

# Second Annual Report

of the

# U.S. Securities and Exchange Commission



Fiscal Year Ended June 30, 1936



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1936

**SECURITIES AND EXCHANGE COMMISSION**

Office: 1775 Pennsylvania Avenue NW,  
Washington, D. C.

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**COMMISSIONERS**

**JAMES M. LANDIS, *Chairman***

**GEORGE C. MATHEWS**

**ROBERT E. HEALY**

**J. D. ROSS**

**WILLIAM O. DOUGLAS**

**FRANCIS P. BRASSOR, *Secretary***

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**Address All Communications**

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C.**

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**LETTER OF TRANSMITTAL**

**SECURITIES AND EXCHANGE COMMISSION,**

*Washington, January 5, 1937.*

SIR: I have the honor to transmit to you the Second Annual Report of the Securities and Exchange Commission, in compliance with the provisions of Section 23 (b) of the Securities Exchange Act of 1934, approved June 6, 1934, and Section 23 of the Public Utility Holding Company Act of 1935, approved August 26, 1935.

Respectfully,

**JAMES M. LANDIS,**

*Chairman.*

**The PRESIDENT OF THE SENATE,**

**The SPEAKER OF THE HOUSE OF REPRESENTATIVES,**

*Washington, D. C.*



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# SECOND ANNUAL REPORT OF THE SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

## PART I

### CREATION OF THE COMMISSION

The Securities and Exchange Commission was created pursuant to Section 4 of the Securities Exchange Act of 1934 (48 Stat. 881, 904). The Commission is charged with the responsibility of administering and enforcing the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935.

The first meeting of the Commission was held on July 2, 1934, at which time the administration of the Securities Exchange Act was started. On September 1, 1934, the administration of the Securities Act of 1933 was transferred from the Federal Trade Commission to the Securities and Exchange Commission. On August 26, 1935, the President signed the Public Utility Act which charges the Securities and Exchange Commission with the administration and enforcement of the Public Utility Holding Company Act of 1935.<sup>1</sup>

### SECURITIES AND EXCHANGE COMMISSION STATUTES

The purposes of the Securities Act of 1933 as outlined in the Report of the Committee on Banking and Currency are to prevent exploitation of the public by the sale of unsound, fraudulent, and worthless securities through misrepresentation; to place adequate and true information before the investor; to protect honest enterprise, seeking capital by honest presentation, against the competition afforded by dishonest securities offered to the public through crooked promotion; to bring into productive channels of industry and development capital which has grown timid to the point of hoarding; and to aid in providing employment and restoring buying and consuming power.

The objectives sought in the passage of the Securities Exchange Act of 1934 were threefold, viz, to prevent the excessive use of credit to finance speculation in securities; to see to it that the market places

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<sup>1</sup>The Public Utility Act is divided into 2 parts. Title I, the Public Utility Holding Company Act of 1935, is administered by the Securities and Exchange Commission. Title II, the Federal Power Act, is administered by the Federal Power Commission.

in which securities are purchased and sold, such as the stock exchanges and the so-called over-the-counter markets, are purged of the abuses which had crept into them; and to make available to the average investor honest and reliable information sufficiently complete to acquaint him with the current business conditions of the company, the securities of which he may desire to buy or sell.

In general, the Public Utility Holding Company Act of 1935 provides that gas and electric utility holding company systems whose activities involve interstate commerce shall be subject to regulation by the Securities and Exchange Commission. This regulation extends to the issuance and sale of securities; the acquisition of securities, utility assets, and interests in other businesses; the simplification and limitation of holding company systems; inter-company transactions; service, sales, and construction contracts; and the maintenance of accounts and submission of reports as required.

#### ORGANIZATION OF THE COMMISSION

The Commission was organized on July 2, 1934. It is composed of five Commissioners appointed by the President, by and with the advice and consent of the Senate. The Act provides that not more than three of the Commissioners shall be members of the same political party.

The present Commissioners are: James M. Landis, of Massachusetts, Chairman; George C. Mathews, of Wisconsin; Robert E. Healy, of Vermont; J. D. Ross, of Washington; and William O. Douglas, of Connecticut.

Commissioner James M. Landis was appointed June 30, 1934, for the term ending June 5, 1937. Upon the resignation of Joseph P. Kennedy as Chairman and Commissioner on September 23, 1935, Commissioner Landis was elected Chairman of the Commission.<sup>2</sup>

Commissioner George C. Mathews was appointed June 30, 1934, for the term ending June 5, 1938.

Commissioner Robert E. Healy received his original appointment on June 30, 1934. On June 19, 1936, he was reappointed Commissioner for the term ending June 5, 1941.

Commissioner J. D. Ross was appointed August 26, 1935, for the term ending June 5, 1940, vice Commissioner Ferdinand Pecora, who resigned January 21, 1935.

Commissioner William O. Douglas was appointed January 21, 1936, for the term ending June 5, 1939, vice Commissioner Joseph P. Kennedy who resigned September 23, 1935.

The names of the officials in the departmental service who are in charge of the divisions and offices into which the Commission has

<sup>2</sup> Commissioner Landis was reelected Chairman of the Commission on July 1, 1936.

been divided are as follows: Baldwin B. Bane, Director of Registration Division; Carman G. Blough, Chief Accountant; Francis P. Brasseur, Secretary of the Commission and Chief of the Administrative Division; John J. Burns, General Counsel; William C. Gilman, Director of Public Utilities Division; Paul P. Gourrich, Director of Research Division; Harold H. Neff, Director of Forms and Regulations Division; Ward Perrott, Director of Employment Research; David Saperstein, Director of Trading and Exchange Division; Edwin A. Sheridan, Supervisor of Information Research; and Kemper Simpson, Economic Adviser to the Commission. The Protective Committee Study Division is under the direct supervision of Commissioner Douglas.

The names of the administrators in charge of the regional offices are as follows: Oran H. Allred, Fort Worth Regional Office; Ernest Angell, New York Regional Office; James J. Caffrey, Boston Regional Office; Foster Cline, Denver Regional Office; William Green, Atlanta Regional Office; Howard A. Judy, San Francisco Regional Office; Day Karr, Seattle Regional Office; and Thomas J. Lynch, Chicago Regional Office.

#### FUNCTIONS OF THE DIVISIONS

During the year the Commission created new divisions and made a number of changes in the functions and activities of those in existence. The functions and activities of the several divisions and offices are as follows:

*The Legal Division* is responsible for (1) the rendering of opinions and advice to the Commission on general questions of law arising in connection with the administration and enforcement of the three Acts over which the Securities and Exchange Commission has jurisdiction; (2) the rendering of opinions and the drafting of interpretative letters in response to inquiries regarding the interpretation of the statutes administered and enforced by the Commission; (3) conducting hearings before the Commission, or an officer of the Commission, in all cases except those involving refusal or stop order proceedings under Sections 8 (b) and (d) of the Securities Act of 1933, which are conducted by the Registration Division, and hearings relative to the continuance, extension, termination or suspension of unlisted trading privileges on national securities exchanges, which are conducted by the Trading and Exchange Division; (4) supervising the conduct of investigations of alleged violations of the Acts; (5) representing the Commission in all judicial proceedings, including proceedings to enjoin violations of law and proceedings for the review of orders of the Commission (under existing legislation all civil court actions, including actions for injunctions, proceedings for the review of Commission orders and a variety of proceedings in which

the Commission or the members of the Commission are defendants, are handled directly by the Commission's legal staff, whereas criminal proceedings are referred to the Department of Justice); (6) preparing criminal cases for transmission to the Department of Justice and to the Post Office Department for prosecution and the cooperation in the trial of such cases; and (7) collaboration with other divisions of the Commission in the preparation of reports to Congress as required under the Securities Exchange Act of 1934 and the Public Utility Holding Company Act of 1935.

*The Registration Division* is responsible for the examination of all registration statements covering the proposed public offering of securities in interstate commerce or through the mails, filed pursuant to the Securities Act of 1933; prospectuses and offering sheets filed pursuant to the Commission's regulations providing a conditional exemption from registration under the foregoing Act; applications for registration of securities on national securities exchanges pursuant to Section 12 of the Securities Exchange Act of 1934; reports of security ownership and transactions as required of directors, officers, and principal stockholders under Section 16 of the Securities Exchange Act of 1934 and of directors and officers under Section 17 of the Public Utility Holding Company Act of 1935; and applications for the confidential treatment of material contained in any application, report, or document filed under the Securities Exchange Act of 1934. This includes the examination not only of statements, applications and reports proper, but also accompanying financial statements, certificates of incorporation, appraisals, prospectuses, and other documents, as well as periodical annual reports and amendments to the foregoing; the preparation of reports and letters of deficiency; the making of field investigations by engineers and accountants; the conduct of hearings for the development of facts and the verification of data submitted in registration statements and applications; and the conduct of hearings in refusal-order and stop-order proceedings under Sections 8 (b) and (d) and in examination proceedings under Section 8 (e) of the Securities Act of 1933; the preparation of recommendations to the Commission on the above matters and, after the Commission has acted, the preparation of the Commission orders.

*The Trading and Exchange Division* is responsible for (1) the examination of registration statements filed by exchanges for registration as national securities exchanges and the exemption of exchanges from registration; (2) the formulation of rules for the regulation of floor trading by members, for the prevention of excessive trading by exchange members off the floor of exchanges, and for the limitation of dealings by specialists and odd-lot dealers; (3) the detection of excessive trading and unlawful practices on exchanges, including

wash sales, matched orders, pool operations, the tipping of pool operations, the dissemination of false and misleading information concerning securities, and other manipulative or deceptive devices; (4) the review of field investigations into trading activities; (5) the formulation of rules for the regulation of pegging, fixing, and stabilizing operations on exchanges and in over-the-counter markets; (6) the formulation of rules for the regulation of puts, calls, straddles, and other options both on exchanges and over-the-counter; (7) the formulation of rules for the regulation of short selling and stop-loss orders; (8) the study of the effect of Federal Reserve Margin Regulations on trading in securities; (9) the formulation of rules relating to the borrowings of exchange members, brokers, and dealers and relating to the hypothecation of customers' securities by exchange members, brokers, and dealers; (10) the study of exchange rules and the formulation of rules governing miscellaneous exchange practices; (11) the formulation of rules with respect to "when and if issued" trading; (12) the formulation of rules for the regulation of over-the-counter markets, including rules providing for the registration of brokers and dealers in over-the-counter markets and for the elimination of the unfit, rules regulating trading practices and dealings in over-the-counter markets, rules to insure to investors in over-the-counter markets protection comparable to that provided in the case of national securities exchanges, rules for the regulation of securities salesmen employed by over-the-counter houses and rules for the regulation of investment counsel; (13) the formulation of rules and regulations governing the continuance or extension of unlisted trading privileges on national securities exchanges, of rules governing the withdrawal and removal of securities from such unlisted trading privileges, and of rules governing the delisting from national securities exchanges of securities fully listed and registered thereon; (14) the examination of applications for the continuance, extension, withdrawal, or removal of securities from unlisted trading privileges and the examination of applications for the delisting of securities listed and registered on national securities exchanges; and (15) the conduct of hearings before the Commission or an officer of the Commission held on such applications.

*The Secretary* is the chief administrative officer of the Commission and as such is responsible for action on, signing, and service of all Commission orders, actions, and certifications; preparation and defense of the budget estimates before the Bureau of the Budget and the appropriation committees of Congress; preparation of the Commission's Annual Report to Congress; action on all allotments and expenditures of appropriations; and assistance in the coordination of the many activities of the Commission. The Secretary also has general supervision over (a) the Recording Secretary, who is

responsible for the preparation, maintenance, and indexing of official minutes of the Commission and the drafting of memoranda to division heads and regional administrators indicating actions taken on matters presented to the Commission, and (b) the Administrative Division, the functions of which include: (1) all service activities such as the establishment of field offices, the preparation of leases, the preparation of contracts for miscellaneous services, all duplicating activities, the purchase, storage, and issuance of supplies and equipment, the maintenance and distribution of forms, rules, regulations, instructions, opinions, press releases, etc., the compilation of statistical information by means of card punching, sorting, and tabulating machines, and the editorial and printing work; (2) the preparation and maintenance of the dockets and records on all registration statements, applications, declarations, etc., filed with the Commission; (3) the maintenance of the central files of the Commission; (4) the maintenance of the Public Reference Room and the dissemination of information with respect to all public documents filed with the Commission; (5) the maintenance of the Library, the central mail room and the stenographic pool for servicing all divisions of the Commission; (6) the maintenance of the Commission's appropriation accounting records and the auditing of vouchers and pay rolls covering expenditures; (7) the conduct of general correspondence not relating to technical subjects or matters; and (8) examination of and action on all applications for admission to practice before the Commission as attorney or agent.

*The Public Utilities Division* is, in general, charged with the administration of the Public Utility Holding Company Act of 1935. Its financial, accounting, and engineering staffs make studies of the operations and financial structure of the registered holding company systems and pass upon the declarations or applications filed by the holding companies or their subsidiaries with respect to matters requiring approval of the Commission, such as the issuance of securities, the acquisitions of securities or utility assets, reorganizations, organization of service companies, and similar matters. The division is also responsible for making studies of holding company systems with a view to determining the best methods of achieving the integration of systems and the simplification of their corporate structure which the Act requires. It is the duty of the division to collaborate with other divisions in the preparation of rules and regulations with respect to various aspects of holding company activities, such as intercorporate loans, redemption of securities, declaration of dividends, sales of assets, solicitation of proxies, transactions with affiliates, the keeping of accounts, the filing of reports with the Commission, etc.

*The Chief Accountant* of the Commission is responsible for the rendering of advisory service to the Commission in connection with accounting matters; for the conduct of studies, investigations, and researches involving accounting theory, policy, and procedure; for the conduct of conferences with accounting authorities and members of the staff regarding matters involved in the drafting and interpretation of accounting rules and regulations; for the supervision of the accounting work of the Commission whenever unusual matters, new procedure, or new policies are concerned; for supervision over the promulgation and administration of rules regarding uniform classification of accounts; for drafting and establishing procedure to be followed in the conduct of audits and accounting investigations; for rendering advisory opinions and instructions to the accountants assigned to the various divisions and regional offices of the Commission in connection with the disposition of highly technical auditing and accounting questions; for the preparation of accounting briefs, reports and memoranda regarding accounting matters under the jurisdiction of the Commission in connection with the administration and enforcement of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935.

*The Research Division* is responsible for the collection of information bearing upon current developments in the securities market, and the observation of the financial policies of corporations under the jurisdiction of the Commission; the maintenance of statistical and analytical information on security markets, corporate earnings and other subjects of interest to the Commission; the maintenance of statistical records on the activities of the Commission; and the organization and presentation either for internal use by the Commission, for other governmental agencies, or for publication of the statistical material collected by the Commission in the exercise of its administrative functions. It is further charged with advising the Commission on current developments and problems in the above fields and with drafting special reports on technical and economic aspects of the issuance of and the trading in securities. The division also engages in research on basic economic and financial problems connected with the administration of the Public Utility Holding Company Act of 1935 and advises the Commission thereon. A section of the division is at present conducting the study of investment trusts and investment companies authorized by Section 30 of the Public Utility Holding Company Act of 1935 and by resolution of the Commission under Section 18 of the same Act.

*The Economic Adviser* to the Commission is charged with the responsibility of conducting certain economic studies for use by the

Commission in the establishment of general policies and with the rendering of advice regarding the economic aspects of the problems involved in the administration of the Securities Act of 1933 and the Securities Exchange Act of 1934.

*The Supervisor of Information Research* is responsible for disseminating public information regarding the activities of the Commission by means of correspondence and releases. The legislation under which the Commission operates specifically directs that publicity be given to its rulings, regulations, opinions, and findings, as well as to the filing of registration statements, the effective registrations, hearings held, and reports and statements filed with the Commission by security issuers, officers, directors, and principal stockholders. This information is made available to the public by the Supervisor of Information Research through releases issued to the press and through mailing lists established for the convenience of those who wish to receive releases currently.

*The Forms and Regulations Division* is responsible for (1) the preparation for submission to the Commission of rules, regulations, and forms in collaboration, where appropriate, with other divisions of the Commission; (2) the conduct of accounting, legal, and economic researches for the purpose of developing facts, policies, and customs regarding specific industries to be affected by the promulgation of such rules and regulations and forms; (3) the conduct of conferences and interviews with representatives of accounting and legal societies and associations, stock exchange officials, and others for the purpose of securing suggestions concerning proposed forms and regulations and in order to ascertain the reaction of these representatives to the proposed forms and regulations, particularly with respect to burdens that may be imposed upon industries as a result of their promulgation; (4) the conduct of studies in connection with forms and rules and regulations now in existence to determine whether they should be amended, revised, or modified; and (5) the preparation of legal opinions and interpretations concerning those rules and regulations. This work involves the preparation of rules and regulations and forms for use in connection with the regulation of stock exchanges of the country, the flotation of new securities, and the registration of securities listed on exchanges by a great variety of security issuers.

*The Employment Research Division* is charged with the responsibility of handling all personnel matters for the Commission. It includes the conduct of correspondence, the maintenance of personnel records, the interviewing of applicants, and all administrative work regarding appointments, pay rolls, transfers, reinstatements, service records, promotions, demotions, separations, and classification work.

*The Protective Committee Study Division* is charged with the responsibility of conducting investigations and hearings for the pur-



pose of assembling data and facts for use in the preparation of the Report to Congress as required under Section 211 of the Securities Exchange Act of 1934. The division is also charged with the actual drafting of the report. The investigation relates to the work, activities, personnel, and functions of protective and reorganization committees in connection with the reorganization, readjustment, rehabilitation, liquidation, or consolidation of corporate persons and properties. Investigations terminated early in January 1936. Since that time the division has been engaged in completing reports to Congress on the subject.

### REGIONAL OFFICES

The regional offices are charged with the responsibility of conducting trading, accounting, and legal investigations and hearings with a view to the efficient enforcement of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935. Each regional office serves the general and investing public within the zone over which it has jurisdiction, and aids registrants and accounting, legal, and investment firms in complying with the statutes and the rules and regulations administered and enforced by the Commission. Regional offices of the Commission are located in New York City, Boston, Atlanta, Chicago, Fort Worth, Denver, San Francisco, Seattle, and Washington, D. C.

The addresses of the Regional Offices and the States comprising the territory they serve are indicated below:

New York Regional Office, 120 Broadway, New York, N. Y.	New York, New Jersey, and Pennsylvania.
Boston Regional Office, 82 Devonshire Street, Boston, Mass.	Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, and Maine.
Atlanta Regional Office, Palmer Building, Atlanta, Ga.	Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida, and that portion of Louisiana east of the Atchafalaya River.
Chicago Regional Office, 105 West Adams Street, Chicago, Ill.	Minnesota, Wisconsin, Michigan, Iowa, Illinois, Indiana, Ohio, Missouri, Kentucky, and Kansas City, Kans.
Fort Worth Regional Office, New Federal Building, Fort Worth, Tex.	Oklahoma, Arkansas, Texas, Kansas (with exception of Kansas City), and that portion of Louisiana west of the Atchafalaya River.

Denver Regional Office, Patterson Building, Denver, Colo.	Wyoming, Colorado, New Mexico, Nebraska, North Dakota, South Dakota, and Utah.
San Francisco Regional Office, 625 Market Street, San Francisco, Calif.	California, Nevada, Arizona, and Hawaii.
Seattle Regional Office, 1407 Exchange Building, 821 Second Avenue, Seattle, Wash.	Washington, Oregon, Idaho, Montana, and Alaska.
Washington Field Office, 1778 Pennsylvania Avenue NW., Washington, D. C.	Virginia, West Virginia, Maryland, Delaware, and District of Columbia.

### CONFERENCE OF REGIONAL ADMINISTRATORS

On March 9, 1936, a conference of Regional Administrators of the Securities and Exchange Commission was called in Washington, D. C. The purposes of this conference were to acquaint the Regional Administrators more fully with matters of policy and precedent; to enable them personally to present their problems and difficulties; to work out uniform methods of treatment for the various problems most frequently encountered by all Regional Administrators; to afford an opportunity for the studying of common problems, and to formulate uniform methods of treatment concerning them; and to adopt such methods of procedure as would tend to improve the administration and enforcement of the Acts through regional offices. The conference lasted from March 9, 1936, to March 13, 1936, inclusive.

### AMENDMENT TO THE SECURITIES EXCHANGE ACT OF 1934

Public Act No. 621, Seventy-fourth Congress, approved by the President on May 27, 1936, amends the following sections of the Securities Exchange Act of 1934: 12 (f), 15, 17 (a), 18 (a), 20 (c), 21 (f), 23 (a), and 32.

Copies of Public Act No. 621, Seventy-fourth Congress, may be secured from the Publications Unit of the Commission.

## PART II

### ADVISORY AND INTERPRETATIVE ASSISTANCE

During the past year the Commission continued its policy of replying to letters of inquiry regarding the interpretation of the Acts administered and the rules and regulations promulgated by it. The highly technical nature of the legislation administered by the Commission and the complicated character of the problems arising thereunder have made necessary a substantial measure of advisory assistance to the general public.

To some degree, requests for opinions made to the Commission have involved ingenious plans to circumvent the application of the law. In dealing with these requests, as with other requests, the Commission, as a matter of policy, has required statements of the names of the persons or corporations concerned and of the amount involved. To a more definite extent, however, the advisory assistance furnished has been based on bona fide inquiries and, to the end that sound financing may not be impeded by doubt or delay, an endeavor has been made to clarify promptly the problems raised.

Numerous communications with respect to the interpretation of the Acts administered by the Commission were received and acted upon during the year. In addition, many conferences concerning such matters were held with officers of Federal and State agencies and members of the public.

### REGISTRATION OF EXCHANGES AS NATIONAL SECURITIES EXCHANGES

On July 1, 1935, 21 national securities exchanges were registered with the Commission pursuant to Section 6 of the Securities Exchange Act of 1934.

During the year, the operations of several exchanges which had been granted temporary exemption from registration as national securities exchanges under Section 5 of the Securities Exchange Act of 1934, were studied by the Commission for the purpose of determining whether they should be permanently exempted or whether they should be required to apply for registration as national securities exchanges.

As a consequence, on October 1, 1935, the Standard Stock Exchange of Spokane; on November 1, 1935, the Chicago Curb Exchange; and on June 1, 1936, the San Francisco Mining Exchange became registered as national securities exchanges. The temporary exemptions of these exchanges as national securities exchanges were extended until the date of registration.

An application for registration as a national securities exchange was received from the Pacific Stock Exchange of Los Angeles. The Commission conducted an investigation and, after hearings, denied on October 9, 1935, the application since it appeared in its opinion that no economic need existed for an additional exchange in Los Angeles; that the existing stock market facilities in Los Angeles were adequate; and that the exchange was not so organized as to be able to comply with the provisions of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

Pursuant to the provisions of Section 6 (f) of the Securities Exchange Act of 1934, which provides that an exchange may, upon appropriate application in accordance with the rules and regulations of the Commission, and upon such terms as the Commission may deem necessary for the protection of investors, withdraw its registration, the Buffalo Stock Exchange and the Denver Stock Exchange withdrew from registration as national securities exchanges on March 24, 1936, and April 15, 1936, respectively.

From time to time during the year, national securities exchanges filed more than 300 amendments to their registration statements. These amendments covered changes in membership, in exchange trading rules, in securities admitted to listed or to unlisted trading privileges, and in rules for the government of such exchanges. Each amendment was subjected to thorough examination and analysis to ascertain whether the exchanges were operating in compliance with the provisions of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

The following 22 exchanges constitute the national securities exchanges as of June 30, 1936:

Baltimore Stock Exchange.	New York Real Estate Securities Exchange, Inc.
Boston Stock Exchange.	New York Stock Exchange.
Board of Trade of the City of Chicago.	Philadelphia Stock Exchange.
Chicago Curb Exchange Assn.	Pittsburgh Stock Exchange.
Chicago Stock Exchange.	St. Louis Stock Exchange.
Cincinnati Stock Exchange.	Salt Lake Stock Exchange.
Cleveland Stock Exchange.	San Francisco Curb Exchange.
Detroit Stock Exchange.	San Francisco Mining Exchange.
Los Angeles Stock Exchange.	San Francisco Stock Exchange.
New Orleans Stock Exchange.	Standard Stock Exchange of Spokane.
New York Curb Exchange.	Washington (D. C.) Stock Exchange.

#### EXEMPTION OF EXCHANGES FROM REGISTRATION AS NATIONAL SECURITIES EXCHANGES

At the beginning of the fiscal year, 15 exchanges had been granted temporary exemption from registration as national securities exchanges pursuant to Section 5 of the Securities Exchange Act of

1934. During the year covered by this report the changes indicated below took place:

On July 30, 1935, the Louisville Stock Exchange was dissolved.

On August 8, 1935, the Associated Stock Exchange of Manila, P. I., was dissolved.

On October 1, 1935, the Standard Stock Exchange of Spokane became a registered exchange.

On November 1, 1935, the Chicago Curb Exchange became a registered exchange.

On June 1, 1936, the San Francisco Mining Exchange became a registered exchange.

On November 2, 1935, the Commission denied the application of the Reno Stock Exchange for exemption from registration as a national securities exchange due to the fact that this exchange had suspended operations and ceased to function as a stock exchange. The temporary exemption of this exchange was canceled at the same time.

On October 1, 1935, the Seattle Mining Exchange was consolidated with the Seattle Stock Exchange, which latter is an exempted exchange.

On December 1, 1935, the exemptions of the Honolulu Stock Exchange, the Milwaukee Grain and Stock Exchange, and the Minneapolis-St. Paul Stock Exchange became effective.

On December 15, 1935, the exemptions of the Richmond Stock Exchange and the Wheeling Stock Exchange became effective.

On February 1, 1936, the exemption of the Colorado Springs Stock Exchange became effective.

On May 1, 1936, the exemption of the Seattle Stock Exchange became effective.

The exemption of the Manila Stock Exchange from registration as a national securities exchange, which exchange was temporarily exempted from registration until February 1, 1936, was not continued. The establishment of the Commonwealth of the Philippine Islands, pursuant to the Philippine Independence Act, terminated the Commission's jurisdiction over the exchange.

The Commission adopted Form 9-A, together with the necessary rules and regulations, providing for the submission of data needed in order to keep current the information contained in the original applications for exemption filed by exchanges.

The following 7 exchanges constitute the exchanges granted exemption from registration as national securities exchanges pursuant to Section 5 of the Securities Exchange Act of 1934, as of June 30, 1936:

Colorado Springs Stock Exchange.

Honolulu Stock Exchange.

Milwaukee Grain and Stock Exchange.

Minneapolis-St. Paul Stock Exchange.

Richmond Stock Exchange,

Seattle Stock Exchange.

Wheeling Stock Exchange.

**DETECTION OF EXCESSIVE TRADING AND MANIPULATIVE AND DECEPTIVE PRACTICES ON EXCHANGES**

For the purpose of detecting excessive trading and manipulative and deceptive practices on exchanges, constant and vigilant observation has been maintained of trading activities of securities on all of the larger exchanges.

In order to assist the Commission in detecting these operations, the stock ticker tape quotations of the New York Stock Exchange and the New York Curb Exchange were under continuous surveillance and the exchanges were required to furnish the Commission with complete lists of daily security transactions. Those transactions which appeared to be manipulative in character were immediately assigned for investigation.

Transactions on the various exchanges were constantly scrutinized to detect excessive trading in securities by exchange members since such trading might be in contravention of the trading rules recommended by the Commission and adopted by the exchanges.

The Commission conducted numerous investigations in connection with the detection of manipulative practices, such as wash sales, matched orders, pool operations, dissemination of false or misleading information concerning securities and other manipulative and deceptive devices, in order to determine whether or not the provisions of the Securities Exchange Act of 1934 had been violated.

On July 1, 1935, 18 preliminary and 3 formal trading investigations were in progress.<sup>3</sup> During the year, preliminary investigations of stock market operations of 214 securities were made. Of these, 42 were deemed to be of sufficient importance for the Commission to authorize formal investigations, which authorizations permitted the examination of witnesses and the taking of testimony. During the year, 89 preliminary and 20 formal investigations were closed. A number of these cases, which showed infractions of stock exchange rules, were referred to the various stock

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<sup>3</sup> A preliminary trading investigation is conducted when there is reason to believe that any person has violated or is about to violate the provisions of Section 9 of the Securities Exchange Act of 1934. Such an investigation includes a rapid inspection of records of the clearing house, association of the exchange where the security which is the subject of such suspected violation is traded; an inspection of the records of the specialists and principal brokers in such security for the purpose of determining the identity of the most substantial purchasers and sellers thereof; and interviews with the officers of the issuer of such security and with other persons who may have knowledge bearing upon the trading in such security.

