

SECURITIES AND EXCHANGE COMMISSION

NEWS DIGEST



A brief summary of financial proposals filed with and actions by the S.E.C. 346

Washington 25, D.C.

FOR RELEASE January 3, 1957

The 22nd Annual Report to the Congress of the Securities and Exchange Commission, covering its administration of the Federal securities laws for the fiscal year ended June 30, 1956, was made today.

The report presents a review of the activities of the Commission to protect the interests of investors and the public in accordance with the Congressional objectives of the Federal securities laws. It describes the accomplishments of the Commission during the 1956 fiscal year.

The most important aspect of the Commission's work during the 1956 fiscal year was its stepped-up enforcement program. Due to the sustained high level of economic activity and the accompanying high activity in the capital markets, many new brokers and dealers have been registered, many new issues of securities have been sold to the public, and there has been a marked increase in the number of public investors.

As a result, the Commission has drastically increased its enforcement activities, such as broker-dealer inspections and investigations of securities frauds and market manipulations. These investigations have resulted in a substantial increase in the number of stop-order proceedings and suspension orders pertaining to new issues, which have prevented the defrauding of investors by keeping a number of securities off the market. Disciplinary actions for violations of the securities laws, such as broker-dealer denial or revocation proceedings before the Commission and injunction actions in the Federal courts, have been brought in increasing numbers and have curbed the unlawful activities of many broker-dealers. In a number of cases, where violations were wilful, the facts have been referred to the Attorney General for criminal prosecution. Funds to make possible this stepped-up enforcement work have been made available to the Commission by the Congress.

The Commission has undertaken through the media of public speeches made to various professional, civic, and other organizations and in the press and on the radio and television to warn the public against the dangers of securities frauds, particularly those coming from the recent out-cropping of boiler-room broker-dealer firms. This public information policy is being followed so that the public's confidence in the integrity of the capital markets can justifiably be maintained.

The vigorous enforcement program of the Commission not only results in disciplinary action against particular violations, but has a far reaching effect on the market by the deterrent effect it has on others who might violate the law but for this enforcement program.

OVER

The Commission's report also describes the important developments in its program for the study and review of S.E.C. registration and report forms, rules, regulations, procedures to facilitate compliance with the laws and the elimination of unnecessary complexities and duplication by individuals, firms and companies subject to S.E.C. jurisdiction while at the same time preserving the safeguards necessary for investor protection.

According to the report, over \$13 billion of securities were registered with the Commission for public sale during the year, the largest amount in the Commission's history and more than \$2 billion in excess of the amount registered in the preceding year. There was an increase to \$9.2 billion of the securities registered during the year that represented offerings for cash sale, a major portion of the proceeds of which were to be devoted to new money purposes, including plant, equipment and working capital. Such cash offerings consisted of \$4.1 billion of bonds, \$539 million of preferred stock, and \$4.5 billion of common stock.

The \$13.1 billion of securities comprised 1,117 issues covered by 833 registration statements, as contrasted with \$11 billion of securities comprising 1,089 issues covered by 779 registration statements in fiscal year 1955. Registration statements are examined by the Commission for compliance with the disclosure requirements, which are designed to provide investors with pertinent financial and other information upon which they may make informed investment decisions.

The Commission rules exempting from the registration requirements securities offerings not over \$300,000 in amount were revised and streamlined so as to provide better protection to the investing public without unnecessary or burdensome requirements on small business enterprises seeking access to the interstate capital markets. The Commission also established a Branch of Small Issues in its Division of Corporation Finance in Washington, D. C., to coordinate and facilitate the examining of filings for small issues. During the fiscal year 1,463 filings covering offerings of \$273 million were made, as compared with 1,628 filings covering offerings of \$296 million during fiscal year 1955.

At June 30, 1956, 3,686 securities issues of 2,253 issuers were registered with the Commission and listed for public trading upon the nation's 15 registered securities exchanges. Corporate reporting requirements applicable to these companies are designed to provide essential information for investors in these securities. In addition, the solicitation of proxies from holders of securities must conform to the requirements of the Commission's proxy rules. These were revised during the fiscal year so that fuller disclosures are required than in the past with respect to proxy contests. Particularly, information about the participants in a proxy contest, a description of the methods of solicitation, the estimated expenses of soliciting proxies, whether the corporation will be requested to reimburse the soliciting expenses, and all advertisements used as soliciting material in a proxy contest are now required to be filed with the Commission and made public.

