

The institution of action in the case of *Securities and Exchange Commission* v. *Midwest Technical Development Corporation*[19] was described in the last Annual Report.[20] In that case the Commission charged certain officers and directors of that corporation, a registered closed-end investment company, with gross abuse of trust and various violations of the Investment Company Act. The primary charge of gross abuse of trust stemmed from the activities of certain directors in purchasing the same securities which the investment company presently held in, or proposed to introduce into, its portfolio of securities.

[16] 317 F. 2d 838 (C.A. 7, 1963).
[17] 288 F. 2d 201 (C.A. 6, 1961).
[18] 32 U.S. Law Week 3173 (November 12, 1963).
[19] D. Minn. 4–62 Civ. 142.
[20] 28th Annual Report, pp. 130–131.

In addition to charging that irreconcilable conflicts of interest resulted from the directors' ownership of portfolio securities, the Commission also alleged in its complaint that the personal securities-trading activities of the directors constituted the effecting of transactions in joint arrangements and joint enterprises with the investment company in violation of Section 17(d) of the Investment Company Act and Rule 17d–1 thereunder. It was also charged that the defendants caused the investment company to enter into prohibited transactions with affiliated persons in violation of Section 17(a) of the Investment Company Act, that the company had violated Sections 13 and 21 of the Act in issuing guarantees which in effect were indirect loans contrary to its stated investment policy, and that it had issued senior securities in violation of Section 18 of the Act.

On July 5, 1963, the district court issued its opinion. It agreed with the Commission that the activities of the directors in purchasing securities which were also represented or were intended to be included in the investment company's portfolio constituted joint arrangements in violation of Section 17(d) of the Act and Rule 17d–1 thereunder. The court held, however, that such conduct alone or together with the other violations alleged did not constitute gross abuse of trust. The court viewed the evidence as showing that the directors did not fully appreciate the conflicts of interest which were involved and that they unintentionally failed to seek approval of the joint transactions from the Commission. The court also held, among other things, that the issuance of the guarantees by the investment company in connection with loans made by third persons to companies in which the investment company had invested, or in which it intended to invest, violated the investment company's investment policy concerning the amount of loans which the company could make without stockholder approval.

Securities and Exchange Commission v. *United Benefit Life Ins. Co.*[21] is an action by the Commission to enjoin the defendant, a Nebraska corporation, from the offering and sale of a contract described by the company as an Annual Flexible Fund Retirement Annuity. In its complaint, the Commission contended that the contracts being sold are securities within the meaning of the Securities Act and that they may not be offered for public sale without prior registration with the Commission under that Act. The Commission further contended that certain guarantees of partial repayment made by the company to the purchasers of the contracts also constituted a security required to be registered with the Commission under the Securities Act.

In addition, the Commission contended that the defendant had created and manages a separate fund for the purpose of investing in

[21] D. D.C. No. 3096–62.

securities, and that such fund constitutes an "investment company," as defined in the Investment Company Act, and must be registered under that Act. The defendant has filed an answer controverting the Commission's contentions, and, as of the end of the fiscal year, discovery proceedings were being conducted.

In *Prudential Life Insurance Company of America* v. *Securities and Exchange Commission*,[22] Prudential petitioned the Court of Appeals for the Third Circuit for review of a Commission order which denied Prudential's request for exemptions from the Investment Company Act of 1940 for the separate variable annuity contract business which Prudential proposes to conduct.[23] Following the close of the fiscal year, the Court affirmed the Commission order.

In *Taussig, et al.* v. *Wellington Fund, Inc., et al.*, 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, the district court held that Section 35(d) of the Investment Company Act conferred an implied private right of action, and then relied upon pendent jurisdiction to resolve common law claims of unfair competition.[24] It enjoined the advisers and Wellington Equity Fund from employing the name, "Wellington" in the investment company field, but denied damages. On appeal, the Commission, as *amicus curiae*, filed a brief which urged that implied rights of action flow from violations of provisions of the Investment Company Act, including Section 36. The brief also pointed out that no inference 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 Court of Appeals for the Third Circuit held that there was a "substantial Federal question" whether there can be a private implied right of action under Section 35(d) in these circumstances and that the existence of this question provided the basis for retaining pendent jurisdiction to decide the case on common law principles of unfair competition.[25]

Securities and Exchange Commission v. *The Keller Corporation, et al.*,[26] involved a fraudulent scheme involving the sale of securities of an unregistered investment company. The Commission filed a complaint seeking to enjoin the corporate defendants and certain of their principals from further fraudulent sales of Keller securities and to enjoin Keller from continuing certain activities which, under Section

[22] C.A. 3, No. 14,370.
[23] The Commission's decision is summarized at page 107, *supra*.
[24] 187 F. Supp. 179 (Del. 1960).
[25] 313 F. 2d 472 (C.A. 3, 1963), *certiorari denied*, 374 U.S. 806 (1963).
[26] S.D. Ind. IP62–C–528.

7(a) of the Investment Company Act, unregistered investment companies may not engage in. In view of the fraud practiced upon the public investors in Keller, both through the fraudulent sales of Keller stock and through the fraudulent mismanagement of Keller's portfolio and affairs, the Commission also sought the appointment of a trustee or receiver. The district court entered a preliminary injunction enjoining the corporate defendants and two of the principals from further fraudulent sales of Keller stock and enjoining Keller from continuing any of the prohibited activities. The court also appointed a trustee and receiver for Keller. Subsequent to the close of the fiscal year, the court of appeals affirmed the lower court in all respects.[27]

The remaining cases discussed in this section include two actions to enforce subpoenas, one in connection with an administrative proceeding, the other in connection with an investigation, and three proceedings instituted against the Commission to enjoin, respectively, the conduct of an investigation, the continuation of administrative proceedings, and the institution of such proceedings.

In *Securities and Exchange Commission* v. *Parrott*[28] the Commission sought to enforce subpoenas issued by one of its hearing examiners in the course of an administrative proceeding involving a broker-dealer. The subpoenaed persons, who were to be witnesses in the administrative hearings, contended it was unfair to require them to testify or produce records prior to the trial of two injunctive actions brought by the Commission in which they were named defendants. Upon the Commission's application for enforcement of the subpoenas, the district court delayed enforcement for 90 days. It was expected that one of the trials would be completed within that period. The court indicated that depositions would be permitted if they were taken in Denver, the home of the witnesses. The parties to the administrative proceeding, which was pending in Washington, D.C., would not consent to a transfer of the proceeding to Denver and contended that they were unable to afford the expense of being present at the taking of depositions there. In addition, the hearing examiner ruled in the administrative proceeding that depositions were not appropriate since he desired to hear live testimony. The district court extended the delay period on two occasions and the Commission appealed, contending that the existence of the injunctive actions was not a ground for delaying enforcement of the subpoenas and that the interests of parties to the administrative proceeding were para-

[27] C.A. 7, No. 14,116.
[28] C.A. 10, Nos. 7356–7357.

mount to the interests of witnesses. The court of appeals, without opinion, directed that the subpoenas be enforced.

In *Securities and Exchange Commission* v. *National Bank of Commerce of Seattle*,[29] the Commission sought enforcement of a subpoena directed to a bank calling for the production of certain bank records relating to the accounts of customers who were being investigated for possible violations of the anti-fraud provisions of the Securities Acts. The court ordered the bank to comply with the subpoena even though the customers who were the subjects of the investigation had directed the bank not to produce the records. The court held not only that the customers of the bank had no privilege with respect to the records, but that they did not have sufficient property rights therein or any other interests sufficient to make them necessary parties to the subpoena enforcement proceeding.

In *Howard P. Carroll, et al.* v. *Securities and Exchange Commission, et al.*,[30] plaintiffs sought to enjoin the Commission from exercising its subpoena power in aid of an investigation into sales of certain securities by plaintiffs and sought to quash a subpoena issued by a grand jury sitting in California. Plaintiffs alleged that the Commission was exercising its subpoena power to discover evidence for use in prosecution of a criminal indictment then pending in California against certain of the plaintiffs. Similar charges were made concerning the grand jury subpoena. The court granted the Commission's motion to dismiss, holding that it had no jurisdiction to enjoin the Commission in the conduct of its investigation or to quash a subpoena not issued in the court's district.

In *R. A. Holman & Co., Inc.* v. *Securities and Exchange Commission*,[31] the plaintiff sought to have the Commission enjoined from continuing broker-dealer revocation proceedings against it, claiming that one of the members of the Commission was disqualified from adjudicating the case because he had previously been Director of the Commission's Division of Corporation Finance at a time when that Division had processed a registration statement, which processing ultimately led to the institution of the revocation proceedings. As noted in the last Annual Report,[32] the district court granted plaintiff's motion for a preliminary injunction. During fiscal 1963, the court of appeals reversed the order of the district court, holding that plaintiff had not made a record sufficient to excuse him from exhausting his administrative remedies.[33] Plaintiff has filed a petition for a writ of *certiorari* in the Supreme Court.[34]

[29] 216 F. Supp. 932 (W.D. Wash. 1963).
[30] D. Colo., Civ. No. 7738.
[31] D.D.C. No. 1888–62.
[32] 28th Annual Report, pp. 129–130.
[33] 323 F. 2d 284 (D.C. Cir., 1963).
[34] October Term, 1963, No. 500.

The Wolf Corporation v. *Securities and Exchange Commission*[35] was an action seeking to enjoin the institution of stop-order proceedings against plaintiff's registration statement under the Securities Act of 1933. The complaint alleged irregularities in the taking of evidence during the preliminary investigation conducted pursuant to Section 8(e) of the Act, and plaintiff argued that the order authorizing a public hearing pursuant to Section 8(d) was rendered unlawful because it was based on the results of that investigation. The District Court for the District of Columbia denied plaintiff's motion for preliminary injunction,[36] holding that the issues raised in the complaint were not subject to judicial review until plaintiff had exhausted its administrative remedies. The court of appeals affirmed,[37] holding that the complaint failed to state a cause of action on which relief could be granted. A motion for a stay pending petition for a writ of *certiorari* was thereafter denied by the court of appeals, and a similar motion was denied by the Chief Justice of the United States Supreme Court.

CRIMINAL PROCEEDINGS

The statutes administered by the Commission provide that the Commission may transmit evidence of violations of any provisions of these statutes to the Attorney General, who in turn, may institute criminal proceedings. Where facts ascertained as a result of an investigation by a regional office of the Commission or at times its headquarters office appear to warrant criminal prosecution, a detailed report is prepared. After careful review by the General Counsel's Office, the recommendations of the regional office 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.

During fiscal year 1963, the Commission referred 49 cases to the Department of Justice for prosecution. In the course of the year, 40 indictments were returned, in cases referred prior to and during the fiscal year, against 117 defendants and 115 convictions were had in 50 cases, while convictions were affirmed in 11 cases.

From 1934, when the Commission was established, until June 30, 1963, 3,304 defendants have been indicted in the United States Dis-

[35] D.D.C. No. 3297–62.
[36] 209 F. Supp. 481 (D. D.C., 1962).
[37] 317 F. 2d 139 (D.C. Cir., 1963).

trict Courts in 753 cases developed by the Commission and 1,695 convictions have been obtained. The record of convictions obtained and upheld in completed cases is over 85 percent for the 29-year life of the Commission.[38]

As in prior years, the majority of the criminal cases prosecuted involved the offer and sale of securities by fraudulent representations and other fraudulent practices. These activities included high-pressure long-distance telephone "boiler-room" frauds, conversion of 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 in connection with the promotion of insurance companies, mortgage companies, oil and gas and other mining ventures, and other types of enterprises. It is not feasible to describe individually each of the many criminal matters pending during the year.[39] However, two landmark criminal prosecutions which occurred during the fiscal year are discussed below.

On July 14, 1961, an indictment was returned by a Grand Jury sitting in the Southern District of New York charging 33 individuals and corporations with manipulating the market price of United Dye and Chemical Corporation stock on the New York Stock Exchange and with fraudulently distributing to the public unregistered shares of this stock. (*United States* v. *Garfield, et al.*)

Certain defendants were severed, and others pleaded guilty before or during the trial, which commenced in March 1962. The trial continued until February 1963, when a jury found the remaining defendants, Virgil D. Dardi, Charles Rosenthal, Charles M. Berman, Robert B. Gravis and R. B. Gravis, Inc. guilty. Sentences which had been imposed as of the close of the fiscal year on individual defendants included imprisonment up to 7 years and fines up to $50,000.

The evidence at the trial showed that Alexander Guterma, who was named as a co-conspirator and testified for the Government, and defendants Garfield and Pasternak acquired control of United Dye and Chemical Corporation by purchasing a controlling block of stock from Lowell M. Birrell in 1955. Virgil Dardi, who arranged this purchase, received a percentage of the proceeds. Thereafter, in a series of transactions, Guterma, Garfield and Pasternak caused United Dye and Chemical to issue 575,000 shares of stock to them for Handridge Corporation which they controlled. Thus, without any outlay of cash,

[38] Appendix table 25 contains a condensed statistical summary of all criminal cases developed by the Commission from fiscal 1934 through fiscal 1963.

[39] A list of all criminal cases developed by the Commission which were pending during the year and in which indictments have been returned, and the status of each case, are contained in Appendix table 16. Table 13 is a summary of criminal cases developed by the Commission which were pending as of June 30, 1963.

they received United Dye and Chemical stock which had a then market value of over $5 million.

In order to distribute this large block of stock to the public without depressing the market, the services of various "boiler-rooms" were utilized, including Rockwell Securities Corporation, J. H. Lederer Co., Cornelis DeVroedt, Inc., McGrath Securities, Inc., I. F. Stillman & Co., Inc., R. B. Gravis, Inc. and G. F. Rothschild & Co., Inc. These "boiler-rooms" employed the typical fraudulent high-pressure selling practices. Contemporaneously the defendants manipulated the price of the stock upwards on the New York Stock Exchange by purchasing large amounts on the Exchange while, at the same time, selling the stock previously acquired and the stock being purchased on the Exchange to the public through the "boiler-rooms."

The trial of this one complex fraud and manipulation case to a lay jury presented litigation problems of great magnitude. At the conclusion of the trial, which was the longest in the annals of United States criminal prosecutions, Judge Herlands noted:

> . . . There never was a case that was presented with such detail, such documentation, letters, books, records, confirmations, witnesses. *There never was a case that was proved to the hilt the way this case was proved* (emphasis added).
>
> [The prosecuting attorneys] have been assisted by two very able representatives of the Securities and Exchange Commission, Mr. Ralph H. Tracy and Allen S. Kilmer. It is evident that they performed Herculean labors by way of investigation and ferreting out the facts, and I think that the Securities and Exchange Commission, Mr. Tracy and Mr. Kilmer, deserve commendation for the way in which they are discharging their function of acting as the financial watchdog for the investment public.
>
> It took years of unremitting labor in the face of all kinds of investigative difficulties to develop the facts that were presented to the jury, and if the case took 11 months to present the evidence, one can only imagine how long it took to dig up the evidence.
>
> I therefore want the Securities and Exchange Commission to know that its efforts have been recognized, and that the Securities and Exchange Commission and its facilities and personnel should be implemented and strengthened so that they could carry on with even greater effectiveness the task of protecting the securities markets and the investing public from frauds and swindles and other sophisticated types of chicanery.

The court emphasized the efficient manner in which the prosecuting attorneys prepared and conducted their case and stated that the length of the trial was not attributable to any inadequacy on their part. On the other hand, the court pointed out, defense counsel's tactics were designed to create delay and to cause the judge to "lose his temper and say something which would be grounds for a mistrial."

The convictions of Gerard and Jerry Re, former specialists on the American Stock Exchange, and the other defendants in *United States* v. *Re, et al.*, are also of the utmost significance to the Commission's

enforcement program. The Res and others were charged with participating with Lowell M. Birrell, presently a fugitive in Brazil, in manipulating the price of Swan-Finch Oil Corporation stock on the American Stock Exchange and in fraudulently distributing unregistered shares of this stock on the Exchange and through "boiler-rooms" which used the manipulated market price as one of the fraudulent selling devices.

The Res themselves distributed at least 578,000 shares of Swan-Finch stock over the Exchange at an aggregate sales price of over $3 million. To prepare the market to absorb these large blocks of Swan-Finch stock, the Res made short sales from their specialist's accounts over a period of time and later covered them with stock from at least 18 nominee accounts controlled by them. They also, on occasion, prevented others from effecting sales of large blocks of stock on the Exchange, "painted the tape" to show considerable trading in the stock at crucial periods, and so executed sales as to close the market in this stock on the "up tick."

In addition to the large sums realized through the sales of this stock, the Res received approximately one-quarter of a million dollars from Birrell as payment for their services.

The importance of the convictions of the Res can best be appreciated when the specialists' role and function in the securities markets are considered. As stated at page 23 in the *Staff Report on Organization, Management, and Regulation of Conduct of Members on the American Stock Exchange:*

> In his unique capacity the specialist stands at the heart of the exchange market mechanism. He has intimate knowledge of the past market actions of the stock in which he specializes. He also has sole access to the specialist book showing outstanding orders both below and above market, which affords him a great competitive advantage over the public. In addition, he exercises a significant influence on the public appraisal of a security since he is the one who quotes the market. For all these reasons, it is a matter of tremendous importance in the maintenance of a fair and orderly market that a specialist's transactions as principal be only of such kinds and amounts as are consistent with his function of acting as broker at the vital center of the auction market.

These convictions, as well as the many convictions obtained in other cases throughout the country, are of the utmost importance to the Commission in performing its task of protecting the investing public and deterring further violations.

OFFICE OF PROGRAM PLANNING

Pursuant to the recommendations of the Special Study of Securities Markets, a new Office of Program Planning was created subsequent to the close of the fiscal year. The principal function of this Office

is to assist the Commission in establishing policy by analyzing legal, economic and industrial developments affecting the regulation of the securities markets. The Office recommends to the Commission the institution or modification of programs commensurate with the needs and trends of the securities markets.

The initial task of the Office will be to assist and advise the Commission in the implementation of the recommendations of the Special Study of Securities Markets. This work involves, in coordination with other Commission offices and divisions, changes in the rules, regulations and policies of the Commission and self-regulatory agencies; recommendations for legislation; proposals for modifications of industry practices and procedures for gathering and analyzing economic data about the securities markets; and conferring, where appropriate, with the self-regulating agencies and the financial community regarding such proposals.

It is anticipated that, as the recommendations of the Special Study are implemented, the work of this Office will gradually shift in emphasis to the principal function described above.

COMPLAINTS AND INVESTIGATIONS

Each of the Acts administered by the Commission specifically authorizes investigations to determine whether 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 Markets 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.

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 Markets 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. 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 necessary to use the subpoena power to complete the investigation of the case. During the past year 213 formal orders were issued in connection with investigations handled through the Division of Trading and Markets.

In addition, there were 11 formal orders issued upon the recommendation of the Division of Corporate Regulation and 27 upon the recommendation of the Division of Corporation Finance. The latter Division conducts certain investigative work in connection with the processing of filings 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 a complaint is filed in 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 it is violating the Federal securities laws.

The following table reflects in summarized form the investigative activities of the Commission during fiscal 1963:

Investigations of possible violations of the Acts administered by the Commission

	Total
Pending June 30, 1962	985
New cases	622
Total	1,607
Closed	526
Pending at June 30, 1963	1,081

ENFORCEMENT PROBLEMS WITH RESPECT TO FOREIGN SECURITIES

Progress was again made during fiscal 1963 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 resulted in even fewer enforcement problems with respect to such activities than last year. This decrease, however, has been offset by an increasing number of fraudulent promotions from other sources outside the United States.

During the past fiscal year United States residents have been subjected to massive mail campaigns from such diverse areas as Panama, Ireland, Switzerland and the Bahamas. In its efforts to deal with these problems, the Commission has employed new and simplified procedures for obtaining issuance of foreign postal fraud orders. The success of this program is due in large measure to the continuing cooperation of the Post Office Department.

The Commission is still hampered by jurisdictional problems, including the status of the Supplementary Extradition Convention with Canada.[40]

The Commission continues to maintain its Canadian Restricted List, which is a list of Canadian companies whose securities the Commission

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

has reason to believe are being, or recently have been, distributed in the United States in violation of the registration requirements of the Securities Act of 1933. 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. As a practical matter, most United States broker-dealers refuse to execute transactions in such securities.

The Court of Appeals for the District of Columbia upheld the Commission's right to publish the Canadian Restricted List in *Kukatush Mining Corporation* v. *Securities and Exchange Commission.*[41] In its opinion, the court pointed out that the list does not charge anyone with any wrongdoing, and that the Commission expressly disavows any comment on the investment merits of the securities listed. The court said that listing simply states "a fact—that the securities have not been registered—which the American public has a right to know."

Eleven supplements to the list were issued in fiscal 1963. As a result of more effective enforcement activities here and in Canada, it was necessary to add only 7 names to the list during the year, compared to 9 names added in fiscal 1962, 47 in fiscal 1961, and 82 in fiscal 1960. Twelve names were deleted during the year, leaving 253 names on the list as of June 30, 1963.

The current list, as of September 30, 1963, follows:

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.
Anthony Gas and Oil Explorations, Ltd.
Anuwon Uranium Mines, Ltd.
Apollo Mineral Developers, Inc.
Associated Livestock Growers of Ontario
Atlantic Industrial Development Co., Ltd.
Autofab, Ltd.
Ava Gold Mining Co., Ltd.
Barite Gold Mines, Ltd.
Basic Lead and Zinc Mines, Ltd.
Bayonne Mine Limited
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.

[41] 309 F. 2d 647 (1962).

CANADIAN RESTRICTED LIST—Continued

Central and Eastern Canada Mines (1958), Ltd.
Centurion Mines, Ltd.
Colville Lake Explorers, Ltd.
Consolidated Easter Island Mines, Ltd.
Consolidated Exploration & Mining Co., Ltd.
Consolidated St. Simeon Mines, Ltd.
Consolidated Woodgreen Mines, 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.
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.
Grandwick Mines, Ltd.
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.
Lucky Creek Mining Co., Ltd.
Lynwatin Nickel Copper, Ltd.
Mack Lake Mining Corp., Ltd.
Magni Mining Corp., Ltd.
Maple Leaf Investing Corp., Ltd.
March Minerals, Ltd.
Marian Lake Mines, Ltd.
Marpoint Gas & Oil Corp., Ltd.
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.
Millidale 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.
Nationwide Minerals, Ltd.
Natto Mining Co., 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 Surpass Petrochemicals, Ltd.
Norbank Explorations, Ltd.
Norcopper and Metals Corp.
Normalloy Explorations, 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.

CANADIAN RESTRICTED LIST—Continued

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.
Prestige Lake 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 Development Corp.
Ste. Sophie Development Corp.
St. Stephen Nickel Mines, Ltd.
Sastex Oil and Gas, Ltd.
Savoy Copper Mines, Ltd.
Seaboard Industries, Ltd.
Senvil Mines, Ltd.
Sheba Mines, Ltd.
Sico Mining Corp., Ltd.
Sinclair Prospecting Syndicate
Space Age Mines, Ltd.
Stackpool Mining Co., Ltd.
Strathcona Mines, Ltd.
Sturgeon Basin Mines, Ltd.
Success Mines, Ltd.
Sudbay Beryllium Mines, Ltd.
Swift Copper 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-Leduc Oils, 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 Explorations, Ltd.
Valray 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 violation or found in violation of various Federal and state securities statutes. Considerable information is also available concerning Canadian violators. 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, the NASD and other agencies. At the end of the fiscal year these records contained information concerning 78,216 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 8,985 persons, including 2,995 persons not previously identified in these records. A total of 3,779 names was removed from the files since the information concerning them was believed to be obsolete.

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

The bulletin also includes a new section reporting on NASD disciplinary actions which resulted in the expulsion or suspension of an Association member, or in the revocation or suspension of the registration of a representative of a member. Information in this section includes a brief description of the findings in each reported case and identifies the disciplined member or representative.

Extensive use is made of the information available in these records by regulatory and law enforcement 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 2,778 "securities violations" letters or reports and dispatched 491 communications to cooperating agencies.

APPLICATIONS 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 for a determination that public disclosure is not necessary in a particular case.

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

Applications for nondisclosure during 1963 fiscal year

	Number pending July 1, 1962	Number received	Number granted	Number denied or withdrawn	Number pending June 30, 1963
Securities Act of 1933 [a]	4	32	20	13	3
Securities Exchange Act of 1934 [b]	16	22	19	12	7
Investment Company Act of 1940 [c]	0	25	22	0	3
Totals	20	79	61	25	13

[a] Filed under Rule 485
[b] Filed under Rule 24b-2
[c] Filed under Rule 45a-1

ACTIVITIES OF THE COMMISSION 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, in the various Acts, 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"[42] 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 . . ."[43] Similar authority is contained in the Securities Exchange Act,[44] and even more comprehensive power is embodied in the Investment Company Act[45] and the Public Utility Holding Company Act.[46]

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;[47] has adopted rules under the Securities Exchange Act governing accounting and auditing of securities brokers and dealers;[48] and has promulgated rules contained in a single comprehensive regulation, identified as Regulation S–X,[49] which governs 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 97 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.

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[42] Sections 7 and 10(a) (Schedule A; pars. 25, 26).
[43] Section 19(a).
[44] Section 13(b).
[45] Sections 30, 31.
[46] Sections 14, 15.
[47] 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.)
[48] Rule 17a–5 and Form X–17A–5 thereunder.
[49] Adopted February 21, 1940 (Accounting Series Release No. 12); revised December 20, 1950 (Accounting Series Release No. 70).

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." [50] The other three statutes permit the Commission to require that such statements be accompanied by a certificate of an independent public accountant,[51] and the Commission's rules require, with minor exceptions, that they be so certified. The value of certification by qualified accountants has been conceded for many years, but the requirement as to independence, long recognized and adhered to by some individual accountants, was for the first time authoritatively and explicitly introduced into law in 1933. 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; [52] or, in rare cases, has demonstrated incompetence, subservience to the management, or has engaged in unethical or improper professional conduct.[53] 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 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 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.