A formal investigation is ordered when the preliminary investigation confirms the belief that the provisions of Section 9 of the Securities Exchange Act of 1934 have been or are about to be violated and when the person or persons responsible therefor have been to some extent identified. It includes a complete examination of the books and records of brokers and specialists found to have been active in the security in question; thorough analyses of customers' accounts; examination of all documentary evidence such as order slips, blotters, correspondence files, etc., and the taking of statements under oath from persons who may have knowledge of the market activity of the security in question.

exchange committees for action. Injunctive proceedings were instituted in 10 cases and 1 case was referred to the Department of Justice for criminal prosecution. On June 30, 1936, 54 preliminary and 30 formal investigations were in progress.

For the purpose of aiding the Commission in detecting manipulative operations by corporate "insiders", analyses were made of transactions of officers, directors, and beneficial holders of 171 securities. As a result of these analyses, 7 preliminary investigations were initiated. In 5 cases, formal investigations were authorized as a result of the information developed in the preliminary investigations.

#### **FORMULATION OF RULES FOR THE REGULATION OF PEGGING, FIXING, AND STABILIZING OPERATIONS BOTH ON EXCHANGES AND IN THE OVER-THE-COUNTER MARKETS**

During the year, the Commission conducted a series of conferences with representatives of various branches of the brokerage and investment banking business on the subject of pegging, fixing, and stabilizing operations. Included among the groups which attended these conferences was a committee which was formed to speak for the Investment Bankers Association of America, the New York Stock Exchange and the New York Curb Exchange, and a group of representatives from stock exchange firms and large underwriting houses in New York, all of whom had been requested to express their views to the Commission on the subject of pegging, fixing, and stabilizing.

The voluminous material accumulated at these conferences and in the course of the Commission's general study of the subject and a summary of the views expressed by the conferees with respect to the various aspects of the problems, including analyses of pegging, fixing, and stabilizing operations conducted in the past by many important underwriting firms, have been used in the preparation of a tentative draft of rules and regulations, pursuant to Section 9 (a) (6) of the Securities Exchange Act of 1934, which draft is nearing completion.

#### **FORMULATION OF RULES FOR THE REGULATION OF PUTS, CALLS, STRADDLES, AND OTHER OPTIONS**

The Commission has for some time been engaged in careful study and analysis of the use of puts, calls, and similar options, with a view to drafting rules and regulations with respect thereto, under authority of Sections 9 (b) and (c) of the Securities Exchange Act of 1934. To that end, conferences have been held with put and call brokers, and statistical surveys and economic studies of the operations of options have been made. The Commission is now making considerable use of this research in the formulation and drafting of rules and regulations governing puts, calls, straddles, and other options.

**COOPERATION WITH THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM IN SUPERVISION OF ITS MARGIN REGULATIONS**

The Commission continued its close cooperation with the Board of Governors of the Federal Reserve System in the formulation of rules under Section 7 of the Securities Exchange Act of 1934 governing the extension and maintenance of credit on registered exchanges.

Frequent conferences were held between representatives of the Board and of the Commission during the drafting of regulation U which governs the extension of credit by banks for the purpose of purchasing or carrying registered stocks and in the drafting of amendments to regulation T which governs the extension and maintenance of credit by brokers, dealers, and members of national securities exchanges.

For the purpose of supplementing the work of the Board, personnel was assigned to several of the regional offices to inspect margin accounts carried by members of national securities exchanges and brokers and dealers transacting business through such members to ascertain the extent of compliance with regulation T, and to study the effect of such regulation on the amount of credit extended on registered securities. During the year, the margin accounts of 165 firms were inspected and the results of these inspections were made available to the Board of Governors of the Federal Reserve System for the purpose of gaging the practicability and effectiveness of regulation T. In other instances, the Commission referred reports describing the manner of handling margin accounts by certain members of the New York Stock Exchange to the Board of Governors for such action as might be deemed appropriate.

**FORMULATION OF RULES RELATING TO BORROWINGS AND SOLVENCY OF, AND HYPOTHECATION OF CUSTOMERS' SECURITIES, BY EXCHANGE MEMBERS, BROKERS, AND DEALERS**

After considerable research and study preparatory to the formulation of rules under Section 8 of the Securities Exchange Act of 1934, which included the examination of members' financial statements submitted to national securities exchanges, there are in preparation tentative forms for statements of assets and liabilities and aggregate indebtedness and net worth designed to reflect the financial condition and operating ratios of aggregate indebtedness to net capital of exchange members, brokers, and dealers. An instruction book to assist brokers and dealers in the preparation of these statements is also being prepared. Tentative rules are being drafted defining aggregate indebtedness and net capital and prescribing a tentative ratio between the two.

Tentative rules are also being drafted pursuant to the provisions of Sections 8 (c) and (d) of the Act concerning the hypothecation, commingling, and lending of customers' securities by brokers.



### **SUPERVISION AND STUDY OF MATTERS RELATING TO UNLISTED TRADING PRIVILEGES IN SECURITIES ON EXCHANGES**

Section 12 (f) of the Securities Exchange Act of 1934 directed the Commission to make a study of trading in unlisted securities on exchanges and to report the results of its study and its recommendations to the Congress on or before January 3, 1936.

Pursuant to this direction, the Commission made a thorough study of trading in unlisted securities on exchanges and reported the results of this study to the Congress on the date specified. The recommendations made by the Commission in this report were presented to the Congress in the form of an amendment to the Securities Exchange Act of 1934.

The Congress passed an Act, which was approved by the President on May 27, 1936, amending the Securities Exchange Act of 1934 to provide, among other things, for trading in unlisted securities on national securities exchanges.

During the year, 194 applications for continuance or extension of unlisted trading privileges on exchanges were filed with the Commission pursuant to Section 12 (f) of the Act and to the rules and regulations of the Commission. Each application was examined for the purpose of determining whether the subject security was eligible for unlisted trading privileges on the applicant exchange. Before any application was granted, it was necessary to determine that the subject security had been admitted to unlisted trading privileges on the applicant exchange prior to March 1, 1934, and that it was substantially equivalent to or represented such security. Of the applications filed with the Commission, 158 were granted and 36 denied.

On March 31, 1936, a composite list of securities admitted to unlisted trading privileges on national securities exchanges was published and made available to the public. This list is kept current by monthly addenda.

### **FORMULATION OF RULES RELATING TO UNISSUED WARRANTS AND UNISSUED SECURITIES FOR "WHEN, AS, AND IF ISSUED" DEALING ON NATIONAL SECURITIES EXCHANGES**

Section 12 (d) of the Securities Exchange Act of 1934 provides that an unissued security may be registered on a national securities exchange only in accordance with such rules and regulations as the Commission may prescribe. This section further provides that such rules and regulations shall limit the registration of an unissued security to cases where such security is a right or the subject of a right to subscribe or otherwise acquire such security granted to holders of a previously registered security and where the primary purpose of such registration is to distribute such unissued security to such holders.

A thorough study was made by the Commission concerning the registration of unissued warrants and unissued securities for "when issued" dealing on national securities exchanges. Following this study, the Commission adopted rules and regulations governing "when issued" trading on exchanges. The rules apply to securities and warrants (rights) which, in anticipation of their issuance, are traded on a "when, as, and if issued" basis. The purpose of the rules and regulations is to prevent indiscriminate listings of securities for "when issued" trading; to confine "when issued" trading to those instances and to those localities where a public interest in such a market exists; to prevent premature trading on a "when issued" basis; and to make available the same information on securities traded on a "when issued" basis as is available on securities traded on an issued basis. In the main, the rules operate in three ways: first, they set the standards of eligibility for securities to be traded "when issued"; second, they require the registration of "when issued" securities; and third, they establish margin requirements for "when issued" trading.

Standards of eligibility include, first, the requirements that "when issued" trading may be carried on only in cases where "rights" to acquire or subscribe to a security are involved. For example, a warrant must carry a right to acquire a security which is to be issued; and similarly, a security must be the subject of a right. Second, only the securities of exchange-seasoned companies are eligible for "when issued" trading. That is, the privilege will be granted only after a right is given to holders of a listed security, and only if the rights apply to the securities of a listed company.

The terms "listed security" and "listed company" include securities "admitted to unlisted trading privileges."

A further condition is that a warrant may not run for more than 90 days and "when issued" trading is limited to a 45-day period, unless the Commission directs otherwise.

Before "when issued" trading may begin, there must be registration with the Commission either by the company or by the exchange and the company must take the preliminary steps necessary to assure the public that there will be an exchange market for the security when it is issued.

For the purpose of registration with the Commission, forms have been devised and adopted by the Commission as follows:

Form 1-J is provided for the registration of an unissued warrant or certificate.

Form 2-J is provided for the registration of an unissued security.

Form 3-J is provided for supplemental statement to application for registration of unissued securities for "when issued" dealing.

Form 4-J is provided for statement in respect of exemption of an issued warrant or certificate.

Form 5-J is provided for supplemental statement to statement filed in respect of exemption of certain warrants.

During the fiscal year ended June 30, 1936, 84 applications for "when issued" trading were filed. Of these, 65 became effective, 14 were withdrawn, 2 were denied, and 3 were pending at the close of the fiscal year.

#### **SOLICITATION OF PROXIES, CONSENTS, AND AUTHORIZATIONS, IN RESPECT TO SECURITIES LISTED ON A NATIONAL SECURITIES EXCHANGE**

Pursuant to the provisions of Section 14 of the Securities Exchange Act of 1934, on September 24, 1935, the Commission adopted rules and regulations governing the solicitation of proxies, consents, or authorizations with respect to securities (other than exempted securities) registered on national securities exchanges. The purpose of these regulations is to provide that security holders whose proxies, consents, or authorizations are solicited, shall be accorded at least a minimum of the information necessary to an intelligent exercise of their right of election as to whether to give or withhold the proxy, consent, or authorization requested.

As of June 30, 1936, more than 1,200 proxies and more than 150 amendments to these proxies have been filed. These proxies were examined for completeness and compliance with rules and regulations, and in many instances the corporations were required to issue corrected proxies.

#### **REGULATION OF OVER-THE-COUNTER MARKETS**

During the latter part of 1934 the Commission inaugurated a study of appropriate measures for the control of over-the-counter markets, pursuant to Section 15 of the Securities Exchange Act of 1934. This study embraced consideration of the two principal phases of regulation of over-the-counter markets specifically authorized by section 15:

(1) Consideration of the problem of registration of brokers and dealers making or creating or enabling others to make or create an over-the-counter market for both the purchase and sale of securities by the use of the mails or instruments of interstate commerce.

(2) Consideration of the problem of the registration of securities the market for which is an over-the-counter market.

After several months of study, a program for the regulation of brokers and dealers transacting business in over-the-counter markets was inaugurated and certain rules with respect to registration and to fair business practices were adopted.

The plan for registration of brokers and dealers was put into effect on January 1, 1936, and on and after that date it was unlawful for a broker or dealer, unless he was registered with the Commission, to employ the mails or any instruments of interstate commerce for the purpose of making or creating or enabling another to make or create an over-the-counter market for both the purchase and sale of any security, other than exempted securities, or use any facility of any such market.

The Commission by rules provided that registration might be refused if the applicant had misrepresented any material fact in his registration statement or if the applicant had been convicted of any felony or misdemeanor involving the purchase or sale of securities or arising out of the conduct of a broker or dealer, or enjoined from engaging in or continuing any practices in connection with the purchase or sale of any securities.

Public Act No. 621, 74th Congress, approved by the President on May 27, 1936, included an amendment to Section 15 of the Securities Exchange Act of 1934. Sections 15 (a), (b), and (c) of the Act, as amended, substantially embody the registration program inaugurated by the Commission under the former Section 15, except in the following respects:

(1) The old concept underlying registration—that is, the concept of making or creating a market for both the purchase and sale of any security, other than exempted securities—was abandoned and the registration requirements now apply to brokers and dealers who use the mails or instruments of interstate commerce to effect any transactions in or to induce the purchase or sale of any securities, except such as are specifically exempted, on an over-the-counter market.

(2) Under the former rules, an exemption was provided for brokers and dealers whose transactions in securities were limited to securities the market in which was predominantly intrastate.

The new Section 15 provides exemption for brokers and dealers whose business is exclusively intrastate.

Thus, at present it is the scope of business of a broker or dealer which determines whether he is entitled to exemption rather than the character of the market for the securities in which he deals.

Under the former Section 15, the Commission had the power to prescribe such rules and regulations as were necessary and appropriate in the public interest and to insure to investors protection comparable to that provided by the Act in the case of national securities exchanges, even to the extent of providing for the regulation of all transactions by brokers and dealers on any such market.

Under Section 15 (c) as amended, brokers and dealers are prohibited from using the mails or any instruments of interstate commerce to effect any transaction in or to induce the purchase or sale

of any security (other than commercial paper, bankers' acceptances, or commercial bills) on an over-the-counter market by means of any manipulative, deceptive, or otherwise fraudulent device or contrivance, and the Commission is directed to define by rule or regulation such devices or contrivances as are manipulative, deceptive, or otherwise fraudulent.

The amendment preserved all registrations which were in effect on the enactment date without the necessity of filing new applications for registration on the part of those so registered.

#### OVER-THE-COUNTER TRADING

A technique has been developed for maintaining a general surveillance over the various types of trading activities in the over-the-counter market in both new and outstanding issues of securities for the purpose of detecting violations of the law and of the rules of the Commission, and for the purpose of accumulating data upon which to base rules for the regulation of distribution and trading in the over-the-counter market. Transactions which have appeared to be in violation of the law or of the rules of the Commission have been investigated in 34 securities during the year.

#### DIRECTORY OF BROKERS AND DEALERS

On March 1, 1936, the Commission published a directory of all brokers and dealers whose registration under Section 15 of the Securities Exchange Act of 1934 was effective as of January 31, 1936. This directory includes the names and addresses of the brokers and dealers registered with the Commission.

#### STATISTICS OF OVER-THE-COUNTER BROKERS AND DEALERS

The following statement indicates the number of applications for registration filed by over-the-counter brokers and dealers, as of June 30, 1936, and the actions taken thereon:

Effective registrations (net)-----	5,740
Effective registrations canceled-----	391
Revocations-----	2
Suspensions-----	6
Applications for registration canceled-----	264
Withdrawals-----	34
Denials <sup>4</sup> -----	17
Applications for registration pending-----	217
<b>Total applications for registrations filed<sup>5</sup>-----</b>	<b>6,671</b>

<sup>4</sup> Includes 1 application reopened on petition of applicant.

<sup>5</sup> Includes applications filed on Form 1-M in which applicant had not, as of June 30, 1936, filed request that the application be treated as an application pursuant to Sec. 15 (b) of the Act, as amended.

Table 10 in Appendix V presents a summary of the available broker and dealer statistics as of May 27, 1936.

**REPORT ON THE FEASIBILITY AND ADVISABILITY OF THE COMPLETE SEGREGATION OF THE FUNCTIONS OF DEALER AND BROKER**

Pursuant to Section 11 (e) of the Securities Exchange Act of 1934, the Commission conducted a study of and prepared a report to the Congress on the feasibility and advisability of the complete segregation of the functions of dealer and broker.

The report presented the results of the Commission's study of the broker and dealer functions as exercised on exchanges; a survey of the broker and dealer functions as exercised in over-the-counter markets; a survey of the power of the Commission under existing law to deal with the problems arising from the combination of functions; an appraisal of the economic implications of segregation; and a statement of conclusions and recommendations.

The complexity and magnitude of the problem required original and searching analyses of individual and collective transactions of specialists, floor traders, and other exchange members. Through the medium of special report forms which the Commission devised for the purpose of this study, detailed analyses were made of the trading activities of members and partners of members of the New York Stock Exchange and the New York Curb Exchange during the period from June 24, 1935 to December 21, 1935. Supplemental information with respect to trading practices on other exchanges and the broker and dealer functions as exercised in over-the-counter markets was derived from the examination of the applications filed by exchanges for registration as national securities exchanges or for exemption from registration and from the examination of the registration statements filed with the Commission by over-the-counter brokers and dealers. In addition, much information of value to the study was gained through conferences with members of the investing public, over-the-counter brokers and dealers, investment bankers, exchange officials, exchange members, and other persons engaged or interested in the securities business.

In its report to the Congress, the Commission analyzed in detail the extent and significance of dealer activities on exchanges. The potentialities for abuse inherent in the combination of the functions of broker and dealer were described and the fact that abuses exist was also demonstrated. The economic aspects of segregation were carefully considered. This included the possible effects of prohibition against the combination of broker and dealer activities in one person, the restricting of dealer activity upon exchanges, the rela-

tionship of dealer activities of exchange members to the liquidity and continuity of exchange markets and the probable consequences of segregation in the over-the-counter markets.

It was clearly brought out that the report itself was preliminary in character. Emphasis was given to the necessity and desirability of continued exploration and further study of the problem, not only by the Government but by persons in the securities business and others. The Commission accordingly refrained from judgment upon those aspects of the problem which in its opinion deserved further study and limited itself to the conclusions and recommendations that seemed called for by the data available. Plans for continuation and extension of the study are presently being made.

These recommendations included no suggested legislation for the present, since the Commission believed that to incorporate now into statutory law the requirement of complete segregation would be to fail to utilize the potentialities for flexible control and evolutionary development afforded by the administrative mechanism which the Congress had already provided. Its conclusion was, on the other hand, that it should develop and initiate an administrative program directed toward those aspects of the problem which demand immediate concern, i. e., the conflict of interest implicit in the combination of the broker and dealer functions and the type of dealer activity that exerts undue influence on prices.

## REGISTRATION OF SECURITIES ON EXCHANGES

### PERMANENT REGISTRATIONS

Section 12 of the Securities Exchange Act of 1934, requires the registration of all securities which are listed on national securities exchanges, unless such securities are exempted by the Act or the rules and regulations promulgated thereunder. The registration of securities on national securities exchanges is accomplished by the issuer filing, on the appropriate form, an application for the registration of securities with the Commission and with the exchange. Each of the forms of application provides for the submission of data of the character called for in the Act in the detail necessary or appropriate in the public interest or for the protection of investors. To the basic set of forms for the registration of securities on national securities exchanges, have been added forms for the registration of—

- (1) American certificates against foreign issues and for the underlying securities;
- (2) Securities of foreign private issuers, other than bonds; and
- (3) Bonds of foreign private issuers.

The problem of procuring registration of the numerous issues of foreign securities which were already listed on national securities exchanges when the Act became effective has thus been met.

The basic set of forms for registration of securities on national securities exchanges has been further complemented by the publication of forms for additional securities of issuers having securities already registered, and for securities of persons who have succeeded to such issuers under certain circumstances. A number of improving amendments have been made in the forms previously published and the Commission is now engaged in the complete revision of such forms to adapt them for use by issuers which have not previously had securities registered and in the preparation of special forms for issuers emerging from insolvency proceedings and for issuers succeeding to other issuers.<sup>6</sup>

Pursuant to Section 13 of the Securities Exchange Act of 1934, the Commission has adopted rules and regulations governing the submission of annual reports. These annual reports are designed to keep up to date the information contained in the applications for permanent registration of securities. As of the close of the fiscal year, the Commission had adopted forms for the annual reports of the following issuers having securities registered on national securities exchanges: (1) Corporations in general; (2) unincorporated issuers; (3) railroads and communications companies, including those in receivership or bankruptcy; (4) insurance companies; (5) protective committees; (6) voting trustees; (7) incorporated investment trusts; and (8) unincorporated investment trusts.

The annual reports are required to be filed, on the appropriate form, with the Commission and with the exchange on which the securities are registered.

Issuers of foreign securities registered on national securities exchanges are, until further action of the Commission, exempt from the requirements of filing annual reports.

One of the major functions of the Commission is the examination of applications for registration of securities on national securities exchanges and annual reports subsequently filed. These applications and annual reports are examined for the purpose of determining whether they contain full and adequate disclosure of the information required by the Act and the rules and regulations promulgated thereunder. When the examination reveals deficiencies in such applications or reports, the applicants or issuers are so advised and

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<sup>6</sup> On Sept. 23, 1936, the Commission promulgated Form 22, For Issuers Reorganized in Insolvency Proceedings or Which Have Succeeded to a Person in Insolvency Proceedings.



amendments are requested. These amendments are examined and analyzed in the same manner as the applications and reports.

The cooperation of the various national securities exchanges has been of assistance to the Commission in procuring the necessary amendments of deficient applications and annual reports.

#### CONFIDENTIAL TREATMENT OF APPLICATIONS, REPORTS, OR DOCUMENTS

Section 24 (b) of the Securities Exchange Act of 1934, provides that any person filing an application, report, or document with the Commission may make written objection to the public disclosure of the information contained therein.

During the year, the rules governing objections to the public disclosure of material filed with the Commission were amended for the purpose of clarification. The rules, as amended, provide that persons wishing to object to the public disclosure of any application, report, or document filed with the Commission under any provision of the Securities Exchange Act of 1934, may file the portion thereof to the public disclosure of which objection is made, with the Chairman of the Commission, together with an application stating the grounds upon which the objection is based.

In connection with applications for registration of securities on national securities exchanges, objections to public disclosure of 966 items of information were made during the year by 631 issuers. Confidential treatment was granted certain information involving 214 items filed by 162 issuers; and material filed by 370 issuers involving 577 items, was made public.

Objection to public disclosure of information filed in connection with annual reports was made by 218 issuers. The applications of 63 such issuers for confidential treatment were granted in whole or in part; the information filed by 30 issuers was made public; and 125 are pending.

The denial of these applications gave rise to litigation in 21 cases.<sup>7</sup>

Applications were made by 71 directors, officers, and beneficial stockholders for the confidential treatment of 171 ownership reports of equity securities relating to 23 issuers. Action was taken in the cases of 68 such persons, involving 166 reports concerning 21 issuers, in which the applications were denied and the reports were made public.

During the year, 202 private hearings on applications for confidential treatment of material were held.

<sup>7</sup> See list of cases on page 139.

## STATISTICS OF SECURITIES REGISTERED OR EXEMPT FROM REGISTRATION ON NATIONAL SECURITIES EXCHANGES

As of the opening of trading on July 16, 1935, permanent registrations were in effect covering 3,345 securities of 1,841 issuers. These registrations related to nearly 2,000,000,000 shares of stock and over \$16,000,000,000 in principal amount of bonds. In addition, there were 1,048 securities of 601 issuers, representing more than 400,000,000 shares of stock and over \$10,000,000,000 in principal amount of bonds temporarily exempt (or, in a few cases, provisionally registered) pending filing on or promulgation of the required appropriate forms.

Most issuers temporarily exempt, for whom appropriate forms were available, made application for registration on such forms during the year, as indicated by the fact that, as of June 30, 1936, there remain, in the class of temporarily exempt securities traded on exchanges, 226 securities of 127 issuers.

Included in such classes of issuers' most recently registered securities, previously temporarily exempt, are 155 foreign issuers, who registered 292 securities. Of the 36 foreign governments whose securities were previously temporarily exempt from registration, 33 applied for permanent registration; and of the 64 political subdivisions of foreign governments previously in such category, 53 made application for permanent registration of their securities.

During the year, 141 issuers filed applications for registration of additional securities. On June 30, 1936, a total of 4,185 securities of 2,295 issuers were permanently registered. These registrations covered nearly 2,700,000,000 shares of stock and approximately \$26,000,000,000 in principal amount of bonds.

During the year more than 1,500 issuers filed annual reports with the Commission. These reports are now being examined.

Several thousand amendments to the applications for permanent registration and annual reports have been received. More than 80 applications for registration of unissued securities on national securities exchanges have been filed.

The following table indicates the forms used by issuers in registering securities and the number of securities registered and issuers involved as of June 30, 1936.

Form		Securities registered	Issuers involved
10	Corporations.....	2,751	1,739
11	Unincorporated issuers.....	25	13
12	Companies making annual reports under Section 20 of the Interstate Commerce Act, as Amended, or under Section 219 of the Communications Act of 1934.....	746	196
12-A	Companies in receivership or bankruptcy and making annual reports under Section 20 of the Interstate Commerce Act, as Amended, or under Section 219 of the Communications Act of 1934.....	129	25
13	Insurance companies other than life and title insurance companies.....	17	17
14	Certificates of deposit issued by a committee.....	60	43
15	Incorporated investment companies.....	117	67
16	Voting trust certificates and underlying securities.....	41	35
17	Unincorporated issuers engaged primarily in the business of investing or trading in securities.....	7	5
18	Foreign governments and political subdivisions thereof.....	182	86
19	American certificates against foreign issues and for the underlying securities.....	13	11
20	Securities other than bonds of foreign private issuers.....	5	3
21	Bonds of foreign private issuers.....	92	55
	Total.....	4,185	2,295

The following table indicates the total number of shares of stock and principal amount of bonds and the issues listed and registered or authorized for addition to list, and exempt from registration on all national securities exchanges as of June 30, 1936, eliminating duplications which occur because of the listing of the same security on more than one exchange.

## STOCKS

Classification	Number of issues	Number of shares listed	Number of shares authorized for addition to list
Exempt.....	149	107,253,664	12,969,435
Provisionally registered.....	9	2,964,235	1,093,465
Partially exempt and partially provisionally registered.....	3	5,178,429	7,381,554
Registered.....	2,653	2,322,630,732	220,048,486
Total.....	2,814	2,438,027,060	241,492,940

## BONDS

Exempt.....	78	\$868,162,412	\$30,840,800
Provisionally registered.....	1	1,225,000	-----
Partially exempt and partially provisionally registered.....	3	77,731,000	-----
Registered.....	1,522	23,843,208,508	1,158,289,934
Total.....	1,604	24,790,326,920	1,189,130,734

## BONDS IN FRENCH FRANCS

Registered.....	1	65,353,000	-----
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## BONDS IN POUNDS STERLING

Registered.....	9	36,501,820	-----
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The following table indicates the total number of issuers and the total number of issues and the breakdown of these issues by

stocks and bonds and by securities registered (R), exempt (X), provisionally registered (P), or partially exempt and partially provisionally registered (Z), on national securities exchanges, as of June 30, 1936.

Name of exchange	Issuers		Stocks <sup>1</sup>					Bonds <sup>2</sup>				
	Issuers	Issues	R	X	P	Z	Total	R	X	P	Z	Total
Baltimore.....	69	116	47	14			61	38	17			55
Boston.....	176	296	178	3			181	111	6			117
Chicago Board of Trade.....	20	24	21				21	3				3
Chicago Curb Exchange.....	27	33	25	1	1		27	6				6
Chicago Stock Exchange.....	249	360	264	29			293	53	14			67
Cincinnati.....	68	116	100	4			104	12				12
Cleveland.....	70	88	87				87	1				1
Detroit.....	79	90	89		1		90					
Los Angeles.....	113	156	128	7	1		136	20				20
New Orleans.....	9	13	5	1			6	13				13
New York Curb.....	304	404	347	12	2		361	41	1	1		43
New York Stock.....	1,289	2,565	1,166	54	2	3	1,245	1,277	39	1	3	1,320
Philadelphia.....	76	176	61	7			68	104	4			108
Pittsburgh.....	55	74	66	5			71	3				3
St. Louis.....	59	94	80	3	2		85	7	2			9
Salt Lake.....	95	95	95				95					
San Francisco Curb.....	16	19			2		19					
San Francisco Mining.....	57	58	58				58					
San Francisco Stock.....	109	166	132	7			139	27				27
Standard of Spokane.....	23	26	26				26					
Washington.....	35	50	22	14			36	16				16

<sup>1</sup> Voting trust certificates and American depository receipts for foreign stocks are included in the classification of stocks.

<sup>2</sup> Certificates of deposit are included in the classification of bonds.

## REPORTS OF OFFICERS, DIRECTORS, AND PRINCIPAL STOCKHOLDERS

In addition to Forms 4, 5, and 6,<sup>8</sup> and the rules and regulations regarding the submission of reports of officers, directors, and principal stockholders under the Securities Exchange Act which were promulgated during the fiscal year ended June 30, 1935, the Commission during the last fiscal year promulgated rules and regulations and forms U-17-1 and U-17-2 regarding the reporting of holdings of officers and directors under the Public Utility Holding Company Act of 1935. Form U-17-1 is to be filed by officers and directors of holding companies registered under the Public Utility Holding Company Act of 1935 following the registration of such companies or following appointment or election as officer or director of such a company. Form U-17-2 is to be filed if there have been any changes during last calendar month in ownership of officer or director of a holding company registered under the Public Utility Holding Company Act of 1935, with respect to securities of such company or any subsidiary company thereof.

<sup>8</sup> Form 4 for reporting changes in ownership of equity securities. Form 5 for reporting ownership of equity securities. Form 6 for reports by persons who have just become officers or directors or security holders of more than 10 percent of any class of equity security.

The following table indicates the number of original and amended reports filed and examined for the fiscal years ended June 30, 1935, and June 30, 1936.