Electric and gas public utility holding company systems registered with the Commission at June 30, 1956 numbered 23, comprising 27 registered holding companies, 164 electric and gas utilities and 111 non-utility companies. At December 31, 1955, the aggregate assets of these systems, less valuation reserves, amounted to \$10.4

billion. During the year holding company system company securities approved by the Commission under the Holding Company Act for sale to the public and institutional investors amounted to \$565 million.

As of June 30, 1956, 399 investment companies with assets of \$14 billion were registered with the Commission under the Investment Company Act, compared with 387 companies with \$12 billion of assets a year earlier.

To meet the ever-increasing work load, as recommended in the President's Budget, the Commission was granted an appropriation by the Congress to increase its staff approximately 4% over fiscal 1955, when the personnel of the Commission was at its lowest point in the 20 years of the Commission's history. This marked the end of successive annual curtailments of the staff, and for the fiscal year 1957 another increase in the staff of approximately 9% was provided. In spite of these increases in appropriations to provide additional personnel for the Commission, the statutory fees for registration, which are deposited to the General Fund of the Treasury and are not available for expenditure by the Commission, have so increased because of the larger volume of new registered issues and trading in listed issues, that there was a net reduction in the portion of the cost of the Commission which must be provided by the general taxpayer.

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(Section 2)

Hamilton Paper Company, Miquon, Penna., filed a registration statement (File 2-12994) with the SEC on January 2, 1957, seeking registration of 108,160 shares of its \$5 par Common Stock. The company proposes to offer these shares for subscription by holders of outstanding common at the rate of one additional share for each two shares held. The record date and subscription price are to be supplied by amendment. Stroud & Company, Inc., is named as the principal underwriter; and the underwriting Commission is to be a minimum of \$1 and a maximum of \$2 per share.

The company intends to use the net proceeds, plus a portion of the proceeds of a new \$1,500,000 loan from an insurance company, to purchase and install a new paper machine, together with auxiliary equipment, at the Miquon plant. In addition, the company will install a boiler and erect a one story warehouse in which will be concentrated all of the warehousing and shipping of finished goods. A new well also is to be drilled to provide additional water supply. Any excess proceeds will be added to working capital.

* * * *

Ohio Edison Company (Akron) today filed a registration statement (File 2-12995) with the SEC seeking registration of 590,613 shares of its \$12 par Common Stock, to be offered for public sale at competitive bidding. Net proceeds, together with cash on hand and to be derived from operations, are to be used for the company's cash requirements during 1957, for an additional \$2,100,000 investment in the common stock of its subsidiary, Pennsylvania Power Company, and for the company's 1957 construction program. Construction expenditures for 1957 are estimated at \$54,944,000.

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Wisconsin Fund, Inc., Milwaukee investment company, filed an amendment on December 31, 1956 to its registration statement (File 2-10806) seeking registration of an additional 600,000 shares of common stock, \$1 par value.

Securities Exchange Act Release No. 5432

The Securities and Exchange Commission today announced the issuance of two orders under Section 19(a)(4) of the Securities Exchange Act of 1934 summarily suspending trading in the capital stocks of Great Sweet Grass Oils Limited and of Kroy Oils Limited, respectively, on the American Stock Exchange for a period of ten days from January 4, 1957 to January 13, 1957, inclusive, and it declared that such action is necessary and appropriate for the protection of investors and to prevent fraudulent, deceptive or manipulative acts or practices.

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For further details, call ST.3-7600, ext. 5526

OVER

The summary suspension orders heretofore entered on December 21, 1956 against trading in the two stocks expire at the close of business January 3, 1957. The result of the new orders is that it will continue to be unlawful under Section 15(c) (2) of the Securities Exchange Act of 1934 and the Commission's Rule X-15C2-2 thereunder for any broker or dealer to make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, such securities otherwise than on a national securities exchange.

The Commission's action was taken because the questions raised in the Commission's orders and notices of hearings under Section 19(a) (2) of the Act as to alleged false statements in reports filed by both companies with the Commission have not been resolved. The Commission ordered the hearings in the two cases consolidated in order to expedite a final determination, and the consolidated hearing is still in progress.

Under these conditions, the Commission is of the opinion that it would be impossible for the investing public to reach an informed judgment at this time as to the value of the companies' securities, or for trading in such securities to be conducted in an orderly and equitable manner.

In light of the foregoing and other factors, the Commission is of the opinion that the public interest requires the summary suspension of trading in such securities on the American Stock Exchange and that such action is necessary and appropriate for the protection of investors and is necessary in order to prevent fraudulent, deceptive or manipulative acts or practices under the Act.