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[50] Sections 7 and 10(a) (Schedule A, pars. 25, 26).

[51] Securities Exchange Act, Section 13(a)(2); Investment Company Act, Section 30(e); Holding Company Act, Section 14.

[52] See, for example, Rule 2-01 of Regulation S-X.

[53] See, for example, Accounting Series Release No. 97 (1963) which is discussed at page 140, *infra*.

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 and of a somewhat similar committee of the American Accounting Association.

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.

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. In an effort to improve this situation several members of the accounting staff of the Commission, at the invitation of the sponsor, the American Institute of Certified Public Accountants, participated in a course on filings with the Commission. This course, in which the enrollment quota was filled each time it was presented, was given in Chicago, Los Angeles, New York, and San Francisco. It appears that the course will be offered during the next fiscal year in cities located in other sections of the United States.

In 1961, the Commission adopted Form S–11, a new form designed to provide adequate disclosure of certain special problems found in filings made by real estate companies.[54] In June 1962, the Commission also adopted new Rules 13a–15 and 15d–15 under the Securities Exchange Act and new Form 7–K to require such companies to file quarterly reports showing profit and loss, cash generated, cash distributions to stockholders and cash balance.[55]

At the time these new forms and rules were adopted it was believed that information filed pursuant to these requirements would provide adequate disclosures with respect to the financial condition and operations of real estate companies. However, late in 1962 a number of cases came to the attention of the Commission in which the gross profits on certain real estate transactions were taken into income under circumstances which indicated that they were not realized in the period in which the transactions were recorded.

In some of the situations coming before the Commission it appeared from the attendant circumstances that the sale of property was a mere fiction designed to create the illusion of profits or value as a basis for the sale of securities. Moreover, even in bona fide transactions the degree of uncertainty as to the ultimate realization of profits appeared to be so great that business prudence, as well as generally accepted

[54] Securities Act Release No. 4422 (October 26, 1961).

[55] Securities Exchange Act Release No. 6820 and Securities Act Release No. 4499 (June 12, 1962).

accounting principles, precluded the recognition of gain at the time of sale. In view of the foregoing the Commission issued Accounting Series Release No. 95 [56] in which it listed circumstances which tend to raise a question as to the propriety of current recognition of profit and stated that while any of the circumstances taken alone might not preclude the recognition of profit in an appropriate amount the degree of uncertainty may be accentuated by the presence of a combination of the circumstances listed in the release.

The Chief Accountant's Office cooperated with the Division of Corporate Regulation in the preparation of amendments to Rules 31a–1 and 31a–2 under the Investment Company Act of 1940 and of a new Rule 31a–3, which were adopted by the Commission in November 1962.[57] These rules, which are discussed in more detail at page 19, *supra*, relate to records to be maintained and preserved by registered investment companies, certain majority-owned subsidiaries thereof, and other persons having transactions with registered investment companies.

The Chief Accountant and his staff continued to cooperate with other divisions of the Commission and the industry in the preparation of a proposal to amend 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.

The Commission's guide to the form and content of financial statements is found in Regulation S–X which is supplemented by a series of accounting releases. Number 4 in this series was published April 25, 1938, and still is the significant statement of the Commission's administrative policy on financial statements. This policy was re-emphasized in January 1963, when the Commission found it necessary to issue an accounting release [58] expressing some views on accounting for the "investment credit," a new idea in the United States tax law which stirred up considerable difference of opinion in business and professional accounting circles.

In view of the substantial diversity of opinion that exists in this matter, the Commission stated, in its release, that it will accept with certain limitations either the method endorsed by the Accounting Principles Board of the American Institute of Certified Public Accountants [59] or the 48–52 percent method or, in the case of regulated industries, the 100 percent flow-through method when authorized or required by regulatory authorities. This release also specified that the balance sheet credit should not be made directly to the asset account,

[56] December 28, 1962.
[57] Investment Company Act of 1940, Release No. 3578 (November 28, 1962).
[58] Accounting Series Release No. 96 (January 10, 1963).
[59] Opinion of the Accounting Principles Board, No. 12 (December 1962).

and that income tax should not be stated in excess of the amount payable for the year, and included other comments regarding adequate disclosure, details of certain other accounts, and acceptance of appropriately qualified certificates in cases where an alternative accounting treatment acceptable to the Commission is followed by the registrant.

Shortly before the close of the fiscal year the Commission issued its Findings, Opinion and Order in *Harmon R. Stone*, a proceeding under Rule 2(e) of its Rules of Practice.[50] The Commission found that Stone, a certified public accountant, had inadequately performed his professional duties and engaged in activities incompatible with required professional independence. In his audits of a broker-dealer, Stone omitted many of the Commission's Minimum Audit Requirements applicable to Form X–17A–5 relating to reports of registered broker-dealers and failed to comply with generally accepted auditing standards in that he did not properly obtain confirmation of customers' accounts and closed accounts; did not properly balance securities positions or verify securities in transfer; did not take physical control of all cash, securities and other transferable evidence of ownership and maintain such control until those items were inspected, counted, and compared with the records and did not perform other additional verification procedures. Stone's failure to properly perform these procedures negated the effectiveness of his audit; and consequently his audit fell far short of the objective review required for the purpose of safeguarding funds and securities of customers and failed to give the public the protection which an audit is designed to achieve. Stone's certificates stating that his examinations were made in accordance with generally accepted auditing standards were accordingly false and misleading. Stone's lack of independence resulted from the fact that he acquired a personal financial interest in the repayment of loans made by a company in which he was a principal stockholder, to salesmen, and customers of his client, a registered broker-dealer. In reaching its conclusion the Commission took into consideration the fact that Stone had been a certified public accountant since 1950. Apart from these proceedings there was no evidence that his professional conduct had ever been questioned and he submitted statements from a large number of persons who attested to his character and competence in other accounting work. The Commission did not believe that its findings in these proceedings raised a basic question as to his personal integrity and noted that Stone responded to its staff's examination into this matter with full cooperation and candor. However, because Stone's conduct constituted a serious breach of the standards of his profession and of his responsi-

[50] Accounting Series Release No. 97 (May 21, 1963).

bilities to the Commission and to the public, which cannot be condoned, he was denied the privilege of practicing before the Commission for a period of 60 days.

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, 1963, the Bank made 28 loans totaling the equivalent of $448.7 million, compared with a total of $882.3 million last year. The loans were made in Colombia (3 loans), Cyprus, El Salvador, Finland, India, Israel, Mexico, Morocco, Nicaragua, Nigeria, Pakistan (3 loans), Panama, Peru, Philippines (2 loans), Singapore, Swaziland, Thailand (4 loans), Uruguay and Yugoslavia (2 loans). This brought the gross total of loan commitments at June 30, to $7,121.5 million. By June 30, as a result of cancellations, repayments, sales of loans and exchange adjustments, the portions of loans signed and still retained by the Bank had been reduced to $4,712.3 million.

During the year the Bank sold or agreed to sell $273.3 million principal amount of loans. On June 30, the total sales of loans amounted to $1,605.3 million, of which all except $69 million was without the Bank's guarantee.

The outstanding funded debt of the Bank amounted to $2,519.2 million on June 30, 1963, reflecting a net decrease of $1.6 million in the past year. During the year there was a gross increase in borrowings of $124 million. This consisted of a Netherlands guilder public bond issue in the amount of f.40 million (US$11 million equivalent);

a public offering of $5 million of U.S. dollar bonds in Austria, and a placement of $5 million of U.S. dollar notes with the central bank of Austria; the private placement of an issue of $100 million of U.S. dollar bonds; and the delivery of $3 million of bonds which had been subject to delayed delivery arrangements. The funded debt was decreased by $125.6 million as a result of the maturing of the equivalent of $107.8 million of bonds, and of sinking fund and purchase fund transactions amounting to $17.8 million.

During the fiscal year, Ivory Coast, Jamaica, Kuwait, Niger, Senegal, Sierra Leone, Somalia, Tanganyika, Togo and Upper Volta became members of the Bank with subscriptions aggregating $245 million. On June 30, 1963, the Bank had 85 members with capital subscriptions totaling $20,729.8 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.

During the year ended June 30, 1963, the Bank made 22 loans totaling the equivalent of $146,109,191 from its ordinary capital resources, bringing the gross total of loan commitments outstanding at June 30, to 69 loans aggregating $294,966,049. During the year, the Bank sold or agreed to sell $4,749,772 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, Mexico, Paraguay, Peru, Uruguay, and Venezuela.

During the year the Bank also made 13 loans from its Fund for Special Operations totaling the equivalent of $49,588,927, bringing the gross total of loan commitments outstanding at June 30, to 33 loans aggregating $116,908,031. The Bank made 28 loans during the year from the Social Progress Trust Fund, which it administers under an Agreement with the United States, aggregating $124,125,000, bringing the gross total of loan commitments outstanding at June 30, to 64 loans aggregating $347,912,000.

During the year the Bank made its first sale of its primary obligations in the United States with a public issue of dollar bonds in the amount of $75 million.

The outstanding funded debt of the Bank on June 30, 1963, was the equivalent of $99,193,548, composed of $75 million resulting from the sale of dollar bonds and Italian lire equivalent to $24,193,548 resulting from the sale of bonds in Italy in April 1962.

The subscribed capital of the Bank on June 30, 1963, 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 1935–63 are given in Appendix Table 1 and detailed statistics for the fiscal year 1963 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 1962, through June 1963, 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 under the statutes administered 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.

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 generally 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."

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DISSEMINATION OF INFORMATION

The dissemination of information included in the various corporate reports and financing proposals filed in compliance with the securities laws is an important function of the Commission. The information in such reports and proposals, which are public documents available for inspection by investors and other interested persons, is not only reprinted and circulated through the medium of published securities manuals but is frequently and widely reported in business and financial sections of newspapers and national magazines.

In order to keep the public better informed of the pertinent information included in the corporate financing and other proposals filed with the Commission as well as actions taken by it under the securities laws, the Commission issues a daily News Digest containing a résumé of each filing, as well as a summary of each order, decision or other action of the Commission. The Digest is not only made available to the press, but is also distributed on a subscription basis by the Government Printing Office to some 2,769 investors, securities firms and other interested persons. During the year, the Digest included a résume of each of the 985 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 1,293 orders, decisions, rules and other actions of the Commission. The Commission also makes a more limited distribution of the full text of its decisions and other pronouncements 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 important rules and policies and otherwise contribute to a better understanding of the role of the Commission by individuals and firms subject to its jurisdiction as well as by the investing public.

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 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.

In order to facilitate a wider dissemination of financial and other information contained in corporate reports filed with the Commission under the Federal securities laws (an objective strongly urged by the Special Study Report), the Commission has arranged to take standing orders, on an experimental basis, for photocopies of Form 10–K annual reports filed. This service may be extended later to other reports, depending upon public reception and the experience gained in supplying copies of annual reports.

Under a new contract with Cooper-Trent, Inc., for reproducing material in the Commission's files in response to requests of members of the public, photocopies may now be obtained at a reduced cost of 11½ cents for pages not exceeding 8½" x 14" in size (plus postage). A detailed Table of Charges may be obtained from the Section of Public Reference. The charge for each certification of any such document by the Commission is $2.

So that corporate reports may be more readily available for examination by interested members of the public, the Commission also has made arrangements for the Form 10–K annual reports to be placed on open shelves in the public area of its public reference room in Washington, D.C., thus making these reports available for immediate inspection. Moreover, a coin-operated photocopier has been installed which will enable vistors to make immediate reproductions of these and other reports at a cost of 25 cents per page. Reproductions prepared by this method can *not* be certified by the Commission.

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 5,009 persons examined material on file in the Washington, D.C. office, and several thousand others examined files in the New York and Chicago regional offices. About 249,424 photocopy pages were sold pursuant to 4,120 individual orders.

PUBLICATIONS

In addition to the daily News Digest, and releases concerning Commission action under the Acts administered by it and concerning liti-

gation involving securities violations, the Commission issues a number of other publications, including the following:

Weekly: Index of Weekly Closing Prices.
Monthly:
Statistical Bulletin.[a]
Official Summary of Securities 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 Capital of U.S. Corporations.
Annually:
Annual Report of the Commission.[a]
Securities Traded on Exchanges under the Securities Exchange Act of 1934.
List of Companies Registered under the Investment Company Act of 1940.
Classification, Assets and Location of Registered Investment Companies under the 1940 Act.
Corporate Pension Funds.
Directory of Companies Filing Annual Reports.[a]
Other Publications:
Decisions and Reports of the Commission.[a]
Securities and Exchange Commission—Its Functions and Activities.
A Study of Mutual Funds (by The Wharton School).[a]
Report of Special Study of Securities Markets.[a]

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, 1962, in accordance with the Commission's policy of continuing review of its organization and functional alignments:

As noted in last year's report,[61] a Branch of Investment Company Inspections was established in the Division of Corporate Regulation in July 1962, 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, and is now called the Branch of Investment Company Inspections and Investigations. In the same month, the Assistant Director of the Division of Corporate Regulation with responsibility for the Commission's functions under the Public

[a] Must be ordered from the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402.
[61] 28th Annual Report, p. 164.

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.

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.

Subsequent to the end of the fiscal year, certain organizational changes were effected pursuant to recommendations of the Special Study of Securities Markets. A new Office of Program Planning was organized, whose functions have been described on an earlier page.[62] In addition, the Division of Trading and Exchanges was renamed the Division of Trading and Markets, and its functions were realigned. As reconstituted, the Division consists of six units—The Offices of Chief Counsel, Criminal Reference, Enforcement, Regulation, Special Proceedings, and Statistical Studies.

PERSONNEL AND FINANCIAL MANAGEMENT

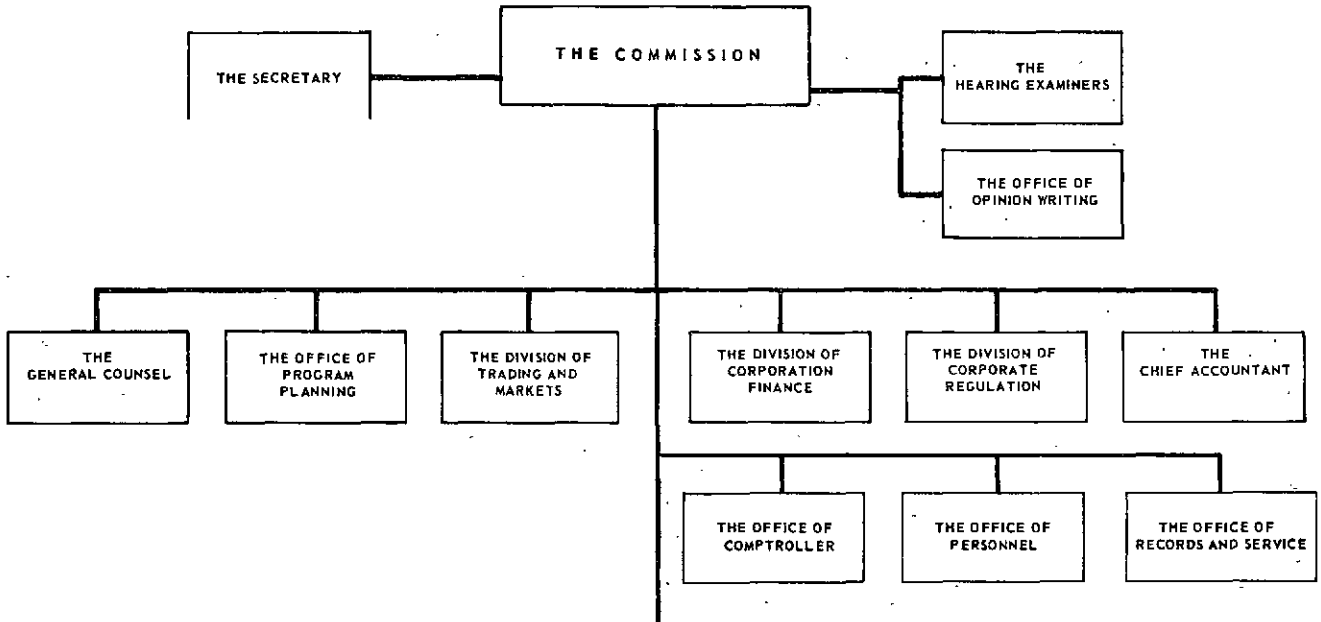
The recruitment program of the Commission is designed to attract outstanding college and law school graduates for starting professional level positions such as financial analyst, attorney and investigator. The passage of the Federal Salary Reform Act of 1962, helped to alleviate the disparity between the Government and private industry as to starting salaries, and the Commission was successful in appointing to its staff a number of well-qualified applicants.

The average grade level of positions in the Commission as of June 30, 1963, was GS–9.63, compared with GS–8.76 for 1962. This was a relatively small increase, considering the fact that more than 65 percent of the positions are in the professional category and ever-increasing duties and responsibilities are being assigned to the incumbents.

To better acquaint supervisory personnel and other employees with the provisions of the Federal Salary Reform Act of 1962, the Commission's Director of Personnel conducted a series of 10 meetings with employees of the Headquarters Office. Written guidelines for determining the new standard of "acceptable level of competence" for periodic step increases, and for granting within-grade step increases for quality performance were approved by the Commission and published on May 24, 1963.

[62] See pages 126–127, *supra*.

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 Detroit, Mich. Branch St Paul, Minn Branch St Louis, Mo. Branch.	Houston, Texas Branch	Salt Lake City, Utah Branch	Los Angeles, Calif. Branch		

AS OF JANUARY, 1964

The Commission continued to supplement its on-the-job training of newly appointed professional employees with more formalized training sessions conducted after office hours. This permitted utilization of senior officials as lecturers or instructors; solved classroom space problems; and enabled work production to continue without interruption. Several of the regional offices conducted instructional sessions for newly employed attorneys and investigators and the Division of Corporate Regulation sponsored one-week sessions on the Investment Company Act of 1940 in the New York, Chicago and San Francisco Regional Offices.

New or revised personnel policy statements were issued dealing with such subjects as appeals from adverse actions, employee management cooperation, equal employment opportunity and position classification. The Office of Personnel also published and distributed to the staff an employee handbook containing information on the personnel policies of the Commission, including its Regulation Governing the Conduct of Members and Employees and Former Members and Employees.

At the Commission's Seventh Annual Service and Merit Awards Ceremony, held in October 1962, the Commission recognized the long service of its career employees by presenting pins to 22 employees with 25 years of Commission service. An additional 62 employees received 20- 15- and 10-year service pins. Length-of-service pins were also awarded to employees for combined Federal service. One employee received a pin for 35 years, 3 employees for 30 years, 11 employees for 25 years, 41 employees for 20 years, 25 employees for 15 years and 39 employees for 10 years. Cash awards totaling $8,955 and certificates of merit were presented to 83 employees. Twenty-four employees were granted additional within-grade increases in recognition of high quality performance.

The Commission is singularly proud of the special recognition which has been accorded certain members of the staff. Mention has already been made of the commendation of Ralph H. Tracy and Allen S. Kilmer, of the Division of Corporation Finance, by the United States District Court for the Southern District of New York, for their participation in the United Dye and Chemical Corporation case.[63] In May 1963, Andrew Barr, Chief Accountant of the Commission, was elected to the Accounting Hall of Fame, sponsored by Ohio State University. Elections to the Hall of Fame (there have been 27 since its inception in 1950) are by a Board of Nominations that includes 15 public accountants, 15 educators, and 15 industrial and governmental

[63] See pages 124–125, *supra*.

accountants. Bases for election include recognition as an authority in a particular field of practice, advancement of accounting education, public service, contributions to accounting literature, and service to professional organizations. The Accounting Hall of Fame was established "for the purpose of honoring accountants of North America who have made or are making significant contributions to the advancement of accounting since the beginning of the twentieth century." In April 1963, the Washington Chapter of the Federal Government Accountants Association selected Sydney C. Orbach, Chief Accountant of the Division of Corporation Finance, as the recipient of an Outstanding Achievement Award for 1963.

The following comparative table shows the personnel strength of the Commission as of June 30, 1962 and 1963:

	June 30, 1963	June 30, 1962
Commissioners	5	5
Staff:		
Headquarters office	861	862
Regional offices	522	469
Total staff	1,383	1,331
Grand total	1,388	1,336

The table on page 153 shows the status of the Commission's budget estimates for the fiscal years 1959 to 1964, 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.[64]

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 1961, 1962 and 1963:

Year	Appropriation	Fees collected	Percentage of fees collected to total appropriation (percent)	Net cost of Commission operations
1961	$9,517,500	$2,927,407	31	$6,590,093
1962	11,412,500	3,422,403	30	7,990,097
1963	13,261,700	2,533,986	19	10,727,714

[64] 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 1959 through fiscal 1964

ACTION	Fiscal 1959		Fiscal 1960		Fiscal 1961		Fiscal 1962		Fiscal 1963		Fiscal 1964	
	Positions	Money	Positions	Money	Positions	Money	Positions	Money	Positions	Money	Positions	Money
Estimate submitted to the Bureau of the Budget	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	1,577	$14,800,000
Action by the Bureau of the Budget	−56	−400,000	−18	−162,000	−98	−860,000	−36	−435,000	−91	−716,500	−42	−400,000
Amount allowed by the Bureau of the Budget	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	1,535	14,400,000
Action by the House of Representatives	−48	−300,000	−55	−475,000	−46	−375,000		−15,000	−47	−500,000	−67	−625,000
Subtotal	901	6,800,000	963	7,800,000	1,046	8,525,000	1,254	11,000,000	1,533	13,300,000	1,468	13,775,000
Action by the Senate	+48	+300,000	+55	+475,000	+101	[b] +775,000	+65	[d] +450,000				+325,000
Subtotal	949	7,100,000	1,018	8,275,000	1,147	9,300,000	1,319	11,450,000	1,533	13,300,000	1,468	14,100,000
Action by Conferees			−18	−175,000	−57	−387,500		−37,500	−52	−500,000		−162,500
Annual Appropriation	949	7,100,000	1,000	8,100,000	1,090	8,912,500	1,319	11,412,500	1,481	12,800,000	1,468	13,937,500
Supplemental appropriation for statutory pay increases		605,000				605,000				461,700		
Total appropriation	949	7,705,000	1,000	8,100,000	1,090	9,517,500	1,319	11,412,500	1,481	13,261,700	1,468	13,937,500

[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 $1,366,000.

PART XII

APPENDIX

STATISTICAL TABLES

TABLE 1.—*A 29-year record of registrations fully effective under the Securities Act of 1933*

1935–1963

[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	2,679	2,020	1,593	109	318
1940	306	1,787	1,433	1,112	110	210
1941	313	2,611	2,081	1,721	164	196
1942	193	2,003	1,465	1,041	162	263
1943	123	659	486	316	32	137
1944	221	1,760	1,347	732	343	272
1945	340	3,225	2,715	1,851	407	456
1946	661	7,073	5,424	3,102	991	1,331
1947	493	6,732	4,874	2,937	787	1,150
1948	435	6,405	5,032	2,817	537	1,678
1949	429	5,333	4,204	2,795	326	1,083
1950	487	5,307	4,381	2,127	468	1,786
1951	487	6,459	5,169	2,838	427	1,904
1952	635	9,500	7,529	3,346	851	3,332
1953	593	7,507	6,326	3,093	424	2,808
1954	631	9,174	7,381	4,240	531	2,610
1955	779	10,960	8,277	3,951	462	3,864
1956	906	13,096	9,206	4,123	539	4,544
1957	876	14,624	12,019	5,689	472	5,858
1958	813	16,490	13,281	6,857	427	5,998
1959	1,070	15,657	12,095	5,265	443	6,387
1960	1,426	14,367	11,738	4,224	253	7,260
1961	1,550	19,070	16,260	6,162	248	9,850
1962	1,844	19,547	16,286	4,512	253	11,521
1963	1,157	14,790	11,869	4,372	270	7,227

[1] Statements registering American Depositary Receipts against outstanding foreign securities as provided by Form S–12 are included.