Reports filed and examined	Fiscal year 1935	Fiscal year 1936
Original reports—Securities Exchange Act.....	10, 114	37, 509
Amended reports—Securities Exchange Act.....	2, 524	5, 754
Original reports—Holding Company Act.....		464
Amended reports—Holding Company Act.....		45

The Commission compiles and publishes a semimonthly summary of security transactions and holdings of officers, directors, and principal stockholders as reported on Forms 4, 5, 6, U-17-1, and U-17-2.

During the fiscal year the Commission prepared for publication the Official Summary of Holdings of Officers, Directors, and Principal Stockholders. This summary reprinted the essential data, as of December 31, 1935, contained in the reports on Forms 4, 5, or 6 made to the Commission pursuant to Section 16 (a) of the Securities Exchange Act of 1934 by the officers, directors, and principal stockholders of about 1,750 corporations with equity securities listed on a national securities exchange. These corporations had at that date slightly over 2,000,000,000 shares of stock outstanding in the nearly 2,500 individual issues for which reports were received. Reports were made by 15,277 persons and covered about 458,000,000 shares. Of total reported holdings about 408,000,000 shares were owned directly by the persons reporting, while about 50,000,000 were owned indirectly (i. e. through a partnership, a trust, personal holding company, etc.) and represented duplications to a considerable degree. While it is not possible to ascertain definitely from the material available to the Commission the exact amount of duplication, it is estimated that total unduplicated holdings reported exceeded 430,000,000 shares, or approximately 21 percent of the total number of shares outstanding at the end of 1935 in the issues covered by the reports.

#### WITHDRAWAL OR STRIKING FROM LISTING AND REGISTRATION OF SECURITIES ON NATIONAL SECURITIES EXCHANGES

Upon application by the issuer or the exchange to the Commission, securities registered on a national securities exchange may be withdrawn or stricken from registration or listing in accordance with the rules of the exchange and upon such terms as the Commission may deem necessary to impose for the protection of investors. The Commission has adopted rules and regulations governing this subject.

During the year ended June 30, 1936, 63 such applications were received and acted upon by the Commission, as compared with 95 for the fiscal year ended June 30, 1935.

**REGISTRATION OF SECURITIES UNDER THE SECURITIES ACT OF  
1933****SECURITIES ACT FORMS, RULES, AND REGULATIONS**

During the past year a considerable number of improving amendments have been made to the basic forms for registration under the Securities Act of 1933, as amended. These amendments are designed to clarify the requirements of the several forms and to extend the use of certain basic forms to additional classes of issuers upon the furnishing of appropriate specialized information, such as for bank holding companies and corporations resulting from consolidation.

Considerable progress has been made in the direction of subdividing the major forms in order to provide specialized forms for issuers engaged in particular types of business and for issuers in various stages of development. In line with this program, there has been prepared a form for promotional mining companies which is designed to emphasize the peculiar problems of the mining industry and the special problems incident to the promotion of new companies. A companion form is also in process for securities of any company which has not yet advanced beyond the promotional stage.

A series of new forms is being drafted to replace the present forms for certificates of deposit, and for securities issued in the process of reorganization. These forms will be specialized to provide separately for each of the several situations which commonly occur. Other work in various stages of completion includes registration forms for electric and gas utilities, investment trusts, insurance companies, investment contracts, foreign national governments, and foreign municipal governments.

A comprehensive revision and reclassification of the general rules and regulations under the Securities Act have been made. In addition, numerous new rules and regulations have been promulgated. These rules have dealt with the scope of exemptions of certain classes of securities from the operation of the Act, and with the amendment of many of the details of registration in order to perfect the mechanics of registration.

**EXAMINATION OF SECURITIES ACT REGISTRATION STATEMENTS**

The Securities Act of 1933, as amended, provides that, unless a registration is in effect, it shall be unlawful to publicly offer for sale or sell securities, except exempt securities, in interstate commerce or through the mails.

The registration of securities under this Act is accomplished by the issuer filing, on the appropriate form, a registration statement with the Commission. The law and the rules and regulations promulgated thereunder require that these registration statements contain certain

prescribed information about the securities, the company, the management, the purpose of the issue, together with financial statements, options, contracts, and other data. A prospectus containing the more important information contained in the registration statement must also be filed with the Commission. The law further requires that a copy of the prospectus be given to prospective purchasers of a registered security.

Upon receipt of a registration statement, it is examined for the purpose of determining if the statement appears to be misleading, inaccurate, or incomplete on its face. If the statement is not materially deficient, the issuer is advised and permitted to correct it by amendment. If the statement is materially deficient, the Commission may institute stop-order proceedings immediately. The Commission is empowered to refuse registration in cases where the issuer fails to supply the required data or where the information given is incomplete or misleading, or it may suspend registration if it develops after registration has become effective that information is lacking or misleading.

It must be emphasized that although the examination of a registration statement is concerned with the completeness of the information required to be supplied by a registrant and the accuracy of the information furnished by it, such an examination is not to be considered as a finding by the Commission that the registration statement is true, accurate, or complete.

#### EXEMPTIONS FROM REGISTRATION REQUIREMENTS

Prospectuses and oil royalty offering sheets are filed with the Commission pursuant to rules promulgated under Section 3 (b) of the Securities Act of 1933, regarding exemptions. During the year 388 such prospectuses, which relate mostly to offerings of stock issues, were received and examined. The aggregate offering amounted to \$32,122,081. There were also received and examined 2,069 offering sheets which relate to the sale of fractional undivided interests in oil, gas, or other mineral rights in the aggregate reported amount of \$7,610,000.

#### STATISTICS OF SECURITIES REGISTERED UNDER THE SECURITIES ACT

At the beginning of the fiscal year there were 1,533 registration statements on file. Of these, 1,094 were effective, 91 were under stop or refusal order, 225 had been withdrawn, and 123 were under examination or held pending the receipt of amendments.

During the period of July 1, 1935, to June 30, 1936, inclusive, 781 additional registration statements were filed. There were 735 regis-

tration statements which became effective during this period (of which all but 54 were fully effective); a total of 1,757 statements were effective at the end of the period, 72 of those effective at the beginning or during the period either having been withdrawn or placed under stop order.

The net number of registration statements withdrawn increased by 69, to a total of 294 on June 30, 1936. The net number of stop or refusal orders increased during the period by 36, a total of 129 of such orders being in effect on June 30, 1936. As of June 30, 1936, there were 134 registration statements in the process of examination or awaiting amendments.

Appendix III contains a list of the registration statements as to which stop orders, consent refusal orders, and withdrawal orders were issued during the year.

During the fiscal year ended June 30, 1936, securities with estimated gross proceeds of \$4,835,049,000 have become effectively registered comparing with \$909,387,000 during the 10-month period from September 1, 1934, when the Securities and Exchange Commission took over the administration of the Securities Act of 1933, to June 30, 1935. Of this amount \$4,677,302,000 represented new securities, while \$157,747,000 represented securities in reorganization, voting-trust certificates, certificates of deposit, and securities to be exchanged for registrants' or predecessors' securities.

Of the \$4,677,302,000 of new securities effectively registered during the past fiscal year, about \$187,000,000 were registered for the account of persons other than the registrant, \$244,900,000 were reserved for conversion, \$91,000,000 were reserved for subsequent issuance against options and warrants, \$23,100,000 were reserved for other subsequent issuance, \$17,900,000 were to be issued for tangible and intangible assets and claims, and \$177,200,000 were to be issued in exchange for other securities. Thus, a total of \$741,100,000 of the new securities effectively registered during the fiscal year were not intended to be offered for cash by the issuers, leaving securities in an estimated gross amount of \$3,936,200,000 to be so offered for the account of the registrants. Commissions and discounts to underwriters and agents expected by the registrants to be incurred in connection with the sale of such securities amount to \$126,700,000, or 3.2 percent of the gross amount to be offered while other selling and distributing expenses were estimated at \$27,400,000, or 0.7 percent.<sup>9</sup> The estimated net proceeds from securities effectively registered during the past year and intended to be offered for cash for the account of the registrants thus amounted to \$3,782,100,000.

Of the aggregate net proceeds, \$2,805,400,000, or 74.2 percent, were intended for repayment of indebtedness; \$213,400,000 were intended

<sup>9</sup> These figures are averages of widely varying ratios on individual issues.



for retirement of preferred stock; and \$24,300,000 for the reimbursement of loans used for capital expenditures. Refunding and retirement operations thus accounted for a total of \$3,043,100,000, or 80.5 percent of the total net proceeds. Of the remainder, \$395,600,000 were to be used for the acquisition of securities, chiefly by investment companies; \$120,500,000 were intended to be used for the purchase of plant and equipment; \$207,300,000 were to be added to the registrant's corporate funds, while \$9,300,000 were scheduled to defray organization and development expenses, and \$6,200,000 were to be used for various other purposes.

Of total gross of new securities effectively registered during the year ended June 30, 1936, \$1,617,900,000, or 34.6 percent, represented securities of manufacturing industries of which those of the iron and steel and oil refining industries, amounting to \$470,900,000 and \$433,900,000, respectively, predominated. Electric light and power, gas, and water companies registered securities with estimated gross proceeds of \$1,617,900,000, or 34.6 percent of the total, practically the same amount as that registered for all manufacturing industries. Financial and investment companies registered \$677,900,000, or 14.5 percent of the total; transportation and communication industries (excluding common carriers exempt under the Securities Act of 1933) \$291,600,000, or 6.2 percent; extractive industries, \$99,100,000, or 2.1 percent; and all other registrants, including foreign governments, totaled \$372,900,000, or 8.0 percent.

Detailed statistical tables showing number of issues, type of security, classification of issuers, gross proceeds, cost of distribution and selling, channels of distribution, and proposed use of funds for the securities registered with the Securities and Exchange Commission are contained in Appendix V. In interpreting the tables, it should be kept in mind that these statistics are based solely on the registration statements as filed by the registrants with the Securities and Exchange Commission. All data, therefore, refer to registrants' intentions and estimates as of the date of filing or of later amendments. They thus represent, in reality, statistics of intentions to sell securities rather than statistics of actual sales of securities.

The Commission has no official knowledge as to which part of securities registered has actually been sold by the registrant corporations, or bought by investors. However, in cases where securities are underwritten by responsible banking houses, it is certain that the issuing corporation has received the stipulated sales price. Of the \$2,170,600,000 of new securities offered for cash sale during the first half of the calendar year 1936, about \$1,641,700,000, or 76 percent, were intended to be sold to underwriters and may, therefore, be assumed to have netted the issuing corporation the contemplated amount of funds. In order to determine the extent to which regis-

tered securities which were not to be sold to underwriters were actually disposed of by the registrants, follow-up questionnaires were sent to registrants, other than investment companies, who have registered on Form A-1 and whose registrations had become effective before November 30, 1935. From the approximately 270 replies received to the questionnaire up to August 10, 1936, it appeared that only about 20 percent of the total amount registered by this group of registrants, which consisted with only few exceptions of unseasoned companies disposing of their securities without the help of underwriters, has actually been sold. About one-third of the registrants' replies to the questionnaire reported no sales whatever of the registered securities, while the remaining registrants reported sales amounting to about one-third of the amounts registered.

#### STATISTICS OF PRIVATE PLACINGS

Registered securities, of course, constitute only a part of all new securities offered for sale to investors in the United States. The Commission has no authoritative knowledge of the offerings of securities exempt under the Securities Act of 1933, the chief categories of which are: securities issued or guaranteed by the United States Government; securities issued by any State or by any political subdivision or any public instrumentality of any State; securities issued by any banking institution; securities of common or contract carriers the issuance of which is subject to Section 20 (a) of the Interstate Commerce Act; securities of a noncommercial character issued by eleemosynary institutions; securities which are part of an issue sold only to residents within a single State where the issuer is incorporated by and doing business in such State; securities exchanged exclusively with security holders of the issuer where no commission is paid for soliciting the exchange; and securities sold to a small number of purchasers not involving a public offering (so-called private placings).

However, in view of the importance of private placings and of their affinity to certain types of registered offerings, the Commission has endeavored to keep a record of unregistered private placings based on information published in the financial press and has supplemented this information by short questionnaires sent to the issuers of securities reported as privately placed. The chief data derived from the private-placings questionnaires sent out by the Commission and returned in completed form without exception by the issuers are given in table 9 of Appendix V. From January 1934 through June 1936, the Commission received information on unregistered private placings of 81 issues with total gross proceeds of \$485,300,000. During the fiscal year ended June 30, 1936, 37 unregistered private placings aggregating \$210,800,000 were reported.

This is equivalent to approximately 5 percent of the securities effectively registered with the Commission during the same period.

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

The Public Utility Act of 1935 was approved by the President and became law on August 26, 1935. Title I of this Act constitutes the Public Utility Holding Company Act of 1935. Title II consists of amendments of the Federal Water Power Act, designed primarily to expand the jurisdiction of the Federal Power Commission with respect to electric utilities engaged in transmitting electric energy in interstate commerce or selling electric energy at wholesale in interstate commerce.

The responsibility for the administration of the Public Utility Holding Company Act of 1935 is vested in the Securities and Exchange Commission. In general, this Act provides for registration with the Commission of gas and electric utility holding companies. It has no reference to telephone, railroad, or industrial holding companies as such. After a holding company is registered, it is subject to a number of statutory provisions and also to general rules and regulations or specific orders of the Commission with respect to a variety of aspects of its business. The Act also directs the Commission to exempt holding companies of certain specified types from the provisions of the Act.

The general policy of the Commission in administering this legislation is to give full effect to the Congressional intent of preventing the repetition of the abuses which led to the passage of the Act and to make the administration of the law as workable as possible without imposing restrictions of a kind which bear no relationship to the purposes to be achieved.

Among the first tasks which faced the Commission upon the passage of this legislation were those of setting up the necessary administrative organization and the development of rules of procedure and the necessary forms.

Another task undertaken by the Commission was to provide itself with information adequate for the handling of current problems involving the registered companies. This task has been not only to assemble all available information with regard to various registered holding company systems but to undertake a thorough study of all systems and the territory in which they operate.

#### RULES, REGULATIONS, AND FORMS UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Under numerous sections of the Act, the Commission is authorized to promulgate such rules, regulations, or orders as it may consider necessary for the elimination of certain abuses which have been

deemed to characterize the activities of holding companies in the past. Also, in certain instances, authority is given for the adoption of rules and regulations in order to avoid statutory imposition of rigid standards which might involve considerable difficulty of application and might lead to frustration of the purpose of some sections of the Act.

The preparation of rules and regulations has necessitated thorough study and research and has required the services of several attorneys and experts for many months. This matter will require continuing attention and study, so that changes may be made, as experience is gained, to the end that all rules and regulations adopted may be effective and practical of application without unduly burdening the industry and without creating unwarranted difficulty and expense of administration.

The principal rules and regulations adopted under this Act may be classified as follows:

(1) Rules of general application containing definitions of terms and general requirements with respect to filing and verification of documents.

(2) Rules of a temporary character, extending the time for complying with or for making application for exemption from certain provisions of the Act.

(3) Rules adopting forms for and specifying the information to be submitted in connection with applications, notifications of registration, declarations, and reports.

(4) Rules defining the status of particular classes of companies as subject to or excluded from provisions of the Act.

(5) Rules authorizing certain limited types of acquisitions and security issues without specific application to the Commission.

(6) Rules with respect to service, sales, and construction contracts.

(7) Rules pursuant to Section 17 concerning the eligibility of persons having financial connections to be officers or directors of registered holding companies.

Forms have been promulgated as follows:

(1) Form U-1, Notification of registration of public utility holding company, pursuant to Section 5 (a) of the Public Utility Holding Company Act of 1935.<sup>10</sup>

(2) Form U-2, Declaration and periodic report to be filed by a subsidiary of a registered holding company for exemption under Rule 3D-4.

(3) Form U-3A3-1, Quarterly statement to be filed by banks claiming exemption from the provisions of the Public Utility Holding Company Act of 1935 under Rule 3A3-1.

(4) Form U-7, Declaration pursuant to Section 7 of the Public Utility Holding Company Act of 1935 regarding the issuance or sale of securities or the exercise of a privilege or

<sup>10</sup> After Nov. 1, 1936, a notification of registration must be filed on Form U-5-4 adopted Oct. 2, 1936.

right to alter the priority, preference, voting power, or other rights of holders of outstanding securities.

(5) Form U-10-1, Application pursuant to Section 10 (a) (1) of the Public Utility Holding Company Act of 1935, for approval of acquisition of securities.

(6) Form U-10-2, Application pursuant to Section 10 (a) (2) and 10 (a) (3) of the Public Utility Holding Company Act of 1935, for approval of acquisition of utility assets of interest in business.

(7) Form U-12 (i)-1, Statement required pursuant to Section 12 (i) of the Public Utility Holding Company Act of 1935 by one or more persons employed or retained by a registered holding company or subsidiary thereof.

(8) Form U-13-1, Application for approval of mutual service companies, pursuant to Rule 13-22, or Declaration with respect to organization and conduct of business of subsidiary service company pursuant to Rule 13-22.

(9) Form U-17-1, to be filed by officers and directors of holding companies registered under the Public Utility Holding Company Act of 1935, following the registration of such companies or following appointment or election as officer or director of such company.

(10) Form U-17-2, Statement to be filed if there have been any changes during the last calendar month in ownership of officers or directors of a holding company under the Public Utility Holding Company Act of 1935, with respect to securities of such company or any subsidiary company thereof.

(11) Form U-17-3, Statement to be filed by officers or directors with respect to whom exemption is claimed pursuant to Rule 17C-11 from the provisions of Section 17 (c) of the Public Utility Holding Company Act of 1935.

Each form has presented a separate problem in the light of the particular provisions of the Act involved and the character of the information which the Commission is required to take into consideration in connection with each provision. The Commission has attempted to make the forms simple, readily understandable and not unnecessarily burdensome to the industry, yet at the same time, comprehensive enough to bring out the requisite information.

*Statistics of applications, declarations, and notifications under the Public Utility Holding Company Act of 1935*

	Filed	Dis- posed of	Pending June 30, 1936
Applications for exemption and for declaration of status under secs. 2 and 3.....	375	179	196
Application for discontinuance of holding-company status under sec. 5 (d).....	1	1	-----
Applications for exemption of security issues under sec. 6 (b).....	17	13	4
Declarations under sec. 7 with respect to security issues.....	7	7	-----
Applications for approval of acquisition of securities under sec. 10 (a) (1).....	16	16	-----
Applications for approval of acquisition of assets under sec. 10 (a) (2).....	4	3	1
Applications for approval as mutual service company under sec. 13.....	1	-----	1
Applications for approval as subsidiary service company under sec. 13.....	-----	-----	-----
Application for exemption from provisions of sec. 13 by registered holding company.....	-----	-----	-----
Notification of registrations under sec. 5.....	67	167	-----

<sup>1</sup> Including 2 withdrawn.

**REGISTRATION OF UTILITY HOLDING COMPANIES**

The Public Utility Holding Company Act of 1935 called for registration of holding companies not later than December 1, 1935. Section 5 of the Act provides that any holding company or any person proposing to become a holding company may register by filing with the Commission a notification of registration, on such form as the Commission may by rules or regulations prescribe as necessary or appropriate in the public interest or for the protection of investors or consumers.

Section 5 of the Act also provides that it shall be the duty of every registered holding company to file with the Commission, within such reasonable time after registration as the Commission shall fix by rules and regulations or order, a registration statement in such form as the Commission shall by rules and regulations or order, prescribe as necessary or appropriate in the public interest or for the protection of investors or consumers.

The Commission adopted a form (Form U-1) for the notification of registration of public utility holding companies pursuant to the above-mentioned section of the Act. This form permitted companies to register by filing a simple statement including little more than a corporate chart, a schedule of securities outstanding, the names of officers and directors, and maps showing the territories served. Upon receipt of a notification of registration, the law provides that the registration shall become effective.

Sixty-five holding companies are now registered, including a number of subholding companies of registered systems. As of June 30, 1936, the registered holding companies were as follows:

American Public Service Co.

British-American Utilities Corporation.

Brokaw-Dixon & McKee.

Central and South West Utilities Co.

Central States Edison, Inc.

Central States Power & Light Corporation, subsidiary of Central States Utilities Corporation, a subsidiary of Utilities Power & Light Corporation.

Central States Utilities Corporation, a subsidiary of Utilities Power & Light Corporation.

Citizens Public Service Co.

Citizens Utilities Co.

Walter Bachrach, trustee of the Commonwealth Light & Power Co., debtor.

Community Power & Light Co.

Consumers Natural Gas Co.

Crescent Public Service Co.

East Coast Public Service Co.

Foster Petroleum Corporation.

Gary Electric & Gas Co.

The Gas Co. of New Mexico.

General Public Utilities, Inc.

Luke C. Bradley, L. N. Boisen, D. P. Pardee, J. H. White, and H. S. Swan, as voting trustees under voting trust agreement dated October 7, 1930, relating to common stock of Georgia Natural Gas Corporation, a Delaware corporation.  
Great Lakes Utilities Corporation.  
Frank D. Comerford, Sidney St. F. Thaxter and Robert H. Montgomery, trustees under agreement dated November 29, 1935, between International Hydro-Electric System, New England Power Association, Old Colony Trust Co., and said trustees.  
Indiana Southwestern Gas & Utilities Corporation.  
Leonard S. Florsheim, trustee of Inland Power & Light Corporation, debtor.  
Interstate Gas & Electric Co.  
Interstate Power Co., a subsidiary of Utilities Power & Light Corporation.  
Iowa Public Service Co.  
Lone Star Gas Corporation.  
The Middle West Corporation.  
Hugh M. Morris and John N. Shannahan, trustees of the estate of Midland Utilities Co.  
Hugh M. Morris and John N. Shannahan, trustees of the estate of Midland United Co.  
The Mission Oil Co.  
National Fuel Gas Co.  
National Gas & Electric Corporation.  
National Light, Heat & Power Co.  
The Nevada-California Electric Corporation.  
New England Power Association.  
New England Public Service Co.  
North American Gas & Electric Co.  
North West Utilities Co.  
Northern Paper Mills.  
Penn Western Gas & Electric Co.  
Pennsylvania Gas & Electric Corporation.  
Hugh M. Morris and Harold S. Schutt, trustees, Peoples Light & Power Corporation.  
Public Service Corporation of Texas.  
Irwin T. Gilruth and Charles A. McDonald as trustees of Public Utilities Securities Corporation.  
Republic Electric Power Corporation.  
Republic Service Corporation.  
Sandar Corporation.  
Southeast Power & Light Co.  
Southern Union Gas Co.  
Southern United Gas Co.  
Southwestern Development Co.  
The Twin State Gas & Electric Co.  
Union Electric Power Corporation.  
United Cities Utilities Co.  
United Public Service Corporation.  
Lee Barroll, Henry A. Erhard, Gerald P. Kynett, Herbert L. Nichols, Herbert S. Welsh, voting trustees under voting trust agreement dated January 1, 1935, for class A common stock of United Public Utilities Corporation.  
United Public Utilities Corporation.  
Utilities Holding Corporation.  
Utilities Power & Light Corporation.

Utilities Stock & Bond Corporation.  
Washington & Suburban Cos.  
Washington Gas & Electric Co.  
White Mountain Power Co.

#### EXEMPTIONS UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Commission is directed by the Public Utility Holding Company Act of 1935 to exempt by rule or order holding companies of certain specified types from provisions of the Act unless and except to the extent that it deems such action detrimental to the public interest or the interest of investors or consumers.

In addition to this power to exempt holding companies, as such, from the provisions of the Act, the Commission is also directed to declare such companies as meet specified requirements not to be "electric utility companies", "gas utility companies", "holding companies" or "subsidiary companies" as those terms are defined in the Act. This power may be exercised by rule or by order upon application.

The information required in an application for exemption of a holding company is extremely elastic. The Commission adopted rules specifying the information which was thought relevant in the ordinary situation, but left it up to the applicant to omit any information which it might deem irrelevant in a particular case, reserving the right on the part of the Commission to call for any other information that might be necessary.

As of June 30, 1936, 375 applications were received for exemption of holding companies and for orders declaring companies not to be holding companies or subsidiaries of holding companies or declaring companies not to be electric or gas utilities. The Act provides that applications for such orders shall, if filed in good faith, be automatically effective until the Commission has acted upon them. This provision enabled the Commission to take the time necessary to examine applications without subjecting the applicants in the meanwhile to regulations from which they might be entitled to immunity. One hundred and seventy-nine of these applications have been disposed of and 196 are pending.

#### SECURITY TRANSACTIONS BY REGISTERED HOLDING AND SUBSIDIARY COMPANIES

The Public Utility Holding Company Act of 1935 provides that it shall be unlawful for any registered holding company or subsidiary company thereof, by use of the mails or any means or instrumentality of interstate commerce, or otherwise, directly or indirectly, to issue or sell any security of such company or to exercise any privilege



or right to alter the priority, preferences, voting power, or other rights of the holders of an outstanding security of such company, unless a declaration with respect to the security has been filed with the Commission and has become effective. The Act also provides that the Commission shall not permit a declaration to become effective unless the security meets certain specified standards and the terms and conditions of the issue or sale are not detrimental to the public interest or the interest of investors or consumers.

A simple form has been prescribed for these declarations (Form U-7) and as of June 30, 1936, the Commission had received and passed upon 7 such declarations with respect to security issues.

There are certain security issues which are exempt from the requirements of filing a declaration. Some of these, such as specified types of short term paper, are exempted automatically by the statute. In other cases, exemption is to be obtained by rule or regulation or by order of the Commission. So far, exemptions of this kind have all been by order. These include issues by operating public utility companies which have been expressly approved by a State commission. Owing to the variety of State laws and of practices of State commissions with respect to authorizing security issues, there are sometimes difficult questions of interpretation as to whether the action of a particular State commission constitutes approval of the issuance within the meaning of the Federal statute.

As of June 30, 1936, the Commission had received 17 applications for exemption of security issues. Of these, 13 were disposed of and 4 were pending.

#### **ACQUISITION OF SECURITIES AND UTILITY ASSETS AND OTHER INTERESTS BY REGISTERED HOLDING COMPANIES OR THEIR SUBSIDIARIES**

Acquisitions by registered holding companies or their subsidiaries of securities, utility assets, or any other interest in any other business come within the jurisdiction of the Commission.

An application for approval of an acquisition is filed with the Commission on a prescribed form (Form U-10-1, Application for Approval of Acquisition of Securities; Form U-10-2, Application for Approval of Acquisition of Utility Assets or Interest in Business). Among the standards by which the Commission must be guided in approving acquisitions is a requirement that no acquisition shall be approved unless the Commission finds that it will serve the public interest by tending towards the economical and efficient development of an integrated public utility system. The Commission must also deny an application if it will tend toward interlocking relations or concentrated control of public utility companies in a

manner detrimental to the public interest or the interest of investors or consumers; if the consideration to be paid is not reasonable; if the acquisition will unduly complicate the capital structure of the system; or if it will otherwise be detrimental to the public interest or the interest of investors or consumers or the proper functioning of the system.

The exemptive power of the Commission with respect to acquisitions is somewhat different from that in the case of security issues. Certain acquisitions expressly approved by State commissions are automatically exempted by the statute, as are also acquisitions of Government or municipal bonds. In addition, the Commission is given a general power to exempt by rules and regulations acquisitions of securities for investment of current funds or acquisitions made in the ordinary course of business of the acquiring company. Acting under this authority, the Commission has adopted rules providing a number of exemptions. These include purchases of certain readily marketable securities generally considered appropriate for investment of current funds and also certain short-term paper, acquisitions which may be necessary to comply with conversion rights or sinking fund obligations and similar obligations, acquisitions from wholly owned subsidiaries, the receipt of stock dividends, the buying of limited amounts of securities issued by the acquiring company or its subsidiaries, and a number of other transactions where the Commission felt that the public interest would not require the imposition of the standards specified in the Act.

Supervision over the reorganization of holding companies presents one of the most important duties of the Commission. Although, as regards its most important aspects, the reorganization section of the Act has not yet become effective, the policy expressed by it is one which the Commission must constantly have in mind in passing on any transactions involving further growth of the existing systems.

As of June 30, 1936, the Commission had received and acted on 16 applications for approval of acquisition of securities and 4 applications for approval of acquisition of assets.

#### STATEMENTS REQUIRED PURSUANT TO SECTION 12 (i) OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 .

Pursuant to the provisions of Section 12 (i) of the Public Utility Holding Company Act of 1935, any person employed or retained by any registered holding company, or by any subsidiary company thereof, who presents, advocates, or opposes any matter affecting any registered holding company or any subsidiary company thereof before the Congress, or any Member or committee thereof, or before the Securities and Exchange Commission or the Federal Power Commission or any member, officer, or employee of either such Commis-

sion; is required to file a statement with the Securities and Exchange Commission. The information required in this statement covers the subject matter in respect to which a person is retained or employed, the nature and character of his retainer or employment, and the amount of compensation received or to be received, directly or indirectly, in connection therewith.

The Commission has adopted Form U-12 (i)-1 for use in filing this information.

As of June 30, 1936, 11 such statements had been received and examined.

#### **RULES REGARDING SERVICE, SALES, AND CONSTRUCTION CONTRACTS**

Pursuant to Section 13 of the Public Utility Holding Company Act, the Commission promulgated rules regarding service, sales, and construction contracts and Form U-13-1 (Application for Approval of Mutual Service Company or Declaration with Respect to Organization and Conduct of Business of Subsidiary Service Company Pursuant to Rule 13-22).

The Act outlaws, subject to a limited exemptive power in the Commission, the performance of service, sales, or construction contracts by registered holding companies for their public utility subsidiaries. Such transactions, when performed by subsidiary companies for associate companies in the same system, must be in accordance with rules and regulations or orders of the Commission.

These rules also provide, upon approval of the Commission, for the organization of mutual service companies.

Only one application on Form U-13-1 had been filed up to the close of the fiscal year.

#### **UNIFORM SYSTEM OF ACCOUNTS FOR MUTUAL SERVICE COMPANIES AND SUBSIDIARY SERVICE COMPANIES**

On May 12, 1936, the Commission adopted the "Uniform System of Accounts" for mutual service companies and subsidiary service companies. This system became effective August 1, 1936.

This uniform system of accounts is designed for use by:

(1) Any company operating, or organized to operate, as a mutual service company under the provisions of Section 13 of the Public Utility Holding Company Act of 1935; and

(2) Any subsidiary company whose organization and conduct of business the Commission has found sufficient to meet the requirements of Section 13 (b) of the Act with respect to the performance of sales or construction work for, or the sale of goods to, associate companies.

This represents the first step in the development of uniformity in accounting in a field where quite diverse practices have prevailed.

The Commission has endeavored to provide a system comprehensive enough to cover the field, yet elastic enough to permit adaptation to varying requirements; a system which, faithfully applied, will provide information essential in the administration of Section 13 of the Act, will be workable and reasonably simple from an operating viewpoint, and free from unnecessary complexities or burdensome requirements which might render it incompatible with the interests of investors and consumers.

In the preparation of this system of accounts the Commission invited the cooperation of accounting officers of public utility holding companies and of the American Institute of Accountants. As a result the Commission was accorded the active cooperation of a committee of accounting officers of the industry and also of the Special Committee on Public Utility Accounting of the American Institute of Accountants. These committees met with representatives of the Commission in conference, at which extended discussion was had on the various issues involved in this undertaking. Criticisms and suggestions were submitted also by members of the Committee on Statistics and Accounts of the National Association of Railroad and Utility Commissioners, all of which were carefully considered.

#### STUDY OF INVESTMENT TRUSTS AND INVESTMENT COMPANIES

Section 30 of the Public Utility Holding Company Act of 1935 authorizes and directs the Commission to make a study of the functions and activities of investment trusts and investment companies, the corporate structures, and investment policies of such trusts and companies, the influence exerted by such trusts and companies upon companies in which they are interested, and the influence exerted by interests affiliated with the managements of such trusts and companies, upon their investment policies, and to report the results of its study and recommendations to the Congress on or before January 4, 1937.

In order to acquire adequate data and information to comply with this Congressional mandate, the Commission prepared a questionnaire to be answered by each incorporated and unincorporated investment trusts and investment companies of the management type which had, on December 31, 1935, total assets amounting to \$500,000 or more and which either had at that time 100 or more stockholders, or had at any time made a public offering of an issue of its securities. This questionnaire covered substantially the period from January 1, 1927, to December 31, 1935.

The questionnaire required information relating to the history and development of investment trusts and investment companies; their corporate structures, including the issuance, sale and distribution

of securities and the indentures and agreements relating to such securities; the nature, scope, and extent of their activities, including participations in underwriting syndicates and trading accounts, options, short sales and other related matters; their investment policies, including contents of portfolio and volume of securities transactions; their relationship with their officers, directors, principal stockholders and with companies or firms controlled by such persons, including compensation and loans to and transactions with such persons. Information was sought as to the method of acquisition of subsidiaries and affiliates; the control and influence exercised by investment trusts over companies in which the trusts are interested; and the influence exercised by interests affiliated with the management of investment trusts upon the policies and activities of the trusts. In addition, annual balance sheets, profit and loss accounts and various supporting schedules covering the period from 1927 to 1935 were requested.

In connection with the formulation of this questionnaire, the Commission received the cooperation of representatives of investment companies, accounting societies, and independent accountants.

The Commission also prepared a summary statement required to be answered by such investment trusts and investment companies of the management type which did not have total assets of \$500,000 or more than 100 stockholders as of December 31, 1935.

Similarly, the Commission prepared, with the cooperation of the representatives of the industry and independent accountants, questionnaires for fixed and semi-fixed investment trusts; for investment plans with periodic, installment or partial payment, endowment, thrift, or insurance provisions; and for investment companies issuing, offering, or selling guaranteed face amount of securities with or without optional annuity provisions. These questionnaires required information substantially similar to that required by the questionnaire for management type investment companies.

As of June 30, 1936, the Commission had received replies from approximately 350 management investment companies with total assets of a market value of approximately \$1,700,000,000 at the end of 1935; from approximately 200 fixed and semi-fixed trusts with total assets of approximately \$200,000,000; from 30 investment plan companies with aggregate assets of over \$10,000,000; and from 3 guaranteed face amount certificates companies with total assets of \$100,000,000.

It is estimated that there are approximately one and one-quarter million shareholders of investment trusts and investment plans of all types, without allowing for undeterminable duplications, of which number approximately 750,000 are record shareholders of management trusts and management companies.

The method of study by the Commission broadly has assumed three phases.

First, an analysis and study of the material submitted by the trusts and companies in response to the questionnaires formulated by the Commission. This phase includes general and comparative statistical and corporate analysis of the data submitted by the trusts and companies, including the history and development of these trusts and companies.

In addition, reports on individual companies which had at any time assets of over \$10,000,000 are being prepared and conferences with representatives of these trusts have been held or scheduled. At some subsequent date, public hearings will be held with respect to the affairs of these companies.

Second, the Commission is studying the economic, statistical, and legal material which is available from sources other than the replies to the questionnaires.

Third, the Commission is conducting field studies of those investment trusts and investment companies which, for various reasons, were not susceptible to study and analysis through the medium of a questionnaire. The affairs of some of these companies will be examined at public hearings.

#### COMPLAINTS, INFORMAL AND FORMAL INVESTIGATIONS

During the fiscal year ended June 30, 1936, information of fraudulent and illegal activities in violation of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934 was received by the Commission from the public, State Securities Commissions, State and Federal officials, and voluntary agencies such as Better Business Bureaus, Chambers of Commerce, etc. The Commission also obtained such information from its own surveillance of trading activities and examination of registration statements.

Where the information indicated a substantial possibility of a violation, it was handled as a complaint case. During the past year, 1,708 complaint cases were docketed. Where the information failed to indicate any substantial possibility of a violation, the communication transmitting it was handled as general correspondence. Approximately 15,000 such communications were received during the past year. When the Commission's initial inquiry into a complaint disclosed sufficient probability of a violation to justify investigation the matter was docketed and investigated informally. During the year, 1,479 such cases were docketed.

The investigative powers of the Commission under Sections 19 and 20 of the Securities Act and Section 21 of the Securities Exchange Act were invoked by formal Commission orders in 229 cases during

the past year. At the close of the preceding fiscal year, 116 such investigations were pending. Of these 345 investigations, 185 are pending and 160 were concluded as follows:

In 20 cases, the Commission sued for injunction in the Federal courts and also transmitted the evidence to the Attorney General for criminal prosecution.

In 38 cases, suits for injunction were brought by the Commission, but the evidence was not referred for prosecution.

In 19 cases, evidence of willful violation was transmitted to the Attorney General for criminal prosecution, but injunctive relief was not sought.

In 3 cases, the postal authorities were apprised of the evidence discovered and the Commission's files were made available to them.

By order of the Commission, 80 investigations were closed without further action.

The statistics presented above with respect to formal investigations apply only to cases in which investigations were ordered by the Commission. In certain other cases, the Commission instituted suits for injunction without first ordering formal investigations or referred cases to the Attorney General for prosecution without resorting to formal hearings or injunctive proceedings. Similarly, in 21 cases in which no formal investigation had been instituted, the postal authorities were advised of evidence in the Commission's possession and the files of the Commission were made available to them.

*Report of complaints, informal investigations, and formal investigations for fiscal year 1935*

	Cases pending Sept. 1, 1934	Cases docketed July 1, 1934, to June 30, 1935	Total cases to be accounted for	Cases closed July 1, 1934, to June 30, 1935	Cases pending July 1, 1935
Cases set up as result of complaints.....	-----	2, 330	2, 330	-----	2, 330
Informal investigations.....	-----	2, 214	2, 214	-----	2, 214
Formal investigations.....	-----	116	116	-----	116

The Commission had not adopted any method of closing cases as of July 1, 1935; therefore none were shown closed at that date.

*Report of complaints, informal investigations, and formal investigations for fiscal year 1936*

	Cases pending July 1, 1935	Cases docketed July 1, 1935, to June 30, 1936	Total cases to be accounted for	Cases closed July 1, 1935, to June 30, 1936	Cases pending July 1, 1936
Cases set up as result of complaints.....	2, 330	1, 708	4, 038	2, 864	1, 174
Informal investigations.....	2, 214	1, 479	3, 693	2, 704	989
Formal investigations.....	116	229	345	160	185

## HEARINGS

Hearings are conducted with respect to many phases of the work of the Commission, including (1) hearings in connection with registration of securities under the Securities Act of 1933, involving stop order and refusal order proceedings; (2) hearings in connection with the applications for the confidential treatment of material filed with registrations; hearings in connection with the registrations of brokers and dealers; hearings in connection with the withdrawal and striking from listing of securities listed or registered with national securities exchanges; hearings in connection with the suspension of members of exchanges for manipulative practices—all under the Securities Exchange Act of 1934; and (3) hearings in connection with the acquisition of assets and the acquisition of securities, exemptions and other matters under the Public Utility Holding Company Act of 1935.

The statistics given below indicate the number of orders entered for public hearings and the number of public hearings held from July 1, 1935 to June 30, 1936.

	Orders	Hearings <sup>1</sup>
Securities Act of 1933.....	70	55
Securities Exchange Act of 1934.....	46	37
Public Utility Holding Company Act of 1935.....	132	124
Total.....	248	216

<sup>1</sup> Exclusive of protective committee study hearings.

## LITIGATION

## LITIGATION UNDER SECURITIES ACT OF 1933 AND SECURITIES EXCHANGE ACT OF 1934

Since its creation, the Commission has been involved in 102 civil actions with respect to the enforcement of the Securities Act of 1933 and the Securities Exchange Act of 1934. Seventy-six of these actions arose during the fiscal year ended June 30, 1936.

*Statement indicating number of litigation cases under Securities Act and Securities Exchange Act by types of cases*

Types of cases	Total as of June 30, 1935	Initiated during fiscal year ended June 30, 1936	Total as of June 30, 1936
Suits by Commission to enjoin violations of Securities Act and/or Securities Exchange Act.....	25	41	66
Suits against Commission to enjoin enforcement of Securities Act and/or Securities Exchange Act.....		4	4
Suits in which Commission has appeared and petitioned for leave to appear as <i>amicus curiae</i> or intervenor in suits involving the Securities Act.....		20	20
Suits to compel appearance and testimony of witnesses before a trial examiner.....	1	11	12
Comparative totals.....	26	76	102



As a result of the suits for injunction instituted by the Commission, 142 firms and individuals had been permanently enjoined from the acts and practices complained of by June 30, 1936, and 110 of such injunctions were obtained during the past fiscal year.

The principal defendants in the suits for injunction filed by the Commission during the past year, grouped according to the Federal District Courts in which the suits were instituted, were as follows:

Colorado.....	Amos Downs et al.
District of Columbia.....	Direct Royalty Sales Corporation et al.
Southern District of Florida.....	W. E. Boyette et al. Cultivated Oyster Farms Corporation et al.
Southern Illinois.....	Upton & Co. et al. Grinnell F. Oliver & Co. et al. Alexander Rudolph Eblepp. Universal Service Association et al.
Western District of Kentucky.....	Stanley B. Young & Co. et al. Collins-Moore & Co. et al.
Massachusetts.....	Robert Belmont. E. E. Nazzaro & Co., Inc., et al. Mendel Raffe. Almarin Trowbridge. Jack Pike. Andrew Jensen, Jr. George A. Fernald. Sam Meyers. Sidney G. Vickers. F. S. Bryant et al. Walter S. Thompson.
Eastern District of Michigan.....	Benness, Owens & Co. et al. Levett & Co. et al.
Minnesota.....	H. P. Wickham et al.
Northern District of Mississippi.....	Jack R. Vale. Harry W. Elliott et al.
Montana.....	Goldfields, Consolidated Mines, Inc., et al.
New Jersey.....	Wheaton Co., Inc., et al.
Southern District of New York.....	Glengarry Mining Co. et al. Karpel & Co., Inc., et al. John M. Torr et al. Lawrence A. Rose et al. Knapp Milton & Co., Inc., et al. Louis Weingarten & Co. et al. Herbert W. Schmid et al.
Northern District of Ohio.....	Otis & Co.
Western District of South Carolina.....	Franklin Savings & Loan Co. of Spar- tanburg, S. C., et al.
Northern District of Texas.....	Carl E. Krog et al.
Southern District of Texas.....	Walter Terry Morgan.
Eastern District of Washington.....	Edward Billberg et al.
Western District of Wisconsin.....	Crude Oil Corporation of America et al.

The principal defendants in suits to enforce subpoenas filed by the Commission during the fiscal year ended June 30, 1936, grouped according to the districts in which they were filed, were as follows:

District of Columbia.....	The Krystal Chemical Co., Inc., et al.
Western District of Kentucky.....	Collins-Moore & Co. et al.
Massachusetts.....	National Short Term Securities Corporation et al.
New Mexico.....	Royalty Bond & Share Corporation et al.
Southern District of New York.....	J. Edward Jones. Thomas Bracken et al.
Western District of Oklahoma.....	Verser Clay Co. et al. Black Gold Exploration Trust et al.
Northern District of Tennessee.....	J. Edward Mills et al.
Western District of Washington.....	Arthur E. Hussey. American Rand Corporation.

The Commission also appeared as *amicus curiae* in 19 civil suits brought under Section 12 of the Securities Act of 1933 and petitioned for leave to intervene in 1 case involving a corporate reorganization under Section 77B of the Bankruptcy Act on the ground that certain committees had engaged in or were about to engage in acts and practices in violation of the Securities Act.

During the course of the hearing on the Commission's motion for a temporary injunction in the matter of Robert Collier & Co., Inc., Robert Collier and Eurydice Gold Mining Co., in the United States District Court for the Southern District of New York, the question was raised as to the right of the Commission to appear and prosecute injunction suits by its own attorneys, without being represented by the Attorney General of the United States or the United States Attorney for the District. In the District Court, the complaint was dismissed on the ground that the Commission could not appear by its own attorneys. On appeal to the United States Circuit Court of Appeals for the Second Circuit, this rule was reversed and the right of the Commission to prosecute injunction suits by its own attorneys was sustained.

#### PETITIONS FOR REVIEW IN CIRCUIT COURTS OF APPEAL

During the fiscal year ended June 30, 1936, 21 petitions were filed in 7 Circuit Courts of Appeal for review of determinations, made by the Commission upon application for confidential treatment of material filed with applications for registration of securities on various national securities exchanges, that public disclosure of mate-

rial filed with it was in the public interest.<sup>11</sup> As of June 30, 1936, none of these petitions have been disposed of by the courts. Appendix VI includes a statement indicating the names of the companies, the dates the petitions were filed, and the circuits within which filed.

#### REFERENCES TO THE ATTORNEY GENERAL FOR CRIMINAL PROSECUTION

During the fiscal year, 40 cases were referred to the Attorney General for criminal prosecution, bringing the total so referred to 70. In 69 of these cases, the evidence indicated willful violations of the Securities Act. In the remaining case, the evidence indicated a conspiracy to violate Section 9 of the Securities Exchange Act. Most references followed formal investigations conducted by the Commission. In 20 of these cases, the Commission instituted injunctive proceedings in addition to referring the evidence to the Attorney General. However, in the interest of speedy justice, the Commission, in 19 instances referred to the Attorney General evidence of criminal violations obtained in the course of investigations without instituting injunctive proceedings, and in one case without either suing for injunction or conducting a formal investigation.

Of the 70 cases so referred, indictments containing counts charging violations of the Securities Act were returned in 32 cases. Thirty of such indictments were returned during the past fiscal year. In the case involving the Securities Exchange Act, an indictment was returned containing a count which charged conspiracy to violate Section 9 (a) (2) of that Act.

Eleven of the cases involving violations of the Securities Act have been tried and 47 individuals convicted. Two of these persons await sentence, and 37 have been given sentences ranging from 10 days in jail to 5 years in the Federal penitentiary and/or fines ranging from \$100 to \$4,000.

<sup>11</sup> Subsequent to June 30, 1936, the following additional companies filed similar petitions:

Name of company	Date filed	Circuit Court of Appeals
American Sumatra Tobacco Corporation.....	July 9, 1936.....	District of Columbia.
The Diamond Match Co.....	July 3, 1936.....	Do.
Brillo Manufacturing Co.....	July 18-21, 1936.....	Second.
General Mills, Inc.....	July 23, 1936.....	District of Columbia.
New York Trap Rock Corporation.....	July 24, 1936.....	Second.
The International Nickel Co. of Canada, Ltd.....	Aug. 25, 1936.....	District of Columbia.
Pullman, Inc.....	Sept. 4, 1936.....	Third.

## LITIGATION UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT

Shortly after the passage of the Public Utility Holding Company Act of 1935, numerous holding companies instituted suits in the courts attacking the constitutionality of the Act. These suits were instituted notwithstanding the fact that the Commission, the Attorney General, and the Postmaster General had publicly disclaimed any intention to enforce the criminal penalties of the Act until the constitutionality of the law had been established by the Supreme Court in a civil suit to be duly instituted by the Commission. Forty-five suits (including stockholders' suits) were brought by or in behalf of more than 100 companies in 13 different District Courts to enjoin the enforcement of the Act.

Seven of these suits were brought in the District of Columbia. On December 7, 1935, the Attorney General and the General Counsel of the Commission made a motion in the Supreme Court in the District of Columbia to stay this pending litigation until the Supreme Court of the United States had determined the validity of the Act, in the case of the *Securities and Exchange Commission v. Electric Bond and Share Company*. After oral argument and filing a brief, the Government's motion was granted by order of January 9, 1936. On special appeal to the United States Court of Appeals for the District of Columbia, the order of the trial court was reversed on June 22, 1936, on the ground that the Court was without power to grant the stay since the parties and issues in the different suits were not identical. Preparation of an appropriate request to the Supreme Court for a writ of certiorari is now in progress.<sup>12</sup>

The suits brought outside the District of Columbia have been or are being dismissed against the Commissioners and the Attorney General, and the Postmaster General, either on the ground that no proper service has been had or on the ground that the venue is improper. So far as these cases have been instituted against local United States Attorneys or local postmasters, the suits are not being contested.

Five stockholders' suits were brought to enjoin the enforcement of the Act. However, only one has been carried to a decision. In that case, *Public Utility Investing Corporation v. Utilities Power and Light Corporation* (82 F. 2d. 21, C. C. A., 4th, 1936), the Court refused to enjoin registration on the ground that registration would not cause the company any irreparable injury.

On November 26, 1935, the Commission, pursuant to express authority under Section 18 of the Act, brought suit in the District

<sup>12</sup> Since the writing of this report the writ of certiorari has been granted.

Court for the Southern District of New York against the Electric Bond and Share Company and its principal intermediate holding companies. The Commission sought an order from the Court that the 13 holding companies in the Bond and Share system, upon whom the Act placed a duty to register, be required to register with the Commission or to cease from performing such functions as under the Act may be performed only by registered holding companies. A stipulation of facts, worked out by a staff of attorneys for the Commission, representatives of the Attorney General's office, and counsel for the defendants, was filed with the Court on June 30, 1936. This proceeding will provide a fair and comprehensive test of the validity of the Act.

On September 16, 1935, the trustees of the American States Public Service Co., debtor, in reorganization under Section 77b of the Bankruptcy Act, filed a petition in the District Court for the District of Maryland, praying that the court determine the Act to be unconstitutional and issue instructions accordingly. Two creditors of the insolvent company filed petitions with the Court, one supporting the trustees' petition, the other, Burco, Inc., opposing the petition and alleging that the Act was constitutional. In this case, Counsel for the Commission, together with the special assistants to the Attorney General assigned to Holding Company Act litigation, appearing as amici curiae, urged that the Court had no jurisdiction to determine the validity of the Act in such a proceeding, on the ground that it was nonadversary, premature and collusive, and was totally inadequate as a vehicle for testing the validity of an important Act of Congress. On November 7, 1935, the Court ruled against the Government and held the act void in its entirety (12 F. Supp. 667). On appeal by Burco, Inc., to the Circuit Court of Appeals for the Fourth Circuit, Counsel for the Commission and for the United States again appeared as amici curiae, and contested the jurisdiction of the trial court. On February 22, 1936, the decision of the District Court was affirmed and the Act was held invalid, only, however, as applied to the debtor (81 F. 2d 721). Burco, Inc., then petitioned the Supreme Court of the United States for writs of certiorari. The Government opposed certiorari in a statement filed with the Court on March 27, 1936, on the grounds set forth above and on the additional grounds that the validity of the Act would be determined on the basis of an adequate record in the suit which the Commission had already commenced in the District Court for the Southern District of New York against the Electric Bond & Share Co. and its principal holding company subsidiaries. The Supreme Court denied certiorari on March 30, 1936.

An additional attempt to test the constitutionality of the Act in a proceeding of this type was made by the trustees of the Central West Public Service Co., debtor, in reorganization under Section 77B in the District Court for the District of Delaware. On November 29, 1935, the trustees' petition for a decision on the constitutionality of the Act was denied on the ground that this attempted method of raising constitutional questions "violates accepted canons of accepted legal procedure" (13 F. Supp. 239).

### FORMAL OPINIONS

During the past year, the Commission issued 121 formal opinions involving matters under the Securities Act of 1933, the Securities Exchange Act of 1934 and the Public Utility Holding Company Act of 1935. These opinions were issued in the following cases:

### SECURITIES ACT OF 1933, AS AMENDED

#### FIXING EFFECTIVE DATE OF AMENDMENTS TO REGISTRATION

##### STATEMENTS:

In the Matter of Cornucopia Gold Mines..... Mar. 28, 1936

##### REFUSAL ORDERS:

##### In the Matter of—

International Investors Fund System, Inc..... May 11, 1936

Mineral Products, Inc..... May 22, 1936

##### STOP ORDERS:

##### In the Matter of—

American Credit Corporation..... Dec. 2, 1935

Franco Mining Corporation..... Feb. 1, 1936

La Luz Mining Corporation..... Oct. 4, 1935

Lewis American Airways, Inc..... Mar. 27, 1936

Mutual Industrial Bankers, Inc..... Jan. 4, 1936

National Educators Mutual Association, Inc..... Aug. 28, 1935

(Additional Findings and Opinion of the Commission,

Jan. 17, 1936—Petition of B. I. Dahlberg.)

Newman Dick Mining & Developing Co..... Apr. 24, 1936

Oil Ridge Oil & Refining Co..... Oct. 9, 1935

Santa Lucia Mining Co..... Feb. 11, 1936

Snow Point Mining Co., Inc..... Mar. 14, 1936

Wee Investors Royalty Co..... July 3, 1935

## SECURITIES EXCHANGE ACT OF 1934

## BROKER AND DEALER:

## In the Matter of—

Harry George Ames.....	Dec. 26, 1935
Milton Berg Arnett.....	Do.
S. J. Barlett.....	Dec. 5, 1935
Norman Berry & Co.....	Dec. 19, 1935
David M. Blackman.....	Dec. 12, 1935
Chester M. Burns.....	Dec. 30, 1935
David H. Chapman.....	Do.
H. B. Dufief.....	Dec. 5, 1935
Stanley J. Graham.....	Dec. 21, 1935
Industrial Engineering Co.....	May 23, 1936
Donald Montague & Co., Inc.....	May 14, 1936
Gerald Owens.....	Apr. 9, 1936
Ruth D. Reid.....	Dec. 26, 1935
Howard M. Roberts Co.....	Dec. 30, 1935
William W. Venner.....	May 5, 1936
Charles C. Willson.....	Apr. 2, 1936
Do.....	May 26, 1936

## MANIPULATION:

## In the Matter of—

Michael J. Meehan.....	Dec. 6, 1936
Charles C. Wright et al.....	May 22, 1936

## PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

## ACQUISITION OF ASSETS:

## In the Matter of—

Fall River Electric Light Co.....	May 16, 1936
Massachusetts Power & Light Associates.....	Do.
Montana-Dakota Utilities Co.....	Mar. 13, 1936
Nevada-California Electric Corporation.....	Apr. 16, 1936
New England Power Association.....	May 16, 1936

## ACQUISITION OF SECURITIES:

## In the Matter of—

Massachusetts Lighting Cos.....	Dec. 28, 1935
Massachusetts Utilities Associates.....	Do.
Do.....	Jan. 17, 1936
The Middle West Corporation.....	Dec. 28, 1935
Do.....	June 16, 1936
Public Service Co. of New Hampshire.....	May 28, 1936
North Boston Lighting Properties.....	Dec. 28, 1935
Washington Gas Light Co.....	Apr. 11, 1936

## DECLARING APPLICANT NOT TO BE AN ELECTRIC UTILITY COMPANY:

In the Matter of Natrona Light & Power Co.....	Apr. 4, 1936
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**DECLARING APPLICANT NOT TO BE A HOLDING COMPANY:**

In the Matter of—

Clearfield Bituminous Coal Corporation.....	Mar. 31, 1936
Irving Trust Co., Trustee in Bankruptcy of— National Electric Power Co., National Public Service Corporation, Seaboard Public Service Co., and Electric Management & Engineering Corporation..	Jan. 10, 1936
Italian Superpower Corporation.....	Jan. 29, 1936
The Lehigh Coal & Navigation Co.....	May 23, 1936
Montana-Dakota Utilities Co.....	Mar. 27, 1936

**DECLARING APPLICANT NOT TO BE SUBSIDIARY COMPANIES OF A SPECIFIED HOLDING COMPANY:**

In the Matter of—

Cresson Electric Light Co., Gallitzin Electric Light Co., and Hastings Electrical Co.....	Mar. 31, 1936
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**EXEMPTION OF SECURITY ISSUE PURSUANT TO SECTION 6 (b):**

In the Matter of—

Connecticut River Power Co.....	Feb. 12, 1936
East Missouri Power Co.....	Mar. 30, 1936
The Georgetown Gaslight Co.....	Apr. 11, 1936
Georgetown Gaslight Co. of Montgomery County, Md..	Do.
Prince George's Gas Corporation.....	Do.
Rosslyn Gas Co.....	Do.
Southeastern Massachusetts Power & Electric Co.....	Jan. 17, 1936
Washington Gas Light Co.....	Apr. 11, 1936
Washington Gas Light Co. of Montgomery County, Md..	Do.