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

TABLE 2.—*Registrations fully effective under the Securities Act of 1933, fiscal year ended June 30, 1963*

PART 1.—DISTRIBUTION BY MONTHS

[Amounts in thousands of dollars [1]]

Year and month	All registrations			Proposed for sale for account of issuers [2]			
				Total [3]		Corporate [4]	
	Number of statements	Number of issues [2]	Amount	Number of issues [2]	Amount	Number of issues [2]	Amount
1962							
July	101	121	$977,528	93	$816,695	47	$272,014
August	97	115	1,227,578	85	929,030	53	453,315
September	96	130	792,430	102	658,307	60	306,043
October	101	124	1,111,257	99	961,107	63	645,990
November	82	101	1,200,766	69	915,366	41	293,755
December	86	105	913,770	87	528,043	53	267,170
1963							
January	83	98	1,049,420	85	740,925	47	390,370
February	71	88	1,114,640	65	979,302	37	298,655
March	80	92	1,761,646	74	1,484,138	36	639,903
April	141	163	1,898,778	134	1,657,256	41	461,860
May	126	138	1,946,959	110	1,472,972	46	628,975
June	93	108	854,824	85	725,522	43	427,787
Total, fiscal year 1963	[5] 1,157	1,383	14,789,595	1,097	11,868,662	567	[6] 5,085,536

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 [7]	Preferred stock	Common stock [8]
All registrations (estimated value)	$14,789,595	$4,569,064	$432,803	$9,787,729
For account of issuer for cash sale	11,868,662	4,371,619	270,354	7,226,689
For immediate offering [4]	5,352,294	4,275,749	222,430	854,115
Corporate [6]	5,085,836	4,019,712	212,009	854,115
Offered to:				
General public	4,694,361	3,991,314	195,907	507,140
Security holders	373,757	27,273	16,102	330,382
Other special groups	17,718	1,125	0	16,593
Foreign governments	266,458	256,037	10,421	0
For extended cash sale and other issues [9]	6,516,367	95,870	47,924	6,372,574
For account of issuer for other than cash sale	1,782,280	181,858	95,861	1,504,561
For account of other than issuer	1,138,653	15,587	66,588	1,056,479
For cash sale	965,478	8,478	3,843	953,157
Other	173,176	7,109	62,745	103,322

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, 1963*—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 [9]	Foreign governments	Investment companies	Other types
Number of statements	1,157	231	49	103	28	165	131	13	201	236
Number of issues [2]	1,383	295	54	125	28	191	159	15	224	292
All registrations (estimated value)	$14,789,595	$2,078,818	$230,469	$2,456,972	$1,360,033	$1,497,972	$381,671	$267,291	$4,719,841	$1,796,526
For account of issuer	13,650,942	1,430,377	178,357	2,454,376	1,138,210	1,364,421	301,543	267,291	4,719,841	1,796,526
For cash sale	11,868,662	844,392	141,201	2,265,638	1,134,897	540,675	159,034	266,458	4,719,841	1,796,526
For immediate offering	5,352,294	844,392	141,201	2,265,638	1,134,897	540,675	159,034	266,458		
Corporate [4]	5,085,836	844,392	141,201	2,265,638	1,134,897	540,675	159,034			
Foreign governments	266,458							266,458		
For extended sale [3]	6,516,367								4,719,841	1,796,526
Investment companies [10]	4,719,841								4,719,841	
Employee saving plan certificates	667,335									667,335
Securities for employee stock option plans	990,129									990,129
Other [11]	139,062									139,062
For other than cash sale	1,782,280	585,984	37,156	188,738	3,314	823,745	142,509	833		
Exchange transactions [12]	1,244,288	240,389	19,729	151,393	3,314	766,566	62,899			
Reserved for conversion	452,847	315,182	7,992	37,345	0	52,106	40,222			
Other	85,145	30,413	9,436	0	0	5,073	39,389	833		
For account of other than issuer	1,138,653	648,442	52,112	2,597	221,823	133,552	80,128			
For cash sale	965,478	535,846	51,383	875	221,642	89,980	65,752			
Other	173,176	112,596	728	1,722	181	43,572	14,376			

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, 1963*—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 [9]
Corporate issues for immediate cash offering for account of issuers (estimated gross proceeds)	[5] $5,085,836	$844,392	$141,201	$2,265,638	$1,134,897	$540,675	$159,034
Cost of flotation	115,444	27,282	3,948	31,852	12,604	26,978	12,780
Commissions and discounts	81,362	19,150	2,507	21,346	9,076	20,909	8,375
Expenses	34,082	8,132	1,441	10,506	3,528	6,070	4,406
Expected net proceeds	4,970,392	817,111	137,252	2,233,786	1,122,292	513,697	146,253
New money purposes	3,608,250	675,467	114,892	1,601,549	765,441	323,756	127,144
Plant and equipment	2,851,132	439,016	51,043	1,537,269	764,458	7,745	51,602
Working capital	757,118	236,451	63,849	64,281	984	316,012	75,542
Retirement of securities	864,420	18,938	1,125	582,010	255,541	4,868	1,937
Purchase of securities	122,412	18,503	388	238	0	98,459	4,825
Other	375,310	104,202	20,848	49,989	101,310	86,614	12,348

[1] Dollar amounts are rounded and will not necessarily add to totals shown.
[2] Warrants are excluded from the count of the number of issues although included in dollar amount.
[3] Includes issues to be offered for sale continuously over an extended period of time, such as investment company issues and securities reserved for exercise of warrants or options.
[4] Includes issues proposed for sale immediately following effective registration.
[5] The 1,157 fully effective registrations shown in this table differ from the 1,120 net effectives shown in text table "Number and disposition of registrations filed" as follows:
Included in fully effective but excluded from net effectives:
37 registrations which become effective in fiscal 1963 but were later withdrawn.
[6] 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.
[7] Includes face amount certificates.
[8] Includes certificates of participation and warrants.
[9] Includes trade, construction, transportation other than railroads, and service industries.
[10] Includes registrations of new investment companies organized for the purpose of exchanging investment company shares for individuals' portfolio holdings.
[11] Includes securities for exercise of warrants, options and other contingent offerings. They cover, generally, parts of issues being registered, the other parts being included elsewhere in table although some of the issues included represent extended offerings to employees which do not fit into the pattern of the two types of employee plans.
[12] 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]		
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
1962	29,975,098	10,769,609	6,127,029	5,614,543	512,486	216,044	126,865	169,577	4,642,580	19,205,490
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	979,887	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
July	1,663,132	630,183	262,238	244,187	18,051	9,435	7,316	1,300	367,944	1,032,949
August	4,056,467	921,661	552,374	485,254	67,120	56,329	7,275	3,516	369,287	3,134,805
September	1,568,038	632,197	336,028	291,938	44,090	13,596	5,708	24,786	296,168	935,842
October	2,149,821	976,256	651,565	634,105	17,460	5,921	6,377	5,162	324,691	1,173,565
November	1,820,863	784,414	333,980	299,803	34,177	25,000	6,735	2,442	450,434	1,036,450
December	2,149,466	1,196,619	344,810	273,725	71,084	23,717	7,118	40,250	851,810	952,847
1963										
January	2,707,983	694,811	430,130	389,323	40,808	29,388	3,655	7,765	264,681	2,013,172
February	2,165,557	642,317	341,941	302,615	39,326	13,885	4,850	20,591	300,376	1,523,240
March	2,830,358	1,363,267	574,171	532,936	41,235	31,601	3,661	5,973	789,095	1,467,091
April	2,927,100	1,048,532	577,061	549,447	27,613	10,694	6,785	10,134	471,471	1,878,568
May	2,782,609	1,339,626	620,433	537,361	83,072	70,245	6,430	6,397	719,194	1,442,982
June	5,054,258	1,245,784	536,342	445,104	91,237	76,430	6,667	8,141	709,442	3,808,473

See footnotes at end of part 4 of table.

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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		
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
1962	29,975,098	10,769,609	19,205,490	28,221,619	9,016,130	19,205,490	435,788	1,317,691
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	4,040	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
July	1,663,132	630,183	1,032,949	1,598,444	565,495	1,032,949	32,250	32,437
August	4,056,467	921,661	3,134,805	3,974,480	839,674	3,134,805	24,206	57,781
September	1,568,038	632,197	935,842	1,407,529	471,688	935,842	50,975	109,534
October	2,149,821	976,256	1,173,565	2,027,058	853,493	1,173,565	48,892	73,870
November	1,820,863	784,414	1,036,450	1,768,390	731,941	1,036,450	24,008	28,465
December	2,149,466	1,196,619	952,847	2,024,709	1,071,862	952,847	59,352	65,405
1963								
January	2,707,983	694,811	2,013,172	2,606,118	592,946	2,013,172	30,387	71,478
February	2,165,557	642,317	1,523,240	2,071,612	548,372	1,523,240	17,347	76,598
March	2,830,358	1,363,267	1,467,091	2,739,610	1,272,519	1,467,091	17,132	73,616
April	2,927,100	1,048,532	1,878,568	2,710,545	831,977	1,878,568	26,015	190,540
May	2,782,609	1,339,626	1,442,982	2,687,287	1,244,305	1,442,982	16,990	78,331
June	5,054,258	1,245,784	3,808,473	4,941,652	1,133,179	3,808,473	37,794	74,811

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
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	17,386,580	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
1962	10,769,609	3,283,413	225,106	2,841,565	239,018	348,449	1,306,545	1,854,830	670,684	19,205,490	8,590,216	1,187,788	8,558,198	736,769	132,519
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	12,614	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	1,348,294	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
July	630,183	250,306	4,960	123,972	9,435	14,919	92,588	109,521	24,482	1,032,949	357,613	0	640,956	25,103	9,278
August	921,661	225,814	450	255,092	56,329	15,596	123,206	190,256	54,918	3,134,805	2,408,425	150,188	559,210	8,488	8,494
September	632,197	189,939	20,549	164,651	20,096	34,802	69,450	92,990	39,720	935,842	300,463	175,219	426,455	30,899	2,806
October	976,256	166,710	21,402	252,429	5,921	14,368	262,437	227,871	25,119	1,173,565	358,843	0	645,702	151,180	17,840
November	784,414	275,086	8,236	227,810	25,000	25,886	4,500	184,636	33,260	1,036,450	326,707	0	594,867	87,996	26,880
December	1,196,619	380,579	51,322	279,810	37,191	66,696	57,731	264,586	58,704	952,847	294,708	0	547,239	100,655	10,244
1963															
January	694,811	142,265	17,010	181,385	29,388	69,939	126,807	93,521	34,497	2,013,172	774,046	0	998,748	232,248	8,131
February	642,317	228,358	24,421	146,533	13,885	16,509	68,826	113,918	29,866	1,523,240	424,546	148,000	810,072	133,033	7,589
March	1,363,267	630,338	11,034	161,161	43,401	100,175	46,449	290,852	79,859	1,467,091	396,314	0	989,276	76,004	5,497
April	1,048,532	155,562	16,125	433,637	10,694	23,128	72,391	274,451	62,544	1,878,568	715,611	186,465	914,569	57,260	4,664
May	1,339,626	247,548	2,693	283,064	83,809	77,673	357,180	225,709	61,950	1,442,082	409,363	0	902,276	114,247	17,096
June	1,245,784	238,776	83,027	413,442	77,150	45,401	66,140	285,048	36,771	3,808,473	2,252,008	459,425	1,071,811	11,300	13,930

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
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	952,567	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
1962	4,642,680	4,529,163	113,418	2,133,428	124,166	474,401	22,974	255,114	153,714	1,112,183	366,601
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
July	367,944	365,749	2,195	223,914	750	14,455	0	14,919	9,723	89,588	14,296
August	369,287	362,862	6,425	123,522	0	21,719	0	15,596	14,824	154,624	39,003
September	296,168	295,443	725	170,549	4,250	18,993	6,500	23,731	12,200	42,796	17,148
October	324,691	314,113	10,578	104,887	10,352	23,782	0	14,368	6,586	144,537	20,179
November	450,434	445,784	4,650	266,503	4,186	21,544	0	25,586	4,200	102,491	25,925
December	851,810	807,697	44,112	332,330	43,572	164,394	13,474	38,396	11,825	202,082	45,737
1963											
January	264,681	243,112	21,568	62,255	1,160	32,611	0	69,339	4,348	65,626	29,343
February	300,376	289,066	11,310	155,130	18,595	27,952	0	5,490	8,270	65,608	19,321
March	789,095	773,987	15,109	315,692	7,690	19,287	11,800	100,175	5,649	269,294	59,509
April	471,471	451,769	19,702	128,697	4,500	58,118	0	22,828	6,316	203,930	47,082
May	719,194	694,014	25,180	214,762	2,477	153,871	13,564	77,508	74,228	144,244	38,541
June	709,442	674,679	34,763	158,262	22,150	203,297	750	40,139	29,013	228,829	26,102

[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 1934-57, 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		
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
1962	10,769,609	10,571,508	8,323,364	5,701,092	2,622,272	757,211	1,490,932
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
July	630,183	620,727	504,153	329,099	175,053	38,755	77,820
August	921,661	907,344	619,757	382,486	237,271	158,690	128,898
September	632,197	617,882	440,996	314,500	126,496	38,625	138,261
October	976,256	960,731	726,866	467,456	259,409	125,572	108,293
November	784,414	776,260	493,698	263,429	230,269	73,125	209,437
December	1,196,619	1,183,905	922,770	616,350	306,421	81,291	179,844
1963							
January	694,811	684,390	562,801	378,138	184,663	71,692	49,897
February	642,317	631,452	448,217	319,456	128,761	36,966	146,269
March	1,363,267	1,348,895	1,055,535	755,409	300,126	204,922	88,438
April	1,048,532	1,034,054	811,989	528,538	283,451	103,746	118,318
May	1,339,626	1,322,757	829,953	497,844	332,109	419,250	73,555
June	1,245,784	1,230,452	783,179	511,996	271,183	216,978	230,295

PART 2.—MANUFACTURING

1958	3,515,407	3,459,399	2,851,033	2,027,328	823,705	194,629	413,738
1959	2,672,820	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
1962	3,283,413	3,224,267	2,202,963	1,244,724	958,239	204,130	817,173
1962							
January	224,412	219,176	186,402	103,186	83,216	13,812	18,964
February	139,548	133,086	89,316	52,650	36,665	2,069	41,702
March	320,408	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
July	250,306	247,494	154,676	84,000	70,676	30,500	62,318
August	225,814	222,544	147,159	62,388	84,771	4,052	71,333
September	189,939	187,132	152,015	113,430	38,585	21,197	13,920
October	166,710	162,929	85,088	35,039	50,049	9,762	68,079
November	275,086	273,377	84,735	47,584	37,151	2,761	185,881
December	380,579	376,628	223,379	127,491	95,888	31,272	121,977
1963							
January	142,265	139,392	105,814	59,581	46,233	4,662	28,915
February	228,358	225,591	145,841	89,575	56,267	5,570	74,179
March	630,338	623,666	536,334	389,574	146,760	31,283	56,049
April	155,562	153,347	109,018	65,056	43,961	5,053	39,277
May	247,548	244,965	195,233	39,872	155,361	29,113	20,619
June	238,776	236,682	188,719	62,933	125,786	9,676	38,286

See footnotes at end of table.

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

PART 3.—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		
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
1962	225,106	220,655	202,522	92,227	110,296	3,786	14,348
1962							
January	15,388	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	150	1,244
June	23,099	23,027	20,418	8,412	12,006	652	1,057
July	4,960	4,889	4,820	1,070	3,750	0	69
August	450	405	338	135	202	0	68
September	20,549	19,648	18,988	8,685	10,303	0	660
October	21,402	21,110	20,642	12,054	8,589	0	468
November	8,236	8,143	8,098	1,248	6,849	0	45
December	51,322	51,120	48,524	18,114	30,410	2,484	112
1963							
January	17,010	16,745	16,509	2,667	13,842	116	120
February	24,421	24,038	6,110	589	5,521	0	17,928
March	11,034	10,847	9,101	3,038	6,063	499	1,248
April	16,125	15,620	11,167	2,064	9,103	0	4,454
May	2,693	2,659	2,659	2,551	107	0	0
June	83,027	81,106	60,475	54,405	6,070	155	20,476

PART 4.—ELECTRIC, GAS AND WATER

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	2,878,861	2,792,792	16,070	104,394	83,607
1962	2,841,565	2,801,802	2,199,409	2,162,394	37,015	444,631	157,762
1962							
January	115,747	113,414	83,859	83,822	37	24,060	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	382,753	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
July	123,972	122,337	117,682	116,613	1,069	4,464	191
August	255,092	251,902	106,334	101,883	4,451	142,332	3,236
September	164,651	161,396	100,592	100,046	547	13,757	47,047
October	252,429	248,540	128,146	112,688	15,459	107,962	12,431
November	227,810	225,141	172,218	171,219	999	49,866	3,057
December	279,810	276,968	246,267	235,486	10,781	25,310	5,390
1963							
January	181,385	178,932	113,651	70,410	43,241	64,736	546
February	146,533	144,745	114,897	108,897	6,000	29,848	0
March	161,161	157,718	97,064	96,966	98	60,654	0
April	438,637	427,733	341,139	341,029	110	85,704	890
May	283,064	279,760	221,037	220,700	337	57,544	1,179
June	413,442	409,007	218,873	218,873	0	179,484	10,650

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		
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
1962	239,018	236,637	199,527	189,986	9,541	28,609	8,500
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
July	9,435	9,359	9,359	9,359	0	0	0
August	56,329	55,725	55,725	55,725	0	0	0
September	20,096	19,907	19,907	19,907	0	0	0
October	5,921	5,870	5,870	5,870	0	0	0
November	25,000	24,676	9,406	0	9,406	15,270	0
December	37,191	36,794	14,955	14,820	135	13,339	8,500
1963							
January	29,388	29,154	29,154	29,154	0	0	0
February	13,885	13,771	13,771	13,771	0	0	0
March	43,401	43,090	43,090	43,090	0	0	0
April	10,694	10,607	10,607	10,607	0	0	0
May	83,809	82,978	23,235	23,235	0	59,743	0
June	77,180	76,419	41,611	41,611	0	12,153	22,655

PART 6.—OTHER TRANSPORTATION

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	477,080	453,943	23,737	4,839	46,501
1962	348,449	344,481	340,774	333,227	7,547	1,391	2,316
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
July	14,919	14,823	14,823	14,823	0	0	0
August	15,596	15,505	15,505	15,117	388	0	0
September	34,802	34,496	34,496	33,163	1,333	0	0
October	14,368	14,277	13,418	12,743	675	0	859
November	25,886	25,831	25,831	25,662	169	0	0
December	66,696	66,374	66,374	65,157	1,217	0	0
1963							
January	69,939	69,718	69,718	69,222	496	0	0
February	16,509	16,103	14,380	14,187	194	0	1,723
March	100,175	99,933	99,933	99,532	401	0	0
April	23,128	22,958	22,958	22,958	0	0	0
May	77,673	77,285	75,946	72,229	3,716	0	1,339
June	45,401	44,882	44,745	42,136	2,609	0	137

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 [3]	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds [2]	Total net proceeds [2]	Total new money	Plant and equipment	Working capital		
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
1962	1,306,545	1,291,172	1,220,862	1,219,107	1,755	10,417	59,893
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
July	92,588	91,571	87,781	86,931	850	3,790	0
August	123,206	121,890	119,862	119,862	0	2,028	0
September	69,460	68,723	16,604	16,604	0	1,584	50,535
October	262,437	259,602	257,614	257,569	46	0	1,988
November	4,500	4,434	4,360	4,241	119	74	0
December	57,731	57,148	54,320	54,254	66	2,828	0
1963							
January	126,807	125,274	124,232	124,232	0	0	1,042
February	68,826	68,089	68,089	68,089	0	0	0
March	46,449	46,041	42,900	42,900	0	3,141	0
April	72,391	71,145	20,370	20,370	0	0	50,774
May	357,180	353,981	92,111	91,127	984	261,796	74
June	66,140	65,426	56,204	55,854	350	7,722	1,500

PART 8.—FINANCIAL AND REAL ESTATE

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	2,274,333	2,212,051	2,014,989	499,495	1,515,494	35,572	161,490
1962	1,854,830	1,811,312	1,437,577	266,962	1,170,615	38,673	335,062
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	137,860	21,884	115,985	7,493	24,687
July	109,521	107,468	98,168	7,167	91,002	0	9,300
August	190,256	186,046	129,411	12,456	116,955	3,185	53,451
September	92,990	89,175	64,576	7,729	56,847	1,362	23,236
October	227,871	223,995	200,519	28,043	172,476	2,138	21,337
November	184,636	182,156	165,123	9,979	155,144	4,044	12,990
December	264,586	261,771	221,391	84,294	137,096	4,575	35,805
1963							
January	93,521	91,367	73,863	17,075	56,788	596	16,908
February	113,918	109,893	60,488	16,382	44,106	370	49,035
March	290,352	288,663	165,105	62,932	102,173	105,226	18,331
April	274,451	271,645	254,793	52,275	202,518	798	16,054
May	225,709	221,589	166,426	26,242	140,184	9,341	45,821
June	285,048	281,150	142,844	28,488	114,356	4,845	133,461

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		
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
1962	670,684	641,182	519,729	192,465	327,264	25,575	95,879
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	9,654
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
July	24,462	22,787	16,843	9,137	7,706	0	5,943
August	54,918	53,327	45,424	14,921	30,503	7,092	810
September	39,720	37,405	33,818	14,936	18,882	725	2,862
October	25,119	24,407	15,567	3,451	12,117	5,710	3,130
November	33,260	32,500	23,926	3,496	20,431	1,109	7,465
December	58,704	57,102	47,561	16,734	30,827	1,482	8,059
1963							
January	34,497	33,807	29,861	5,799	24,062	1,581	2,365
February	29,866	29,223	24,640	7,966	16,674	1,178	3,405
March	79,859	78,936	62,007	17,377	44,631	4,119	12,810
April	62,544	60,998	41,937	14,179	27,758	12,191	6,870
May	61,950	59,542	53,306	21,887	31,419	1,713	4,523
June	36,771	35,782	29,708	7,695	22,012	2,944	3,130

[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	4,963	3,019	1,963	1,917	1,863	54	27 8	38.2
1947	6,577	5,036	1,541	4,342	2,889	1,452	2,235	2,147	88	34 0	42 6
1948	7,078	5,973	1,106	3,991	2,965	1,028	3,087	3,008	79	43.6	50.4
1949	6,052	4,890	1,161	3,550	2,437	1,112	2,502	2,453	49	41.3	50.2
1950	6,362	4,920	1,442	3,681	2,360	1,321	2,680	2,560	120	42.1	52.0
1951	7,741	5,691	2,050	4,326	2,364	1,962	3,415	3,326	88	44.1	58 4
1952	9,534	7,601	1,933	5,533	3,645	1,888	4,002	3,957	45	42.0	52.1
1953	8,898	7,083	1,815	5,580	3,856	1,725	3,318	3,228	90	37.3	45.6
1954	9,516	7,488	2,029	5,848	4,003	1,844	3,668	3,484	184	38.5	46.5
1955	10,240	7,420	2,820	6,763	4,119	2,644	3,477	3,301	176	34.0	44.5
1956	10,939	8,002	2,937	7,053	4,225	2,827	3,886	3,777	109	35.5	47.2
1957	12,884	9,957	2,927	8,959	6,118	2,841	3,925	3,839	86	30.5	38.6
1958	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	5,993	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	10,770	9,016	1,753	6,127	4,487	1,640	4,643	4,529	113	43.1	50.2
1963 (January-June)	6,334	5,623	711	3,080	2,497	583	3,254	3,127	128	51.4	55.6

TABLE 6.—*Brokers and dealers registered under the Securities Exchange Act of 1934*[1]*—effective registrations as of June 30, 1963, 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	39	12	4	23	118	12	13	93
Alaska	5	4	0	1	8	4	0	4
Arizona	35	7	2	26	134	7	6	121
Arkansas	26	5	2	19	100	5	4	91
California	444	163	81	200	1,792	163	538	1,091
Colorado	90	27	6	57	322	27	21	274
Connecticut	44	11	12	21	199	11	61	127
Delaware	20	6	6	8	74	6	28	40
District of Columbia	116	20	14	82	582	20	110	452
Florida	139	44	9	86	413	44	25	344
Georgia	36	9	7	20	232	9	32	191
Hawaii	36	8	4	24	168	8	10	150
Idaho	15	7	1	7	42	7	2	33
Illinois	190	29	54	107	957	29	292	636
Indiana	58	22	3	33	200	22	6	172
Iowa	41	12	5	24	141	12	14	115
Kansas	35	8	5	22	151	8	15	128
Kentucky	18	6	5	7	68	6	24	38
Louisiana	48	20	10	18	135	20	45	70
Maine	29	12	2	15	74	12	7	55
Maryland	61	15	14	32	244	15	95	134
Massachusetts	221	93	31	97	925	93	244	588
Michigan	59	9	13	37	355	9	97	249
Minnesota	70	8	8	54	370	8	39	323
Mississippi	20	6	6	8	63	6	16	41
Missouri	84	24	16	44	542	24	146	372
Montana	16	7	1	8	41	7	2	32
Nebraska	32	10	0	22	116	10	0	106
Nevada	6	1	1	4	19	1	2	16
New Hampshire	10	6	1	3	23	6	2	15
New Jersey	240	119	33	88	571	119	85	367
New Mexico	8	4	3	1	21	4	10	7
New York State (excluding New York City)	509	268	45	196	1,068	268	134	666
North Carolina	41	11	5	25	211	11	12	188
North Dakota	12	1	0	11	55	1	0	54
Ohio	127	19	37	71	638	19	209	410
Oklahoma	39	17	4	18	93	17	9	67
Oregon	30	7	5	18	92	7	10	75
Pennsylvania	232	62	79	91	1,014	62	423	529
Rhode Island	26	4	9	13	70	4	25	41
South Carolina	22	5	3	14	72	5	6	61
South Dakota	4	2	0	2	9	2	0	7
Tennessee	48	9	4	35	240	9	19	212
Texas	193	77	19	97	659	77	71	511
Utah	41	11	6	24	132	11	29	92
Vermont	5	3	0	2	13	3	0	10
Virginia	51	16	12	23	197	16	68	113
Washington	81	39	4	38	287	39	8	240
West Virginia	13	7	3	3	29	7	7	15
Wisconsin	50	6	2	42	254	6	27	221
Wyoming	8	5	0	3	18	5	0	13
Total (excluding New York City)	3,823	1,303	596	1,924	14,351	1,303	3,048	10,000
New York City	1,600	347	552	701	7,918	347	3,855	3,716
Total	5,423	1,650	1,048	2,625	22,269	1,650	6,903	13,716

[1] Does not include 59 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, 1963.