**EXEMPTION FROM PROVISIONS OF THE ACT:**

In the Matter of—

Altoona & Logan Valley Electric Railway Co.....	Mar. 31, 1936
American Community Power Co.....	June 23, 1936
(Protective Committee under Deposit Agreement dated as of Jan. 15, 1932, for Secured Gold Debentures, 5½% Series due 1953.)	
Berwind-White Coal Mining Co.....	Apr. 4, 1936
Central Indiana Power Co.....	Apr. 30, 1936
The Columbus, Delaware & Marion Electric Co.....	June 23, 1936
The Connecticut Power Co.....	Jan. 4, 1936
Consolidated Coal Co. Consol Power Co. ....	Apr. 24, 1936
Consolidated Utilities Corporation.....	Mar. 31, 1936
J. G. Curtis Leather Co.....	Mar. 27, 1936
Dominion Electric Power, Ltd.....	Apr. 4, 1936
Electric Co. of Costa Rica.....	Mar. 31, 1936
Engineering Investors Corporation.....	Apr. 30, 1936
Georgia Power & Light Co.....	June 23, 1936
Halsey, Stuart & Co., Inc.....	Mar. 27, 1936
Holyoke Water Power Co.....	Mar. 31, 1936
Hydro Electric Securities Co.....	Mar. 27, 1936
The Indiana Natural Gas & Oil Co.....	May 16, 1936
Indianapolis Power & Light Co.....	June 29, 1936
International Public Service Corporation and American- Yugoslav Electric Co.....	Apr. 30, 1936
The Islands Gas & Electric Co.....	June 29, 1936
Long Island Lighting Co.....	Mar. 27, 1936



**EXEMPTION FROM PROVISIONS OF THE ACT—Continued.****In the Matter of—Continued.**

Louisville Gas & Electric Co.....	June 29, 1936
Lynn Gas & Electric Co. and trustees.....	Mar. 27, 1936
The Narragansett Electric Co.....	May 28, 1936
The Nashville, Chattanooga & St. Louis Railway Co..	Mar. 27, 1936
Northeastern Utility Associates and South Shore Utili- ties Associates.....	June 23, 1936
Northern Pennsylvania Power Co. and The Waverly Electric Light & Power Co.....	June 29, 1936
Northern States Power Co.....	June 23, 1936
Oxford Paper Co.....	Mar. 31, 1936
Pacific Lighting Corporation.....	Jan. 13, 1936
Pennsylvania Coal & Coke Corporation.....	Mar. 31, 1936
Pennsylvania Water Service Co.....	July 1, 1936
Philokla Gas Co. & Phillips Petroleum Co.....	May 23, 1936
Planta Electrica, Inc.....	Mar. 31, 1936
Rockland Light & Power Co.....	Mar. 27, 1936
St. Croix Falls Wisconsin Improvement Co.....	June 30, 1936
Saugerties Gas Light Co.....	May 23, 1936
Seranton-Spring Brook Water Service Co.....	June 29, 1936
The Singer Manufacturing Co.....	Mar. 27, 1936
Southern States Power Co.....	Apr. 14, 1936
William R. Staats Co. and San Gorgonio Electric Cor- poration.....	June 23, 1936
Standard Oil Co. (an Indiana corporation).....	Apr. 11, 1936
Stanolind Oil & Gas Co. and The Shannon Gas & Elec- tric Co.....	May 23, 1936
The Stark Electric Railroad Co.....	Mar. 31, 1936
Stearns Coal & Lumber Co.....	Do.
The Texas Corporation.....	May 20, 1936
Union Pacific Railroad Co.....	Apr. 22, 1936
United States Steel Corporation, American Sheet & Tin Plate Co., Carnegie-Illinois Steel Corporation, Tennessee Coal, Iron & Railroad Co., and Illinois Steel Co.....	May 23, 1936
West Indiana Utilities Co.....	Apr. 30, 1936
Western Massachusetts Cos.....	Mar. 27, 1936
Westmoreland Coal Co.....	Mar. 31, 1936
J. G. White & Co.....	Apr. 30, 1936
Wisconsin Power & Light Co.....	Mar. 27, 1936
Do.....	May 29, 1936
Do.....	June 23, 1936
Wisconsin Public Service Corporation.....	June 8, 1936

**FIXING DATE FOR DECLARATION TO BECOME EFFECTIVE:****In the Matter of—**

The Middle West Corporation.....	Dec. 28, 1935
Public Service Co. of Oklahoma.....	Feb. 17, 1936

**PERMITTING DECLARATION TO BECOME EFFECTIVE:**

In the Matter of Southwestern Gas & Electric Co.....	Dec. 19, 1935
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**SECURITIES VIOLATIONS FILES**

During the year, considerable progress was made in assembling and compiling information for the securities violations files. As stated in the last annual report, these files were established on May 1, 1935, to provide a control index and clearing house for information relating to securities frauds in the United States and Canada.

As of June 30, 1936, the Commission has assembled data regarding the records of 21,775 persons against whom State and Federal action has been taken during the past 10 years in connection with the sale of securities.

The Commission has continued negotiations with the Post Office Department, the Federal Bureau of Investigation, State Securities Commissions, State and Federal prosecuting officials, Better Business Bureaus, Chambers of Commerce, etc., with a view to securing records and information for the securities violations files and in order to supply these agencies with information available in these files and useful to such agencies.

A monthly confidential bulletin is published and sent to approximately 750 of the agencies engaged in the prevention and punishment of securities frauds. The information published in these bulletins has aided materially in the apprehension of persons wanted for securities violations.

**REPORT ON THE STUDY AND INVESTIGATION OF PROTECTIVE AND REORGANIZATION COMMITTEES**

Pursuant to Section 211 of the Securities Exchange Act of 1934, which authorized and directed the Commission to make a study and investigation of the work, activities, personnel, and functions of protective and reorganization committees, the Commission made an intensive and thorough study and investigation of these committees.

The statute directed the Commission to report the result of its studies and investigations and its recommendations to the Congress on or before January 3, 1936. The magnitude of the task prevented the completion of the investigation in time to compile and assemble the voluminous factual material into a report within the time permitted by the mandate, although a strenuous endeavor was made to do so. However, a preliminary report was submitted to the Congress on January 3, 1936. ~

The Commission is preparing its final report in 7 parts. Three parts have been completed and submitted to Congress as follows:

**PART III** which was transmitted to the Congress on June 3 1936, pertains to the Committees for the Holders of Real Estate Bonds.

**PART IV** which was transmitted to the Congress on May 2, 1936, pertains to the Committees for the Holders of Municipal and Quasi-Municipal Obligations.

**PART VI** which was transmitted to the Congress on June 18, 1936, pertains to Trustees under Indentures.

The other parts of the report in preparation deal with (1) Committees and other Agencies for holders of foreign governmental issues; (2) the various techniques for effecting reorganizations; (3) the problems of control and regulation of all reorganization and protective committees; and (4) suggestions for amendments to the Bankruptcy Act and for comprehensive reorganization legislation.

### PUBLIC REFERENCE ROOMS

The three Acts administered by the Commission provide for the furnishing to the public, under such regulations and at such reasonable cost as the Commission may prescribe, the information contained in registration statements, applications, reports, declarations, and other public documents filed with the Commission.

During the past year more than 13,900 members of the public visited the Public Reference Room of the Commission in Washington, D. C., for the purpose of seeking registered public information. Many thousands of letters and telephone calls relating to public information were received. Several thousand orders for photostatic copies of registered public information were also received. These orders involved over 274,000 pages.

In April 1936 the Commission established public reference rooms in the Chicago and New York Regional Offices. In the public reference room of the Chicago Regional Office there will be available to the public such copies of the applications for permanent registration of securities registered on the New York Stock Exchange and the New York Curb Exchange as have received final examination in the Commission. In the public reference room of the New York Regional Office there will be available to the public such copies of applications for permanent registration of securities on the Chicago Curb Exchange, the Chicago Stock Exchange, and the Chicago Board of Trade as have received final examination in the Commission.

The rules of the Commission provide that each issuer of a security registered on a national securities exchange shall file an annual report with the Commission. These annual reports are designed to keep up to date the information filed in original applications for permanent registration, and they are to be filed not more than 120 days after the close of each fiscal year ending on or after December 31, 1935. These reports will also be made available to the public in the public reference rooms in the New York and Chicago Regional Offices in the

same manner as the applications for permanent registration of securities, as described in the preceding paragraph.

Photostatic copies of registered public information may be obtained from the offices of the Commission at Washington only.

### PUBLICATIONS

Information concerning the activities of the Commission is made available to the public through releases issued to the press and through the medium of a mailing list established for the convenience of those members of the public who wish to receive releases currently.

Releases are issued announcing rules, regulations, orders, opinions, findings, filings of registration statements and applications, effectiveness of registration statements, public hearings, and reports and statements filed by security issuers, officers, directors, and principal stockholders. The releases of the Commission are classified according to subject, and members of the public may have their names placed upon the mailing list, to receive any or all classes of releases.

During the year ended June 30, 1936, the Commission published 448 releases concerning its activities under the Securities Act of 1933, 450 releases under the Securities Exchange Act of 1934, and 268 releases under the Public Utility Holding Company Act of 1935. Of the total 1,166 releases issued under the three Acts, 509 releases were announcements concerning registration statements and applications filed with the Commission; 242 releases contained orders of the Commission; 141 releases were announcements of rules, regulations, and amendments; and 274 releases dealt with announcements of public hearings, legal opinions, effective registrations, statistical analyses, and a few miscellaneous announcements.

In addition to the above releases the following publications were issued by the Commission during the year:<sup>13</sup>

Official Summary of Stock Transactions and Holdings, issued semimonthly, as well as a Base Summary showing the holdings of Officers, Directors, and Principal Stockholders, as of December 31, 1935.

Directory of Over-the-Counter Brokers and Dealers registered with the Securities and Exchange Commission, as of January 31, 1936.

List of securities registered, exempt from registration, or admitted to unlisted trading privileges under the Securities Exchange Act, as of June 30, 1936.

Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies under the Public Utility Holding Company Act of 1935.

Report to the Congress on Trading in Unlisted Securities upon Exchanges.

<sup>13</sup> For list of publications available as of Sept. 30, 1936, see Appendix IV.

Report to the Congress on the Feasibility and Advisability of the Complete Segregation of the Functions of Dealer and Broker.

Preliminary Report to the Congress on the Study and Investigation of Protective and Reorganization Committees.

Report to the Congress on the Study and Investigation of the Work, Activities, Personnel, and Functions of Protective and Reorganization Committees:

PART III—Committees for the Holders of Real Estate Bonds.

PART IV—Committees for the Holders of Municipal and Quasi-Municipal Obligations.

PART V—Trustees under Indenture.

### PERSONNEL

The Commission and personnel, at the close of the fiscal year, consisted of 1,077 persons. This total comprised 5 Commissioners and 1,072 employees, 698 of whom were men and 374 were women.

#### *Statistics*

Commissioners.....	5
Departmental:	
Permanent.....	816
Temporary.....	36
Regional offices:	
Permanent.....	209
Temporary.....	11
Subject to retirement act.....	593

### RULES OF PRACTICE OF THE COMMISSION

During the year Rules of Practice were adopted governing appearance and practice before the Commission, hearings, evidence, motions, depositions, filing of reports, exceptions, briefs, and other papers. These rules became effective September 13, 1935.<sup>14</sup>

#### ADMISSIONS TO PRACTICE

Rule II of the Rules of Practice, as amended, which contain the provisions governing admissions to practice, provides that persons whom the Commission finds, on consideration of their application, to be of good moral character and to possess the requisite qualifications to represent others may be admitted to practice as Attorney or Agent before the Commission. The Commission adopted forms of application for admission to practice as Attorney and as Agent.

Effective November 1, 1935, a register has been maintained in which the names and addresses of all persons admitted to practice before the Commission have been entered. The following statistics

<sup>14</sup> The Rules of Practice as amended Nov. 4, 1936, appear in Appendix I.

indicate the number of applications received, the number of persons admitted to practice, and the number of applications pending as of June 30, 1936:

	Number of applications received	Number of persons admitted to practice	Number of applications pending
Attorneys.....	876	840	36
Agents.....	528	517	11
Total.....	1,404	1,357	47

### FISCAL AFFAIRS

#### APPROPRIATIONS

The Congress appropriated \$3,029,494 for the Commission during the fiscal year 1936. This amount was derived from the following sources:

Independent Offices Appropriation Act, fiscal year 1936		
Salaries and expenses.....	\$2,234,494	
Printing and binding.....	30,000	
		\$2,264,494
Supplemental Appropriation Act, fiscal year 1936		
Salaries and expenses.....	\$750,000	
Printing and binding.....	15,000	
		765,000
Total.....		3,029,494

#### EXPENDITURES AND OBLIGATIONS

The expenditures and obligations for the fiscal year ended June 30, 1936, are as follows:

Salaries		
Departmental		
Permanent.....	\$1,928,040	
Temporary.....	43,820	
Field.....	498,525	
Mileage and witness fees.....	25,093	
Supplies and materials.....	104,298	
Communication service.....	47,132	
Travel expense.....	135,793	
Transportation of things.....	1,741	
Reporting hearings.....	21,148	
Heat, light, and power.....	2,320	
Rents.....	50,274	
Repairs and alterations.....	9,549	
Special and miscellaneous expenses.....	1,897	
Purchase of equipment.....	94,045	
Subtotal.....		2,963,675

Printing and binding-----	\$42, 699
Grand total obligations-----	3, 006, 374
Unobligated balance-----	23, 120
Available funds-----	3, 029, 494

## MISCELLANEOUS RECEIPTS

The disposition of miscellaneous receipts for the fiscal year ended June 30, 1936, is as follows:

Character of receipts	Transferred to General Fund of Treasury during fiscal year	In Special Deposit Account at end of fiscal year	Subtotal	In Special Deposit Account at beginning of fiscal year (less refunds account excessive fees)	Net amount collected in 1936 fiscal year
<b>Fees:</b>					
Copying fees-----	\$12, 590.72	\$9, 318.34	\$21, 909.06	\$1, 016.45	\$20, 892.61
Registration of securities-----	282, 024.37	275, 024.32	567, 048.69	70, 197.80	496, 850.89
Registration of exchanges-----	434, 050.33	10, 069.64	444, 119.97	61, 659.86	382, 460.11
Donations to United States-----	196.53		196.53		196.53
<b>Total-----</b>	<b>738, 861.95</b>	<b>294, 412.30</b>	<b>1, 033, 274.25</b>	<b>132, 874.11</b>	<b>900, 400.14</b>

## PART III

### APPENDIX I

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#### RULES OF PRACTICE AS AMENDED NOVEMBER 4, 1936

#### RULE I

##### BUSINESS HOURS—REGIONAL OFFICES

The principal office of the Commission at Washington, D. C., is open on each business day, excepting Saturdays, from 9 a. m. to 4:30 p. m., and on Saturdays from 9 a. m. to 1 p. m. Regional offices are maintained at New York, Boston, Atlanta, Chicago, Fort Worth, Denver, San Francisco, and Seattle.

#### RULE II

##### APPEARANCE AND PRACTICE BEFORE THE COMMISSION<sup>1</sup>

(a) An individual may appear in his own behalf, a member of a partnership may represent the partnership, a bona-fide officer of a corporation, trust, or association may represent the corporation, trust, or association, and an officer or employee of a state commission or of a department or political subdivision of a state may represent the state commission or the department or political subdivision of the state, in any proceeding.

(b) A person may be represented in any proceeding by an attorney at law duly admitted to practice before the Commission.

(c) A person shall not be represented at any hearing before the Commission or a trial examiner except as stated in paragraphs (a) and (b) of this rule.

(d) In all matters other than hearings before the Commission or a trial examiner, a person may be represented by an agent who is duly admitted to practice before the Commission.

(e) All persons appearing before or transacting business with the Commission in a representative capacity may be required to file powers of attorney with the Commission showing their authority to act in such capacity.

(f) A register will be maintained by the Commission in which will be entered the names and addresses of all persons admitted to prac-

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<sup>1</sup> Appearance and practice before the Commission under the Public Utility Holding Company Act of 1935 is subject also to the requirements of Sec. 12 (1) of that Act.



tice before the Commission. Only individual members of firms will be admitted.

(g) Subject to the provisions of paragraphs (e) and (f) of this rule, the following classes of persons whom the Commission finds, on consideration of their applications, to be of good moral character and to possess the requisite qualifications to represent others, may be admitted to practice before the Commission:

(1) Attorneys at law who are admitted to practice before any court of the United States, or the highest court of any State or Territory.

(2) Any person, not an attorney, to be designated as agent, who is a citizen of the United States and who shall, in the opinion of the Commission, possess the necessary education, training, experience, and technical qualifications which would enable him properly to represent others before the Commission.

(h) An application for admission to practice shall be addressed to the Securities and Exchange Commission, Washington, D. C., stating under oath the name, residence address, and business address of the applicant. In the case of an attorney, the time and place of admission to the bar and whether the applicant has ever been suspended or disbarred as an attorney in any court or jurisdiction shall be stated. In the case of an agent, the application shall state briefly his education, training, experience, and technical qualifications.

(i) In the discretion of the Commission or trial examiner, an attorney at law may be permitted to appear for the purpose of any proceeding, though not theretofore admitted to practice before the Commission in the way prescribed.

(j) All persons appearing in any proceeding shall conform to the standards of conduct generally required of practitioners at law.

(k) The Commission may deny admission to, suspend, or disbar any person who is found by the Commission not to possess the requisite qualifications to represent others, or to be lacking in character, integrity, or proper professional conduct. A person who has been admitted to practice may be suspended or disbarred only after he has been afforded an opportunity to be heard, but contemptuous conduct at any hearing before the Commission or a trial examiner shall be ground for exclusion from said hearing and for summary suspension without a hearing for the duration of the proceeding.

### RULE III

#### NOTICE OF HEARINGS IN CERTAIN PROCEEDINGS

(a) Whenever a hearing is ordered by the Commission in any proceeding under Section 8 of the Securities Act of 1933, as amended, notice of such hearing shall be given by the Secretary or other duly

designated officer of the Commission to the person designated in the registration statement as being authorized to receive service and notice of orders and notices issued by the Commission relating to such registration statement. Such notice shall state the time and place of hearing and shall include a statement of the items in the registration statement by number or name which appear to be incomplete or inaccurate in any material respect or to include any untrue statement of a material fact or to omit a statement of any material fact required to be stated therein or necessary to make the statements therein not misleading. Such notice shall be given either by personal service or by confirmed telegraphic notice a reasonable time in advance of the hearing. The personal notice or the confirmation of the telegraphic notice shall be accompanied by a short and simple statement of the matters to be considered and determined.

(b) Whenever a hearing is ordered by the Commission in any other proceeding, notice of such hearing shall be given by the Secretary or other duly designated officer of the Commission to the registrant, applicant, or other person or persons entitled to receive the same. Such notice shall state the time and place of hearing and shall include a short and simple statement of the matters to be considered and determined. Such notice shall be given by personal service, registered mail, or confirmed telegraphic notice, a reasonable time in advance of the hearing.

(c) Notice of any hearing before a trial examiner which may be called on the question of postponement of the effective date of registration of a broker or dealer under Section 15 (b) of the Securities Exchange Act of 1934, as amended, pending final determination whether such registration shall be denied, shall state that no trial examiner's report will be made on the question of postponement of registration, and that such question of postponement will be considered and determined by the Commission on the transcript of the testimony, and that prior to determination of such question of postponement the broker or dealer will be entitled to be heard before the Commission on the transcript.

## RULE IV

### HEARINGS—EVIDENCE

(a) Hearings shall be held as ordered by the Commission.

(b) All hearings, except hearings, if ordered, on objections to public disclosure of information pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public Utility Holding Company Act of 1935, shall be public, unless otherwise ordered by the Commission,

and shall be held before the Commission, one or more of its members, or a duly designated officer herein referred to as the trial examiner.

(c) Hearings shall be stenographically reported and a transcript thereof shall be made which shall be a part of the record of the proceeding. Transcripts will be supplied to the parties by the official reporter at such rates as may be fixed by contract between the Commission and the reporter.

(d) Objections to evidence before the Commission or trial examiner shall be in short form, stating the grounds of objections relied upon, and the transcript shall not include argument or debate thereon except as ordered by the Commission or the trial examiner. Rulings by the Commission or trial examiner on such objections shall be a part of the transcript.

(e) In any proceeding the Commission or the trial examiner may call for the production of further evidence upon any issue.

## RULE V

### MOTIONS

(a) Motions before the Commission or the trial examiner shall state briefly the purpose thereof and all supporting affidavits, records, and other papers, except such as have been previously filed, shall be filed with such motions and clearly referred to therein.

(b) Motions in any proceeding before a trial examiner which relate to the introduction or striking of evidence may be ruled on by the trial examiner. Exception to any such ruling must be noted before the trial examiner in order to be urged before the Commission. All other motions in any proceeding before a trial examiner shall be reserved and shall be ruled upon by the Commission.

## RULE VI

### EXTENSIONS OF TIME—CONTINUANCES AND ADJOURNMENTS

Except as otherwise expressly provided by law, the Commission for cause shown may extend any time limits prescribed by these rules for filing any papers, and may continue or adjourn any hearing. A hearing before a trial examiner shall begin at the time and place ordered by the Commission, but thereafter may be adjourned from time to time by the Commission or trial examiner.

## RULE VII

### DEPOSITIONS

(a) The Commission may, for cause shown, order testimony to be taken by deposition.

(b) Any party desiring to take a deposition shall make application in writing, setting forth the reasons why such deposition should be taken, the name and residence of the witness, and the matters concerning which it is expected the witness will testify. Thereupon the Commission may, in its discretion, issue an order which will name the witness whose deposition is to be taken and specify the time when, the place where, and the designated officer before whom the witness is to testify. Such order shall be served upon all parties by the Secretary, or other duly designated officer of the Commission, a reasonable time in advance of the time fixed for taking testimony.

(c) Witnesses whose testimony is taken by deposition shall be sworn or shall affirm before any questions are put to them. Each question propounded shall be recorded and the answers shall be taken down in the words of the witness.

(d) Objections to the form of questions or answers must be made before the officer taking the deposition and if not so made, shall be deemed waived.

(e) The testimony shall be reduced to writing by the officer, or under his direction, after which the deposition shall be subscribed by the witness and certified in usual form by the officer. The original deposition and exhibits shall be forwarded under seal to the Secretary of the Commission with such number of copies as may be requested by the Secretary of the Commission. Upon receipt thereof the Secretary shall file the original in the proceedings and shall forward a copy to each party or his attorney of record.

(f) Such depositions shall conform to the specifications of Rule XIV.

(g) Depositions not received in evidence at a hearing before the Commission or a trial examiner shall not constitute a part of the record in any proceeding, unless the parties shall so agree, or the Commission shall so order.

(h) Depositions may also be taken and submitted on written interrogatories in substantially the same manner as depositions taken by oral examination. The interrogatories shall be filed with the application in triplicate, and copies thereof shall be served on all other parties by the Secretary or other duly designated officer of the Commission. Within 5 days any other party may file with the Secretary his objections, if any, to such interrogatories, and may file such cross-interrogatories as he desires to submit. Cross-interrogatories shall be filed in triplicate, and copies shall be served on all other parties, who shall have 3 days thereafter to file their objections, if any, to such cross-interrogatories. Objections to interrogatories or cross-interrogatories shall be settled by the Commission or trial examiner.

Objections to interrogatories shall be made before the order for taking the deposition issues and if not so made shall be deemed waived. When a deposition is taken upon written interrogatories and cross-interrogatories, neither party shall be present or represented, and no person other than the witness, a stenographic reporter, and the officer shall be present at the examination of the witness, which fact shall be certified by the officer, who shall propound the interrogatories and cross-interrogatories to the witness in their order and reduce the testimony to writing in the witness' own words.

## RULE VIII

### TRIAL EXAMINER'S REPORT

(a) Following any hearing before a trial examiner on the question of postponement of the effective date of registration of a broker or dealer under Section 15 (b) of the Securities Exchange Act of 1934, as amended, pending final determination whether such registration shall be denied, the transcript of the testimony shall forthwith be filed with the Secretary of the Commission.

(b) Following any hearing before a trial examiner relating to any matter other than the question of postponement of the effective date of registration of a broker or dealer under Section 15 (b) of the Securities Exchange Act of 1934, as amended, pending final determination whether such registration shall be denied, the trial examiner shall, within 10 days after receipt of the transcript of the testimony, file with the Secretary of the Commission his report containing his findings of fact.

(c) Such report shall be advisory only, and the findings of fact therein contained shall not be binding upon the Commission. The initial page of the report shall contain a statement to such effect. In any proceeding in which, under the provisions of Rule XII (b) of the Rules of Practice of the Commission, the report is first to be made available to the public on the opening date of public hearing on the merits before the Commission, the initial page of the report shall also contain a statement to the effect that the report is confidential, shall not be made public, and is for the use only of the Commission, the respondent or respondents, and counsel; but copies of the report issued on or after such opening date may omit such statement.

(d) A copy of such report shall be forthwith served on each party by the Secretary or other duly designated officer of the Commission.

(e) The trial examiner, in his discretion, may request from each party or his attorney a statement in writing in terse outline setting forth proposed findings of fact. Such statements shall not be ex-

changed between counsel and shall not be argued before the trial examiner. Any such statement shall be submitted within 5 days after the transcript has been filed with the Secretary of the Commission.

(f) The provisions of this rule and of Rules IX, X, and XI shall not be applicable to hearings pursuant to Clause 30 of Schedule A of the Securities Act of 1933, as amended, or hearings pursuant to Section 24 (b) of the Securities Exchange Act of 1934, as amended, or hearings pursuant to Section 22 (b) of the Public Utility Holding Company Act of 1935.

## RULE IX

### EXCEPTIONS

Any party may, within 5 days after receipt of a copy of the trial examiner's report, file exceptions to the findings of the trial examiner or his failure to make findings, or to the admission or exclusion of evidence. A copy of such exceptions shall be forthwith served on each party by the Secretary or other duly designated officer of the Commission. Exceptions shall be argued only at the final hearing on the merits before the Commission.

## RULE X

### BRIEFS

(a) Any party to a proceeding may file a brief in support of his contentions within 15 days from the date of service on such party of a copy of the trial examiner's report, or in the case of hearings before the Commission within 15 days from the time the transcript of the testimony is filed with the Secretary of the Commission.

(b) All briefs shall be confined to the particular matters in issue. Reply briefs shall be confined to matters in original briefs of opposing parties. Any scandalous or impertinent matter contained in any brief may be stricken on order of the Commission.

(c) All briefs containing more than 10 pages shall include an index and table of cases. The date of each brief must appear on its front cover or title page. If briefs are typewritten or mimeographed, 10 copies shall be filed; if printed, 20 copies. No briefs shall exceed 60 pages in length, except with the permission of the Commission.

(d) Copies of briefs shall be served by the Secretary or other duly designated officer of the Commission on the opposing party or parties and reply briefs may be filed within 5 days thereafter. Briefs not filed on or before the time fixed in these rules will be received only by special permission of the Commission.

## RULE XI

## HEARINGS ON REVIEW BEFORE THE COMMISSION

(a) Upon written request of any party, which must be made within the time provided for filing the original briefs, the matter will be set down for oral argument before the Commission.

(b) If oral argument before the Commission is not requested, the matter will be considered without argument by the Commission on the record of the hearing before the Commission or trial examiner, the trial examiner's report, exceptions thereto, and the respective briefs submitted.

(c) No exception to a trial examiner's report need be considered by the Commission unless such exception shall have been filed with the Commission within the time prescribed in these rules. Exceptions not briefed may be treated as waived.

(d) If any party shall apply to the Commission for leave to adduce additional evidence, and shall show to the satisfaction of the Commission that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence at the hearing before the Commission or the trial examiner, the Commission may hear such additional evidence or may refer the proceeding to the trial examiner for the taking of such additional evidence.

## RULE XII

## FILING PAPERS—DOCKET—COMPUTATION OF TIME

(a) All reports, exceptions, briefs, and other papers required to be filed with the Commission in any proceeding shall be filed with the Secretary, except that all papers containing data as to which confidential treatment is sought pursuant to Rules 580, UB2 or 22B-1 of the Rules and Regulations of the Commission, together with applications making objection to the disclosure thereof, shall be filed with the Chairman. Any such papers may be sent by mail or express to the officer with whom they are directed to be filed, but must be received by such officer at the office of the Commission in Washington, D. C., within the time limit, if any, for such filing, except that in any case where the hearing has been held in a district within which a regional office has been established, papers filed under Rules VIII (e), IX, X and XI (a) may be filed with the Regional Administrator for the District, within the times prescribed. The Regional Administrator shall immediately transmit such papers to the Secretary or Chairman of the Commission, as the case may be in accordance with the provisions of this rule.

(b) All papers containing data as to which confidential treatment is sought pursuant to Rules 580, UB2, or 22B-1 of the Rules and Regulations of the Commission, together with applications making objection to the disclosure thereof, shall be made available to the public only in accordance with the applicable provisions of Rules 580 (h), UB2 (i), or 22B-1 (b). All reports, exceptions, briefs, and other papers filed in connection with any hearing pursuant to Section 15 (b) or Section 19 (a) (3) of the Securities Exchange Act of 1934, as amended, shall first be made available to the public on the opening date of public hearing on the merits before the Commission.

(c) The Secretary shall maintain a docket of all proceedings, and each proceeding shall be assigned a number.

(d) When the time prescribed by these rules or by the Commission for doing any act expires on a Sunday or legal holiday, such time shall be extended to include the next succeeding day that is not a Sunday or a legal holiday, but Sundays and legal holidays shall be included in computing the time allowed for doing any act.

(e) Unless otherwise specifically provided in these rules, an original and eight copies of all papers shall be filed, unless the same be printed, in which case 20 copies shall be filed.

### RULE XIII

#### SERVICE OF REPORTS, EXCEPTIONS, BRIEFS, AND OTHER PAPERS

Except as otherwise specifically provided by law or by these rules, all reports, exceptions, briefs, or other documents or papers required by these rules to be served on any party to a proceeding shall be served by the Secretary or other duly designated officer of the Commission as follows:

(1) Service, except on counsel for the Commission, shall be made by personal service on the party or his attorney of record or by registered mail addressed to the party or his attorney of record.

(2) Service on counsel for the Commission shall be made by delivery to the head of the Division to which such counsel is assigned.