[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, 1963

Status under the Act [1]	Stocks	Bonds	Total stocks and bonds	Issuers involved
Registered pursuant to Section 12 (b), (c), and (d)	2,835	1,213	4,048	2,417
Temporarily exempted from registration by Commission rule	8	2	10	6
Admitted to unlisted trading privileges on registered exchanges pursuant to Section 12(f)	153	21	174	138
Listed on exempted exchanges under exemption orders of the Commission	69	8	77	54
Admitted to unlisted trading privileges on exempted exchanges under exemption orders of the Commission	15	0	15	15
Total	3,080	1,244	4,324	2,630

[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, 1963

Exchanges	Issuers	Stocks						Bonds				
		R	X	U	XL	XU	Total	R	X	U	XL	Total
American	960	848	2	175			1,025	59		22		81
Boston	401	57		353			410	10				10
Chicago Board of Trade	10	6		4			10					
Cincinnati	154	38		122			160	10	1			11
Colorado Springs	10				10		10					
Detroit	271	101		178			279					
Honolulu	51				48	15	63				8	8
Midwest	453	385		119			504	15				15
National	11	12					12					
New York Stock	1,359	1,578	1				1,579	1,135	2			1,137
Pacific Coast	512	350		230			580	25				25
Philadelphia-Baltimore	546	171	6	458			635	51				51
Pittsburgh	109	38	1	77			116	1				1
Richmond	15				25		25					
Salt Lake	68	66		3			69					
San Francisco Mining	36	36					36					
Spokane	26	23		6			29					
Wheeling	12				11	3	14					

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, 1963

Exchanges	Unlisted only [3]		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3 [4]
American	146	2	22	4	1
Boston	0	0	123	230	0
Chicago Board of Trade	1	0	3	0	0
Cincinnati	0	0	0	122	0
Detroit	0	0	13	165	0
Honolulu	15	0	0	0	0
Midwest	0	0	0	119	0
Pacific Coast	2	0	55	173	0
Phila.-Balt.-Wash	2	0	209	247	0
Pittsburgh	0	0	16	61	0
Salt Lake	2	0	0	0	1
Spokane	3	0	1	2	0
Wheeling	0	0	0	3	0
Total [5]	171	2	442	1,126	2

PART 2.—UNLISTED SHARE VOLUME ON THE EXCHANGES—CALENDAR YEAR 1962

Exchanges	Unlisted only [3]		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3 [4]
American	25,433,759	15,480	4,032,010	3,038,500	15,330
Boston	0	0	2,060,889	2,160,515	0
Chicago Board of Trade	0	0	0	0	0
Cincinnati	0	0	0	537,125	0
Detroit	0	0	404,212	3,291,554	0
Honolulu	88,425	0	0	0	0
Midwest	0	0	0	12,018,150	0
Pacific Coast	2,297,636	0	3,857,755	7,063,169	0
Phila.-Balt.-Wash	1,139	0	4,793,532	5,496,222	0
Pittsburgh	0	0	238,167	188,976	0
Salt Lake	0	0	0	0	238
Spokane	298,508	0	7,820	47,885	0
Wheeling	0	0	0	333	0
Total	28,119,467	15,480	15,394,385	33,842,429	15,568

[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 1962 and the 6-month period ended June 30, 1963*

PART 1.—12 MONTHS ENDED DEC. 31, 1962

[Amounts in thousands]

	Total dollar volume	Bonds		Stocks		Rights and warrants	
		Dollar volume	Principal amount	Dollar volume	Share volume	Dollar volume	Number of units
Registered exchanges	56,563,988	1,729,726	1,785,954	54,732,079	1,663,616	102,183	46,987
American	3,800,212	63,594	65,908	3,648,312	332,618	88,307	11,729
Boston	252,354	0	0	252,353	5,332	1	29
Chicago Board of Trade	0	0	0	0	0	0	0
Cincinnati	38,529	69	100	38,448	781	12	16
Detroit	230,013	0	0	230,012	6,221	(*)	(*)
Midwest	1,511,867	7	7	1,511,815	39,999	45	126
National	509	0	0	509	225	0	0
New York	49,018,954	1,665,620	1,719,232	47,340,720	1,186,513	12,614	34,342
Pacific Coast	1,097,218	10	8	1,096,032	49,923	1,176	643
Phila.-Balt.-Wash.	577,604	426	700	577,149	14,817	28	102
Pittsburgh	30,972	0	0	30,972	773	0	0
Salt Lake	1,736	0	0	1,736	10,632	0	0
San Francisco	1,319	0	0	1,319	11,399	0	0
Spokane	2,702	0	0	2,702	4,383	0	0
Exempted exchanges	21,642	10	11	21,552	1,276	80	67
Colorado Springs	75	0	0	75	414	0	0
Honolulu	20,551	10	11	20,462	837	80	67
Richmond	640	0	0	640	11	0	0
Wheeling	376	0	0	376	14	0	0

PART 2.—6 MONTHS ENDED JUNE 30, 1963

	Total dollar volume	Bonds		Stocks		Rights and warrants	
		Dollar volume	Principal amount	Dollar volume	Share volume	Dollar volume	Number of units
Registered exchanges	30,248,911	757,708	784,828	29,446,302	889,219	44,901	17,085
American	1,816,866	35,393	36,020	1,740,623	156,693	40,850	9,312
Boston	132,960	0	0	132,960	2,780	0	0
Chicago Board of Trade	0	0	0	0	0	0	0
Cincinnati	19,702	50	66	19,652	393	0	0
Detroit	144,806	0	0	144,806	3,880	1	2
Midwest	847,264	(*)	(*)	847,230	21,431	34	1
National	208	0	0	208	113	0	0
New York	26,229,251	722,207	748,683	25,504,096	660,188	2,947	6,906
Pacific Coast	702,906	0	0	701,927	24,340	1,069	864
Phila.-Balt.-Wash.	335,382	58	60	335,324	7,928	0	0
Pittsburgh	15,286	0	0	15,286	376	0	0
Salt Lake	1,772	0	0	1,772	6,491	0	0
San Francisco Mining	108	0	0	108	2,314	0	0
Spokane	2,309	0	0	2,309	2,292	0	0
Exempted exchanges	12,888	7	7	12,881	671	0	0
Colorado Springs	37	0	0	37	194	0	0
Honolulu	12,531	7	7	12,524	469	0	0
Richmond	174	0	0	174	3	0	0
Wheeling	146	0	0	146	5	0	0

NOTE.—Data on the value and volume of securities sales on the registered exchanges are reported in connection with fees paid under Section 31 of the Securities Exchange Act of 1934. Included are all securities sales, odd-lot as well as round-lot transactions, effected on exchanges except sales of bonds of the U.S. Government which are not subject to the fee. Comparable data are also supplied by the exempted exchanges. Reports of most exchanges for a given month cover transactions effected during the calendar month, but the reports may be of transactions cleared during the calendar month. Clearances generally occur on the fourth business day after that on which the trade was effected. Figures are rounded and will not necessarily add to the totals as shown.

*Less than 500.

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, 600	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, 076, 532	66. 07	19. 37	1. 74	3. 51	. 68	. 84	. 63	. 28	. 05	6. 83
1947	513, 274, 867	69. 82	16. 98	1. 67	4. 22	. 90	1. 05	. 66	. 19	. 08	4. 43
1948	571, 107, 842	72. 42	15. 07	1. 63	3. 95	. 87	. 76	. 68	. 18	. 08	4. 36
1949	516, 408, 706	73. 51	14. 49	1. 67	3. 72	1. 21	. 93	. 73	. 18	. 09	3. 47
1950	893, 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. 24	. 88	. 50	. 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, 085	66. 31	21. 01	2. 32	3. 25	. 72	. 47	. 49	. 11	. 05	5. 27
1957	1, 293, 021, 856	70. 70	18. 14	2. 33	2. 73	. 98	. 40	. 39	. 13	. 06	4. 14
1958	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, 564	68. 48	22. 27	2 20	3. 11	. 89	. 39	. 34	. 06	. 05	2. 21
1961	2, 142, 523, 490	64 99	25 68	2 22	3. 42	. 79	. 31	. 31	. 05	. 04	2. 29
1962	1, 711, 945, 297	71. 32	20. 12	2. 34	2. 95	. 87	. 31	. 36	. 05	. 05	1. 63
Six months to June 30, 1963	906, 974, 159	73. 55	18. 30	2. 36	2. 78	. 87	. 31	. 43	. 04	. 04	1. 32
	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. 94	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
1962	54, 855, 894	86. 32	6. 81	2. 76	2. 00	1. 05	. 46	. 42	. 06	. 07	. 05
Six months to June 30, 1963	29, 504, 084	86. 45	6. 04	2. 87	2. 38	1. 14	. 45	. 49	. 05	. 07	. 06

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

TABLE 11.—*Block distributions reported by exchanges*

[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	10,956				86	3,737,249	104,062
1950	20	150,308	4,940				77	4,280,681	88,743
1951	27	323,013	10,751				88	5,193,756	146,459
1952	22	357,897	9,931				76	4,223,258	149,117
1953	17	380,680	10,486				68	6,906,017	108,229
1954	14	189,772	6,670	57	705,781	24,664	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	920,514
1962	2	48,200	588	41	2,345,076	65,459	59	12,143,656	658,780

[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 was a party during the fiscal year 1963*

Debtor	District court	Petition filed	Petition approved	Securities and Exchange Commission notice of appearance filed
Admiral Oils, Inc.[1]	W.D. Okla.	June 27, 1962	June 27, 1962	July 30, 1962
Alaska Telephone Corp.[2]	W.D. Wash.	Nov. 2, 1955	Nov. 21, 1955	Nov. 7, 1955
American Fuel & Power Co. (4 subsidiaries)[2]	E.D. Ky.	Dec. 6, 1935	Dec. 20, 1935	May 1, 1940
American Seal Savings & Loan Association[2]	D. Md.	June 23, 1961	June 30, 1961	Aug. 8, 1961
Aspic Investment Corp.[1]	S.D. Fla.	June 29, 1962	July 24, 1962	Aug. 29, 1962
Astrotherm Corp.[2]	S.D. Ind.	Jan. 18, 1962	Jan. 18, 1962	Feb. 23, 1962
Atlas Sewing Centers, Inc. (49 subsidiaries)[1]	S.D. Fla.	June 22, 1962	June 22, 1962	July 26, 1962
Automatic Washer Co.[3]	S.D. Iowa	Oct. 17, 1956	Nov. 2, 1956	Nov. 2, 1956
Bevis Shell Homes, Inc. (2 subsidiaries)[1]	M.D. Fla.	June 27, 1962	June 28, 1962	July 20, 1962
Brookdale Lodge, Inc.[1]	N.D. Calif.	Sept. 18, 1962	Sept. 24, 1962	Oct. 5, 1962
Brookwood Country Club	N.D. Ill.	Feb. 17, 1959	Mar. 3, 1959	Mar. 19, 1959
Bzura Chemical Co., Inc. (1 subsidiary)[1]	D. N.J.	Feb. 6, 1963	Feb. 6, 1963	Feb. 11, 1963
Cal-West Aviation Inc.	N.D. Calif.	Oct. 26, 1961	Oct. 26, 1961	Oct. 26, 1961
Central States Electric Corp.[2]	E.D. Va.	Feb. 26, 1942	Feb. 27, 1942	Mar. 11, 1942
Certified Credit Corp. (4 subsidiaries)[1]	S.D. Ohio	Apr. 2, 1963	Apr. 2, 1963	Apr. 10, 1963
Charlotte Motor Speedway Inc.[3]	W.D. N. Car.	Nov. 3, 1961	Nov. 3, 1961	Nov. 3, 1961
Clute, Corp., The[1]	D. Colo.	Nov. 5, 1962	Nov. 7, 1962	Jan. 28, 1963
Coastal Finance Corp.[3]	D. Md.	Feb. 15, 1956	Feb. 18, 1956	Apr. 16, 1956
Coffeyville Loan & Investment Co., Inc.[3]	D. Kans.	July 17, 1959	July 17, 1959	Aug. 10, 1959
Colorado Trust Deed Funds[2]	D. Colo.	Sept. 5, 1961	not approved	Nov. 2, 1961
Cosmo Capital, Inc[1]	N.D. Ill.	Apr. 22, 1963	Apr. 22, 1963	Apr. 26, 1963
Davega Stores Corp.[2]	S.D. N.Y.	June 5, 1962	June 11, 1962	June 6, 1962
DePaul Educational Aid Society[2]	N.D. Ill.	Jan. 5, 1959	Jan. 13, 1959	Feb. 4, 1959
Dilbert's Leasing & Development Corp.[1]	E.D. N.Y.	Mar. 14, 1963	Mar. 14, 1963	Mar. 15, 1963
Dilbert's Quality Supermarkets, Inc.[1]	do	do	do	Do.
Dixie Aluminum Corp.[2]	N.D. Ga.	Dec. 12, 1960	Dec. 16, 1960	Dec. 21, 1960
Dixie Fertilizer Co., Inc.[3]	S.D. Miss.	July 21, 1961	July 22, 1961	Aug. 18, 1961
Doctors' Hospital, Inc.[1]	S.D. Iowa	Dec. 14, 1962	Feb. 15, 1963	Jan. 25, 1963
Dumont-Airplane & Marine Instruments Inc. (1 subsidiary)[1]	S.D. N.Y.	Oct. 27, 1958	Oct. 27, 1958	Nov. 10, 1958
El-Tronics Inc.[3]	E.D. Pa.	Nov. 25, 1958	Nov. 25, 1958	Jan. 16, 1959
Equitable Enterprises, Inc.[1]	M.D. Fla.	June 19, 1962	July 5, 1962	July 24, 1962
Equitable Plan Co.[3]	S.D. Calif.	Mar. 18, 1958	May 29, 1958	Mar. 27, 1958

See footnotes at end of table.

TABLE 12.—*Reorganization proceedings under Chapter X of the Bankruptcy Act in which the Commission was a party during the fiscal year 1963*—Continued

Debtor	District court	Petition filed	Petition approved	Securities and Exchange Commission notice of appearance filed
Farmers Federation Cooperative [2]	W.D. N. Car.	Feb. 6, 1962	Feb. 7, 1962	Apr. 13, 1962
Frank Fehr Brewing Co.[1]	W.D. Ky.	Oct. 9, 1962	Oct. 10, 1962	Nov. 26, 1962
Fleetwood Motel Corp.	D. N.J.	Sept. 26, 1960	Sept. 27, 1960	Nov. 3, 1960
Flora Sun Corp. (6 subsidiaries)	S.D. Fla.	Feb. 27, 1962	Apr. 25, 1962	June 5, 1962
Florida Southern Corp.[1]	do	May 17, 1962	May 17, 1962	July 12, 1962
Food Town Inc.[3]	D. Md.	July 29, 1959	July 29, 1959	Aug. 13, 1959
GFE Industries Inc.[1]	S.D. Iowa	Sept. 19, 1963	Sept. 20, 1963	Dec. 14, 1963
General Stores Corp.[3]	S.D.N.Y.	Apr. 30, 1956	May 1, 1956	May 23, 1956
Great American Development Co.	W.D. Tex.	June 1, 1961	June 3, 1961	July 28, 1961
Guaranty Trust Deed Corp.[1]	D. Utah	Jan. 17, 1963	Jan. 18, 1963	Mar. 4, 1963
Hudson & Manhattan Railroad Co.[3]	S.D.N.Y.	Aug. 11, 1954	Dec. 14, 1954	Jan. 7, 1955
Hughes Homes Inc. (4 subsidiaries)	D. Mont.	Sept. 8, 1961	Sept. 15, 1961	Oct. 19, 1961
Inland Gas Corp.[3]	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. (3 subsidiaries)[2]	N.D. Ill.	Jan. 31, 1946	Jan. 31, 1946	Apr. 25, 1949
Kentucky Fuel Gas Corp.[3]	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
Leeds Homes, Inc. (53 subsidiaries)[1]	E.D. Tenn.	June 15, 1962	June 16, 1962	July 26, 1962
Liberty Baking Corp.[3]	S.D.N.Y.	Apr. 22, 1957	Apr. 22, 1957	May 2, 1957
Magic Mountain Inc.[2]	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. (3 subsidiaries)	D.D.C.	Oct. 31, 1960	Oct. 31, 1960	Nov. 9, 1960
Morehead City Shipbuilding Corp.	E.D. N. Car.	Nov. 5, 1959	Nov. 5, 1959	Nov. 9, 1959
H. H. Mundy Corp. (1 subsidiary)	N.D. Okla.	Apr. 17, 1961	Apr. 17, 1961	May 22, 1961
Muskegon Motor Specialties Co.	E.D. Mich.	May 11, 1961	May 11, 1961	May 12, 1961
Joe Newcomer Finance Co.[1]	D. Colo.	Apr. 26, 1963	Apr. 26, 1963	May 2, 1963
New-Kanawha Industrial Corp. (1 subsidiary)[1]	S.D. W. Va.	Nov. 2, 1962	Nov. 3, 1962	Dec. 3, 1962
Parker Petroleum Co., Inc.[3]	W.D. Okla.	May 5, 1958	May 6, 1958	June 9, 1958
Pickman Trust Deed Corp.	N.D. Calif.	June 13, 1960	June 13, 1960	June 13, 1960
Precision Transformer Corp.[1]	N.D. Ill.	Aug. 13, 1962	Aug. 13, 1962	Aug. 13, 1962
Prudential Diversified Services (4 subsidiaries)[1]	D. Mont.	Mar. 26, 1963	Mar. 26, 1963	May 3, 1963
Scranton Corp. (3 subsidiaries)	M.D. Pa.	Apr. 3, 1959	Apr. 3, 1959	Apr. 15, 1959
Shawano Development Corp.	D. Wyo.	do	Apr. 13, 1959	May 20, 1959
Sire Plan, Inc., The (13 subsidiaries)[1]	S.D.N.Y.	Feb. 16, 1963	Feb. 16, 1963	Feb. 18, 1963
Sire Plan Management Corp., The (4 subsidiaries, 1 affiliate)[1]	do	Mar. 4, 1963	Mar. 4, 1963	Apr. 30, 1963
Southern Enterprise Corp. (1 subsidiary)	S.D. Tex.	Oct. 31, 1958	Nov. 3, 1958	June 18, 1960
Southwest Factories, Inc.[1]	W.D. Okla.	July 27, 1962	July 27, 1962	Aug. 23, 1962
Southwest Foundation Inc.	D.N. Mex.	May 19, 1960	June 22, 1960	Oct. 31, 1961
St. John's View Sites [1]	S.D. Calif.	July 6, 1962	July 6, 1962	Aug. 20, 1962
Stardust Inc.[3]	D. Nev.	July 19, 1956	Sept. 10, 1956	Sept. 7, 1956
Swan-Finch Oil Corp. (1 subsidiary)	S.D.N.Y.	Jan. 2, 1958	Jan. 2, 1958	Jan. 27, 1958
Taylor International Corp. (1 subsidiary)[1]	S.D. Fla.	Dec. 28, 1962	Jan. 2, 1963	Feb. 27, 1963
Tele-Tronics, Co.[1]	E.D. Pa.	July 26, 1962	July 27, 1962	Sept. 13, 1962
Tenax, Inc. (1 subsidiary) [1]	S.D.N.Y.	Nov. 30, 1962	Nov. 30, 1962	Nov. 30, 1962
Texas Portland Cement Co.[3]	E.D. Tex.	July 7, 1958	July 7, 1958	Aug. 12, 1958
Third Avenue Transit Corp. (5 subsidiaries)[3]	S.D.N.Y.	Oct. 25, 1948	June 21, 1949	Jan. 3, 1949
TMT Trailer Ferry Inc. (4 subsidiaries)	S.D. Fla.	June 27, 1957	Nov. 15, 1957	Nov. 25, 1957
Townsend Growth Fund Inc.	S.D.N.Y.	May 10, 1961	May 10, 1961	May 10, 1961
Trans-United Industries, Inc.[1]	D. Conn.	Apr. 8, 1963	Apr. 29, 1963	May 27, 1963
Trinity Buildings Corp. of New York [2]	S.D.N.Y.	Jan. 18, 1945	Jan. 18, 1945	Feb. 19, 1945
Trustor's Corp.	N.D. Calif.	Sept. 14, 1961	Oct. 9, 1961	Oct. 17, 1961
Twentieth Century Foods Corp.	E.D. Ark.	Oct. 30, 1961	Nov. 9, 1961	Feb. 21, 1962
U.S. Durox Corp. of Colorado [2]	D. Colo.	Feb. 4, 1959	Feb. 9, 1959	Mar. 31, 1959
U.S. Chemical Milling Corp. (1 subsidiary)[1 2]	S.D. Calif.	Aug. 29, 1962	Aug. 29, 1962	Oct. 1, 1962
Vinco Corp.[1]	E.D. Mich.	Apr. 1, 1963	Apr. 8, 1963	Apr. 9, 1963
Walco Building Corp.	N.D. Ill.	July 31, 1961	Sept. 15, 1961	Sept. 15, 1961
Windermere Hotel Co.[3]	do	Sept. 13, 1960	Oct. 12, 1960	Oct. 24, 1960
Yuba Consolidated Industries Inc.	N.D. Calif.	Mar. 21, 1962	Mar. 21, 1962	Mar. 23, 1962

[1] Commission filed notice of appearance in fiscal year 1963.
[2] Reorganization proceeding closed during fiscal year 1963.
[3] Plan has been substantially consummated but no final decree has been entered because of pending matters.

TABLE 13.—*Summary of criminal cases developed by the Commission which were pending at June 30, 1963*

	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	0	1	1	0	0	0
1939	0	0	0	0	0	0
1940	0	0	0	0	0	0
1941	0	0	0	0	0	0
1942	0	14	14	0	0	0
1943	1	3	0	2	1	0
1944	0	5	5	0	0	0
1945	1	1	0	1	0	0
1946	4	15	0	15	0	0
1947	1	4	0	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	1	0	1	0	0
1954	1	7	0	7	0	0
1955	0	0	0	0	0	0
1956	1	1	0	0	1	0
1957	3	38	3	0	35	0
1958	1	9	5	0	4	0
1959	8	106	17	27	62	0
1960	9	90	41	8	37	4
1961	22	200	47	10	126	17
1962	31	118	51	5	58	4
1963	18	43	9	1	33	0
Total	[1] 102	656	193	81	357	25

SUMMARY

Total cases pending [1]	149
Total defendants [1]	569
Total defendants as to whom cases are pending [1]	673

[1] As of the close of the fiscal year, indictments had not yet been returned as to 206 proposed defendants in 44 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 1963 fiscal year	Total cases closed up to end of 1963 fiscal year	Cases pending at end of 1963 fiscal year	Cases pending at end of 1962 fiscal year	Cases instituted during 1963 fiscal year	Total cases pending during 1963 fiscal year	Cases closed during 1963 fiscal year
Actions to enjoin violations of the above Acts	1,274	1,160	114	103	109	212	99
Actions to enforce subpoenas under the Securities Act and the Securities Exchange Act	90	83	7	2	12	14	6
Actions to carry out voluntary plans to comply with Section 11(b) of the Holding Company Act	145	139	6	7	1	8	3
Miscellaneous actions	47	42	5	6	8	14	9
Total	1,556	1,424	132	118	130	248	117

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 1963 fiscal year	Total cases closed up to end of 1963 fiscal year	Cases pending at end of 1963 fiscal year	Cases pending at end of 1962 fiscal year	Cases instituted during 1963 fiscal year	Total cases pending during 1963 fiscal year	Cases closed during 1963 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	65	59	6	7	1	8	4
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	258	246	12	5	14	19	7
Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or *amicus curiae*	258	244	14	14	14	28	14
Appeal cases under Chapter X in which the Commission participated	192	186	6	5	10	15	9
Total	782	744	38	31	39	70	34

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 1963 fiscal year.*

Name of principal defendant	Number of defendants	U.S. District Court	Indictment returned	Charges	Status of case
Aaberg, Henry O. (Titanol, Inc.).	2	Wyoming	Sept. 4, 1962	Secs. 5(a)(2), 17(a), 1933 Act; Secs. 371, 1341 Title 18 U.S.C.	One defendant pleaded guilty to 2 counts of the indictment on Apr. 30, 1963. Remaining counts dismissed as to this defendant. Another defendant pleaded guilty to 7 counts of the indictment on May 20, 1963. Pending.
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.	One 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. Opinion rendered affirming convictions, May 24, 1963. Pending as to remaining 4 defendants.
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.
Albrecht, Harry William.	1	Western District of Oklahoma.	Nov. 9, 1960	Secs. 5(a)(2) and 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.	Defendant apprehended and bond fixed at $10,000. Pending.
Amigos Gas & Oil Corp.	4	Eastern District of Texas.	Dec. 5, 1962	Secs. 5(a), 17(a), 1933 Act; Secs. 371, 1341 Title 18 U.S.C.	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.	Motion of dismissal filed by defendant and denied Sept. 18, 1962. Defendant deceased.
Batten, Franklin L. (Batten and Co., Inc.).	1	District of Columbia.	Aug. 27, 1962	Secs. 1505 and 1622 Title 18 U.S.C.	Pending.
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.	Four defendants found guilty. Sentences imposed ranging from 6 months to 1 year and 1 day. Appeal filed by 4 defendants from their convictions. One defendant acquitted. Pending as to remaining 4 defendants.
Bennett, Sterling W.	4	Eastern District of South Carolina.	June 3, 1963	Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. and Sec. 371, 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.	Both defendants filed notices of appeal from the judgment of their conviction entered Aug. 2, 1962. Pending.
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.

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 1963 fiscal year*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Indictment returned	Charges	Status of case
Bernstein, Albert (J. A. Winston & Co.).	6	Southern District of New York.	Oct. 3, 1961	Sec. 371, Title 18, U.S.C.	Pending.
Do	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.	Four individual defendants and 2 corporate defendants pleaded guilty to various counts of the indictment; another defendant pleaded guilty to an information charging violations of Sec. 10(b) of the 1934 Act. Pending.
Black, Ellio Dorothy	1	Montana	July 25, 1962	Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.; Sec. 10(b) and Rule 10b-5, 1934 Act.	Defendant on guilty plea sentenced to 3 years imprisonment on count 1 and 1 year on count 2, to run concurrently, for violations of Sec. 17(a) of 1933 Act.
Black, Morris (Great Sweet Grass Oils, Ltd.).	4	Southern District of New York.	Oct. 5, 1961	Sec. 371, Title 18, U.S.C.	Pending.
Bowden, Norman E. (S.D.C. Distributors & 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.	All defendants apprehended. Five defendants pleaded not guilty. Pending.
Brenck, Francis J	1	Western District of Washington.	Mar. 7, 1963	Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. and Sec. 1001, 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.	One defendant deceased. Pending as to remaining 4 defendants.
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.	All defendants found guilty and sentences imposed ranging from 18 months to 3 years June 18, 1963. 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. One defendant deceased and 1 defendant dismissed. Pending as to the 4 remaining defendants.
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.	Five defendants given sentences ranging from 1 year and 1 day to 18 months and placed on 5 years probation; 1 defendant dismissed and 1 defendant filed appeal from his conviction on Dec. 27, 1962. Appeal denied May 3, 1963.
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.	Order entered Dec. 27, 1962, dismissing the indictment as to 1 defendant. Notice of appeal filed to the USSC from the order entered Dec. 27, 1962. Pending as to 5 defendants.

Carroll, Howard P. (H. Carroll & Co.).	2	Southern District of California.	May 23, 1962	Sec. 17(a), 1933 Act.	Both defendants found guilty on all counts of the indictment; corporate defendant fined a nominal fine of $50.00 since company is defunct; remaining defendant fined $2,500 and placed on probation for 1 year. Appeal filed by individual defendant. Pending.
Charnay, David B. (Walker-Stevens, Inc.).	3	Southern District of New York.	June 21, 1962	Sec. 1621 Title 18 U.S.C.	Pending.
Charnay, David (Walker-Stevens, Inc).	3	do	June 24, 1963	Secs. 17(a) and 24, 1933 Act; Secs. 9(a)(2) and 32(a), 1934 Act.	Do.
Chron, Robert T.	2	New Hampshire	May 27, 1963	Sec. 17(a), 1933 Act and Sec. 1341, Title 18 U.S.C.	Do.
Clark, William	2	Massachusetts	Mar. 2, 1960	Secs. 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.	One defendant pleaded guilty; suspended imposition of sentence and placed on probation for a period of 5 years. Action dismissed as to the remaining defendant.
Cohen, Leon Allen (Continental Underwriters, Inc.).	9	Northern District of Georgia.	Sept. 17, 1959	Secs. 17(a)(1), 1933 Act; Sec. 1341, Title 18, U.S.C.	Notice of appeal filed by 1 defendant from judgment of conviction entered Mar. 14, 1961. Decision rendered affirming conviction and judgment entered suspending his sentence and placing him on probation for a period of 2 years.
Cohn, David M.	1	Eastern District of Arkansas.	Sept. 6, 1962	Secs. 5(a)(1), 5(a)(2) and 17(a), 1933 Act; Sec. 15(a), 1934 Act; Sec. 1341, Title 18 U.S.C.	Defendant found guilty on 10 counts of an 11-count indictment charging violations of Secs. 5(a) and 17(a) of 1933 Act; Sec. 15(a) of 1934 Act and mail fraud statutes. Remaining count dismissed. 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.	Fifteen defendants convicted; various sentences and fines ranging from $200 to $36,000 were imposed. One defendant was dismissed; 2 defendants were acquitted and 5 defendants appealed from their convictions. Pending as to the remaining 10 defendants.
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[1]	Rule 10b-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.	Defendant apprehended May 2, 1963. Pending.
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.	Orders entered dismissing the indictment as to 9 defendants; 1 defendant pleaded guilty to information charging violation of Rule 10b-6(3).
Columbus Rexall Oil Co.	4	do	Nov. 8, 1961[3]	Secs. 20, 32(a), 1934 Act; Secs. 2 and 371, Title 18 U.S.C.	Order entered dismissing the indictment as to 4 defendants. Notice of appeal filed from the dismissal entered Feb. 14, 1962, and dismissed by stipulation Sept. 25, 1962.
Crowell, Alec M.	2	Eastern District of Louisiana.	Aug. 2, 1962	Secs. 5(a)(1), 5(c) and 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. and Sec. 371, Title 18, U.S.C.	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 1963 fiscal year*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Indictment returned	Charges	Status of case
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.	Remaining defendants dismissed on Sept. 10, 1962.
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.	Two 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; indictment dismissed as to 1 defendant. Appeal filed and dismissed for lack of prosecution.
Stern, James	1	do	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.	Both defendants pleaded guilty to count 1 of Sec. 17(a). On Nov. 19, 1962, 1 defendant was sentenced to 18 months imprisonment and the other defendant to 1 year. Remaining counts dismissed.
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 found guilty and sentenced to 16 years imprisonment.
Eichler, Robert (Arlee Associates).	7	Southern District of New York.	May 28, 1962	Secs. 2, 371 and 2314, Title 18 U.S.C.	Three defendants were given sentences ranging from 6 months to 2 years and fines of $2,500 and $10,000 imposed on said defendants. One defendant deceased. Pending as to the remaining 3 defendants.
Eizenman, Ray (Inter-City Finance Corp.).	4	Southern District of Florida.	Aug. 23, 1962	Sec. 17(a), 1933 Act; Sec. 1341 Title 18 U.S.C.	Closed.
Do	4	do	Nov. 19, 1962 [2]	do	One defendant pleaded guilty to violating the anti-fraud provisions of 1933 Act and mail fraud statute and sentenced to 3 years. Two defendants found guilty Apr. 17, 1963, sentenced to 5 years imprisonment and fined $10,000. Indictment dismissed as to the remaining defendant in June, 1963. Pending.
Elbel, Donald R. (The Coffeyville Loan and Investment Co., Inc.).	1	Kansas	Sept. 20, 1962	Secs. 5(a)(1), 5(a)(2), 17(a), 1933 Act; Sec. 1341 Title 18 U.S.C.	Pending.
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 [1]	do	One defendant found not guilty. Two defendants found guilty on 32 counts of indictment; 1 defendant sentenced to a total of 10 years and fined $86,500; the other defendant sentenced to a total of 4 years and fined $52,000. Both defendants appealed. Pending.
Fewell, George Hamilton (Permian Operating Co., Inc.).	2	Western District of Tennessee.	Dec. 14, 1962	Secs. 5(a)(1), 5(a)(2), 17(a) and 3(c), 1933 Act; Sec. 1341 Title 18, U.S.C. and Sec. 371 Title 18 U.S.C.	Pending.
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.	Corporate defendant fined $2,500 for violating count 9 of Sec. 17 of 1933 Act; the other defendant sentenced to 2 years; served 2 months in prison and remainder of sentence suspended; defendant placed on probation for 1 year.
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.	One defendant pleaded guilty to 1 fraud and 1 conspiracy count and sentenced to 3 years probation and fined $5,000. Remaining defendant pleaded guilty to 1 fraud count and placed on probation for 3 years and fined $3,000. Remaining counts dismissed as to both defendants.
Franklin, H. Wayne	6	New Mexico	Apr. 25, 1963	Secs. 5(a)(2) and 17(a), 1933 Act; Sec. 15(a) and Sec. 24, 1934 Act; Sec. 1341 Title 18 U.S.C. and Sec. 371 Title 18 U.S.C.	Pending.
Fricke, Paul G. (Dualoc Drive, Inc.).	1	Northern District of Illinois.	Feb. 28, 1963	Sec. 17(a), 1933 Act. and Sec. 1341 Title 18, U.S.C.	Do.
Fry, Clark L.	1	Western District of Wisconsin.	Jan. 7, 1960	Secs 5(a)(2) and 17(a), 1933 Act.	CA–7 remanded case to the District Court for new trial. Defendant pleaded guilty to 1 count of Sec. 5 of 1933 Act and sentenced to 5 years.
Garfield, Samuel (Shawano Development Corp.).	12	Southern District of New York.	Apr. 13, 1961	Secs. 5(a), 5(c), 17(a), 1933 Act; Secs. 371 and 1341, Title 18. U.S.C.	One defendant pleaded guilty; sentencing deferred. Pending.
Garfield, Samuel S. (United Dye & Chemical Corp.).	33	do	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.	Nineteen defendants found guilty on various counts of the indictment; 1 defendant pleaded nolo contendere, and 4 defendants appealed from their convictions. Pending as to the remaining 18 defendants.
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.	One defendant pleaded guilty and sentenced to 1 year on each count to run consecutively; sentence on last 2 counts suspended, and placed on probation for 5 years. Order entered Jan. 17, 1963, dismissing the indictment as to remaining defendants.
Getchell, Francis E. (Florida 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	Indictment dismissed as to the remaining defendant.
Gilbert, Edward M. (Celotex Corp.).	1	Southern District of New York.	June 28, 1962	Secs. 5(a)(1), 17(a), 24, 1933 Act; Secs. 16(a), 32(a), 1934 Act; Secs. 2, 1341, 1343 and 2314, Title 18 U.S.C.	Pending.
Goldstein, Benjamin	15	do	May 2, 1963	Secs. 5(a)(2), 17(a), 24 and 2, 1933 Act; Sec. 371, Title 18 U.S.C.	Do.
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.	Ten defendants found guilty on all counts of the indictment: sentences ranging from 1 to 20 years. Appeal filed by each defendant from their convictions. Remaining defendant not yet apprehended. 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 1963 fiscal year*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Indictment returned	Charges	Status of case
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. Motion to dismiss indictment filed by both defendants. Pending.
Gray, Chester (Imperial Petroleum Co.).	6	Southern District of Florida.	Aug. 2, 1951	Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18 U.S.C.	One defendant acquitted May 23, 1962. One defendant on plea of guilty sentenced to 1 year, suspended and placed on probation and fined $500. Two defendants sentenced to 3 years imprisonment; filed notice of appeal on their convictions. Opinion rendered affirming the convictions on March 29, 1963. Petition for writ of certiorari filed by 1 defendant. Pending as to 3 defendants.
Graye, James C. (James C. Graye Co.)	50	Connecticut	May 18, 1960	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 25 defendants, 1 defendant dismissed and 3 defendants deceased, as noted in previous report. One defendant sentenced to 3 years, execution of sentence suspended after 5 months and placed on probation for 5 years. Pending as to 20 defendants.
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.	Pending as to 1 defendant.
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.	One defendant arraigned and pleaded guilty to counts 11 and 12 of Sec. 1341, Title 18, U.S.C.; sentence of 1 year imposed and suspended and defendant placed on probation for a period of 2 years. Pending.
Grene, Robert (Security Guaranty Co., Inc.).	4	Southern District of Florida.	Aug. 3, 1962	Sec. 17(a), 1933 Act; Sec. 1341, Title 18 U.S.C.	Pending.
Gully, Guy W.	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.	Two defendants on plea of nolo contendere fined $1,000 and $5,000 respectively. Indictment dismissed as to 1 defendant. Three defendants acquitted on May 24, 1963.
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.	One defendant pleaded guilty. Imposition of sentence suspended and defendant placed on 5 years probation.
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.	One defendant found guilty for violating Secs. 5 and 17(a) of 1933 Act; Secs. 371, 1341 and 1343, Title 18, U.S.C., sentenced to 5 years imprisonment on each of 16 counts, sentences to run concurrently; the other defendant on his plea of guilty to 2 counts of the indictment charging violation of Sec. 5 of 1933 Act sentenced to 2 years imprisonment on each count to run concurrently. Remaining counts dismissed as to this defendant on motion of the government.
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 guilty to 1 count of Sec. 17(a) of 1933 Act and sentenced to 3 years imprisonment.
Herek, John	6	Eastern District of Michigan.	July 30, 1942	Sec. 17(a)(1), 1933 Act; Secs. 371, 1341, Title 18, U.S.C.	Indictment dismissed on Dec. 31, 1962.
Do	1	do	do	Sec. 15(a), 1934 Act	
Do	5	do	do	Sec. 15(a) (1) and (2), 1933 Act; Sec. 371, Title 18, U.S.C.	
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.	Defendants found guilty of violations of anti-fraud provisions of the 1933 Act and Mail Fraud statute June 26, 1963. Pending.
Howard, Robert A.	1	Colorado	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.
Howard, Robert A. (Montana Chemical Corp.).	2	do	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 acquitted.
Hughes, Paul M. (World Wide Investors Corp.).	13	Southern District of New York.	Nov. 18, 1960	Secs. 5(a)(1), 5(a)	Two defendants pleaded guilty; sentencing deferred. Six other defendants pleaded not guilty and were admitted to bail in amounts ranging from $500 to $15,000. One defendant sentenced to 18 months imprisonment. Appeal pending.
Johnston, S. Brooks (Johnston & Co., Inc.).	3	Northern District of Ohio.	Sept. 12, 1962	Sec. 17(a), 1933 Act; Secs. 371, 1341, Title 18, U.S.C.	One defendant pleaded guilty and was sentenced to 5 years imprisonment, suspended and placed on probation. Corporate defendant fined $25,000. Pending as to the remaining defendant.
Johnston, Stuart Brooks.	1	Southern District of Florida.	Oct. 10, 1962	Secs. 1341, 1343 and 2314, Title 18, U.S.C.	Defendant pleaded guilty Dec. 21, 1962, to 3 counts of a 6-count indictment and was sentenced to 3 years imprisonment. Pending.
Kay & Co	4	Southern District of Texas.	Feb. 5, 1963	Sec. 10(b) and Rule 10b-5, 1934 Act; Sec. 1341, Title 18, U.S.C.	Pending.
Keller, Herman J	1	Massachusetts	June 27, 1963	Sec. 10(b) and Rule 10b-5, 1934 Act.	Do.
Keller, Herman J. & Keller Brothers Securities Co., Inc.	2	do	June 27, 1963	Sec. 17(a), 1933 Act; 1341, Title 18, U.S.C. and Sec. 371, Title 18, U.S.C.	Do.
Kevin, Melvyn	2	Southern District of New York.	June 15, 1962	Sec. 10 and Rule 10b-5, 1934 Act; Sec. 2 and Sec. 32, Title 18, U.S.C.	Defendants pleaded not guilty. Dismissal as to both defendants.

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
Kimball Securities, Inc.	20	Southern District of New York.	Dec. 7, 1959	Secs. 5(a)(1), 17(a) and 24, 1933 Act; Secs. 2 and 371, Title 18, U.S.C.	Five defendants given imprisonment ranging from 6 months to 3 years; 6 defendants suspended sentences from 1 year to 5 years; 1 defendant sentence suspended and fined $5,000; sentencing deferred as to 1 defendant; 1 defendant acquitted and 1 deceased. Appeal filed by 3 defendants from the judgment of their convictions. Pending as to 8 defendants.
Algranati, Mayer	1	do	Mar. 25, 1960	Sec. 1621, Title 18, U.S.C.	Pending.
Kimmes, Arnold L. (Douglas Corp.).	6	Colorado	Oct. 25, 1962	Secs. 5(a)(2), 17(a) 1933 Act; Secs. 371, 1341, Title 18, U.S.C.	Do.
Kirchofer, Robert Carl (Kirchofer & 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.	One defendant on his plea of nolo contendere found guilty on 7 counts of the indictment charging him with violations of Secs. 17(a)(1) of 1933 Act, 15(a) of 1934 Act and Sec. 1341, Title 18, U.S.C. Sentenced to 5 years on all counts; suspended sentence and placed on probation for 3 years; the remaining defendant on his plea of guilty to the same counts, sentenced to a period of 3 years on all counts; sentence suspended and placed on probation for a period of 2 years.
Larson, Richard A. (National Security Life Insurance, Co.).	4	Southern District of Indiana.	Mar. 19, 1963	Sec. 17(a), 1933 Act; Sec. 10(b), 1934 Act and Sec. 371, Title 18, U.S.C.	Pending.
Leason, Hayden (Leason & Co., Inc.).	7	Eastern District of Missouri.	Jan. 9, 1963	Secs. 5(a)(2), 17(a), 1933 Act; Sec. 10(b), 1934 Act; Secs. 371, 1341, Title 18, U.S.C.	Do.
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.	Two defendants pleaded guilty to count 1 of Sec. 371 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.	All defendants acquitted.
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 13 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.
Little, James E.	1	Eastern District of Missouri.	Dec. 5, 1962	Sec. 5(a)(1) and Sec. 17(a), 1933 Act.	Defendant found guilty on 8 counts of a 10-count indictment and sentenced to 4 years in prison June, 1963. Remaining 2 counts dismissed. Pending.
Lombard, Earl J.	2	District of Columbia.	May 21, 1963	Sec. 17(a), 1933 Act; Secs. 1202, 2201 and 2203, Title 22, D.C.	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.	Order entered Dec. 13, 1962, dismissing the remaining defendant.
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.	Both defendants pleaded guilty to violations of the anti-fraud provisions of 1933 Act and conspiracy; 1 defendant sentenced to 5 years, imposition of sentence suspended and placed on probation for 5 years. Remaining defendant sentenced to 3 years, sentence suspended and placed on probation for 3 years.
Manley, Donald F	1	Eastern District of South Carolina.	Oct. 8, 1962	Sec. 17(a), 1933 Act and Sec. 1341, Title 18, U.S.C.	Defendant sentenced to 2 years imprisonment on his plea of guilty to the second count of the indictment, June, 1963. Remaining count was dismissed.
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.	Defendant pleaded not guilty to all counts of the indictment. Pending.
Matheson, Harry B. (San Juan Petroleum Corp.).	1	Massachusetts	July 26, 1962	Secs. 5(a), 17(a), 1933 Act; Sec. 371, Title 18, U.S.C.	Do.
McDaniel, Paul E. (Ambrosia Minerals, Inc.).	4	Southern District of Texas.	July 10, 1962	Secs. 5(a) and 17(a), 1933 Act; Secs. 9(a) (2) and 32, 1934 Act; Sec. 371, Title 18, U.S.C.	Do.
McLean & Co., E. M. (Devon Gold Mines, Ltd.).	2	Eastern District of Michigan.	Oct. 21, 1941	Sec. 15(a), 1934 Act	Indictment dismissed on Dec. 31, 1962.
Do	7	do	do	Secs. 5(a)(1) and (2), 1933 Act, Sec. 371, Title 18, U.S.C. Sec. 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.	Do.
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.	One defendant pleaded guilty on two Sec. 17(a) counts; sentenced to 1 year 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.	Twelve 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	Closed.
Moxham, Jerome E	1	Northern District of Indiana.	Jan. 5, 1962	Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.	Defendant pleaded guilty to count 2 of Sec. 17(a) of 1933 Act and count 3 of mail fraud; sentenced to 5 years on each count, to run concurrently, suspended and placed on probation for 3 years.
Muchow, William Mark.	1	Northern District of Illinois.	June 27, 1963	Secs. 5(a) and 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.

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
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.	Fourteen defendants pleaded guilty and 4 defendants pleaded nolo contendere; received sentences ranging from 3 months to 3 years. Other sentences suspended and defendants placed on probation and 2 defendants fined $400. Indictment dismissed as to 2 defendants. Pending as to remaining 8 defendants.
Nikoloric, Leonard A. (American Orbitronics Corp.).	3	District of Columbia.	Nov. 27, 1962	Secs. 5(a)(1) and 5(a)(2), 1933 Act.	Defendants waived indictment and pleaded guilty to 1 count each of a 3-count information. Each defendant fined $2,500 for violations of the 1933 Act.
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 Corp.).	6	Southern District of Florida.	June 14, 1961	Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.	Five defendants convicted by jury on Apr. 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 5 defendants. Opinion rendered affirming the convictions of appellants. Pending as to the remaining defendant.
Pennell, Truman Kenneth (Security Enterprises, Inc.).	3	Northern District of Texas.	July 13, 1962	Sec. 17(a), 1933 Act; Secs. 10(b), 15(c)(1) and Rules 10b-5 and 15c1-4, 1934 Act; Sec. 1341 Title 18, U.S.C.	Two defendants pleaded not guilty. 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.	Order entered dismissing 1 defendant Nov. 8, 1961. One defendant pleaded guilty to count 14 charging violation of Sec. 5(a)(2) of 1933 Act and sentenced to 1 year imprisonment, execution suspended and placed on probation for 2 years and fined $200 to stand committed until paid. Pending as to the remaining 20 defendants.
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.	One defendant on plea of guilty sentenced to 2 years imprisonment on counts 23, 24 and 25, charging violations of Sec. 5(a)(2) of 1933 Act and fined $500; sentencing to run concurrently as to prison sentence only; execution of prison sentence on all 3 counts suspended and defendant placed on probation for 2 years on condition that fine of $1,500 be paid within 6 months. Remaining defendant sentenced on each of 15 counts of a 28 count indictment, to serve 5 years, to run concurrently; imposition of sentence suspended on 8 other counts and defendant placed on probation for 5 years.

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.	Indictment dismissed as to all defendants.
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.
Robertson, Thomas E. (American-Canadian Oil & Drilling Corp.).	3	----do----	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.
Roe, D. H. (Stratoray Oil, Inc.).	3	Northern District of Texas.	Aug. 16, 1957	Secs. 5(a)(1) and (2) and 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.	Appeal filed from the judgment of the district court May 2, 1962. Decision rendered affirming the judgment of the district court.
Rowitz, Abraham	1	Northern District of Illinois.	Nov. 8, 1962	Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.	Defendant pleaded guilty and was sentenced to 2 years imprisonment on all counts of the indictment to be served concurrently; suspended sentence and placed on 5 years probation. Pending.
Do	1	Southern District of New York.	Feb. 1, 1963	Sec. 17(a), 1933 Act and Sec. 1341, Title 18, U.S.C.	Defendant on his plea of guilty was sentenced on June 18, 1963, to 2 years imprisonment on each of 3 counts of the indictment. Sentence suspended and defendant placed on 5 years probation. Pending.
Schaefer, Carl D.	1	Northern District of Illinois.	Mar. 26, 1958	Secs. 5(a)(2) and 17(a), 1933 Act.	Defendant sentenced to 2 years for violations of registration and anti-fraud provisions of 1933 Act.
Settles Wayne & Settles Oil Co., Inc.	2	----do----	Mar. 28, 1963	Sec. 17(a), 1933 Act and Sec. 1341, Title 18, U.S.C.	Pending.
Sherwood, Robert Maurice.	4	Connecticut	July 3, 1962	Secs. 5(a)(1), 5(a)(2), 17(a) and 17(b), 1933 Act.	Do.
Shindler, David L.	4	Southern District of New York.	June 28, 1957	Sec. 17(a)(2), 1933 Act; Sec. 9(a)(2), 1934 Act; Sec. 371, Title 18, U.S.C.	One 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.	One defendant previously convicted. The remaining defendant pleaded guilty to 1 count of Sec. 17 of 1933 Act; sentenced to a 3-year suspended sentence and placed on probation for 3 years.
Silver State Farms, Inc. (Valley Farms, Inc.).	6	Nevada	Jan. 26, 1960	Sec. 371, Title 18, U.S.C.	Three defendants found guilty on 1 count of the indictment charging conspiracy to commit mail fraud; 2 defendants pleaded nolo contendere; 1 defendant acquitted. Pending on appeal as to 1 defendant.
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.	One 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.
Steel, Herbert Johannes.	1	Southern District of New York.	June 14, 1963	Secs. 5(a)(1), 5(a)(2) and 24, 1933 Act; Sec. 371, Title 18, U.S.C. and Sec. 1001, Title 18, U.S.C.	Do.

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 1963 fiscal year*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Indictment returned	Charges	Status of case
Sylk, Albert J. (Nylonet Corp.).	1	Northern District of Georgia.	Jan. 9, 1962	Sec. 1001, Title 18, U.S.C.	Defendant on plea of guilty sentenced to 2 years on each of 2 counts to run concurrently; court suspended 18 months of the sentence leaving 6 months of the sentence to be served, and imposed a total fine of $10,000.
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.	One 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. (Consolidated Uranium Mines, Inc.).	1	Eastern District of New York.	Apr. 26, 1956	Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.	Defendant pleaded not guilty. Pending.
Tellier, Walter F.	7	do	Aug. 3, 1956	Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.	One 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.
Thayer, Sylvester A.	1	Colorado	Feb. 27, 1962	Sec. 1621 Title 18, U.S.C.	Defendant convicted on 4 counts of the indictment; sentencing deferred. Opinion and order entered vacating conviction and granting a new trial. Pending.
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.	One defendant pleaded guilty to all counts; sentencing deferred. Five defendants pleaded guilty to certain counts of the indictment. 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 the remaining defendant.
Veditz Co., Inc., Jean R. (Mono-Kearsarge Consolidated Mining Co.).	4	do	Apr. 5, 1963	Sec. 371, Title 18, U.S.C.; Sec. 17(a) and Sec. 24, 1933 Act; Sec. 1341 and 2, Title 18, U.S.C.	Pending.

Vettraino, Joseph D	1	Eastern District of Michigan.	Feb. 15, 1963	Sec. 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act; and Sec. 1341, Title 18, U.S.C.	Do.
Wallach, Donald	1	Massachusetts	June 27, 1963	Sec. 17(a), 1933 Act	Do.
Warner, J Arthur & Co., Inc.	11	do	July 7, 1953	Sec. 17(a)(3), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.	Six defendants found guilty with sentences ranging from 1 to 2 years probation and fines of $1,000 to $5,000 imposed on said defendants. One defendant deceased. Dismissal as to 3 defendants. Pending as to 1 defendant.
Wasserman, Frank L	1	do	Sept. 14, 1962	Sec. 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act; Sec. 1341, Title 18, U.S.C.	One defendant pleaded guilty to all counts of the indictment and was sentenced to 1 year imprisonment.
Wilensky, Joseph J	1	Southern District of Florida.	Apr. 17, 1963	Sec. 10(b) and Rule 10b-5, 1934 Act.	Pending.
Winston & Co., Inc., J. A.	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.
[3] Additional indictment.