### RULE XIV

#### FORMAL REQUIREMENTS AS TO PAPERS FILED IN PROCEEDINGS

(a) All papers filed under these rules shall be typewritten, mimeographed, or printed, shall be plainly legible, shall be on one grade of good unglazed white paper approximately 8 inches wide and 10½ inches long, with left-hand margin 1½ inches wide, and shall be bound at the upper left-hand corner. They shall be double-spaced,



except that quotations shall be single-spaced and indented. If printed, they shall be in either 10- or 12-point type with double-leaded text and single-leaded quotations.

(b) All papers must be signed by the party filing the same, or his duly authorized attorney or agent, and must show the address of the signer.

(c) All papers filed must include at the head thereof, or on a title page, the name of the Commission, the names of the parties, and the subject of the particular paper or pleading, and the docket number assigned to the proceeding.

## RULE XV

### SIGNATURE OF COMMISSION ORDERS

All orders of the Commission shall be signed by the Secretary or such other person as may be authorized by the Commission.

## RULE XVI

### NONAPPLICABILITY OF RULES TO INVESTIGATIONS

These Rules shall not be applicable to investigations conducted by the Commission pursuant to Sections 8 (e), 19 (b), and 20 (a) of the Securities Act of 1933, as amended; Sections 21 (a) and 21 (b) of the Securities Exchange Act of 1934, as amended; or Sections 11 (a), 13 (g), 18 (a), 18 (b), 18 (c), and 30 of the Public Utility Holding Company Act of 1935.

## APPENDIX II

### Guide to Forms<sup>1</sup>

#### GUIDE TO FORMS ADOPTED UNDER THE SECURITIES ACT OF 1933

##### FORM A-1—GENERAL FORM

(a) *General Rule.*—This form is to be used for registration under the Securities Act of 1933, as amended, of all securities for the registration of which no other form is specifically prescribed.

(b) *Special Rule.*—Notwithstanding the Rules for the Use of Form A-2 for Corporations, Form A-1 may be used by any incorporated investment trust for registration under the Securities Act of 1933, as amended, of an additional block of securities of a class part of which has previously been registered on Form A-1.

##### FORM A-2—FOR CORPORATIONS

This form is to be used for registration statements, except such statements as to which a special form is specifically prescribed, under the Securities Act of 1933, as amended, by any corporation which files profit and loss statements for 3 years and which meets either one of the following conditions: (1) Such corporation has made annually available to its security holders, for at least 10 years, financial reports (which may be reports consolidating the reports of the corporation and its subsidiaries) including at least a balance sheet and a profit-and-loss or income statement, or (2) such corporation had a net income for any 2 fiscal years of the 5 fiscal years preceding the date of the latest balance sheet filed with the registration statement. If such corporation has subsidiaries, such income shall be determined on the basis of consolidated reports for such corporation and its subsidiaries. Notwithstanding what is hereinabove prescribed in this paragraph, however, this form shall not be used by any corporation organized within 10 years, if the majority of the capital stock thereof was issued to promoters of the corporation in consideration of property or services, or if more than one-half of the proceeds of the sale of securities of such corporation has been used to purchase property acquired by the corporation from the promoters of the corporation.

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<sup>1</sup>This guide is designed to aid in the selections of appropriate forms and is revised from time to time as circumstances require. Copies of the forms herein referred to will be furnished without charge upon request.

This form may also be used for registration statements (except such statements as to which a special form is specifically prescribed) by a corporation organized for the purpose of distributing to its stockholders only, water, electricity, or gas, and prohibited from paying any dividends to its stockholders except upon its dissolution or liquidation, provided that:

1. The corporation has been in existence at least 15 years prior to the date of the filing of the registration statement;
2. There has been no default by the corporation upon any of its funded indebtedness within the period of 15 years prior to the date of the filing of the registration statement;
3. The registrant will have a total indebtedness, upon the issuance of the securities registered, not exceeding 50 percent of the amount, less valuation reserves, at which the total assets of the registrant are carried on the latest balance sheet of the registrant filed with the registration statement, giving effect to the proceeds of the securities registered; and
4. Within the period of 10 years preceding the date of the filing of the registration statement, the corporation shall not have failed to levy and collect assessments in amounts sufficient to meet all current charges.

#### SPECIAL RULES AS TO THE USE OF FORM A-2 FOR CORPORATIONS

1. Notwithstanding that Form E-1 is specifically prescribed for use in cases involving an exchange of securities by the issuer thereof for others of its securities or a modification of the terms of securities by agreement between the issuer and its security holders, a registrant otherwise entitled to use Form A-2 may, at its option, use Form A-2 in any such case if the registrant is not in reorganization pursuant to Section 77B of the Bankruptcy Act or in bankruptcy or receivership and if no default exists on any outstanding funded debt (other than a default in sinking fund payments which has been waived by the holders of at least 80 percent in principal amount of the issue outstanding). If Form A-2 is used pursuant to this Rule, the fee payable for registration shall be calculated in accordance with Instruction 7 in Form E-1, and the table setting forth the calculation shall be prepared as prescribed in such Form.

2. Form A-2 may be used by a registrant if all the following conditions exist:

- (a) The registrant was organized as the successor to a single predecessor, or to a group of predecessors one of which, at the time of succession, directly or indirectly owned substantially all of the outstanding stock of all the other predecessors;
- (b) The registrant acquired all of the assets and assumed all of the liabilities of such predecessor or predecessors, and the

capital structure of the registrant immediately following the succession was substantially the same as the capital structure of the single predecessor, or as the consolidated capital structure of the group of predecessors, except for such changes as may have resulted from the substitution of issuers incident to the succession or from changes in capital stock liability per share; and

(c) The single predecessor, or the parent company in a group of predecessors, could have used Form A-2 if the succession had not taken place.

In determining whether such single predecessor or such parent company in a group of predecessors could have used Form A-2, the record of the registrant in regard to income or annual reporting to security holders shall be considered a continuation of the record of such single predecessor or such parent company. In the case of a group of predecessor companies, the income of the parent company of the group shall be determined on the basis of consolidated reports for such parent company and its subsidiaries, the subsidiaries to be included in the consolidated reports whether or not they were combined with the parent company to form the registrant.

3. Notwithstanding the provisions of the last sentence of the rule for the use of Form A-2 for Corporations, that form may be used by a corporation otherwise entitled to use the form, if the property acquired from promoters under the circumstances stated in such last sentence consisted principally of one or more going businesses, or of securities representing directly or indirectly more than 50 percent of the voting power controlling such businesses.

4. Notwithstanding the rules as to the use of Form E-1, or the rule as to the use of Form A-2 for Corporations, Form A-2 may be used in the situation described below for registration statements, except those for which a special form (other than Form E-1) is specifically prescribed, by corporations which file profit and loss statements of their own or of their predecessors for 3 years and which, or the predecessors of which, have in the past 15 years paid dividends upon any class of common stock for at least 2 consecutive years. The situation in which Form A-2 may thus be used is that of registration of securities issued or sold in the course of a "reorganization", as defined in Rule 5 (1) as to the use of Form E-1, where the only operation which brings the transaction within the definition is the acquisition of assets of a subsidiary by the registrant in consideration of securities of the registrant, or the exchange of securities of the registrant for outstanding securities of a subsidiary.<sup>3</sup>

5. Any corporation which was formed by the consolidation of two or more corporations may use Form A-2, if each of the constituent corporations which collectively brought in a majority of the assets,

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<sup>3</sup> Rule 5 (1) defining the term "reorganization" is set forth below under the caption "Form E-1 For Securities in Reorganization."

as shown by the books of the constituent corporations prior to the consolidation, could have used Form A-2 if the consolidation had not taken place. In determining whether any such constituent corporation could have used Form A-2, the record of the registrant in regard to income or annual reporting to security holders shall be considered a continuation of such constituent corporation's record. In this rule, all the corporations consolidated to form the registrant are called the "constituent corporations."

6. Form A-2 may be used by a registrant if all the following conditions exist:

(a) The registrant was a wholly owned subsidiary of a corporation which, either alone or with one or more of its other wholly owned subsidiaries, was merged into the registrant;

(b) The registrant acquired all the assets and assumed all the liabilities of the corporations merged into it; and

(c) The parent corporation could have used Form A-2 had the merger not taken place. In determining whether such parent corporation could have used Form A-2, the record of the registrant subsequent to the merger, in regard to income or annual reporting to security holders, shall be considered a continuation of the record of such parent corporation.

**FORM A-R FOR CORPORATE BONDS SECURED BY MORTGAGE INSURED BY  
FEDERAL HOUSING ADMINISTRATION**

This form is to be used for registration under the Securities Act of 1933, as amended, of corporate bonds constituting part of an issue secured by mortgage insured by Federal Housing Administration under the authority of Section 207 of the National Housing Act.

**FORM C-1 FOR SECURITIES OF UNINCORPORATED INVESTMENT TRUSTS**

This form is to be used for registration under the Securities Act of 1933, as amended, of securities of unincorporated investment trusts of the fixed or restricted management type, having a depositor or sponsor but not having a board of directors or persons performing similar functions.

**FORM C-2 FOR CERTAIN TYPES OF CERTIFICATES OF INTEREST IN SECURITIES**

This form is to be used for registration under the Securities Act of 1933 of certificates of interest in securities of a single class of a single issuer, if the following conditions exist:

(1) The major part of the certificates are to be sold to the public for cash;

(2) Under the terms of the deposit agreement the depositor (as defined below) has no rights or duties as depositor, subsequent to the deposit of the securities with the depository;

(3) Under the terms of the deposit agreement the power to vote or give a consent with respect to the deposited securities may be exercised only by, or pursuant to the instructions of, the holders of the certificates of interest, except a power, if any, to vote to effect a split-up of deposited stock in such manner as to cause no change in the aggregate capital stock liability of the issuer of the deposited securities;

(4) The securities deposited by the depositor are registered under the Securities Act of 1933 in connection with the sale of the certificates of interest.

**FORM D-1 FOR CERTIFICATES OF DEPOSIT (EXCEPT THOSE FOR WHICH FORM D-1A IS SPECIFIED)**

In registering certificates of deposit issued in anticipation of or in connection with a plan of reorganization or readjustment, Form D-1 shall be used. If a plan of reorganization or readjustment is proposed at the time the call for deposits is to be made, parts I and II of Form D-1 should be filed at the same time. If no such plan is proposed at the time the call for deposits is to be made, part I may be filed alone, and part II must then be filed before the plan is submitted to the security holders or deposits are solicited under the plan. Part II is an amendment of part I and as such shall become effective on such date as the Commission may determine, having due regard to the public interest and the protection of investors.

In the event that a registrant is exempted from the necessity for filing part I, he may nevertheless file part II.

Before the issuance of the securities provided in the plan of readjustment or reorganization, Form E-1 is to be filed by the issuer of such securities, unless exempted from the necessity of such filing by the Act.

**FORM D-1A FOR CERTIFICATES OF DEPOSIT**

This form is to be used only where the issuer of the certificates of deposit is the original issuer of the securities called for deposit, and only if the certificates of deposit are issued in connection with a plan of reorganization or readjustment which involves the issue of new securities to the holders of certificates of deposit.

**FORM E-1 FOR SECURITIES IN REORGANIZATION**

This form is to be used to register securities (including contracts of guaranty but excepting voting trust certificates, certificates of deposit, and certificates of interest or shares in unincorporated investment trusts of the fixed or restricted management type not having

a board of directors or a board of persons performing similar functions, but having a depositor or sponsor) sold or modified in the course of reorganization.<sup>4</sup>

The "Rules and Instructions Accompanying Form E-1" contain the following definition of the term "reorganization":

5. As used in these rules and the accompanying instructions:
  - (1) The term "reorganization" includes any transaction involving:
    - (a) A readjustment by modification of the terms of securities by agreement; or
    - (b) A readjustment by the exchange of securities by the issuer thereof for others of its securities; or
    - (c) The exchange of securities by the issuer thereof for securities of another issuer; or
    - (d) The acquisition of assets of a person, directly or indirectly, partly or wholly, in consideration of securities distributed or to be distributed as part of the same transaction directly or indirectly to holders of securities issued by such person or secured by assets of such person; or
    - (e) A merger or consolidation.

In the case of any guarantee of, or assumption of liability on, securities heretofore registered on Form D-2, registration of such guarantee or assumption of liability may, at the option of the issuer, be effected on Form D-2 or Form E-1.

#### FORM F-1 FOR VOTING TRUST CERTIFICATES

This form is to be used to register voting trust certificates issued in the course of reorganization or otherwise.

#### FORM G-1 FOR FRACTIONAL UNDIVIDED GAS AND OIL ROYALTY INTERESTS

Form G-1 is to be used to register fractional undivided producing oil and gas royalty interests.

The term "producing royalty interest" means any royalty interest in a tract of land from which oil and gas was being produced in commercial quantities within 7 days prior to the filing of the registration statement and from which the production of oil or gas had not permanently ceased, to the knowledge of the issuer, on the date on which the statement became effective.

#### FORM G-2 FOR FRACTIONAL UNDIVIDED NONPRODUCING GAS AND OIL ROYALTY INTERESTS

Form G-2 is to be used to register fractional undivided nonproducing oil and gas royalty interests.

<sup>4</sup>Attention is called to the rules as to the use of Form A-2 which permit the use of that form in certain instances for securities in reorganization.

The term "nonproducing royalty interest" means any royalty interest not included in the definition of "producing royalty interest" above.<sup>5</sup>

**FORM 1-G FOR CONFIDENTIAL STATEMENT OF SALE OF OIL OR GAS INTEREST**

This form is to be used for confidential statements of sales of oil or gas interests.

**FORM 2-G FOR REPORT OF SALE OF OIL OR GAS RIGHT**

This form is to be used for reports of sale of oil or gas rights, required to be filed by Rule 326.

**INFORMATION AND DOCUMENTS REQUIRED FOR EXEMPTION OF CERTAIN SECURITIES UNDER SECTION 3 (B) OF THE ACT**

Certain issues of securities having an aggregate offering price to the public not exceeding \$100,000 are exempted from the registration provisions of the Act by regulations of the Commission pursuant to Section 3 (b) of the Act upon compliance with certain conditions provided in the regulations. The pertinent regulations are available without charge upon request.

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<sup>5</sup> Form A-1 should be used for overriding royalties and working interests, as distinct from landowners' royalties for which Forms G-1 and G-2 are appropriate. In the case of overriding royalties or working interests, however, the information specified by Form G-1 or G-2 should be added to the statement on Form A-1 by way of supplemental material.



**GUIDE TO FORMS ADOPTED UNDER THE SECURITIES EXCHANGE ACT OF 1934****FOR APPLICATIONS FOR REGISTRATION OF SECURITIES ON NATIONAL SECURITIES EXCHANGES**

*Form 1. Application for registration or exemption from registration as a National Securities Exchange.*—This form shall be filed in connection with the applications of securities exchanges for registration or exemption from registration.

*Form 7.*—Where the form for permanent registration of any particular class of security has not yet been authorized, and for a period of 90 days after the filing of applications on such form is authorized, a provisional application for registration of a security of such class may be filed on Form 7 pursuant to Rule JB2. (Rule JB2 sets forth the requirements of an application filed on Form 7.)

*Form 8. For amendments to applications for registration or amendments to annual reports.*—This form shall be used for amendments to applications for registration of securities pursuant to Section 12 (b) and (c) of the Securities Exchange Act of 1934 or amendments to annual reports pursuant to Section 13 of that Act.

*Form 8-A. For additional securities.*—This form shall be used for applications filed on or after March 7, 1936, for registration of securities on an exchange on which other securities of the registrant, whether of the same or a different class, are registered pursuant to Section 12 (b) and (c) of the Act, if Form 10, 11, 13, 15, or 17 would be the form appropriate for registration in case the registrant did not have securities so previously registered.

*Form 8-B. For securities issued in certain cases upon the registrant's succession to an issuer or issuers of previously registered securities.*—This form shall be used by an issuer, not having securities previously registered, for applications filed on and after March 12, 1936, for the registration of securities, if the conditions set forth in the following paragraphs (a), (b), (c), and (d) exist:

(a) (1) The registrant, having no assets at the time other than nominal assets, succeeded to a single predecessor which had securities registered pursuant to Section 12 (b) and (c) of the Act on the exchange or exchanges on which registration is applied for on this form; or

(2) The registrant was organized as the successor to, or, having no assets at the time other than nominal assets, succeeded to, a group of predecessors consisting of a parent which had securities so registered and one or more wholly owned subsidiaries of such parent; or

(3) The registrant was a wholly owned subsidiary of a corporation having securities so registered, which corporation, either alone or with one or more of its other wholly owned subsidiaries, was merged into the registrant.

(b) Substantially all of the securities to be registered on this form were or are to be issued in exchange for or otherwise in respect of previously registered securities of one or more of the predecessors, or are securities which, having been previously registered, have become or are to become securities of the registrant by operation of law or otherwise upon the succession.

(c) The registrant acquired all the assets and assumed all the liabilities of its predecessor or predecessors.

(d) Except for such changes as may have resulted (A) from the substitution of issuers incident to the succession, or (B) from changes in capital stock liability per share, or (C) from the issuance of securities in satisfaction of dividends or interest in arrears on securities of predecessors, the capital structure of the registrant immediately following the succession was substantially the same as the capital structure of the single predecessor or the combined capital structure of the predecessors, or in a case falling within paragraph (a) (3) above, the combined capital structure of all the constituent corporations.

The term "wholly owned subsidiary" as used in this rule refers to a subsidiary substantially all the outstanding stock of which is held, directly or indirectly, by a single parent.

*Form 9. Amendatory and/or supplementary statement to registration statement filed by an exchange.*—This form shall be used for filing amendatory and/or supplementary statements to registration statements of national securities exchanges.

*Form 9-A. Amendatory and/or supplementary statement to application for exemption from registration statement filed by an exchange.*—This form shall be used for filing amendatory and/or supplementary statements to applications for exemption from registration of national securities exchanges.

*Form 10. For corporations.*—This form shall be used for applications for the permanent registration of securities of corporations, filed on and after February 13, 1935, except the following: Securities of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934; certificates of deposit; American certificates against foreign issues, either Government or corporate; securities of insurance companies, other than companies engaged primarily in the title-insurance business; securities of banks and bank holding companies; securities of investment trusts; securities issued by any corporation organized under the laws of any foreign country other than a North American country or Cuba; bonds issued by any corporation organized under the laws of a North American country or Cuba, which are guaranteed by any foreign government; securities issued by any corporation, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government: *Provided, however,* That this form shall not be used for applications for the permanent registration of securities of any corporation for which, at the time

the application is filed, Form 22 or 23 is prescribed. *And provided further*, That this form shall not be used for applications for the permanent registration of securities of any corporation, if, at the time the application is filed, such corporation is in bankruptcy or receivership or in the process of reorganization pursuant to Section 77 or 77B of the Bankruptcy Act, and (a) a trustee or receiver appointed in such proceedings has title to or possession of a substantial portion of the assets of such corporation, or (b) such corporation is in possession of a substantial portion of its assets pursuant to an order entered under subdivision (c), clause (2) of said Section 77 or subdivision (c), clause (1) of said Section 77B. Any foreign issuer which by this paragraph is to file on Form 10 as to any class of securities other than bonds may also file on such form for such bonds; and any issuer of bonds which is organized under the laws of any foreign country may at its option file on Form 10 until 90 days after the proper form applicable to such foreign issuer shall have been published.

*Form 11. For unincorporated issuers.*—This form shall be used for applications filed on or after March 30, 1935, for the permanent registration of securities of unincorporated issuers, except the following: Securities of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934; certificates of deposit; voting trusts certificates; American certificates against foreign issues, either Government or private; securities of insurance companies; securities of banks and bank-holding companies; securities of investments trusts; securities issued by a national of a foreign country other than a North American country or Cuba; bonds issued by a national of a North American country or Cuba, which are guaranteed by any foreign government; securities of any issuer, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government: *Provided, however*, That this form shall not be used for applications for the permanent registration of securities of any issuer for which, at the time the application is filed, Form 22 or 23 is prescribed. *And provided further*, That this form shall not be used for applications for the permanent registration of securities of any issuer, if, at the time the application is filed, such issuer is in bankruptcy or receivership or in the process of reorganization pursuant to Section 77 or 77B of the Bankruptcy Act, and (a) a trustee or receiver appointed in such proceedings has title to or possession of a substantial portion of the assets of such issuer, or (b) such corporation is in possession of a substantial portion of its assets pursuant to an order entered under subdivision (c), clause (2) of said Section 77 or subdivision (c), clause (1) of said Section 77B.

*Form 12. For companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934.*—This form shall be used for

applications filed on or after April 10, 1935, for the permanent registration of securities of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934, except such companies in receivership or in process of reorganization pursuant to Section 77 of the Bankruptcy Act.

*Form 12-A. For companies in receivership or bankruptcy and making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934.*—This form shall be used for applications filed on or after June 17, 1935, for the permanent registration of securities of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934, and in receivership or in bankruptcy (including proceedings under Sections 77 or 77B of the Bankruptcy Act).

*Form 13. For insurance companies other than life and title insurance companies.*—This form shall be used for applications filed on or after May 7, 1935, for permanent registration of securities of corporations engaged, directly or through subsidiaries, primarily in the insurance business, except corporations engaged primarily in the life- or title-insurance business. This form shall not be used by corporations engaged primarily in the business of guaranteeing mortgages or mortgage-participation certificates.

Pending the authorization of a form for registration of securities of corporations engaged primarily in the life-insurance business, and for a period of 30 days after the filing of applications on such form is authorized, such corporations may file application on Form 13 for Insurance Companies other than life and title insurance companies.

Insofar as Form 13 may be inappropriate to the life-insurance business, a corporation engaged in the life-insurance business filing on Form 13, pursuant to this rule, shall furnish information comparable to that required by Form 13; and, in lieu of financial statements required under the Instructions as to Financial Statements in the Instruction Book for Form 13, such corporation may file a copy of its last annual statement filed with its State regulatory authority.

*Form 14. For certificates of deposit issued by a committee.*—This form shall be used for applications on or after May 10, 1935, for the permanent registration of certificates of deposit issued by a committee.

*Form 15. For incorporated investment companies.*—This form shall be used for applications filed on or after May 15, 1935, for the permanent registration of securities of any corporation which is engaged, either directly or through subsidiaries, primarily in the business of investing and reinvesting, or trading in securities, for the purpose of revenue and for profit, and not in general for the purpose, or with the effect, of exercising control; except securities

of such corporations in process of reorganization pursuant to Section 77B of the Bankruptcy Act or securities of such corporations in bankruptcy or receivership.

*Form 16. For voting trust certificates and underlying securities.*—This form shall be used for applications filed on or after May 18, 1935, for the permanent registration of voting trust certificates and underlying securities.

*Form 17. For unincorporated issuers engaged primarily in the business of investing or trading in securities.*—This form shall be used for applications filed on or after May 31, 1935, for the permanent registration of securities of any unincorporated issuer which is engaged, either directly or through subsidiaries, primarily in the business of investing and reinvesting, or trading, in securities, for the purpose of revenue and for profit, and not in general for the purpose, or with the effect, of exercising control; except securities of such issuers in process of reorganization pursuant to Section 77B of the Bankruptcy Act or securities of such issuers in bankruptcy or receivership.

*Form 18. For foreign governments and political subdivisions thereof.*—This form shall be used for applications for the permanent registration of securities of foreign governments and political subdivisions thereof, filed on or after July 1, 1935: *Provided, however,* That any public corporation or other autonomous entity in the nature of a political subdivision, except a state, province, county, or municipality or similar body politic, may, at its option, use Form 21 in lieu of this form.

*Form 19. For American certificates against foreign issues and for the underlying securities.*—This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of American certificates (for example, so-called American Depositary Receipts for foreign shares or American participation certificates in foreign bonds or notes) issued against securities of foreign issuers deposited with an American depository (whether physically held by such depository in America or abroad) and of the foreign securities so deposited.

*Form 20. For securities other than bonds of foreign private issuers.*—This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of securities other than bonds or other evidences of indebtedness (1) issued by a national of a foreign country other than a North American country or Cuba, or (2) issued by any corporation or unincorporated association, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government.

*Form 21. For bonds of foreign private issuers.*—This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of bonds or other evidences of indebtedness (1) issued by a national of a foreign country other than a North American country or Cuba; (2) issued by a national of a North American country or

Cuba which are guaranteed by any foreign government; (3) issued by any corporation or unincorporated association, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government; or (4) issued by any public corporation or other autonomous entity in the nature of a political subdivision which shall at its option elect to use this form in lieu of Form 18, except that this form is not to be used by a state, province, county, or municipality or similar body politic.

*Form 22. For issuers reorganized in insolvency proceedings or which have succeeded to a person in insolvency proceedings.*—This Form shall be used for applications for registration of securities of any issuer which, pursuant to a plan—

(a) Has been or is being reorganized in insolvency proceedings; or

(b) Has acquired or is to acquire, directly or indirectly, substantially all of its business and assets (other than cash) from a person in insolvency proceedings or from such person and one or more of its subsidiaries, and is continuing or is to continue the business so acquired; or

(c) Being a subsidiary of a person in insolvency proceedings, has acquired or is to acquire directly or indirectly substantially all of its assets (other than cash and other than assets owned by it prior to such acquisition) from such person or from such person and one or more of its subsidiaries;

if the securities are, or are to be, outstanding or issued pursuant to the plan, or were or are to be issued after the consummation of the plan; provided that this form shall not be used by issuers for which Form 8-A, 12, or 12-A is prescribed, or for applications filed with the exchange after the expiration of a full fiscal year of the issuer commencing on or after the date on which the transfer or opening of accounts was made.

*Form 1-J.*—This form is to be used for applications for registration of unissued warrants or certificates pursuant to Section 12 (d) of the Securities Exchange Act of 1934 for “when issued” dealing on a national securities exchange.

*Form 2-J.*—This form is to be used for applications for registration of unissued securities, other than unissued warrants or certificates, pursuant to Section 12 (d) of the Securities Exchange Act of 1934 for “when issued” dealing on a national securities exchange.

*Form 3-J.*—Form 3-J must be used to report any inaccuracy, omission, or other deficiency in the information contained in the application for registration on Form 1-J or Form 2-J or in any supplemental statement filed by an issuer or an exchange and to report changes which have occurred since the filing of the application for registration or the last supplemental statement and which render no longer accurate the information contained therein.

*Form 4-J.*—This form is to be used for statements in respect of exemption of issued warrants or certificates pursuant to Section 3 (a) (12) of the Securities Exchange Act of 1934.

*Form 5-J.*—Form 5-J must be used to report any inaccuracy, omission, or other deficiency in the information contained in the statement filed on Form 4-J or in any supplemental statement filed by an issuer or an exchange and to report changes which have occurred since the filing of Form 4-J or the last supplemental statement and which render no longer accurate the information contained therein.

FOR REPORTS TO BE FILED BY OFFICERS, DIRECTORS, AND SECURITY HOLDERS

*Form 4. For reporting changes in ownership of equity securities.*—Every person who at any time during any month has been directly or indirectly the beneficial owner of more than 10 percent of any class of any equity security (other than an exempted security) which is listed on a national securities exchange, or a director or an officer of the issuer of such security, shall, if there has been any change during such month in his ownership of any equity security of such issuer, whether registered or not, file with each exchange on which any equity security of the issuer is listed and registered a statement on Form 4 (and a single duplicate original thereof with the Commission) indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during such calendar month. Such statements must be received by the Commission and the exchange on or before the 10th day of the month following that which they cover.

*Form 5. For reporting ownership of equity securities.*—In the case of an equity security (other than an exempted security) which is listed subsequent to February 15, 1935, on a national securities exchange, every person who at the time such registration becomes effective is directly or indirectly the beneficial owner of more than 10 percent of any class of such security or a director or an officer of the issuer of such security, shall file with each exchange on which any equity security of the issuer is listed and registered a statement on Form 5 (and a single duplicate original thereof with the Commission) of the amount of all equity securities of such issuer, whether registered or not, so beneficially owned by him at the time such registration became effective. Such statement must be received by the Commission and the exchange on or before the 10th day of the following calendar month. If such person files a statement on Form 4 for the same calendar month in respect of the same securities, he need not file an additional statement pursuant to this paragraph.

*Form 6. For reports by persons who have just become officers or directors or security holders of more than 10 percent of any class of*

*equity security.*—Every person who becomes directly or indirectly the beneficial owner of more than 10 percent of any class of any equity security (other than an exempted security), which is listed on a national securities exchange, or becomes a director or an officer of the issuer of such security, shall file with each exchange on which any equity security of the issuer is listed and registered a statement on Form 6 (and a single duplicate original thereof with the Commission) of the amount of all equity securities of such issuer, whether registered or not, so beneficially owned by him immediately after becoming such beneficial owner, director, or officer. Such statement must be received by the Commission and the exchange on or before the 10th day following the day on which such person became such beneficial owner, director, or officer. Such person need not file the statement required by this paragraph, if prior to such 10th day and during the calendar month in which he has become such beneficial owner, director, or officer, there has been a change in his beneficial ownership which will require him to file a statement on Form 4 with respect to the same securities.