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1963*

Name of principal defendant	Number of defendants	U.S. District Court	Initiating papers filed	Alleged violations	Status of case
Adams, Norman Joseph, dba Adams & Co.	1	Southern District of California.	Oct. 31, 1962	Sec. 17(a)(3), 1933 Act; Secs. 10(b), 15(c)(1), 15(c)(3), and 17(a) and Rules 10b-5, 15c1-2, 15c1-5, 15c3-1 and 17a-3, 1934 Act.	Complaint and request for the appointment of a receiver filed Oct. 31, 1962. Final judgment by consent entered Nov. 13, 1962, as to the defendant. Pending as to the receiver.
Admiral Oil & Gas Co.	2	Western District of Oklahoma.	July 14, 1962	Secs. 5(a)(1), 5(a)(2), 5(c), 17(a)(2) and 17(a)(3), 1933 Act.	Complaint filed July 14, 1962. Final judgment by consent as to 2 defendants entered Oct. 17, 1962. Closed.
Aircraft Dynamics International Corp.	3	Southern District of New York.	Aug. 18, 1960	Sec. 17(a), 1933 Act	Complaint filed Aug. 18, 1960. Final judgment by consent as to 3 defendants entered Sept. 14, 1962. 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 time for defendants to answer to Oct. 26, 1962. 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. Order entered Feb. 7, 1963, dismissing the action as to all defendants. Closed.
Allen Investment Co.	2	Colorado	Oct. 22, 1959	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Order entered dismissing action as to 1 defendant Dec. 7, 1959. Final judgment by the court entered as to the remaining defendant. Closed.
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 3 defendants entered Dec. 22, 1960. Receiver appointed Feb. 27, 1961. Pending.
Aloha Securities Co., Inc.	2	Hawaii	Sept. 26, 1962	Secs. 8(c), 15(c)(2) and 15(c)(3), and Rules 8c-1.	Complaint filed Sept. 26, 1962. Final judgment by consent as to 2 defendants entered Oct. 12, 1962. Closed.
American Brokerage Co.	3	Wyoming	Mar. 26, 1963	Sec. 17(a), 1933 Act	Complaint filed Mar. 26, 1963. Final judgment by consent as to 3 defendants entered Apr. 30, 1963. Closed.
American Capital Corp.	1	District of Columbia.	May 31, 1962	Sec. 17(a)(3), 1933 Act	Complaint and request for the appointment of a receiver filed May 31, 1962. Order appointing a receiver entered June 8, 1962. Final judgment by default as to the defendant entered Jan. 16, 1963. Pending as to the receiver.
American Diversified Securities, Inc.	1	do	Apr. 6, 1961	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Final judgment by consent entered Apr. 13, 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 Apr. 24, 1963. 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 Orbitronics Corp.	19	District of Columbia.	Aug. 16, 1961	Secs. 5(a) and (c) and 17(a), 1933 Act.	Complaint filed Aug. 16, 1961. Action dismissed as to 2 defendants Oct. 16, 1961. Final judgment by consent as to 5 defendants entered Oct. 30, 1961. Final judgments by consent as to 6 defendants entered Sept. 18, 1962; as to 1 defendant Oct. 9, 1962, and as to 1 defendant Oct 17 1962. Pending as to the remaining 4 defendants.

American Quicksilver Corp.	5	Southern District of California.	Apr. 11, 1962	Sec. 17(a)(1), 1933 Act	Complaint filed Apr. 11, 1962. Final judgment by default as to 3 defendants entered July 25, 1962. Final judgment by default as to 2 defendants entered Sept. 24, 1962. Closed.
American Seal Savings & Loan Association, Inc.	3	Maryland	May 9, 1960	Secs. 17(a)(2) and (3), 1933 Act.	Motion for final judgment 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. Final judgment by consent as to 1 defendant entered June 19, 1963. Pending as to remaining defendants.
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.
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. 1933 Act; Secs. 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 receiver.
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. Receiver appointed Feb. 26, 1962. Final judgment by consent as to 2 defendants entered May 25, 1962. Final judgment by the court as to the remaining defendant entered Aug. 27, 1962. Pending as to receiver.
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 2 defendants Dec. 19, 1961. Pending as to receiver.
Arrowhead Oil & Gas Co., Inc.	5	Northern District of Texas.	Mar. 22, 1963	Secs. 5(a)(1), 5(a)(2), 5(c), 17(a)(2) and 17(a)(3), 1933 Act; Secs. 10(b) and 15(a) and Rule 10b-5 (2) and (3), 1934 Act.	Complaint filed Mar. 22, 1963. Final judgment by consent as to 4 defendants entered May 23, 1963. Order entered dismissing the action as to 1 defendant. Closed.
Atlantic Central Corp.	2	New Jersey	Dec. 17, 1962	Sec. 17(a), 1933 Act	Complaint filed Dec. 17, 1962. Final judgment by consent as to 2 defendants entered Dec. 18, 1962. 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. Receiver appointed Dec. 20, 1960. Commission's motion to certify the case for the ready calendar was granted over defendants' objections. Defendant's motion to dismiss denied. Pending.
Banner Securities Inc.	13	Eastern District of New York.	Nov. 27, 1962	Secs. 5(a) and 17(a) of 1933 Act.	Summons and complaint filed Nov. 27, 1962. Preliminary injunction as to 2 defendants entered May 9, 1963. Preliminary injunction as to 7 defendants entered June 7, 1963. Final judgment by consent as to 2 defendants entered June 7, 1963. Pending.
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. Final judgment by consent as to 1 defendant entered June 12, 1963. Pending as to remaining defendants.
Belmont Oil Corp.	15	do	June 30, 1959	Sec. 5, 1933 Act	Final judgment by consent as to 2 defendants entered Nov. 6, 1959. Preliminary injunction entered Dec. 15, 1959, as to 8 defendants. Appeal 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. Final judgment by consent as to 1 defendant entered June 12, 1963. Pending as to 12 remaining defendants.

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1963*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Initiating papers filed	Alleged violations	Status of case
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. Appointment of receiver denied. Escrow agents appointed. Final judgment by consent as to 3 defendants entered Apr. 2, 1963. Pending.
Black Angus Steak Houses, Inc.	2	Colorado	Feb. 5, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Feb. 5, 1963.
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. Order entered Nov. 5, 1962, discharging receiver. Closed.
Bond & 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. Final judgment by consent as to 1 defendant entered Apr. 3, 1963. Pending as to remaining defendants.
Brandel 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.
Brown & Co. Investment Securities.	2	Arizona	July 12, 1962	Secs. 15(c)(3), 15(c)(1) and Rules 15c3-1 and 15c1-2, 1934 Act.	Summons, complaint and request for appointment of a receiver. filed July 12, 1962. Final judgment by stipulation and consent as to both defendants entered July 13, 1962. Closed.
Brown, Barton & Engel.	9	New Jersey	May 1, 1962	Sec. 17(a), 1933 Act	Complaint filed May 1, 1962. Final judgment by consent as to 3 defendants entered May 25, 1962. Preliminary injunction as to 6 defendants entered Sept. 11, 1962. Final judgment by consent as to 3 defendants entered May 28, 1963. Pending as to remaining 3 defendants.
Business & Professional Womens Holding Co.	2	Southern District of Illinois.	May 10, 1963	Secs. 5(a) and 5(c), 1933 Act.	Complaint filed May 10, 1963. Preliminary injunction entered as to 2 defendants, May 17, 1963. Pending.
Canadian Javelin Ltd.	24	Southern District of New York.	Sept. 23, 1958	Secs. 5(a)(1) and (2), 17(a)(1), (2) and (3) and 17(b), 1933 Act; Sec. 10(b), 1934 Act.	Final judgments by consent entered on various dates as to 15 defendants. Final judgment by default entered as to 3 defendants. Action dismissed as to 1 defendant and final judgment by consent as to 1 defendant entered May 29, 1963. Pending as to remaining 5 defendants.
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. Motion for preliminary injunction Mar. 1, 1961. Notice of appeal filed Apr. 1961. District court order affirmed by court of appeals for Second Circuit Dec. 18, 1961. District court order reaffirmed by court of appeals in banc July 13, 1962. Petition for writ of certiorari filed Nov. 26, 1962, and granted Jan. 21, 1963. Pending.
Cardinal Drilling Co., Inc.	5	Northern District of Ohio.	Feb. 19, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act and Secs. 10(b) and 15(a) and Rules 10b-5(2) and (3), 1934 Act.	Complaint filed Feb. 19, 1963. Temporary restraining order obtained Feb. 19, 1963; extended by stipulation until final judgment Mar. 13, 1963. Pending.

Carlson, Aileen M.	3	Eastern District of Michigan.	Mar. 4, 1963	Secs. 5(a)(1), 5(a)(2), 5(c), 17(a)(2) and 17(a)(3), 1933 Act and Secs. 10(b), 15(a), 15(b) and Rules 10b-5(2) and (3), 1934 Act.	Complaint filed Mar. 4, 1963. Final judgments by consent entered as to 2 defendants Mar. 27, 1963, and as to 1 defendant Apr. 10, 1963. Closed.
Cassiar Copperfields, Ltd.	1	Western District of Washington.	Aug. 23, 1962	Secs. 5(a) and 5(c), 1933 Act.	Complaint filed Aug. 23, 1962. Final judgment by consent entered Sept. 10, 1962. 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. Final judgment by consent as to 1 defendant entered Dec. 7, 1962. Action dismissed as to 1 defendant May 17, 1963. Pending as to remaining 4 defendants.
Children's Hospital	3	Arizona	Nov. 2, 1962	Sec. 5(a), 5(c), and 17(a)(2), 1933 Act.	Complaint filed Nov. 2, 1962. Final judgment by default as to 3 defendants entered Jan. 14, 1963. Closed.
Cloud Nine, Inc.	12	Utah	Nov. 2, 1962	Secs. 5(a), 5(c), and 17(a), 1933 Act.	Complaint filed Nov. 2, 1962. Final judgment by consent entered Nov. 14, 1962, as to 1 defendant. Final judgment by consent as to 3 defendants entered Dec. 26, 1962. Final judgment by consent as to 7 defendants entered Feb. 20, 1963. Final judgment by default as to the remaining defendant entered May 14, 1963. Pending.
Cohn, 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.	Final judgment by consent as to 1 defendant entered Sept. 13, 1962. Final judgment by the court as to the remaining defendant entered Apr. 19, 1963. Closed.
Collins, J. B. dba General Leasing Co.	2	Northern District of Texas.	July 31, 1962	Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act.	Complaint filed July 31, 1962. Final judgment by consent as to both defendants entered Feb. 13, 1963. Closed.
Colorado Company, Inc., The, 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 2 defendants entered May 25, 1962. Stipulation recommending that appointment of receiver be held in abeyance pending compliance of said stipulation. Order entered denying petition for appointment of a receiver. Closed.
Colorado Trust Deed Funds, Inc.	5	do	Apr. 25, 1961	Sec. 17(a)(2) and (3), 1933 Act.	Final judgment by consent entered as to 5 defendants May 2, 1961. Order entered Dec. 6, 1961, appointing a receiver. Pending as to receiver.
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. Notice from Clerk of the court closing the action as to remaining defendant. Closed.
Commonwealth Investment Corp.	7	South Dakota	Apr. 1, 1963	Sec. 17(a), 1933 Act; Secs. 10(b), and 15(c)(1) and Rules 10b-5 and 15c1-2, 1934 Act.	Complaint filed Apr. 1, 1963. Answers filed. Pending.
Continental Vending Machine Corp.	10	Southern District of New York.	Mar. 30, 1963	Secs. 13, 15(d) and 20(c), 1934 Act.	Complaint filed Mar. 30, 1963. Mandatory judgment entered as to 1 defendant and appointing a conservator; default judgment entered as to 3 defendants and order dismissing action as to 2 defendants Apr. 8, 1963. Pending as to the remaining 4 defendants.
Cook, Jr., C. Berkeley	4	do	Apr. 12, 1961	Sec. 10(b) and Rule 10b-5, 1934 Act.	Summons and complaint filed Apr. 12, 1961. Final judgment by default as to 3 defendants entered Jan. 18, 1963. Final judgment by consent as to 1 defendant entered Jan. 25, 1963. Closed.
Corporate Underwriters Co.	4	Arizona	Oct. 23, 1962	Sec. 17(a), 1933 Act; Secs. 10(b), 15(c)(1) and Rules 10b-5 and 15c1-2, 1934 Act.	Complaint filed Oct. 23, 1962. Final judgment by consent as to 2 defendants entered Jan. 14, 1963. Final judgment by default as to the remaining 2 defendants entered Apr. 25, 1963. Closed.
Cosmetics Investments, et al.	7	New Jersey	Mar. 19, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act and Sec. 15(a), 1934 Act.	Complaint filed Mar. 19, 1963. Final judgment by consent as to 5 defendants entered Apr. 5, 1963, and final judgment by default as to the remaining 2 defendants entered Apr. 15, 1963. Closed.

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1963*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Initiating papers filed	Alleged violations	Status of case
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.	Final judgment by consent as to 1 defendant entered July 27, 1959. Preliminary injunction as to corporate defendant entered and receiver appointed July 31, 1959. Receiver discharged Dec. 27, 1962. Closed.
Cravens, Samuel Vincent.	2	Western District of Washington.	Jan. 10, 1963	Secs. 5(a) and 5(c), 1933 Act.	Complaint filed Jan. 10, 1963. Final judgment by consent as to 2 defendants entered Jan. 10, 1963. 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 1 defendant June 9, 1960. Order dismissing action as to the remaining 3 defendants entered Dec. 19, 1962. Closed.
Dickinson Film Pro-Productions, Inc.	2	Massachusetts.	Mar. 25, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Mar. 25, 1963. Final judgment by consent entered Mar. 25, 1963. Closed.
DiRoma & Co., Alexik.	4	do	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.
Dugan, A. W.	9	Southern District of Texas.	Sept. 14, 1961	Secs. 5(a), 5(c) and 17(a) (2), 1933 Act.	Final judgment by consent as to 6 defendants entered Sept. 29, 1961. Order entered Mar. 7, 1963, dismissing the action as to the remaining 3 defendants. Closed.
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 2 defendants entered Sept. 26, 1960. Pending as to receiver.
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. Final judgment by the court as to 4 defendants entered Mar. 7, 1963. Closed.
Eastern Investment Corp.	1	Massachusetts.	Apr. 15, 1963	Secs. 10(b) and 15(c)(1) and Rules 10b-5 and 15c1-2, 1934 Act.	Complaint and request for appointment of a receiver filed Apr. 15, 1963. Final judgment by consent entered and receiver appointed Apr. 15, 1963. Pending.
Edens, Arnold E.	2	Northern District of Georgia.	Aug. 14, 1962	Sec. 17(a), 1933 Act.	Complaint filed Aug. 14, 1962. Final judgment by consent as to 1 defendant and order dismissing action as to the remaining defendant entered Sept. 4, 1962. Closed.
Electronics Security Corp.	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. Stipulation dismissing request for receiver for mootness entered Mar. 12, 1963. Final judgment by the court entered May 20, 1963, as to both defendants. Closed.
Eliot, Roberts & Co., Inc.	2	New Jersey	Nov. 6, 1962	Secs. 15(c)(3) and 17(a), and Rules 15c3-1 and 17a-3, 1934 Act.	Complaint filed Nov. 6, 1962. Preliminary injunction entered as to both defendants Nov. 14, 1962. Pending.

Ernst & Co., Inc., F. R.	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.
Ete-N-Run, Inc.	5	Wyoming	Nov. 15, 1962	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Nov. 15, 1962. Final judgment by consent entered Nov. 30, 1962, as to 5 defendants. Closed.
Fairfax Investment Corp.	5	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 3 defendants entered Apr. 5, 1962. Leave granted the Commission to add additional parties as defendants, Nov. 21, 1962. Amended complaint filed naming such additional defendants. Pending.
Federal Shopping Way, Inc.	19	Western District of Washington.	Mar. 10, 1961	Sec. 17(a) (2) and (3), 1933 Act.	Complaint filed Mar. 10, 1961. Final judgment by consent as to 17 defendants entered Apr. 3, 1963. Order entered May 17, 1963, dismissing the action as to the remaining defendant. Closed.
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. Final judgment by default as to 1 defendant entered Feb. 6, 1963. Pending as to remaining defendant.
First American Security Corp.	3	Utah	Apr. 15, 1963	Sec. 17(a), 1933 Act	Complaint filed and final judgment by consent entered as to 3 defendants. Closed.
First Cascade Corp.	2	Oregon	Mar. 26, 1963	Secs. 10(b), 15(c)(3) and 17(a) and Rules 10b-5, 15c3-1, 17a-3 and 17a-4, 1934 Act.	Complaint and request for the appointment of a receiver filed Mar. 26, 1963. Final judgments by consent entered as to both defendants, May 20, 1963. Request for receiver withdrawn. Closed.
First Citizens Corp.	2	Southern District of California.	Aug. 10, 1962	Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3.	Complaint filed Aug. 10, 1962. Final judgment by consent as to 2 defendant entered Aug. 15, 1962. Closed.
First Mortgage Corp. of Stuart.	2	Southern District of Florida.	Feb. 27, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Feb. 27, 1963. Final judgment by consent entered as to both defendants Mar. 8, 1963. Closed.
Flo-Mix Fertilizers Corp.	3	Eastern District of Louisiana.	Jan. 13, 1960	Sec. 15(d), 1933 Act	Final judgment by consent as to 1 defendant entered Mar. 31, 1960. Two remaining defendants were included in this judgment as "Officers." Closed.
Florida Citrus Industries, Inc.	2	Southern District of Florida.	June 3, 1963	Secs. 5(a) and 5(c), 1933 Act.	Complaint filed June 3, 1963. Preliminary injunction as to 2 defendants entered June 10, 1963. 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, 1934 Act.	Final judgment as to 3 defendants and order appointing receiver entered Oct. 24, 1961. Pending as to receiver.
Futures Unlimited of Florida, Inc.	2	Southern District of Florida.	April 23, 1963	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Complaint filed April 23, 1963. Final judgment by consent entered as to both defendants, May 1, 1963. Closed.
Gardner, Stanley and Harris, Inc.	5	Southern District of California.	Oct. 10, 1962	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 Oct. 10, 1962. Final judgment by consent entered Oct. 24, 1962, as to 5 defendants. Assets of corporate defendant liquidated. Closed.
General Securities Co., Inc.	3	Southern District of New York.	Mar. 1, 1963	Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3, 1934 Act.	Summons and complaint filed Mar. 1, 1963. Preliminary injunction entered as to 2 defendants Apr. 19, 1963. Pending.
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 Opinion rendered denying relief sought by plaintiff, July 23, 1962. Opinion rendered dismissing plaintiff's motion for a new trial, Aug. 31, 1962 Closed.
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. Stipulation of discontinuance as to 1 defendant, Mar. 5, 1963. Pending as to remaining defendant.

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1963*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Initiating papers filed	Alleged violations	Status of case
Glory Hole, Inc.	2	Northern District of Illinois.	Aug. 16, 1962	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Aug. 16, 1962. Final judgment by consent as to both defendants entered Sept. 26, 1962. Closed.
Grand Teton Holding Co. aka The Grand Teton Corp.	3	Wyoming	Oct. 12, 1962	Secs. 5 and 17(a), 1933 Act	Complaint filed Oct. 12, 1962. Final judgments by consent entered Oct. 23, 1962, as to 1 defendant and Nov. 1, 1962, as to the remaining 2 defendants. Closed.
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.	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. Request for the appointment of a receiver withdrawn. Closed.
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. Order dismissing as to remaining 3 defendants entered Dec. 21, 1962. Closed.
Great Plains Acceptance Corp.	5	Montana	Dec. 3, 1962	Sec. 17(a), 1933 Act	Complaint filed Dec. 3, 1962. Preliminary injunction as to 3 defendants and final judgment as to 2 defendants entered Jan. 16, 1963. Pending.
Great Western Land & Development, Inc.	10	Arizona	Aug. 30, 1962	Secs. 5(a) and 5(c), 1933 Act	Complaint filed Aug. 30, 1962. Order to show cause and temporary restraining order signed, Aug. 30, 1962. Pending.
Green Shield Plan, Inc.	11	Colorado	July 9, 1962	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed July 9, 1962. Final judgement by consent as to 4 defendants and dismissal of action as to 3 defendants entered Sept. 20, 1962. Dismissals of action as to 3 defendants entered Oct. 18, 1962, and as to the remaining defendant Oct. 19, 1962. Closed.
Greenwald, William	3	Southern District of New York.	Mar. 11, 1960	Sec. 10(b) and Rule 10b-5, 1934 Act.	Final judgment by consent as to 1 defendant entered Dec. 31, 1962. Final judgment by default as to 1 defendant entered Jan. 18, 1963. Pending as to 1 defendant.
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. Final judgment by default as to both defendants entered June 21, 1963. 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.
Gulf Intercontinental Finance Corp., Ltd.	11	Southern District of Florida.	Jan. 25, 1963	Sec. 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5; 1934 Act.	Complaint and request for the appointment of a receiver filed Jan. 25, 1963. Preliminary injunction entered as to 11 defendants and receiver appointed Feb. 15, 1963. Pending.
Guterma, Alexander L. (F. L. Jacobs Co.).	2	Southern District of New York.	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 the remaining defendant.
Hart & Co., N. A.	3	Eastern District of New York.	Jan. 8, 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 Jan. 8, 1962. Final judgment as to 3 defendants entered Dec. 31, 1962. Receiver appointed Jan. 12, 1962. Pending as to receiver.
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 the remaining defendant.

Henwood, Stanley E.	22	Southern District of California.	July 21, 1961	Sec. 14(a) and Reg. 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. Certiorari denied. Closed.
Higgins, G. Sterling	6	New Mexico	July 27, 1960	Sec. 17(a), 1933 Act; Sec. 10 (b) and Rule 10b-5, 1934 Act.	Final judgment by consent as to 2 defendants entered Nov. 22, 1960. Default judgment as to 3 defendants entered Dec. 12, 1960. Final judgment by consent as to the remaining defendant entered Jan. 30, 1963. Closed.
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. Final judgment by consent as to the defendant entered Dec. 31, 1962. Pending as to the receiver.
Holman & Co., Inc., R. A.	5	Southern District of New York.	Mar. 15, 1963	Sec. 17(a), 1933 Act; Sec. 15 (c)(1) and Rule 15c1-2, 1934 Act.; Sec. 21(e), 1934 Act.	Complaint filed and order to show cause signed Mar. 15, 1963. Answers filed. Preliminary injunctions denied June 26, 1963. Pending.
Howell & Co., Inc., J. P.	2	New Jersey	June 20, 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 June 20, 1960. Final judgment by the court as to 2 defendants entered Jan. 17, 1963. Appointment of a receiver denied. Appeal filed from final judgment entered Jan. 17, 1963. Pending.
Hubinger-Philipson, Inc.	3	Northern District of New York.	Sept. 4, 1962	Secs. 15(c)(3), and 17(a), and Rules 15c3-1 and 17a-3, 1934 Act.	Complaint filed Sept. 4, 1962. Final judgment by consent as to 3 defendants entered Sept. 4, 1962. Closed.
Hughes Homes Acceptance Corp.	3	Montana	July 25, 1961	Secs. 17(a)(2) and 17(a)(3), 1933 Act.	Final judgment by consent entered as to 3 defendants and receiver appointed July 28, 1961. Pending as to receiver.
Insured Mortgage & 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. First receiver discharged and a new receiver appointed Mar. 27, 1961. Pending.
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.	Opinion of the court rendering the issuance of a final judgment as to both defendants, moot. Closed.
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. Final judgment by consent entered Mar. 26, 1963, as to both defendants. Order granting request of the Commission to withdraw its motion for the appointment of a receiver. Closed.
Janov, Samuel dba Janov & Co.	3	Eastern District of Pennsylvania.	Oct. 10, 1962	Secs. 15(c)(3), 17(a) and Rules 15c3-1 and 17a-3, 1934 Act.	Summons and complaint filed Oct. 10, 1962. Final judgment by consent entered Oct. 10, 1962, as to 3 defendants. Closed.
Jay & Co.	3	Arizona	Apr. 8, 1963	Secs. 15(c)(1), 15(c)(2), 15(c)(3) and 17(a) and Rules 15c1-2, 15c2-1(a), 15c3-1 and 17a-3, 1934 Act.	Complaint filed Apr. 8, 1963. Final judgment by consent entered as to 3 defendants Apr. 11, 1963. Closed.
Johns & Co., Inc., F. S.	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. Preliminary injunction as to 6 defendants entered June 29, 1962. Final judgment by default as to 1 defendant entered June 20, 1963. Pending as to remaining 5 defendants.
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. Remaining defendants dismissed. Closed.

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1963*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Initiating papers filed	Alleged violations	Status of case
Kay & Co.	4	Southern District of Texas.	Aug. 1, 1962	Secs. 17(a), 10(b), 15(c)(3) and Rules 17a-3, 10b-5 and 15c3-1, 1934 Act.	Complaint and request for the appointment of a receiver filed Aug. 1, 1962. Receiver appointed Aug. 10, 1962. Final judgment by consent as to 4 defendants entered Aug. 20, 1962. Pending as to receiver.
Keller Brothers Securities Co., Inc.	2	Massachusetts	May 15, 1961	Secs. 10(b)3, 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.
Keller Corp., The	6	Southern District of Indiana.	Nov. 30, 1962	Secs. 17(a)(1), 17(a)(2) and 17(a)(3), 1933 Act; Secs. 7(a)(1), 7(a)(2) and 42(e) of Inv. Co. Act of 1940.	Complaint filed Nov. 30, 1962. Preliminary injunction entered as to 4 defendants and denied as to 2 defendants, and receiver appointed Dec. 20, 1962. Notice of appeal filed Dec. 21, 1962, by 4 defendants from the order of Preliminary Injunction entered Dec. 20, 1962. Pending.
Kelly, Jack T. dba Coal Dome Associates.	2	Colorado	Aug. 3, 1962	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Aug. 3, 1962. Final judgment by consent as to 2 defendants entered Jan. 3, 1963. Closed.
Key Western Investment Corp.	1	Northern District of Texas.	Aug. 16, 1962	Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act.	Complaint filed Aug. 16, 1962. Final judgment by consent entered Aug. 16, 1962. Closed.
Kirsch Co., Inc., T.M.	2	Southern District of New York.	Nov. 27, 1962	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Summons and complaint filed Nov. 27, 1962. Preliminary injunction as to 2 defendants filed Dec. 27, 1962. Pending.
Lamartine Mines, Inc.	8	Colorado	June 12, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed June 12, 1963. Final judgments by consent as to 6 defendants entered June 18, 1963, and as to 1 defendant June 19, 1963. Preliminary injunction entered June 20, 1963, as to 1 defendant. Pending.
Langford, Inc.	3	Nevada	Oct. 5, 1962	Sec. 17(a), 1933 Act. Secs. 15(a), 15(c)(1), 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act.	Complaint filed Oct. 5, 1962. Final judgment by consent as to 3 defendants entered Apr. 15, 1963. Closed.
Latta, Estelle	1	Northern District of California.	Mar. 11, 1963	Secs. 5(a) and 5(c), 1933 Act.	Complaint filed Mar. 11, 1963. Preliminary injunction entered as to 1 defendant Apr. 16, 1963. Pending.
Lederer Co. Inc., J. H.	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.
Lloyd, Miller & Co.	4	do	Apr. 27, 1962	Secs. 15(b), 17(a) and Rules 15b-2 and 17a-3, 1934 Act.	Summons and complaint filed Apr. 27, 1962. Final judgment by consent as to 3 defendants entered Apr. 19, 1963. Pending as to remaining defendant.
Logan & Co., J.	5	Southern District of California.	Aug. 20, 1958	Sec. 17(a)(3), 1933 Act; Secs. 10(b), 15(c)(1), 1934 Act.	Final judgment by the court as to 4 defendants and dismissing action as to 1 defendant entered July 26, 1962. Closed.
Lovelite Cosmetics, Inc.	4	Nevada	Mar. 6, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Mar. 6, 1963. Final judgment by consent as to 2 defendants entered June 4, 1963. Final judgment by consent as to 2 defendants entered June 24, 1963. Closed.

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, as to 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. Order continuing date for hearing to Apr. 8, 1963. Pending.
Lubets, Moses dba Investors Advisory Service.	1	Massachusetts	Jan. 25, 1963	Sec. 204, Inv. Adv. Act, 1940 and Rule 275.204-2.	Complaint filed Jan. 25, 1963. Action dismissed by stipulation, May 27, 1963. Closed.
Macinar, Inc	9	District of Columbia.	Mar. 30, 1962	Secs. 5(a) and (c), 1933 Act.	Complaint filed Mar. 30, 1962. Final judgments by consent as to 7 defendants entered Apr. 24, 1962. Final judgment by default as to 1 defendant entered Nov. 29, 1962. One defendant dismissed Apr. 1, 1963. Closed.
MacLaughlin Securities Co., Leo G.	4	Southern District of California.	July 2, 1962	Secs. 15c(3), 15c(1), 17(a) and Rules 15c3-1, 15c1-2 and 17a-3, 1934 Act.	Complaint seeking a mandatory order and appointment of a receiver filed July 2, 1962. Final judgment by consent as to 1 defendant entered July 26, 1962; the court retained jurisdiction over the Commission's request for the appointment of a receiver. Order entered Aug. 14, 1962, dismissing action as to 3 defendants. Pending as to appointment of receiver.
Mark & Co., Inc., Ronald.	5	Southern District of New York.	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.
Market Securities, Inc.	1	Utah	Dec. 6, 1962	Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3, 1934 Act.	Summons, complaint and request for mandatory injunction and appointment of a receiver filed Dec. 6, 1962. Final judgment by consent entered and receiver appointed Dec. 12, 1962. Pending as to receiver.
Marshal Manufacturing Co., Inc.	3	Nevada	Oct. 5, 1962	Secs. 17(a)(2) and 17(a)(3), 1933 Act.	Complaint filed Oct. 5, 1962. Final judgments by consent entered Oct. 11, 1962 as to 1 defendant; Nov. 21, 1962, as to 1 defendant. Final judgment by default entered Nov. 21, 1962, as to the remaining defendant. Closed.
Martin Associates, Robert A.	4	Southern District of New York.	Aug. 1, 1962	Secs. 15(c)(3) and 15(c)(1) and Rules 15c1-2 and 15c3-1, 1934 Act.	Complaint filed Aug. 1, 1962. Supplemental complaint filed Oct. 29, 1962, adding additional violations. Preliminary injunction by consent as to 2 defendants entered Nov. 7, 1962. Pending.
Mero International, Ltd.	7	Massachusetts	Sept. 13, 1962	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Sept. 13, 1962. Final judgment by consent as to 7 defendants entered Oct. 10, 1962. Closed.
Midwest Technical Development Corp.	24	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-8 and 14a-9 of Regulation 14.	Summons, complaint and request for the appointment of a receiver filed May 1, 1962. Stipulation dismissing the action as to 1 defendant entered Aug. 10, 1962. Amended complaint filed Nov. 9, 1962, adding 2 defendants to the above case. Orders of dismissal as to 4 defendants entered Nov. 13, 1962; as to 1 defendant Nov. 15, 1962, and as to 1 defendant Nov. 16, 1962. Four other defendants dismissed. Pending as to remaining 13 defendants.
Mohr, Frank John dba Frank J. Mohr Investment Securities.	1	Northern District of California.	Apr. 16, 1963	Sec. 10(b), and Rule 10b-5, 1934 Act.	Complaint and request for the appointment of a receiver filed Apr. 16, 1963. Order to show cause signed Apr. 16, 1963, and temporary restraining order issued. Stipulation for extension and continuation of temporary restraining order filed May 13, 1963. Pending.
Morton & Co., Inc., Jay.	2	Southern District of Florida.	July 30, 1962	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Complaint filed July 30, 1962. Final judgment by consent as to both defendants entered July 30, 1962. Closed.
Mutual Real Estate Investors, Inc.	2	Connecticut	Oct. 19, 1962	Secs. 5(a), 5(b)(1), 5(c) and 17(a), 1933 Act; and Sec. 15(a), 1934 Act.	Complaint filed Oct. 19, 1962. Preliminary injunction entered Oct. 23, 1962, as to 2 defendants. Pending.

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1963*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Initiating papers filed	Alleged violations	Status of case
National Capital Corp.	9	District of Columbia.	July 20, 1962	Sec. 15(d), 1934 Act	Complaint and request for a mandatory injunction filed July 20, 1962. Judgment denied as to 6 defendants, May 6, 1963. Action dismissed as to remaining 3 defendants, May 22, 1963. Closed.
National Mortgage Corporation, Inc.	5	Kansas	Mar. 7, 1963	Secs. 5(a)(1), 5(a)(2), and 5(c), 1933 Act.	Complaint filed Mar. 7, 1963. Final judgment by consent as to 5 defendants entered Mar. 7, 1963. Closed.
National Petroleum Lease Corp.	2	Southern District of Florida.	Mar. 28, 1963	Secs. 5(a) and 5(c), 1933 Act.	Complaint filed Mar. 28, 1963. Preliminary injunction as to both defendants entered Apr. 12, 1963. Pending.
National Reserve Life Insurance Co.	1	Kansas	Dec. 10, 1962	Secs. 17(a)(1), 17(a)(2) and 17(a)(3), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act.	Complaint filed Dec. 10, 1962. Final judgment by consent as to the defendant entered Dec. 10, 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. Preliminaty injunction by consent entered Sept. 5, 1961, as to 6 defendants. Order of dismissal entered Nov. 29, 1962, as to 6 defendants. Closed.
Nevada Industrial Guaranty Co.	4	Nevada	Apr. 16, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Apr. 16, 1963. Final judgment by consent as to 3 defendants entered Apr. 30, 1963. Pending as to the remaining defendant.
Newcomer Finance Co., Joe	4	Colorado	Apr. 19, 1963	Secs. 5(a) and (c), 17(a) and 19(b), 1933 Act; Secs. 10(b) and 21(b) and (c) and Rule 10b-5, 1934 Act.	Complaint and request for the appointment of a receiver filed Apr. 19, 1963. Preliminary injunction by consent as to all defendants entered Apr. 26, 1963. Pending.
Newman Associates, Inc., Philip.	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. Receiver discharged. Closed.
Nichols, Paul	2	Alaska	July 6, 1962	Sec. 17(a) and Rule 17a-3, 1934 Act.	Complaint filed July 6, 1962. Final judgment by consent as to both defendants entered July 6, 1962. Closed.
Northeastern Financial Corp., et al.	7	New Jersey	Feb. 14, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act; Secs. 7(a)(1), 8(b), 17(a)(1), 17(e)(1), 23(a) and 36, Inv. Co. Act, 1940.	Complaint filed Feb. 14, 1963. Preliminary injunction entered as to 2 defendants, Apr. 22, 1963. Order entered May 8, 1963, appointing trustee. Pending.
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. Preliminary injunction by consent entered July 11, 1962. Order entered July 12, 1962, withdrawing motion for the appointment of a receiver. Pending.
Old Colony Securities Corp.	1	Massachusetts	Feb. 20, 1963	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Complaint filed Feb. 20, 1963. Final judgment by consent entered March 1, 1963. Closed.
Orange Grove Tracts	2	do	Sept. 13, 1962	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Sept. 13, 1962. Final judgment by consent as to 2 defendants entered Feb. 14, 1963. Closed.
Osborne, Clark & Van Buren, Inc.	2	Southern District of New York.	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 the remaining defendant.

Pan American Plantations, Inc.	3	Western District of Louisiana.	May 9, 1963	Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act.	Complaint filed and final judgment entered as to all defendants, May 9, 1963. Closed.
Peerless-New York, Inc.	6	Southern District of New York.	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.	Final judgment by consent entered. Closed.
Peruvian Oil Concessions Co., Inc.	5	do	Apr. 2, 1959	Sec. 15(d), 1934 Act	Mandatory judgment by consent as to 2 defendants entered May 4, 1959. Order of dismissal as to the remaining 3 defendants entered Nov. 27, 1962. Closed.
Petroleum Lease Corp.	4	District of Columbia.	Mar. 9, 1963	Secs. 5(a), 5(c) and 17(a) of 1933 Act.	Complaint filed Mar. 9, 1963. Final judgment by consent as to 1 defendant entered Mar. 15, 1963. Preliminary injunction as to 3 defendants entered Mar. 18, 1963. Pending.
Phoenix Securities	10	New Jersey	Apr. 24, 1962	Sec. 17(a), 1933 Act	Summons and complaint filed Apr. 24, 1962. Preliminary injunction as to 10 defendants entered May 16, 1962. Pending.
Pritchard, Frank V	1	Northern District of Texas.	Jan. 23, 1963	Secs. 5(a) and 5(c), 1933 Act	Complaint filed Jan. 23, 1963. Final judgment as to 1 defendant entered Jan. 25, 1963. Closed.
Products Development Corp.	5	Southern District of Florida.	Mar. 20, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Mar. 20, 1963. Final judgment by consent as to 5 defendants entered Mar. 25, 1963. Closed.
Prudential Diversified Services.	8	Montana	Feb. 28, 1963	Sec. 17(a), 1933 Act	Complaint and request for the appointment of a receiver filed Feb. 28, 1963. Final judgment by consent entered as to 5 defendants and conservator appointed Mar. 9, 1963. Stipulation and order entered dismissing the action as to 3 defendants Apr. 22, 1963. Pending as to conservator.
Pruett & Co. 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.	Final judgment by consent entered as to 3 defendants and receiver appointed May 15, 1961. Pending as to receiver.
Rapp, Herbert, dba Webster Securities Co.	15	Southern District of New York.	Apr. 29, 1958	Sec. 17(a), 1933 Act	Final judgment by consent as to 2 defendants. Opinion rendered dismissing action as to 9 defendants, Sept. 19, 1961. Appeal filed from the decision of the district court, Oct. 18, 1961. Stipulation dismissing appeal as to 1 defendant, Jan. 24, 1962. Decision rendered by CA-2 reversing and remanding for further proceedings as to 1 defendant and granting final judgment as to 1 defendant, June 21, 1962. Pending as to 1 defendant.
Raymond & Co., Inc., R. P.	3	do	Aug. 28, 1962	Secs. 15(b), 15(c)(1), 15(c)(3) and 17(a) and Rules 15b-2, 15c1-2, 15c3-1 and 17a-3, 1934 Act.	Complaint filed Aug. 28, 1962. Preliminary injunction as to 3 defendants entered Sept. 8, 1962. Pending.
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. Action dismissed as to 1 defendant. Closed.
Richter, Paul, dba Meade & Co.	2	do	June 3, 1963	Sec. 15(c)(1), 15(c)(2), 15(c)(3), and Sec. 17(a) and Rules 15c1-2, 15c2-1, 15c3-1 and 17a-3, 1934 Act.	Summons, complaint and request for the appointment of a receiver filed. June 3, 1963. Preliminary injunction by consent as to 2 defendants entered June 12, 1963. Receiver appointed. Pending.
Roberts, Frank D	3	Utah	Feb. 15, 1963	Secs. 5(a), 5(c), and 17(a), 1933 Act.	Complaint filed Feb. 15, 1963. Final judgment by consent as to 3 defendants entered June 25, 1963. Closed.
Roe, D. H. & Gamma Radiation Surveys, Inc.	2	Northern District of Texas.	Nov. 9, 1962	Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act.	Complaint filed Nov. 9, 1962. Final Judgment by consent entered as to both defendants Nov. 9, 1962. Closed.

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1963*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Initiating papers filed	Alleged violations	Status of case
Rogers & Co., Inc., Casper	2	Southern District of New York.	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 as to 2 defendants and order appointing a receiver entered Mar. 20, 1962. Pending.
Sandkuhl & Co., Inc.	6	New Jersey	July 3, 1962	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Summons and complaint filed July 3, 1962. Action dismissed as to 1 defendant, Oct. 23, 1962. Supplemental complaint filed requesting the appointment of a receiver and naming 1 additional defendant, and order entered appointing receiver, Jan. 29, 1963. Final judgment by consent as to 2 defendants entered June 18, 1963. Pending as to the remaining 3 defendants.
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 2 defendants and receiver appointed July 1, 1959. Order entered Aug. 27, 1962, discharging receiver and referring final accounts to special master. Pending.
Sapawe Gold Mines, Ltd.	1	Minnesota	Feb. 14, 1963	Secs. 5(a) and 5(c), 1933 Act.	Complaint filed Feb. 14, 1963. Final judgment by consent entered Mar. 19, 1963. Closed.
Science Investments, Inc.	13	Massachusetts	Apr. 24, 1963	Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act; Secs. 7(a), 7(c), 14(a), 15(a), 16(a), 17(d), 17(e)(1), 17(f), 20(a), 23(c)(3), 30(a), 34(b), 35(d), 36 and 37, and Rules 17d-1, 20a-1 and 23c-1 of Inv. Co. Act of 1940; Rules 14a-3 and 14a-6, Reg. 14 of 1934 Act.	Summons, complaint and request for the appointment of a receiver filed Apr. 24, 1963. Final judgment by consent entered June 25, 1963, as to 3 defendants and further appointing receivers. Order entered June 25, 1963, dismissing action as to the remaining 10 defendants. Pending as to receivers.
Scott, Charles C.	3	Eastern District of Washington.	Dec. 11, 1962	Sec. 17(a), 1933 Act.	Complaint filed Dec. 11, 1962. Final judgment by default as to 3 defendants entered Apr. 3, 1963. Closed.
Searight, Ahalt & O'Connor, Inc.	4	Southern District of New York.	Jan. 18, 1963	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Complaint filed Jan. 18, 1963. Order of preliminary injunction entered Feb. 4, 1963, as to 4 defendants. Pending.
Securities Research Corp.	3	Southern District of California.	Apr. 17, 1963	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Complaint filed Apr. 17, 1963. Final judgment by consent as to 2 defendants entered Apr. 26, 1963. Final judgment by consent as to 1 defendant entered Apr. 30, 1963. Closed.
Sessler & Co., Inc., Fred F.	2	Southern District of New York.	Dec. 10, 1962	Secs. 15(c)(1), 15(c)(3), 17(a), and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act.	Summons and complaint filed Dec. 10, 1962. Order entered Dec. 17, 1962 appointing a receiver. Final judgment by consent as to 2 defendants entered Feb. 27, 1963. Pending as to receiver.
Shanman, Neil James	4	do	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. Supplemental and amended complaint filed seeking additional violations and for an order appointing a receiver.

Sherman, Cornell A	1	Western District of Washington.	June 14, 1963	Sec. 17(a), 1933 Act	Complaint filed and final judgment entered June 14, 1963. Closed.
Shiels Securities, Inc	4	Oregon	Apr. 18, 1961	do	Complaint filed Apr. 18, 1961. Final judgment by consent entered Dec. 17, 1962 as to 4 defendants. Closed.
Shreveport Medical Hospital, Inc.	4	Western District of Louisiana.	Feb. 4, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Feb. 4, 1963. Final judgemnts by consent entered Feb. 19, 1963, as to 1 defendant and Feb. 20, 1963, as to 3 defendants. Closed.
Simmons & Co., Inc., H. S.	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. Receiver appointed Jan. 23, 1961. Final judgment by consent as to both defendants entered May 24, 1963. Pending as to receiver.
Simplified Tax Records, Inc.	3	New Hampshire	Feb. 26, 1963	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Feb. 26, 1963. Preliminary injunction entered as to 2 defendants Mar. 18, 1963. Pending.
Snavely, Lewis	1	Eastern District of Oklahoma.	Mar. 28, 1963	Secs. 5(a) and 5(c), 1933 Act	Complaint filed and final judgnent entered as to the defendant Mar. 28, 1963. Closed.
Standard Petroleum Corp.	3	Massachusetts	Apr. 4, 1962	Secs. 5(a) and 17(a), 1933 Act.	Complaint filed Apr. 4, 1962. Final judgement by consent as to 2 defendants entered Apr. 16, 1962. Final judgement as to the remaining defendant entered June 18, 1962. Closed.
Starco, Inc	6	District of Columbia.	Dec. 20, 1962	Secs. 5(a), 5(c) and 17(a), 1933 Act.	Complaint filed Dec. 20, 1962. Preliminary injunction as to 6 defendants entered Jan. 4, 1963. Final judgment by default entered as to 3 defendants, May 14, 1963. Pending as to remaining 3 defendants.
Stern & Co., Edward H.	3	Southern District of New York.	May 14, 1963	Secs. 15(c)(3), 15(c)(2) and 17(a) and Rules 15c2-4, 15c3-1 and 17a-3, 1934 Act.	Summons and complaint filed May 14, 1963. Final judgement by consent as to 2 defendants entered May 24, 1963. Pending as to the remaining defendant.
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.
Subbie, C. T	1	Northern District of Texas.	Feb. 14, 1963	Secs. 5(a) and 5(c), 1933 Act.	Complaint filed Feb. 14, 1963. Final judgment by stipulation and consent entered Feb. 14, 1963. Closed.
Superstition Mountain Enterprises, Inc.	7	District of Columbia.	Dec. 22, 1962	Secs. 5(b) and 17(a), 1933 Act.	Complaint filed Dec. 22, 1962. Final judgment by consent as to 7 defendants entered Jan. 18, 1963. Closed.
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 receiver.
Taylor & Co. Inc., Scott.	7	Southern District of New York.	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. Final judgment by consent as to 1 defendant entered Oct. 19, 1962. Final judgment by consent as to 1 defendant entered Dec. 13, 1962. Order dismissing as to the remaining 1 defendant entered Dec. 31, 1962. Closed.
Tenn-Tex Land & Cattle Co., Inc.	5	Northern District of Texas.	Apr. 5, 1963	Secs. 5(a) and 5(c), 1933 Act	Complaint filed Apr. 5, 1963. Final judgment by consent as to 4 defendants entered Apr. 29, 1963. Order dismissing the action as to 1 defendant entered May 5, 1963. Closed.
Thomas, Jack A	4	Colorado	Apr. 9, 1963	Secs. 17(a)(2) and 17(a)(3), 1933 Act.	Complaint filed Apr. 9, 1963. Final judgment by consent as to 4 defendants entered Apr. 17, 1963. Closed.
Thomas, Williams & Lee, Inc.	2	Southern District of New York.	Jan. 28, 1963	Sec. 15(c)(3), 1934 Act	Summons and complaint filed Jan. 28, 1963. Preliminary injunction entered as to 2 defendants, Apr. 5, 1963. Pending.
Thornton Co., Inc., B. E. dba Republic Securities Co.	2	Southern District of California.	Sept. 17, 1962	Secs. 15(c)(1) and 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act.	Complaint and request for the appointment of a receiver filed Sept. 17, 1962. Final judgment by consent as to 2 defendants entered Sept. 19, 1962. Closed.
Timpson, Maurice H.	2	Utah	June 13, 1963	Sec. 17(a), 1933 Act; Sec. 15(a), 1934 Act.	Complaint filed June 13, 1963. Preliminary injunction by consent as to 1 defendant and final judgment by consent as to the remaining defendant entered June 25, 1963. Pending.
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. Final judgment by consent as to 3 defendants entered July 19, 1962. Pending as to receiver.

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1963*—Continued

Name of principal defendant	Number of defendants	U.S. District Court	Initiating papers filed	Alleged violations	Status of case
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 the remaining defendants entered May 31, 1961. Order entered appointing interim board of directors. Pending.
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. District Court decision affirmed by Court of Appeals for the Eighth Circuit Oct. 19, 1962. Closed.
United Benefit Life Insurance Co.	1	District of Columbia.	Oct. 1, 1962	Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act; Secs. 7(b), 42(e) Inv. Co. Act of 1940.	Complaint filed Oct. 1, 1962. Pending.
United Development Corp.	4	Nevada	Dec. 17, 1962	Secs. 5(a), 5(c) and 17(a) of 1933 Act; Sec. 15(a) and 15(b) of 1934 Act.	Complaint filed Dec. 17, 1962. Final judgment by consent as to 4 defendants entered May 22, 1963. Closed.
United Security Life Insurance Co.	4	Northern District of Alabama.	Mar. 26, 1963	Secs. 5(a) and 5(c), 1933 Act; Sec. 15(a), 1934 Act.	Complaint filed Mar. 26, 1963. Final judgment by consent as to 4 defendants entered Mar. 26, 1963. Closed.
United States Management Corp.	4	Wyoming	Oct. 4, 1962	Secs. 5 and 17(a), 1933 Act	Complaint filed Oct. 4, 1962. Final judgments by consent entered Oct. 22, 1962 as to 1 defendant; Nov. 21, 1962, as to 2 defendants. Final judgment by default entered Nov. 21, 1962, as to the remaining defendant. Closed.
Valley Homes Corp.	2	Montana	Jan. 3, 1963	Sec. 17(a), 1933 Act	Complaint and request for receiver filed Jan. 3, 1963. Final judgment by consent as to 2 defendants entered and receiver appointed Mar. 6, 1963. Pending as to receiver.
Veditz, Co., Inc., Jean R.	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 final judgment 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.

Wagner, Inc., R. B.	2	Maryland	July 3, 1962	Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.	Complaint and request for appointment of a receiver entered July 3, 1962. Final judgment entered as to both defendants by consent, July 3, 1962. Pending as to receiver.
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.	Final judgment by consent as to both defendants, and order appointing receiver entered Dec. 11, 1961. Order entered discharging 1 defendant, individually, from the final judgment and receivership. Order entered discharging equity receiver. Closed.
Well & Co., Inc.	3	do	Mar. 5, 1963	Secs. 17(a), 1933 Act, and 7, 17(a) and 4 and Rules 17a-3 and 17a-5, 1934 Act.	Complaint and request for appointment of a receiver filed Mar. 5, 1963. Order entered Mar. 6, 1963, appointing receiver. Preliminary injunction entered as to 3 defendants Apr. 10, 1963. Pending.
Welders Supply Co., Inc.	2	Nevada	Apr. 12, 1963	Sec. 17(a), 1933 Act	Complaint filed Apr. 12, 1963. Preliminary injunction entered May 3, 1963, as to 1 defendant. Pending.
Western Industries, Inc.	2	do	July 24, 1961	Secs. 17(a)(2) and 17(a)(3), 1933 Act.	Summons and complaint filed July 24, 1961. Order entered dismissing the action as to both defendants, Jan. 7, 1963. Closed.
Western Travel, Inc.	7	Utah	June 22, 1962	Secs. 5(a) and 5(c) 1933 Act	Complaint filed June 22, 1962. Final judgment by consent as to 4 defendants entered Aug. 3, 1962. Order entered dismissing the action as to 3 defendants Aug. 3, 1962. Closed.
Wolke & Co., Richard.	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. Final judgment by consent entered as to 2 defendants Feb. 20, 1963. Final judgment by default as to 1 defendant entered May 31, 1963. Pending.
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, and action dismissed as to 1 defendant. Final judgments by consent as to 2 defendants entered June 18, 1962, and as to 1 defendant July 18, 1962. Final judgment by consent as to 2 defendants entered May 21, 1963. Closed.
Zwang & Co., Inc., Benjamin.	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. Stipulation dismissing action as to both defendants entered Mar. 5, 1963. Closed.

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TABLE 18.—*Proceedings by the Commission to enforce subpoenas pending during the fiscal year ended June 30, 1963*

Principal defendants	Number of defendants	U.S. District Court	Initiating papers filed	Sections of act involved	Status of case
Brehmer, Alfred O. & National Bond & Share Corp.	2	District of Columbia.	Aug. 17, 1962	Sec. 22(b), 1933 Act	Order Aug. 17, 1962, directing respondent to show cause why order should not issue requiring compliance with subpoena. Motion by respondents to transfer action to the U.S. District Court in Colorado, filed Aug. 24, 1962. Order entered Sept. 5, 1962, granting said motion. Closed by consolidation with related action entitled *S.E.C.* v. *Forrest Parrott.*
Gallup, Sol	1	Southern District of New York.	Nov. 7, 1962	do	Order Nov. 7, 1962, directing respondent to show cause why order should not issue requiring compliance with subpoena. Order dismissing action Nov. 28, 1962. Closed.
Giannetti, Sr., Henry S.	1	New Jersey	June 14, 1963	do	Application June 14, 1963, for an order directing respondent to show cause why an order should not issue requiring compliance with subpoena duces tecum. Pending.
Kabian, Ludwig J.	1	Eastern District of Pennsylvania.	Feb. 11, 1963	do	Order Feb. 11, 1963, directing respondent to show cause why order should not issue requiring compliance with subpoena. Order to show cause returnable Feb. 27, 1963. Respondent complied with the subpoena duces tecum. Action dismissed Mar. 29, 1963. Closed.
Martin, James Michael.	1	District of Columbia.	July 18, 1962	do	Order July 18, 1962, directing respondent to show cause why order should not issue requiring compliance with subpoena. Motion to dismiss and order dismissing action Oct. 25, 1962. Closed.
Mystery Sniffer Mines, Incorporated.	1	Eastern District of Washington.	May 7, 1963	do	Application May 7, 1963, for an order directing respondent to show cause why an order should not issue requiring compliance with subpoena. Closed.