FOR REGISTRATION OF BROKERS AND DEALERS TRANSACTING BUSINESS ON  
OVER-THE-COUNTER MARKETS

*Form 3-M.*—This form is to be used for applications filed on or after July 1, 1936, for the registration of brokers and dealers pursuant to Section 15 (b) of the Securities Exchange Act of 1934 as amended, except applications for which Form 4-M is authorized to be used.

*Form 4-M.*—This form is to be used (a) for applications filed by a registered partnership on or after July 1, 1936, pursuant to Section 15 (b) of the Securities Exchange Act of 1934, as amended, for the registration of a partnership to be formed as the successor to the applicant by the withdrawal or admission of one or more partners in the applicant; and (b) for applications filed on or after October 10, 1936, pursuant to said Section 15 (b) and Rule MB4, for the registration of a partnership formed as the successor to a registered partnership which has been dissolved by the death, withdrawal, or admission of one or more partners, provided that the application is filed within 30 days after such dissolution.

*Form 5-M.*—This form is to be used by a broker or dealer in adopting as its own, pursuant to Section 15 (b) of the Securities Exchange Act of 1934 as amended, an application for registration previously filed on Form 3-M or 4-M by a broker or dealer to which it is the successor.

*Form 6-M.*—This form is to be used for supplemental statements reporting changes which render inaccurate information contained in previously filed applications, adoptions or supplemental statements.”



## FOR ANNUAL AND OTHER REPORTS OF ISSUERS HAVING SECURITIES REGISTERED ON NATIONAL SECURITIES EXCHANGES

Form 8-K for Current Reports. Reports on this form are to be filed in the first 10 days of the month following the month in which there occurs any of the following events:

1. Material amendments of exhibits previously filed.
2. The execution of new voting trust agreements and certain other instruments.
3. Substantial restatements of the capital shares account.
4. The issuance of any new class of securities, or an increase or decrease of more than 5 percent in the amount of any class of securities outstanding.
5. Under certain circumstances, the granting by the registrant of options to purchase any of its equity securities, or the extension or exercise of such options.
6. A person's becoming or ceasing to be a parent or subsidiary of the registrant.
7. Substantial revaluations of the registrant's assets.
8. Substantial withdrawals or substitutions of property securing any registered securities.

No reports of this type are called for unless at least one of the above events occurs and has not already been reported to the Commission in a registration statement or an annual report under the Securities Exchange Act of 1934. This form does not call for the filing of interim financial statements.

If any of the above events has already occurred since the close of the fiscal year covered by the registrant's first annual report (or in the case of an issuer which had no securities registered on Dec. 31, 1935, if any such event has occurred since the date on which registration of any of its securities first became effective) and has not been previously reported, such event, as well as any other of the specified events which may occur on or before December 31, 1936, must be reported on this form, 8-K, on or before January 10, 1937. Thereafter, a current report is to be filed within 10 days after the close of any calendar month in which one or more of the events occurred. A single report may be filed with respect to all events occurring in any one month. No report need be filed for any month during which none of the enumerated events occurred.

*Form 10-K. For corporations.*—This form is to be used for the annual reports of all corporations except those for which another form is specifically prescribed.

*Form 11-K. For unincorporated issuers.*—This form is to be used for the annual reports of all unincorporated issuers except those for which another form is specifically prescribed.

*Form 12-K. For companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934.*—This form is to be used for the annual reports of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, and of carriers making annual reports under Section 219 of the Communications Act of 1934, except such companies in receivership or in bankruptcy, including proceedings for reorganization pursuant to Section 77 or 77B of the Bankruptcy Act, at the close of the fiscal year for which the report is made.

*Form 12A-K. For companies in receivership or bankruptcy at close of fiscal year and making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934.*—This form is to be used for the annual reports of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, and of carriers making annual reports under Section 219 of the Communications Act of 1934, if such companies were in receivership or in bankruptcy, including proceedings for reorganization pursuant to Section 77 or 77B of the Bankruptcy Act, at the close of the fiscal year for which the report is made.

*Form 13-K. For insurance companies other than life and title insurance companies.*—This form is to be used for the annual reports of corporations engaged, directly or through subsidiaries, primarily in the insurance business, except corporations engaged primarily in the life- or title-insurance business. This form is not to be used by corporations engaged primarily in the business of guaranteeing mortgages or mortgage-participation certificates.

*Form 14-K. For certificates of deposit issued by a committee.*—This form is to be used for the annual report of issuers of certificates of deposit issued by a committee.

*Form 15-K. For incorporated investment companies.*—This form is to be used for the annual reports of corporations engaged either directly or through subsidiaries primarily in the business of investing and reinvesting or trading in securities for the purpose of revenue and for profit, and not in general for the purpose or with the effect of exercising control.

*Form 16-K. For voting trust certificates and underlying securities.*—This form is to be used for annual reports relating to securities evidencing a participation in a voting trust agreement or a similar agreement for the holding of securities for voting purposes and to securities held subject to such agreements.

*Form 17-K. For unincorporated issuers engaged primarily in the business of investing or trading in securities.*—This form is to be used for the annual reports of unincorporated issuers engaged either directly or through subsidiaries primarily in the business of investing and reinvesting or trading in securities for the purpose of revenue and for profit, and not in general for the purpose or with the effect of exercising control.

GUIDE TO FORMS ADOPTED UNDER THE PUBLIC UTILITY HOLDING  
COMPANY ACT OF 1935

*Form U-1. Notification of registration.*—A notification of registration, pursuant to Section 5 (a), may be filed on this Form.<sup>6</sup>

*Form U-2. Declaration and periodic report.*—This Form is to be used by a subsidiary of a registered holding company primarily engaged in business as a broker or dealer, which claims exemption under Rule 3D-4 and also for the quarterly reports to be filed by such a company.

*Form U-3A3-1. Quarterly statement filed by banks claiming exemption.*—This Form is prescribed for quarterly reports to be filed by banks claiming exemption from any provisions of the Act by virtue of Rule 3A3-1.

*Form U-7. Declaration filed pursuant to Section 7.*—This Form is to be used by a registered holding company or subsidiary company thereof, either as a declaration in respect to the issue or sale of securities, or as a declaration in respect to the exercise by the declarant of a privilege or right to alter the priorities, preferences, voting power, or other rights of the holders of its outstanding securities.

*Form U-10-1. Application pursuant to Section 10 (a) (1).*—This Form is to be used for applications for the approval of the acquisition of securities by a registered holding company or a subsidiary company thereof, or for approval of the acquisition of securities of a public-utility company by a person who is an affiliate (as defined in Clause A of Section 2 (a) (11) of the Act) of such company and of any other public utility or holding company, or who will become such an affiliate by virtue of such acquisition.

*Form U-10-2. Application pursuant to Section 10 (a) (2) or 10 (a) (3).*—This Form is to be used for applications for the approval of the acquisition of utility assets or other interest in any business by a registered holding company or a subsidiary company thereof.

*Form U-12 (i)-1. Statement required pursuant to Section 12 (i).*—This Form is to be used for statements to be filed with the Commission, pursuant to Section 12 (i), by any person employed or retained by any registered holding company or by any subsidiary company thereof, who presents, advocates, or opposes any matter affecting any such company before the Congress or any member or committee thereof, or before the Securities and Exchange Commission or the Federal Power Commission or any member, officer, or employee of either Commission.

<sup>6</sup>After Nov. 1, 1936, a notification of registration must be filed on Form U-5-A adopted Oct. 2, 1936.

*Form U-13-1. Application for approval of mutual service company or declaration with respect to organization and conduct of business of subsidiary service company.*—This Form is to be used, pursuant to Rule 13-22, in filing an application for approval of a mutual service company or in filing a declaration with respect to the organization and conduct of business of a subsidiary service company.

*Form U-17-1.*—This Form is to be used by each officer and director of a registered holding company for the statement required by Section 17 (a) as to the securities of such company or any subsidiary thereof of which he is the beneficial owner either at the time of the registration of such company or within 10 days after his appointment or election to such position. A statement must be filed on such form even though the officer or director owns no securities of such companies.

*Form U-17-2.*—This Form is to be used by officers and directors of registered holding companies in reporting monthly changes in their beneficial ownership of securities of such holding companies or any of their subsidiaries, as required by Section 17 (a).

*Form U-17-3.*—This Form is to be used for statements to be signed by officers or directors with respect to whom exemption is claimed pursuant to Rule 17C-11, from the provisions of Section 17 (c) of the Public Utility Holding Company Act of 1935.

APPENDIX III

SECURITIES ACT REGISTRATION STATEMENTS AS TO WHICH STOP ORDERS, CONSENT REFUSAL ORDERS, AND WITHDRAWAL ORDERS WERE ISSUED JULY 1, 1935, TO JUNE 30, 1936<sup>1</sup>

Docket no.	Issuer	Form	Amount	Type of order <sup>2</sup>	Date
2-1410	A & K Petroleum Co., Oklahoma City, Okla.....	A-1	\$1,219,490 00	W (9) (9)	July 15, 1935 Aug. 28, 1935 Sept. 27, 1935 as of Sept. 17, 1935
2-1709	Airway Cargo Express, Wilmington, Del.....	A-1	75,000.00	W	Nov. 21, 1935
2-450	Alamo Petroleum Corporation, New York, N. Y.	A-1	1,150,000.00	W	May 11, 1936
2-1790	Alaska Hurrab Gold Mines, Inc., Seattle, Wash.	A-1	450,000.00	CRO	Dec. 23, 1935
2-1800	Algod Mines, Ltd., Toronto, Ontario, Canada.	A-1	169,663.50	CRO	Dec. 21, 1935
2-983	Allied Brewing & Distilling Co., Inc., Brooklyn, N. Y.	A-1	2,220,000.00	W	Feb. 26, 1936
2-1337	American Credit Corporation, Los Angeles, Calif.	A-1	530,000.00	SO	Dec. 2, 1935
2-1830	American General Corporation, Jersey City, N. J.	A-1	3,063,100.00	W	Apr. 13, 1936
2-1700	American Radio & Television Corporation, New York, N. Y.	A-1	300,000.00	W	Nov. 28, 1935
2-1401	do	A-1	300,000.00	SO	July 17, 1935
2-1860	Arkansas Southern Oil Co., El Dorado, Ark.	A-1	125,000.00	W	Nov. 26, 1935
2-1465	Associated Petroleum Properties, Tulsa, Okla.	A-1	185,000.00	CRO	Sept. 25, 1935
2-1879	Automatic Guns, Inc., Washington, D. C.	A-1	100,000.00	W	June 24, 1936
2-1489	Bayonne Bold Corporation, Bayonne, N. J.	A-1	400,000.00	W	Feb. 21, 1936
2-2167	The Black & Decker Manufacturing Co., Towson, Md.	A-2	1,300,000.00	W	May 27, 1936
2-1695	Blackburn-Pattison Mines, Ltd., Toronto, Ontario, Canada.	A-2	400,000.00	CRO	Oct. 24, 1935
2-1392	Bouanza Consolidated Gold Mines, Inc., Detroit, Mich.	A-1	450,000.00	SO	July 25, 1935
2-1457	Bonita Petroleum Corporation, Wilmington, Del.	A-1	98,000.00	W	July 23, 1935
2-1444	The Borden Industries, Inc., Washington, D. C.	A-1	500,000.00	SO	July 17, 1935
2-1378	F. M. Brown Funeral Homes, Ltd., Amherst, Nova Scotia, Canada.	A-1	175,500.00	W	July 13, 1935
2-1524	Edward G. Budd Manufacturing Co., Philadelphia, Pa.	D-A	1,015,240.00	W	July 18, 1935
2-1525	do	E-1	1,015,240.00	W	Do.
2-2105	Bullion Imports, Inc., Nogales, Ariz.	A-1	300,000.00	SO	June 8, 1936
2-1327	California Alaska Exploration Co., Reno, Nev.	A-1	100,000.00	SO	July 22, 1935
2-1886	California Oil & Land Corporation, Los Angeles, Calif.	A-1	1,200,000.00	SO	Mar. 29, 1936
2-1693	Calway Corporation, Houston, Tex.	A-1	150,000.00	W	Mar. 9, 1936
2-1807	Capps Gold Mine, Ltd., Toronto, Ontario, Canada.	A-1	105,000.00	W	Feb. 13, 1936
2-2085	Cascade Mining Corporation, Ypsilanti, Mich.	A-1	500,000.00	CRO	Apr. 25, 1936
2-1658	Central Maine Power, Augusta, Maine.	A-2	15,444,000.00	CRO	Oct. 21, 1935
2-2001	do	A-2	9,450,000.00	CRO	Apr. 25, 1936
2-1740	Chloriptyus Chemical Co., Inc., York, Pa.	A-1	179,040.00	CRO	Nov. 23, 1935
2-2086	Coastal Minerals Development, Inc., New Orleans, La.	A-1	250,000.00	W	May 15, 1936
2-1818	Columbia Crude Corporation, Salt Lake City, Utah.	A-1	150,000.00	W	Mar. 23, 1936
2-820	Columbia Mining Corporation of America, Wilmington, Del.	A-1	30,000.00	W	Sept. 20, 1935
2-1396	Comsec Corporation, Jersey City, N. J.	A-1	742,500.00	W (9) (9)	Nov. 14, 1935 Dec. 12, 1935 Jan. 17, 1936
2-1520	Consolidated Oil Corporation, New York, N. Y.	A-2	75,000,000.00	W	Jan. 30, 1936
2-2022	Dairyland, Inc., San Antonio, Tex.	A-1	576,000.00	W	June 18, 1936
2-2167	G. A. Dye, Tulsa, Okla.	A-1	1,000,000.00	CRO	June 1, 1936
2-1830	East Belt Gold Mining Co., Reno, Nev.	A-1	100,000.00	W	Jan. 30, 1936
2-2249	Eastern Blenders, Inc., Wilmington, Del.	A-1	495,062.50	CRO	Do.
2-1848	El Crest Mining Co., Denver, Colo.	A-1	500,000.00	CRO	Feb. 18, 1936
2-1690	Electric Smelters, Inc., Central City, Colo.	A-1	350,000.00	SO	Feb. 11, 1936
2-1362	Empire Mines & Metals Co., Albuquerque, N. Mex.	A-1	350,000.00	W	July 6, 1935
2-1497	Esmeralda-Parrel Mining Co., Philadelphia, Pa.	A-1	281,250.00	CRO	July 13, 1935
2-1458	Feather Butte Gold Mines, Inc., Ontario, Calif.	A-1	350,000.00	SO	Sept. 17, 1935
2-1816	Florida Towing Corporation, Jacksonville, Fla.	A-1	187,500.00	CRO	Feb. 4, 1936
2-1718	The Fort Lyon Canal Co., Las Animas, Colo.	A-1	400,000.00	W	Dec. 4, 1935
2-1390	Franco Mining Corporation, Reno, Nev.	A-1	75,000.00	SO	Feb. 1, 1936
2-2196	George H. Frederick Distilleries, Harrison, Ohio.	E-1	205,000.00	CRO	June 12, 1936
2-1694	Frye Investment Co., Seattle, Wash.	E-1	605,000.00	CRO	Oct. 24, 1935
2-2191	The Gabriel Co., Cleveland, Ohio.	A-2	405,000.00	CRO	June 13, 1936
2-2088	General Equities, Inc., Minneapolis, Minn.	A-1	250,000.00	CRO	Apr. 24, 1936
2-1870	General Lumber Co., Seattle, Wash.	A-1	405,000.00	CRO	Feb. 21, 1936
2-1449	Golden Conqueror Mines, Inc., Manitou, Colo.	A-1	1,395,000.00	SO	Sept. 17, 1935
2-1643	Gold Shore Mines, Ltd., Winnipeg, Manitoba, Canada.	A-1	750,000.00	SO	Feb. 11, 1936
2-1441	Gregory-Bates Mining Corporation, Denver, Colo.	A-1	1,020,000.00	W	Sept. 20, 1935
2-1504	Hassinger-O'Brien Lease, Butler, Pa.	A-1	1,000,000.00	W	July 16, 1935

Footnotes at end of table.

SECURITIES ACT REGISTRATION STATEMENTS AS TO WHICH STOP  
ORDERS, CONSENT REFUSAL ORDERS, AND WITHDRAWAL  
ORDERS WERE ISSUED JULY 1, 1935, TO JUNE 30, 1936—Continued

Docket no.	Issuer	Form	Amount	Type of order	Date
2-1918	Hepburn & McTavish Ltd., Inc., Los Angeles, Calif.	A-1	\$300,000.00	W	Mar. 6, 1936
2-1186	Bondholder's Protective Committee of Herald Square Realty Corporation, New York, N. Y.	D-1 (I)	561,870.00	W	July 13, 1935
2-2103	Hess Oil Co., Kansas City, Mo.	A-1	269,000.00	CRO	May 2, 1936
2-1504	Horn Signal Manufacturing Co., New York, N. Y.	A-1	673,656.00	CRO	Aug. 13, 1935
2-1142	Hotel Senator Corporation, San Francisco, Calif.	D-1 (I, II)	155,120.00	W	June 11, 1936
2-1672	Imperial Citrus Cooperative Association, Orlando, Fla.		A-1	151,500.00	SO
2-1424	Income Estates of America, Inc., Philadelphia, Pa.	C-1	1,500,000.00	CRO	July 24, 1935
2-1900	Iniskin Drilling Co., Los Angeles, Calif.	A-1	400,000.00	W	Mar. 23, 1936
2-71	Insured Investors, Inc., Kansas City, Mo.	A-1	250,000.00	SO	May 15, 1936
2-1617	International Investors Fund Syndicate, Scranton, Pa.	A-1	25,000.00	W	June 16, 1936
2-1998	International Investors Fund System, Inc., Scranton, Pa.	C-1	19,500,000.00	CRO	Oct. 5, 1935
2-1055	Kirch-Trumbull Corporation, Alden, N. Y.	A-1	144,200.00	W	Sept. 24, 1935
2-1745	Laclede Power & Light Co., St. Louis, Mo.	A-2	9,009,000.00	W	May 29, 1936
2-1222	LaLuz Mining Corporation, Montreal, Quebec, Canada.	A-1	150,000.00	SO	Oct. 4, 1935
2-2160	Lawrence Warehouse Co., San Francisco, Calif.	A-2	200,010.00	CRO	May 29, 1936
2-1951	Lednew Corporation, Jersey City, N. J.	A-1	250,000.00	SO	Apr. 20, 1936
2-1692	Lewis American Airways, Inc., Denver, Colo.	A-1	1,007,850.00	SO	Mar. 27, 1936
2-1711	The Livingston Mining Co., Boulder, Colo.	A-1	474,905.15	CRO	Nov. 8, 1935
2-1868	London Deep Mines Co., Leadville, Colo.	A-1	1,299,997.00	SO	Mar. 6, 1936
2-1264	Lyons Mid-Continent Corporation, New York, N. Y.	C-1	1,000,000.00	W	July 12, 1936
2-1955	Mansul Chemical Co., Jacksonville, Fla.	A-1	200,000.00	W	May 14, 1936
2-1980	Marlowe Products, Inc., Clifton, N. J.	A-1	960,000.00	CRO	Mar. 28, 1936
2-1778	May-Spiers Gold Mines, Ltd., Toronto, Ontario, Canada.	A-1	75,000.00	CRO	Dec. 13, 1935
2-831	Mecca Metals, Troy, Mont.	A-1	109,000.00	W	July 3, 1935
2-1081	Melgren Mines Corporation, Phoenix, Ariz.	A-1	600,000.00	W	Aug. 14, 1935
2-1491	Metropolitan District New Homes Corporation, New York, N. Y.	C-1	500,000.00	W	July 10, 1935
2-1596	Mid-Tyrrell Matachewan Gold, Ltd., Toronto, Ontario, Canada.	A-1	37,500.00	W	Feb. 5, 1936
2-1459	Mineral Products, Inc., New York, N. Y.	A-1	500,000.00	SO	July 9, 1935
2-1434	The Monitor Mining Corporation, Denver, Colo.	A-1	312,625.00	SO	Oct. 24, 1935
2-2148	Montana-Dakota Utilities Co., Minneapolis, Minn.	A-2	14,974,500.00	W	June 25, 1936
2-2128	Motherlode Development Corporation, Atlanta, Ga.	A-1	472,500.00	W	Do.
2-1277	Murwood Gold Mines, Ltd., Toronto, Ontario, Canada.	A-1	175,000.00	SO	July 31, 1935
2-1291	Mutual Industrial Bankers, Inc., Newark, N. J.	A-1	123,000.00	SO	Jan. 4, 1936
2-1447	National Educators Mutual Association, Inc., Nashville, Tenn.	A-1	750,000.00	SO	Aug. 28, 1935
2-1680	National Mushroom Corporation of America, Avondale, Pa.	A-1	360,000.00	W	Nov. 23, 1935
2-1838	Navajo Gold Mines, Inc., Mancos, Colo.	A-1	100,000.00	CRO	Jan. 14, 1936
2-1837	Newman Dick Mining & Developing Co., Kirkland Lake, Ontario, Canada.	A-1	2,000,000.00	SO	Apr. 24, 1936
2-2215	do.	A-1	2,000,000.00	W	May 28, 1936
2-1506	New Park Mining Co., Salt Lake City, Utah.	A-1	250,000.00	CRO	June 18, 1936
2-1732	New York Water Service Corporation, Woodhaven, Long Island.	A-2	2,300,000.00	W	Aug. 8, 1935
2-1135	The North American Co., New York, N. Y.	C-2	48,760,000.00	W	Nov. 18, 1935
2-1741	No. 2 Park Lane West, Inc., New York, N. Y.	D-1 (I)	118,666.00	W	July 22, 1935
2-1575	Oil Exploration & Development Trust (F. E. Wiscup, trustee), San Angelo, Tex.	A-1	600,000.00	SO	Feb. 11, 1936
2-1773	Oil Ridge Oil & Refining Co., Las Vegas, Nev.	A-1	600,000.00	SO	Oct. 9, 1935
2-1438	Oil Run Purchase Corporation, Jersey City, N. J.	A-1	200,000.00	W	Dec. 31, 1935
2-1756	Orogrande-Frisco Gold Mines, Lewiston, Idaho.	A-1	367,000.00	SO	Nov. 25, 1935
2-1074	Committee for Alexander Pantages, first-mortgage bonds, Portland, Oreg.	D-1 (I)	141,666.67	W	Feb. 21, 1936
2-1633	Peninsular Refining Corporation, Tampa, Fla.	A-1	407,000.00	W	Oct. 7, 1935
2-1390	The Pennsylvania Bridge Co., New York, N. Y.	A-1	2,760,000.00	W	May 25, 1936
2-1380	Penn Valley Crude Oil Corporation, Olean, N. Y.	A-1	1,550,000.00	SO	July 17, 1935
2-1380	Petroleum, Inc., Porterville, Calif.	A-1	725,000.00	SO	Aug. 1, 1935
2-1688	Poulin Gold Mines, Ltd., Montreal, Quebec, Canada.	A-1	600,000.00	W	Feb. 11, 1936
2-1283	Precious Metals, Inc., Buffalo, N. Y.	A-1	325,000.00	CRO	July 20, 1936

Footnotes at end of table.

SECURITIES ACT REGISTRATION STATEMENTS AS TO WHICH STOP ORDERS, CONSENT REFUSAL ORDERS, AND WITHDRAWAL ORDERS WERE ISSUED JULY 1, 1935, TO JUNE 30, 1936—Continued

Docket no.	Issuer	Form	Amount	Type of order	Date
2-1248	Radio City Amusement Corporation, New York, N. Y.	A-1	\$250,000.00	SO	Aug. 14, 1935
2-369	Rainbow Mining & Milling Co., Ltd., Medimont, Idaho.	A-1	75,000.00	W	Nov. 22, 1935
2-731	Raritan Petroleum Corporation, Newark, N. J.	A-1	500,000.00	W	June 6, 1936
2-137	Redding Creek Placers, Ltd., San Francisco, Calif.	A-1	202,108.00	W	Jan. 18, 1936
2-1220	Region Mines, Ltd., Vancouver, British Columbia Canada	A-1	150,000.00	CRO <sup>3</sup>	Sept. 20, 1935
2-1482	Richfield Caribou Gold Mines, Ltd., Vancouver, British Columbia, Canada	A-1	262,500.00	CRO	July 15, 1936
2-2044	Robot-Hand Corporation, Detroit, Mich.	A-1	1,876,000.00	CRO	Apr. 16, 1936
2-1940	Rochester Distilling Co., Inc., Rochester, N. Y.	A-1	1,203,772.50	CRO <sup>4</sup>	Apr. 1, 1936
2-1753	Santa Lucia Mining Co., Inc., Wilmington, Del.	A-1	405,100.00	SO <sup>4</sup>	Feb. 11, 1936
2-2057	Securities Investment Corporation, Omaha, Nebr.	A-2	518,812.50	W	Apr. 21, 1936
2-1262	Seneca Plumas Gold Mining Co., Reno, Nev.	A-1	250,000.00	W	Sept. 21, 1935
2-1589	Sinclair Mines, Ltd., Searchmont, Ontario, Canada.	E-1	58,133.00	SO	Mar. 31, 1936
2-2087	Skookum Gold Mines, Ltd., Toronto, Ontario, Canada	A-1	340,000.00	SO <sup>7</sup>	June 10, 1936
2-1657	R. W. Smith, Inc., Wilmington, Del.	A-1	625,000.00	W	Dec. 19, 1935
2-1322	Snow Point Mining Co., Inc., Milwaukee, Wis.	A-1	312,625.00	SO	Mar. 14, 1936
2-1604	South Mountain Mining Co., Phoenix, Ariz.	A-1	500,000.00	W	Oct. 1, 1935
2-1849	Sparta Foundry Co., Sparta, Mich.	A-2	1,875,000.00	W	Feb. 3, 1936
2-1733	State National Securities Corporation readjustment plan managers (Indianapolis Chain Store Terminals, Inc.), Indianapolis, Ind.	D-1 (I & II)	134,333.33	W	Feb. 13, 1936
2-1794	Sterling Gold Mining Corporation, Houston, Tex.	A-1	50,000.00	W	Feb. 17, 1936
2-1793	do	A-1	300,000.00	W	Do.
2-1576	Summit Gold Mining Corporation, Vancouver, British Columbia, Canada	A-1	405,000.00 445,500.00	W (?) (?)	Sept. 27, 1935 May 28, 1936 June 30, 1936
2-1526	Sussex Fire Insurance Co., Newark, N. J.	A-1	1,500,000.00	W (?)	Aug. 3, 1935 Sept. 28, 1935
2-1528	do	A-1	1,490,923.20	W (?)	May 7, 1936 Apr. 2, 1936
2-1991	The Temblor Oil Co., Boston, Mass.	A-1	299,985.00	W (?)	Apr. 21, 1936 June 9, 1936
2-1991	do	A-1	299,985.00	CRO (?)	June 30, 1936
2-1936	Time Controlled Indicators, Inc., Los Angeles, Calif.	A-1	300,000.00	CRO	Mar. 14, 1936
2-1303	T. I. S. Management Corporation, 15 Exchange Pl. Jersey City, N. J.	A-1	1,017,241.42	SO <sup>4</sup>	Aug. 2, 1935
2-1632	Trans-State Oil Co., Houston, Tex.	A-1	500,000.00	W	May 1, 1936
2-1780	Tri-States Natural Gas Corporation, South River, N. J.	A-1	270,000.00	CRO	Dec. 13, 1935
2-1748	United Gold Fields of Nova Scotia, Ltd., Liverpool, Nova Scotia, Canada	A-1	400,000.00 325,000.00	W (?) (?)	Nov. 30, 1935 Apr. 13, 1936 June 30, 1936
2-1549	Van Dusen River Redwood Co., Wilmington, Del.	E-1	600,000.00	W	Aug. 6, 1935
2-1834	Vimy Gold & Metals, Ltd., Montreal, Quebec, Canada	A-1	619,993.00	SO	May 1, 1936
2-1532	Virginia City Mining Co., Butte, Mont.	A-1	100,000.00	SO <sup>4</sup>	Nov. 18, 1935
2-1177	Virginia City Mining Co., Butte, Mont.	A-1	38,480.90	SO <sup>4</sup>	Do.
2-1897	Washington Garden, Inc., Washington, D. C.	A-1	1,000,000.00	W	Apr. 22, 1936
2-2032	Washington Industrial Loan Co., Washington, D. C.	A-1	250,000.00	W	Apr. 23, 1936
2-1731	Washington Railway & Electric Co., Washington, D. C.	A-2	48,750,000.00	W	Nov. 18, 1935
2-1670	Washington-Youree Hotel, Company, Inc., Shreveport, La.	E-1	500,000.00	CRO <sup>3</sup>	Oct. 29, 1935
2-1167	Wee Investors Royalty Co., Tulsa, Okla.	A-1	100,000.00	SO	July 3, 1935
2-1527	The Wehle Brewing Co., West Haven, Conn.	A-1	178,600.00	W	Oct. 7, 1935
2-1787	Wendigo Gold Mines, Ltd., Toronto, Ontario, Canada	A-1	81,250.00	W	Dec. 26, 1935
2-1970	Zem Zem Corporation, New York, N. Y.	A-1	250,000.00	CRO <sup>3</sup>	Mar. 25, 1936
2-1970	do	A-1	250,000.00	W	Apr. 23, 1936

<sup>1</sup> List includes 40 stop orders, 36 consent refusal orders, and 77 withdrawal orders. 17 stop orders and 21 refusal orders were lifted during the period, making a net increase of 38. 7 withdrawal statements were refilled, making 70 net increase in number of statements withdrawn.