National Bank of Commerce of Seattle.	2	Western District of Washington.	Apr. 5, 1963	----do----	Application Apr. 5, 1963, for an order directing respondents to show cause why order should not issue requiring compliance with subpoena. Order entered Apr. 23, 1963, compelling respondents to comply with Commission subpoena. Closed.
Parrott, Forrest	3	Colorado	Sept. 20, 1962	----do----	Application Sept. 20, 1962, for an order directing respondents to show cause why order should not issue requiring compliance with subpoena. Order entered consolidating related subpoena action entitled *S. E. C.* v. *Alfred O. Brehmer* with *S. E. C.* v. *Forrest Parrott*. Notice of appeal filed from order, dated Apr. 24, 1963, conditioning enforcement of subpoena. Briefs filed. Pending.
Shasta Minerals & Chemical Co.	1	Utah CA-10	Sept. 28, 1962	----do----	Order Sept. 28, 1962, directing respondent to show cause why an order should not issue requiring compliance with subpoena. Order entered Dec. 5, 1962, compelling respondent to comply with order of Sept. 28, 1962. Notice of appeal filed from order entered Dec. 5, 1962. Pending.
Stewart, Marshall I.	1	District of Columbia.	Sept. 21, 1961	----do----	Order Sept. 21, 1961, directing respondent to show cause why an orders hould not issue requiring compliance with subpoena. Commission's motion to dismiss granted. Closed.
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.
Tricoli, Jr., John Anthony.	1	New Jersey	Aug. 17, 1962	----do----	Order Aug. 17, 1962, directing respondent to show cause why order should not issue requiring compliance with subpoena. Order to show cause returnable Aug. 31, 1962. Pending.
Vandenbergh, Jack	2	Montana	Nov. 9, 1962	----do----	Application for an order compelling respondents to comply with subpoena issued. Order Nov. 27, 1962, directing respondents to comply with Commission subpoena. Closed.

TABLE 19.—*Actions pending during fiscal year ended June 30, 1963, 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 Corp. and its assets. Plan consummated Dec. 2, 1960. Fees and expenses hearings held. Record thereon closed Dec. 5, 1961. Certain fees approved and paid. Certain other fee claims pending. Pending.
Arkansas Natural Gas Corp., et al, In re.	Delaware CA-3 USSC	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. This action was mooted by the claims settlement approved and enforced as a part of the Sec. 11(d) plan and consummated Dec. 2, 1960. Closed.
Granite City Generating Co., Voting Trustees of.	Southern District of Illinois.	Nov. 14, 1962	Application filed by Commission for an order enforcing the carrying out of an amended plan pursuant to Sec. 11(e) of the 1935 Act as per Commission order of Nov. 5, 1962, and to enjoin interference with the plan. Order Dec. 13, 1962, approving and enforcing the amended plan. Pending.
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. Closed.
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 with amended plan. Order Sept. 14, 1960, approving and enforcing amendments to the plan. Pending.

New Orleans Public Service Inc., et al., In re.	do	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 Commi sion order entered Oct. 19, 1961, and enjoining interference with the plan. Order Dec. 1, 1961, approving and enforcing plan. Pending.
North American Co., The	New Jersey	Reopened Feb. 18, 1963	Application filed Nov. 10, 1952. Plan approved and enforced Dec. 11, 1952. Petition filed Feb. 18, 1963, for an order approving the efforts to locate all stockholders of The North American Co. as reasonable and releasing jurisdiction over common stock of Union Electric Company Funds held for distribution to such stockholders. Application was filed by company with district court and jurisdiction was released by court in order dated Feb. 18, 1963. Closed.
North American Utility Securities Corp.	Maryland	Reopened Mar. 1, 1963	Application was filed by company with district court and jurisdiction was released by court in order dated June 6, 1963. Closed.
Standard Gas and 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 CA-1	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. Pending.

TABLE 20.—*Contempt proceedings pending during the fiscal year ended June 30, 1963*

CRIMINAL CONTEMPT PROCEEDINGS

Principal defendants	Number of defendants	U.S. District Court	Initiating papers filed	Status of case
Bialkin, Robert	1	Southern District of New York.	Feb. 26, 1963	Order of Feb. 26, 1963, directing the defendant to show cause why he should not be adjudged in criminal contempt for violation of the final judgment in cause *S.E.C.* v. *Robert Bialkin* entered Nov. 12, 1959. Defendant sentenced to 2 years in prison, execution of sentence suspended and placed on probation for 4 years.
Birrell, Lowell M	1	do	Oct. 11, 1957	Pending.
Kevin, Melvyn	1	do	Feb. 26, 1963	Petition for order to show cause why defendant Melvyn Kevin should not be adjudged in criminal contempt for violation and disobedience of the final judgment in cause *S.E.C.* v. *Melvyn Kevin* entered Dec. 21, 1959. Defendant sentenced to 2 years imprisonment, execution of sentence suspended and placed on probation for 4 years.
Kirby, Josiah Marshall	1	Northern District of Ohio.	Sept. 25, 1962	Petition for order to show cause why defendant should not be punished for criminal contempt in violation of final judgment in cause *S.E.C.* v. *Josiah Marshall Kirby* entered on April 28, 1949. Defendant pleaded guilty and placed on probation for a period of 5 years.
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. Contempt proceedings dismissed as to 1 defendant, Jan. 7, 1963. Pending as to the remaining 2 defendants.

TABLE 21.—*Petitions for review of orders of Commission pending in courts of appeals during the fiscal year ended June 30, 1963*

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.
Barnett, Jr., Maurice	8th Circuit	Oct. 13, 1962	Order of Aug. 15, 1962, revoking the broker-dealer registration of Investment Service Company and finding petitioner as cause of such revocation. Pending.
Berko, Irwin	2d Circuit	Apr. 5, 1961	Order of 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. Closed.
Do	do	Sept. 6, 1962	Petition to review Commission order, July 11, 1962, reaffirming its findings naming petitioner a cause of the revocation of the broker-dealer registration of Mac Robbins & Co. Opinion of CA-2 affirming the decision of Commission. Closed.
Brown, Barton & Engel	3d Circuit	June 20, 1962	Order of 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. Dismissal by stipulation entered Jan. 14, 1963. Closed.
Drayer, Sidney	2d Circuit	June 26, 1963	Order of Apr. 30, 1963, revoking the broker-dealer registration of Ross Securities, Inc. and finding petitioner cause of such revocation. Pending.
Fligel, Marshall A	do	Nov. 15, 1962	Order of Sept. 18, 1962, revoking the broker-dealer registration of B. Fennekohl & Co. and Fennekohl &. Co., Inc. and finding petitioner cause of such revocation. Petition for stay pending appeal granted Jan. 15, 1963. Pending.
Gordon, S. Paul	do	Dec. 10, 1962	Petition to review Commission order Oct. 29, 1962, revoking the broker-dealer registration of Reilly, Hoffman & Co., Inc. and naming petitioner as cause of such revocation. Pending.
Hersh, Theodore	9th Circuit	Aug. 30, 1962	Petition for review of Commission order dated July 9, 1962, revoking broker-dealer registration and expelling from membership in NASD and holding petitioner as cause thereof. Pending.
Kahn, Arnold Leonard	2d Circuit	Mar. 24, 1961	Orderof 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. Closed.
Leighton, William	do	Aug. 31, 1962	Petition for review of order of July 5, 1962, dismissing without hearing petitioner's application under Sec. 2(a)(9) of Investment Company Act of 1940; and order of Aug. 2, 1962, summarily denying request for a hearing on said application. Order entered Oct. 8, 1962, dismissing petition for review. Closed.
Lile, Trennis K	9th Circuit	Sept. 10, 1962	Petition for review of Commission order dated July 9, 1962, revoking broker-dealer registration and expelling from membership in NASD and holding petitioner as cause thereof. Pending.
Major Oil Development Co	10th Circuit	Jan. 2, 1963	Petition for a declaratory judgment by the court and for review of administrative agency action, filed. Order dismissing petition Feb. 27, 1963. Petition for writ of certiorari filed Apr. 18, 1963, denied June 3, 1963. Closed.
Phillips, Randolph	2d Circuit	Feb. 25, 1963	Petition to review order of Dec. 27, 1962, dismissing an application In the "Matter of Investors Mutual, Inc." Pending.
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, and denied. Pending.
Prudential Insurance Company of America, The.	3d Circuit	Mar. 15, 1963	Petition for review of the order dated Jan. 22, 1963, denying certain exemptions re requirements of Sec. 6(c) of 1940 Act, requesting that said order be vacated and set aside and annulled, filed. Pending.
Reiter, Allen	2d Circuit	Aug. 8, 1962	Petition for review of order dated June 7, 1962, denying motion for rehearing on order issued Jan. 17, 1962, revoking the broker-dealer registration of Philip Newman Associates and naming petitioner as cause thereof. Order of dismissal entered Dec. 3, 1962. Closed.
Rotter, Bernard	CA DC	Feb. 26, 1963	Petition for review of Commission order of Dec. 28, 1962, revoking the broker-dealer registration of Banner Securities and naming petitioner as cause of such revocation. Application for stay pending appeal denied by CA DC. Pending.
Warren, Claude V	do	June 10, 1963	Petition filed by Claude V. Warren for review of a Commission order suspending Sutro Bros. & Co., from the NASD for 15 days. Pending.

TABLE 22.—*Miscellaneous actions involving the Commission or employees of the Commission during the fiscal year ended June 30, 1963*

Plaintiff	Court	Initiating papers filed	Status of case
Carroll, Howard P.	Colorado	Sept. 20, 1962	Summons and complaint filed seeking a temporary restraining order, preliminary and final judgment for purposes of criminal discovery and obtaining evidence and information for the prosecution of a pending criminal indictment against plaintiffs. Order entered Oct. 22, 1962, dismissing the action. Closed.
Deco Aluminum, Inc.	Eastern District of Pennsylvania.	Aug. 22, 1962	Complaint filed seeking a preliminary and permanent injunction from further investigating or examining under subpoena the books and records of the plaintiff. Motion filed by SEC to dismiss. Order entered granting the dismissal Aug. 31, 1962. Closed.
Holman & Co., Inc., R. A.	District of Columbia.. CA DC	June 13, 1962	Complaint filed June 13, 1962, seeking to enjoin the Commission from continuing administrative proceedings entitled, In the Matter of *R. A. Holman & Co., Inc., Pearson Corporation*. Order entered July 6, 1962, granting plaintiff's motion for preliminary injunction. Notice of appeal filed July 10, 1962. District Court order reversed by Court of Appeals June 13, 1963. Pending.
Holmes, John V. & Hydramotive Manufacturing Corp. v. S.E.C.	Western District of North Carolina.	Apr. 2, 1963	Summons and complaint filed seeking an order enjoining the defendants from circulating harmful untruths and for damages in total amount of $520,000. Motions to dismiss or in the alternative for summary judgment filed. Pending.
Holmes, John V. et al.	....do	May 24, 1963	Summons and complaint filed by John V. Holmes seeking an order of injunction against interference with plaintiffs' business and contracts, and disclosure of certain alleged confidential lay-outs, plans and designs. Plaintiffs seek damages of $22,750,000 against the United States. Pending.
Imperial Fund, Inc.	Minnesota	May 7, 1963	Complaint for a mandatory injunction seeking an order requiring the defendants to declare effective post-effective amendments to the registration statement of plaintiff, Imperial Fund Inc., under the 1933 Act. Pending.
Kukatush Mining Corp., et al.	District of Columbia..	Aug. 24, 1961	Complaint filed Aug. 24, 1961, for a declaratory judgment restraining Commission from continuing to include the name Kutatush 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. Opinion rendered Oct. 11, 1962, upholding Commission's right to publish its Canadian restricted list. Closed.
	CA DC	Oct. 26, 1961	

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. Opinion rendered Nov. 7, 1962, in favor of the plaintiff. Closed.
Philadelphia Commodity Exchange.	Eastern District of Pennsylvania.	June 14, 1963	Summons and complaint filed to enjoin the Commission from hindering and obstructing the plaintiff from conducting a so-called "commodity exchange" dealing in securities futures. Order entered withdrawing the complaint. Closed.
Sutro Brothers & Co	Southern District of New York.	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. Closed.
Amos Treat & Co., Inc., et al	District of Columbia CA DC	Apr. 25, 1962 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. Order entered Aug. 8, 1962, terminating proceedings without prejudice. Closed.
Warren, Claude V	do	July 19, 1962	Complaint filed seeking to enjoin administrative hearing ordered Feb. 19, 1962, naming the plaintiff as a respondent on the basis of possible violations of Securities Act of 1933 and Securities Exchange Act of 1934. Temporary restraining order denied. Closed.
Wechsler, Nathan	do	June 14, 1962	Complaint filed 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 preluminary injunction withdrawn by stipulation of the parties. Order entered July 9, 1962, withdrawing plaintiff's motion for preliminary injunction. Action dismissed Oct. 15, 1962. Closed.
Wolf Corp., The	District of Columbia CA DC USSC	Oct. 20, 1962	Complaint filed seeking a final judgment permanently enjoining the Commission from further continuing and prosecuting the stop order proceedings now pending. Order entered Oct. 24, 1962, denying motion for preliminary injunction. Notice of appeal from said order filed Oct. 24, 1962. Decision rendered by CA DC affirming the district court's order. Pending.

TABLE 23.—*Cases in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1963*

Name of case	U.S. District Court, Court of Appeals, or U.S. Supreme Court	Date of entry	Nature and status of case
American Trailer Rentals Co., In re.	Colorado	Mar. 22, 1963	Petition for leave to intervene in proceedings for an arrangement under Chapter XI of the Bankruptcy Act to show violations of Section 17(a) of the 1933 Act, filed. Referee in Bankruptcy entered order dismissing intervention of Commission, and Commission has petitioned district court to review. Pending.
Bellanca Corp. v. Sydney 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 v. Edward Lamb, et al.	2d Circuit	Jan. 1963	This is an action under Sec. 16(b) of the 1934 Act seeking recovery of "short swing" profits. Brief of SEC amicus curiae filed in support of a reversal of judgment of the district court. Opinion rendered reversing the decision of district court, Mar. 8, 1963. Petition for writ of certiorari filed May 13, 1963. Pending.
Borak, Carl H. v. J. I. Case Co.	7th Circuit	Jan. 4, 1963	The above action was brought by a stockholder of J. I. Case Co., alleging that the merger between said company and American Tractor Corp. followed false and misleading proxy solicitation in violation of Sec. 14(a) of 1934 Act, and that the market price of American Tractor stock at the time of the merger was artificially high as a result of a series of manipulative practices in violation of Sec. 10(b). Brief of SEC amicus curiae filed Jan. 4, 1963. Opinion rendered reversing order dismissing plaintiff's third amended complaint and remanding case to lower court. Pending.
Fuller, Stephen D. et al., v. Arthur Dilbert, et al.	Southern District of New York.	Dec. 6, 1962	Private action seeking a judgment declaring a contract for the sale of certain stock to be void and unenforceable under Secs 5 and 14 of the 1933 Act and Sec. 16(c) of the 1934 Act. Motion by defendant for summary judgment. Commission was requested to file memorandum amicus curiae on the Federal securities law issues raised by the motion. Memorandum of Commission amicus curiae filed Dec. 6, 1962. Opinion rendered Dec. 19, 1962, denying summary judgment. Closed.
Gluck, Maxwell H. v. Shearson, Hammill & Company.	Southern District of California.	June 25, 1963	This is an action in which the SEC appears as amicus curiae in support of the complaint filed by plaintiff seeking to secure a precedent to investors in construing and enforcing Sec. 10(b). Motion by SEC for leave to paticipate as amicus curiae filed June 25, 1963. Pending.
Honigman, Edith v. Green Giant Co., et al.	District of Minnesota.	Feb. 20, 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. District Court decision affirmed on appeal and petition for writ of certiorari denied Mar. 18, 1963. The Commission did not participate in the court of appeals and supreme court actions because no issues under securities laws were involved. Closed.

Kornfeld, Harold et al., v. Thomas J. Eaton & The Norwich Pharmacal Co.	Southern District of New York.	Dec. 8, 1962	An action based upon alleged violations of Sec. 16(b) of the 1934 Act in which recovery is sought of profits realized by an "insider" through "short swing" transactions in securities. Memorandum of Commission amicus curiae served Dec. 8, 1962. Opinion rendered granting defendants' motion for summary judgment. Appeal filed May 22, 1963. Pending.
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 Mar. 30, 1962. Order Apr. 25, 1962, appointing Commission an amicus curiae. Pending.
Sawyer, Harriet D. 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. Petition for writ of certiorari filed, May 14, 1962, and denied Oct. 8, 1962. Closed.
Silver, Harold J., et al., v. New York Stock Exchange.	2d Circuit 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 the Commission amicus curiae filed Dec. 24, 1961. Opinion of CA-2 reversing judgment of district court granting plaintiff's motion for summary judgment Apr. 4, 1962. Petition for writ certiorari filed May 31, 1962, from the order of Apr. 4, 1962. Memorandum of the United States amicus curiae in support of the petition for a writ of certiorari filed Nov. 1962. Writ of certiorari granted Oct. 8, 1962. Brief for the United States amicus curiae filed Jan. 14, 1963. Opinion of Supreme Court reversing judgment of Court of Appeals and remanding cause May 20, 1963. Pending.
Silverman, Bertha v. Alfons Landa & Fruehauf Trailer Company.	Southern District of New York. 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. 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. Decision rendered affirming the order of the district court entered Dec. 27, 1961. Closed.
Taussig, Ralph J., et al., v. Wellington Fund, Inc., et al.	Delaware 3d Circuit	Apr. 30, 1962	This is an action in 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 attorney's fees. Brief of the Commission amicus curiae filed May 15, 1962. Opinion rendered Jan. 25, 1963, affirming judgment of district court. Closed.
Willheim, Else, et al., v. John E. Murchison, et al.	2d Circuit	Apr. 20, 1962	This action is one brought by the plaintiffs derivately 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.—*Proceedings under the Bankruptcy Act pending during the fiscal year ended June 30, 1963, 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
American Trailer Rentals Co., debtor; In Re Securities and Exchange Commission, appellants (10th Circuit).	Notice of appeal filed by SEC from the order entered May 20, 1963, denying the motion of SEC to dismiss the debtor's petition for relief under Chapter XI of the Bankruptcy Act on the ground that any proceeding for the rehabilitation of the debtor under the Bankruptcy Act should have been brought under Chapter X of that Act. Pending.
Colorado Trust Deed Funds, Inc., appellant v. 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. Opinion rendered Nov. 19, 1962, affirming the judgment of the district court. Closed.
Crumpton Builders, Inc., debtor; In Re Securities and Exchange Commission appellants (5th Circuit).	Notice of appeal filed by SEC from that portion of the order entered May 14, 1963, denying the motion of SEC to dismiss the proceedings under Chapter XI of the Bankruptcy Act. Pending.
Flora Sun Corp., debtor; (Francis J. Corr & Dorothy J. Corr) appellants (CA-5).	Appeal from order of Apr. 25, 1962, approving a petition for reorganization under Chapter X of the Bankruptcy Act. Commission filed a brief. Court of appeals decision handed down affirming the district court's order approving the petition for reorganization. Closed.
Florida Southern Corp., debtor; W. D. York, appellant (5th Circuit) USSC.	Appeal filed by W. D. York, for reversal of district court order entered July 9, 1962, finding that the debtor's petition for reorganization was filed in good faith. Order of CA-5 entered Nov. 28, 1962, affirming the order of the district court. Petition for rehearing filed and denied Dec. 27, 1962. Petition for writ of certiorari filed Feb. 7, 1963. Brief for SEC in opposition Mar. 1963. Certiorari denied by supreme court. Closed.
GFE Industries, Inc., debtor; Lester M. Entin & Joseph Waters, dba Lester M. Entin Associates, appellants v. John C. Stevens, Trustee and Securities and Exchange Commission.	Notice of appeal filed by Lester M. Entin and Joseph Waters dba Lester M. Entin Associates, from the "Order Authorizing Sale" entered Mar. 1, 1963 and from the "Recommended Order Authorizing Sale of Private Brands and Order Granting Stay" filed Dec. 17, 1962, and from the "Order Authorizing Sale of Private Brands Division of Debtor" entered Mar. 4, 1963. Pending.
Grayson-Robinson Stores, Inc., debtor; Securities and Exchange Commission, appellants (2d Circuit).	This appeal involves the question whether a proceeding for an arrangement with its creditors by Grayson-Robinson Stores, Inc., pursuant to Chapter XI of the Bankruptcy Act should be dismissed on the ground that any proceeding for the rehabilitation of the debtor under the Bankruptcy Act should have been brought under Chapter X of that Act. Opinion rendered affirming district court's denial of motion. Petition for rehearing denied. Closed.
Inland Gas Corporation, 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 rendered Oct. 1962, affirming the judgment of the district court. Closed.
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. Appeal dismissed. Closed..
Muskegon Motor Specialties Co., debtor; International Union, United Automobile, Aircraft and Agricultural Implement Workers of America, AFL-CIO, and its local 1272, Voluntary Unincorporated Associations, appellants (6th Circuit).	This action arises out of a question whether or not the district court has discretion to refuse to compel the Trustee of a corporation in reorganization under Chapter X of the Bankruptcy Act to submit to arbitration a claim for vacation pay arising out of a previously expired collective bargaining agreement with a defunct subdivision of the debtor corporation. Petition for writ of certiorari filed May 27, 1963. Pending.
Scranton Corporation & Hal Roach Studios, debtors; State of California, appellant (3d Circuit).	Appeal filed Mar. 9, 1962, from order of court approving sale of assets of Hal Roach Studios pursuant to Sec. 116(3) of Chapter X proceedings. Stipulation dated Sept. 5, 1962, dismissing appeal since the matter is moot. 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. Order entered by the district court on June 4, 1962, reaffirming prior order denying compensation to appellant. Appeal on the merits. Court of Appeals affirmed district court's opinion, May 23, 1963. Closed.
TMT Trailer Ferry, Inc., debtor; The Protective Committee for Independent stockholders of TMT Trailer Ferry, Inc., appellant v. C. Gordon Anderson as Trustee, appellee (CA-5).	Appeal filed July 11, 1962, by the Protective Committee for Independent Stockholders of TMT Trailer Ferry, Inc., from "Opinion and Order on Valuation and Insolvency" of the Hon. Emett C. Choate. Appeal taken by Committee from the order confirming the plan of reorganization entered Feb. 14, 1963. Pending.

TABLE 24.—*Proceedings under the Bankruptcy Act pending during the fiscal year ended June 30, 1963, in which the Commission participated when district court orders were challenged in appellate courts*—Continued

Name of case and U.S. Court of Appeals	Nature and status of case
United Star Companies, Inc., et al., debtors-appellees; In Re Securities and Exchange Commission, appellants (5th Circuit).	Notice of appeal filed by Commission from that portion of the order entered on Mar. 22, 1963 denying the motion of the SEC to dismiss the proceedings under Chapter XI of the Bankruptcy Act. Pending.
Walco Building Corp., debtor; Hortense Mayer Hirsch, et al., appellants v. Nathan Yorke, Trustee, et al., appellees (7th Circuit).	Appeal filed from the order of the district court entered Feb. 8, 1963, enjoining appellants from "proceeding or continuing in any manner" with their state action. Commission filed a memorandum in support of the motion of certain bondholders to dismiss the appeal May 27, 1963. Pending.

TABLE 25.—*A 30-year summary of criminal cases developed by the Commission—fiscal years 1934–1963*

[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	46	0
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	63	0
1943	31	91	28	108	62	10	33	3
1944	27	69	24	79	48	6	25	0
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	18	80	32	5	8	35
1958	15	51	14	37	17	5	11	4
1959	45	217	39	234	109	20	16	89
1960	53	281	44	207	104	11	43	49
1961	42	240	41	275	95	18	9	153
1962	[3] 60	191	46	128	36	3	22	67
1963	[3] 48	168	20	43	8	0	1	34
Total	944	3,430	[4] 774	3,311	1,682	354	[5] 812	463

[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 118 proposed defendants were still being processed by the Department of Justice as of the close of the fiscal year, and also 19 of the prior years references as to 88 proposed defendants.

[4] 678 of these cases have been completed as to 1 or more defendants. Convictions have been obtained in 572 or 85 percent of such cases. Only 107, or 16 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 73 defendants who died after indictment.

TABLE 26.—*A 30-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1963*

	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)	534	289	43	119	83
Employees of such registered broker-dealers	271	114	18	59	80
Persons in general securities business but not as registered broker-dealers (includes principals and employees)	828	404	65	272	87
All others [2]	1,678	875	228	362	213
Total	3,311	1,682	354	812	463

[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 30-year summary of all injunction cases instituted by the Commission—1934 to June 30, 1963, 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	99	403	82	229
1963 (to June 30)	58	205	67	225
Total	1,273	4,207	[2] 1,144	3,070

TABLE 27.—*A 30-year summary of all injunction cases instituted by the Commission—1934 to June 30, 1963, by calendar year*—Continued

SUMMARY

	Cases	Defendants
Actions instituted	1,273	4,207
Injunctions obtained	1,118	3,070
Actions pending	42	[1] 362
Other dispositions [4]	113	775
Total	1,273	4,207

[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 99 defendants in 22 cases in which injunctions have been obtained as to 56 codefendants.

[4] Includes (*a*) actions dismissed (as to 698 defendants); (*b*) actions discontinued, abated, abandoned, stipulated, or settled (as to 55 defendants); (*c*) actions in which judgment was denied (as to 18 defendants); (*d*) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 4 defendants).

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