<sup>2</sup> W—Withdrawn. CRO—Consent refusal order. SO—Stop order.

<sup>3</sup> Consent refusal order lifted.

<sup>4</sup> Stop order lifted.

<sup>5</sup> Refiled.

<sup>6</sup> Effective.

<sup>7</sup> Stop order or consent refusal order lifted after June 30, 1936.

<sup>8</sup> Registration statement withdrawn.

<sup>9</sup> Pending amendment.

## APPENDIX IV

### List of publications available as of September 30, 1936

Copies of the material listed below may be procured from the Publications Unit, Securities and Exchange Commission, Washington, D. C.<sup>1</sup>

#### ACTS:

- Securities Act of 1933. (As amended.)
- Provisions of Federal Laws Relating to The Securities Act of 1933.
- Securities Exchange Act of 1934.
- Amendment to Securities Exchange Act of 1934 (Public, No. 621).
- Public Utility Act of 1935.

#### GUIDES TO FORMS:

- Guide to Forms Adopted under the Securities Act of 1933.
- Guide to Forms Adopted under the Securities Exchange Act of 1934.  
(NOTE.—These guides describe only the most frequently used forms under each Act.)

#### MISCELLANEOUS:

- Addresses by Commissioners and members of the staff of the Commission.
- Official Summary of Security Transactions and Holdings—issued semi-monthly, beginning with Volume 1, No. 1 (April 1935).
- Directory of Over-The-Counter Brokers and Dealers Registered with the Securities and Exchange Commission as of January 31, 1936.
- Securities Registered, Exempt from Registration or Admitted to Unlisted Trading Privileges under the Securities Exchange Act as of June 30, 1936, and monthly supplements.
- Work of the Securities and Exchange Commission—a pamphlet describing briefly the duties and activities of the Commission.

#### RELEASES:

- Releases are issued covering the Commission's official actions, orders, rulings, opinions, etc., under the Securities Act of 1933, Securities Exchange Act of 1934, and Public Utility Holding Company Act of 1935. An order blank is provided for placing names on the mailing list—this blank gives a brief description of the classes of releases under each Act so that a choice may be made.
- Compilation of Releases under the Securities Act of 1933, to and including December 31, 1935.
- Compilation of Releases under the Securities Exchange Act of 1934, to and including December 31, 1935.

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<sup>1</sup> Copies of the following publications may be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C.

Decisions of the Securities and Exchange Commission Volume 1—No. 1, issued Sept. 21, 1935. Price 15 cents.

Decisions of the Securities and Exchange Commission Volume 1—No. 2, issued Oct. 31, 1936. Price 25 cents.

Official Summary of Holdings of Officers, Directors, and Principal Stockholders as of Dec. 31, 1935. Price 35 cents.



**REPORTS:**

Securities and Exchange Commission Reports to the Congress of the United States:

First Annual Report of the Securities and Exchange Commission.

Report on the Government of Securities Exchanges. (Published as House of Representatives Document 85.)

Report on the Feasibility and Advisability of the Complete Segregation of the Functions of Dealer and Broker.

Report on Trading in Unlisted Securities upon Exchanges.

Report on the Study and Investigation of the Work, Activities, Personnel, and Functions of Protective and Reorganization Committees:

Part III—Committees for the Holders of Real Estate Bonds.

Part IV—Committees for the Holders of Municipal and Quasi-Municipal Obligations.

Part VI—Trustees under Indentures.

**RULES AND REGULATIONS:**

Regulation Regarding the Sale of Copies of Registered Information.

General Rules and Regulations Under the Securities Act of 1933.

Rules and Regulations under the Securities Exchange Act of 1934.

Rules of Practice.

Rules for the Regulation of Trading on Exchanges Recommended by the Securities and Exchange Commission for Adoption by National Securities Exchanges.

**UNIFORM SYSTEMS OF ACCOUNTS:**

Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies.

Uniform System of Accounts for Public Utility Holding Companies.

## APPENDIX V

TABLE 1.—Type classification, by months, of new securities,<sup>1</sup> included in registration statements fully effective Sept. 1, 1934–June 30, 1936

Month	Number of issues						Estimated gross proceeds										
	Common stock	Preferred stock	Certificates of participation, etc.	Secured bonds	Debentures	Short-term notes	Dollars					Percent of monthly total					
							Common stock	Preferred stock	Certificates of participation, interest, and warrants	Secured bonds	Debentures	Short-term notes	Total	Common stock	Preferred stock	Certificates of participation, etc.	Secured bonds
1934																	
September.....	11	4	4	25,579,179	745,562	7,337,250	853,500	1,387,000	955,000	36,003,991	71.0	2.1	20.4	2.9	3.6	2.7	100.0
October.....	6	1	5	3,435,500	2,500,000	2,578,475	960,000	100,000	20,100,000	29,567,475	11.6	8.5	8.7	2.9	18	98.0	100.0
November.....	28	1	3	4,537,422	300,000	10,250,000	9,600,000	4,980	9,860,000	34,547,422	13.1	.9	29.7	27.8	1	28.5	100.0
December.....	13	7	3	7,607,833	1,631,916	12,758,950	16,237,200	4,980	9,860,000	40,240,879	18.9	4.1	31.7	45.3	.0	---	100.0
1935																	
January.....	9	5	4	5,742,405	1,367,000	3,935,000	875,000	1,000,000	---	11,044,405	52.0	12.4	35.6	2.4	---	---	100.0
February.....	2	2	4	83,333	2,379,800	32,505,000	96,750,000	1,000,000	---	36,842,133	2.6	6.5	88.2	2.4	2.7	---	100.0
March.....	13	4	5	10,744,406	768,471	21,827,910	96,750,000	7,285,000	250,000	130,015,797	8.3	6	16.8	74.3	---	---	100.0
April.....	13	7	3	37,234,684	32,316,298	2,787,241	74,763,125	7,285,000	250,000	154,596,548	24.1	20.9	1.7	48.4	4.7	.2	100.0
May.....	16	5	1	27,690,478	2,033,580	205,000	81,229,194	29,049,750	---	140,208,002	19.7	1.5	1.5	58.0	20.7	---	100.0
June.....	22	7	4	35,247,222	4,514,459	123,331,500	123,331,500	28,487,500	1,000,000	192,630,681	18.3	2.3	64.1	14.8	.6	---	100.0
Total Sept. '34–June '35.....	131	43	32	157,902,662	48,457,066	94,164,826	405,614,519	67,294,290	32,165,000	805,698,323	19.6	6.0	11.7	50.3	8.4	4.0	100.0

<sup>1</sup> New securities in this table as well as in the following 5 tables include all securities registered with the Securities and Exchange Commission with the exception of reorganization and exchange securities, for which see tables 7 and 8.

TABLE 1.—Type classification, by months, of new securities,<sup>1</sup> included in registration statements fully effective Sept. 1, 1934—June 30, 1936—Continued

Month	Number of issues						Dollars						Percent of monthly total									
	Common stock	Preferred stock	Certificates of participation, etc.	Secured bonds	Debentures	Short-term notes	Total	Common stock	Preferred stock	Certificates of participation, etc.	Secured bonds	Debentures	Short-term notes	Total	Common stock	Preferred stock	Certificates of participation, etc.	Secured bonds	Debentures	Short-term notes	Total	
																						Estimated gross proceeds
1935																						
July.....	18	3	9	14	7	1	52	77,427,695	25,550,000	25,960,871	352,252,683	48,927,287	366,415	530,474,751	14.6	4.8	4.9	965.4	9.2	.1	100.0	
August.....	19	5	12	8	6	1	50	24,995,777	24,547,315	11,562,500	102,181,090	90,845,670	---	264,062,322	3.8	9.7	4.5	40,265.8	---	---	100.0	
September.....	15	11	6	8	2	1	42	62,150,776	16,713,528	6,256,300	157,025,695	77,943,831	100,000	319,874,100	13.4	6.2	2.0	143,124.3	0	---	100.0	
October.....	25	8	6	15	11	1	65	25,425,348	31,046,709	89,700,000	182,356,850	83,557,600	---	406,086,507	6.3	7.9	20.9	144,920.6	---	---	100.0	
November.....	27	7	5	13	4	1	56	55,308,879	7,079,700	1,565,000	194,092,643	31,785,796	---	289,771,988	19.1	2.4	2.8	167,011.0	---	---	100.0	
December.....	28	6	7	10	4	2	57	41,285,729	20,872,854	4,771,220	89,929,868	14,681,515	60,587,500	212,084,696	13.5	9.8	2.3	342.4	6.9	13.1	100.0	
1936																						
January.....	20	4	8	11	3	2	48	27,278,924	3,124,700	11,027,450	214,915,627	15,395,000	3,985,000	275,686,001	9.9	1.1	4.0	78.0	5.6	1.4	100.0	
February.....	24	12	6	13	7	1	56	27,113,693	31,493,893	13,705,196	85,978,858	11,124,850	---	212,088,937	12.8	14.6	9.3	49,519.4	---	---	100.0	
March.....	24	15	8	17	6	1	53	51,319,269	28,793,884	37,572,368	94,416,466	129,649,249	1,271,875	528,361,793	14.8	4.9	1.2	167,422.2	---	---	100.0	
April.....	46	22	17	21	3	1	123	168,698,294	55,872,660	35,373,368	79,453,478	113,565,000	---	751,312,784	22.8	7.2	4.3	84,833.0	---	---	100.0	
May.....	46	16	15	15	5	1	103	88,913,694	31,565,400	19,151,190	179,118,238	165,865,285	565,487	339,218,664	27.8	7.2	4.3	84,833.0	---	---	100.0	
June.....	40	19	10	14	14	1	104	120,458,666	77,317,000	1,500,000	159,700,070	164,085,729	---	523,458,409	23.0	14.8	3.3	51.9	---	---	100.0	
Total fiscal year 1936.....	355	125	119	141	75	9	824	600,532,593	951,987,119	219,245,265	2,344,402,436	916,859,792	47,274,237	4,677,301,403	17.1	7.6	4.6	50.1	13.6	1.0	100.0	

<sup>1</sup> New securities in this table as well as in the following 5 tables include all securities registered with the Securities and Exchange Commission with the exception of reorganization and exchange securities, for which see tables 7 and 8.

TABLE 2.—Group classification, by months, of issuers of new securities fully effective July 1, 1935—June 30, 1936

Month	Number of statements							Number of issues										
	Extractive Industries	Manufacturing Industries	Financial and Investment companies	Merchandising	Transportation and Communication	Service Industries	Electric Light and Power, Gas, and Water companies	Other 1	Total	Extractive Industries	Manufacturing Industries	Financial and Investment companies	Merchandising	Transportation and Communication	Service Industries	Electric Light and Power, Gas, and Water companies	Other 1	Total
<b>1935</b>																		
July.....	7	15	12	2	4	1	6		47	7	18	13	2	4	2	6		52
August.....	6	14	6			1	6	1	34	10	13	15			2	6	1	50
September.....	8	17	4	2			5		30	10	13	11	2		6		42	
October.....	7	14	12		3	1	11		49	8	20	18		5	3	12		63
November.....	10	17	1	1		1	12	1	46	10	18	11	1	2	2		56	
December.....	9	13	10	2	2		3	2	43	9	19	13	3	2	7	4	57	
<b>1936</b>																		
January.....	10	14	9		3	1	1	1	38	11	18	13		3	1	1	48	
February.....	6	13	1			1	4		42	3	27	14		2	6		66	
March.....	3	20	9	1	5	1	8	6	53	3	37	13	3	1	1	12	83	
April.....	8	38	17	5	8		10	1	87	9	63	23	6	11	3	15	128	
May.....	11	25	17	1		2	3		59	14	33	28		3	3	8	83	
June.....	4	31	9	2	1	1	10	1	59	6	54	18	3	1	17	2	104	
Total.....	83	221	130	17	23	10	81	13	583	101	339	190	23	32	18	102	19	824
<b>Dollars</b>																		
Estimated gross proceeds																		
Percent of monthly total																		
<b>1935</b>																		
July.....	1,517,805	210,668,702	95,695,661	3,575,000	19,633,833	350,000	199,033,700		380,474,751	0.3	39.7	18.0	0.7	3.7	0.1	37.5		100.0
August.....	13,616,388	54,302,894	76,905,663	1,123,000		766,497	32,181,060	74,280,000	264,052,322	6.1	21.4	30.3			.3	12.7	26.2	100.0
September.....	5,060,085	180,631,769	9,888,145	1,200,000			163,269,111		319,874,100	1.0	47.1	3.1	1.6			47.9		100.0
October.....	2,882,881	70,593,317	110,441,286	6,370,875	52,037,000	750,000	163,011,168		406,086,507	1.7	17.4	27.2	1.6	12.8	.2	40.1		100.0
November.....	5,322,375	68,604,370	14,383,494	4,175,000	240,000	7,500,000	193,421,749	123,000,000	288,771,988	1.8	23.7	4.9	1.1	2.6	2.6	68.8	.0	100.0
December.....	28,784,000	36,954,003	18,709,338	4,600,000	46,830,000		35,532,615	40,650,000	312,084,696	13.6	17.4	8.8	2.2	22.1		16.7	19.2	100.0
<b>1936</b>																		
January.....	6,578,228	163,120,638	28,754,400		2,719,875	700,000	27,810,000	46,012,800	275,696,001	2.4	59.2	10.4			.3	10.1	16.7	100.0
February.....	3,971,358	60,702,631	36,189,626		700,000	14,850,000	95,675,320		212,088,937	1.9	23.6	17.1			7.0	45.1		100.0
March.....	4,935,000	177,997,667	49,910,164	4,791,668	12,767,176	775,000	237,182,635	99,542,053	583,201,333	3.1	30.6	8.5	.8	2.2	.1	40.7	17.1	100.0
April.....	12,230,531	263,894,446	71,821,302	12,787,593	155,176,300		204,399,866	30,712,500	751,012,738	1.6	35.1	9.6	1.7	20.7		27.2	4.1	100.0
May.....	10,327,134	128,499,343	95,818,159	2,540,000		3,131,018	79,003,000		319,318,654	3.2	40.3	30.0	.8	1.0	1.0	24.7		100.0
June.....	6,371,500	232,075,835	69,348,194	2,623,750	1,466,850	13,932,330	197,350,196	280,750,000	523,469,405	1.2	44.3	13.2	.5	1.3	2.7	37.7	.1	100.0
Total.....	99,077,295	1,617,945,515	677,865,624	38,688,886	291,576,774	42,774,846	1,617,890,420	291,583,103	4,677,301,462	2.1	84.6	14.5	.8	6.2	.9	34.6	6.3	100.0

1 Includes agriculture, real estate, construction and allied industries, miscellaneous domestic companies, and foreign governments.

TABLE 3.—Reduction of estimated gross proceeds to net proceeds, by months, of new securities registered for account of issuers and fully effective July 1, 1935—June 30, 1936  
[Amount in dollars]

	July 1935	August 1935	September 1935	October 1935	November 1935	December 1935	January 1936	February 1936	March 1936	April 1936	May 1936	June 1936	Total July 1935-June 1936
Gross proceeds of all effective securities.....	830,474,751	254,082,322	319,874,100	406,086,507	289,771,888	212,084,090	275,698,001	212,088,937	383,391,363	751,012,738	819,318,054	823,493,405	4,677,301,462
Gross proceeds of effective securities not now intended to be offered for sale by issuers:													
Registered for "account of others".....	1,823,506	1,723,973	1,177,155	22,573,937	3,902,508	5,460,042	11,439,102	1,828,649	55,220,877	42,022,849	19,860,308	20,269,073	167,031,699
Reserved for conversion.....	22,266,875	615,000	23,409,138	5,209,200	33,363,683	6,496,620	1,758,000	4,869,016	9,592,400	49,912,336	12,074,881	70,433,481	244,929,680
Reserved for subsequent issuance against options and warrants.....	24,000,000	5,348,427	1,200,000	1,476,985	1,200,000	3,429,142	1,351,260	9,322,579	21,852,350	2,218,751	7,534,300	12,398,110	90,957,994
Reserved for other subsequent issuance.....	492,765	1,800	-----	6,100	-----	75,000	800,000	202,500	15,606,300	5,406,000	41,250	668,480	23,060,205
To be issued against claims.....	-----	94,200	23,225	58,000	-----	-----	7,000	129,118	-----	39,360	-----	-----	356,303
To be issued for tangible assets and intangible assets.....	10,000	675,000	15,985,895	-----	815,000	-----	14,638	300,000	-----	347,164	82,800	-----	47,450,297
To be issued in exchange for other securities.....	4,997,950	18,196,020	28,769,626	6,618,381	-----	222,845	2,404,800	20,028,623	6,009,180	38,007,682	17,919,015	34,050,738	177,224,557
Total not now intended to be offered for sale by issuers.....	53,682,496	26,655,330	75,899,939	35,940,723	38,981,091	15,883,449	17,301,200	36,351,365	108,281,057	137,812,882	57,212,554	137,937,889	741,080,885
Gross proceeds of securities now intended to be offered for sale by issuers.....	476,792,255	227,406,992	244,304,161	370,145,784	250,790,897	196,201,247	363,994,711	175,937,762	475,110,306	613,398,856	882,306,100	385,821,516	3,936,210,577
Selling and distributing expenses:													
Commissions and discount to underwriters and agents.....	14,992,883	6,537,316	6,098,470	13,935,356	7,935,306	8,469,118	9,954,033	6,736,268	13,763,859	19,204,012	8,888,648	10,359,374	126,495,031
Other selling and distributing expenses.....	3,376,842	1,387,405	1,951,211	2,184,990	2,041,870	1,269,960	1,814,999	1,337,377	2,794,848	3,819,740	1,923,539	3,768,266	27,372,573
Total selling and distributing expenses.....	18,369,725	7,924,720	8,049,681	16,120,345	9,977,176	9,739,078	11,470,032	8,073,645	16,558,707	23,023,752	10,812,187	14,127,640	154,087,604
Estimated net proceeds.....	468,422,630	219,482,272	236,264,480	354,025,689	240,763,715	186,432,169	246,928,679	167,864,117	468,551,899	600,175,304	251,290,893	371,893,376	3,782,122,973

TABLE 4.—Proposed uses of net proceeds, by months, of new securities registered for account of issuers and fully effective, July 1, 1935–June 30, 1936

	[Amounts in dollars]												
	July 1935	August 1935	September 1935	October 1935	November 1935	December 1935	January 1936	February 1936	March 1936	April 1936	May 1936	June 1936	Total, July 1, 1935–June 30, 1936
Organization and development expenses.....	271,220	461,905	669,863	729,643	1,230,680	662,541	1,033,014	750,023	116,237	209,606	1,360,219	2,002,700	9,336,651
Purchase of—													
Real estate.....	1,789,920	5,308,429	213,125	330,900	357,411	10,673	250,293	18,050	12,500	36,084,233	25,000	594,750	1,782,277
Plant and equipment.....	90,000	70,000	5,514,398	4,145,517	6,324,493	2,357,430	9,959,340	5,367,306	9,485,408	250,000	2,294,923	31,846,430	120,488,833
Other assets.....	40,156,976	25,490,813	7,454,833	85,498,564	35,100	252,812	1,132,500	156,000	212,872	250,000	1,274,243	1,716,400	3,448,833
Securities for investment.....	42,036,896	30,909,827	13,182,356	90,920,291	15,774,985	10,399,744	25,060,143	30,471,997	41,042,084	60,437,349	46,996,464	1,112,352	382,755,998
Securities for affiliation.....	37,199,366	2,422,296	9,767,105	3,973,461	13,004,796	554,613	24,350	10,506,938	10,506,938	347,057	332,500	1,112,352	12,877,840
Total purchase of assets.....	37,199,366	30,909,827	13,182,356	90,920,291	15,774,985	13,569,278	36,402,266	36,013,353	61,259,802	97,128,638	46,923,131	34,199,962	521,350,768
Increase of working capital.....	4,289,603	5,680,143	27,194,569	15,525,912	3,268,268	4,357,160	3,882,015	11,441,589	3,880,918	22,611,183	90,818,250	20,389,534	213,369,154
Retirement of preferred stock.....	(1)	(1)	(1)	(1)	13,838,200	22,990	5,531,334	388,515	4,547,076	24,328,115	81,723,114	277,656,505	2,805,441,619
Reimbursement loans used for capital expenditures.....	371,224,873	170,296,350	174,602,832	182,380,211	186,874,573	122,643,480	186,066,761	107,289,076	358,392,275	438,684,814	80,079,026	274,234,209	2,652,768,480
Repayment of bonds and notes.....	3,301,373	9,516,671	10,867,755	60,493,039	6,772,193	35,134,284	6,346,803	2,463,679	8,659,313	4,051,645	1,644,088	3,422,266	152,673,139
Other debts.....	374,596,246	179,813,021	185,470,587	242,873,250	193,646,766	157,777,764	192,413,564	109,752,755	558,442,736	459	81,723,114	277,656,505	2,805,441,619
Total repayment of indebtedness.....	260,299	195,080	3,082	3,082	285,637	264,505	1,008,603	1,008,603	1,008,603	1,008,603	1,008,603	1,008,603	1,008,603
Miscellaneous and unaccounted for.....	485,423,630	219,452,272	236,284,480	954,025,639	240,793,715	186,412,169	246,924,679	167,886,117	458,551,899	590,175,104	251,290,893	371,893,376	3,752,142,973
Total.....	485,423,630	219,452,272	236,284,480	954,025,639	240,793,715	186,412,169	246,924,679	167,886,117	458,551,899	590,175,104	251,290,893	371,893,376	3,752,142,973

\*Amounts proposed for reimbursement of loans for capital expenditures, if any, are included in totals to be applied toward repayment of other debt.

TABLE 4.—Proposed uses of net proceeds, by months, of new securities registered for account of issuers and fully effective, July 1, 1935-June 30, 1936—Continued

	Percent of total												
	July 1935	August 1935	Sep-tember 1935	Octo-ber 1935	Nov-ember 1935	Decem-ber 1935	Janu-ary 1936	Feb-ruary 1936	March 1936	April 1936	May 1936	June 1936	Total July 1, 1935-June 30, 1936
Organization and development expenses.....	0.0	0.2	0.3	0.2	0.5	0.4	0.4	0.4	0.0	0.0	0.5	0.5	0.2
Purchase of—													
Real estate.....		0	.1	1	2	.0	.1	.0	.0				.1
Plant and equipment.....	0.4	2.4	2.3	1.2	2.6	1.3	4.0	3.2	2.1	6.1	.9	8.6	3.2
Other assets.....	.0	.0	.3	.3	.0	.1	.5	.1	.0	.1	.1		.1
Securities for investment.....	8.8	11.7	3.2	24.1	8.8	5.6	10.1	18.2	9.0	10.2	18.7		10.1
Securities for affiliation.....					.0	.3			2.3	.1	.1		.3
Total purchase of assets.....	9.2	14.1	5.0	25.7	6.6	7.3	14.7	21.5	13.4	16.5	19.8	9.2	13.8
Increase of working capital.....	8.1	1.1	4.1	1.1	5.4	5.4	5.4	5.7	4.5	4.5	10.9	8.9	5.5
Retirement of preferred stock.....	.9	2.6	11.5	4.4	1.4	2.3	1.6	6.8	.8	3.8	36.2	5.5	5.7
Reimbursement loans used for capital expenditures.....	( )	( )	( )	( )	5.7	.0				1.2	.1		.6
Repayment of bonds and notes.....	81.0	77.6	73.9	51.5	77.6	65.8	75.3	63.9	78.2	74.3	31.9	73.7	70.1
Other debt.....	.7	4.3	4.6	17.1	2.8	18.8	2.6	1.5	1.9	.7	.7	1.0	4.1
Total repayment of indebtedness.....	81.7	81.9	78.5	68.6	80.4	84.6	77.9	65.4	80.1	75.0	32.6	74.7	74.2
Miscellaneous and unaccounted for.....	.1	.1		.0				.2		.1			.1
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> Amounts proposed for reimbursement of loans for capital expenditures, if any, are included in totals to be applied toward repayment of other debt.

TABLE 5.—Statistics, by industries, of new securities fully effective under the Securities Act of 1933 from July 1, 1935, to June 30, 1936  
 (Estimated gross proceeds in dollars)

Industry	Gross proceeds							Securities				Securities not now offered for sale or exchange			
	Number of issues	Common stock	Preferred stock	Certificates of participation, etc.	Secured bonds	Debentures	Short-term notes	Total amount registered	Registered for account of others	Registered for account of issuer	Reserved for conversion	Reserved for other purposes	Reserved for other purposes	Total	
Agriculture.....	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Extractive industries:	1	125,000						125,000		125,000					
Coal mining.....	6	381,260	14,765,315		475,000			15,621,565		15,621,565	376,250			376,250	
Metal mining.....	60	32,210,939	2,000,000		16,965,000	390,820		61,266,759	8,705,232	42,561,527	100,000	500,000	1,800	601,800	
Oil & gas wells.....	32	14,024,851	8,893,012	3,003,750				26,521,613	2,081,985	24,439,628	3,787,500			3,787,500	
Quarry & nonmetal mining.....	3				5,667,355			5,667,358		5,667,358					
Total extractive.....	101	47,217,040	25,658,327	3,003,750	22,807,358	390,820		99,077,295	10,787,217	88,290,078	4,293,750	500,000	1,800	4,795,550	
Mfg. industries:	37	31,940,697	18,391,288	18,750	108,740,000	97,888,228		226,648,963	10,148,848	216,500,115	727,750	18,686,375	650,000	20,064,125	
Food & related prod.....	2	149,925	49,700					199,625		199,625					
Tobacco products.....	2														
Beverages:	10	2,365,608	262,500		250,000	231,250		3,110,288		3,110,288	225,000	335,832		560,832	
Dairy.....	11	7,180,465	16,598,200			8,000,000		31,778,665	86,750	31,691,915	5,895,292	475,000		6,370,202	
Distilleries.....	10														
Total beverages.....	21	9,546,973	16,860,700		250,000	8,231,250		34,858,923	86,750	34,802,173	6,120,292	810,832		6,931,124	
Textiles & prod.....	10	2,665,869	834,500			2,141,000		5,641,869	1,128,750	4,513,119		588,775	2,500	591,275	
Lumber & prod.....	3	2,781,250	200,000					3,021,250		3,021,250		1,181,250		1,181,250	
Paper & prod.....	14	14,622,289	14,991,200			6,500,000		35,713,489	5,483,063	30,230,426	3,215,700			3,215,700	
Print., publishing, & allied ind.....	5	2,677,221	1,200,000		5,475,000			9,352,221	634,600	8,717,621		860,321		860,321	
Chemicals & allied prod.....	21	18,401,809	12,509,421	13,400				30,924,630	639,752	30,287,878	9,385,000	302,958	206,300	10,044,238	
Mineral oil refining (including distribution).....	19	73,809,304	14,800,000			342,687,500	3,000,000	433,896,604	1,095,810	432,200,794	37,863,914	94,000,000		61,863,914	
Leather & manufactures.....	4	865,200	7,661,710			4,918,000		13,345,410	73,700	13,271,710	792,000			792,000	
Building & related prod.....	19	35,264,670	6,027,900			27,147,287		68,969,857	16,068,859	52,890,998	18,327,388			18,327,388	
Iron & steel (excluding machinery).....	37	105,385,321	13,667,686	15,000	309,966,212	41,274,141		470,908,269	12,552,827	458,355,442	62,213,802	1,576,800	567,765	64,398,397	



15	5, 490, 294	1, 970, 000	129, 818	9, 600, 000	64, 376, 000	71, 565, 112	1, 884, 000	69, 481, 112	276, 000	276, 000	00, 000	762, 770
	Nonferrous metals.....											
	Machinery & tools (excluding transp. equip.).....	5, 232, 760	100, 000	1, 622, 500	44, 916, 283	103, 337, 888	10, 829, 726	92, 508, 162	21, 497, 888	8, 976, 085		30, 442, 973
	Transp. equip.....	4, 921, 407	103, 750	5, 500, 000	2, 809, 126	47, 761, 470	10, 388, 884	4, 284, 199	7, 645, 127		41, 260	11, 980, 576
	Miscellaneous mfg. ind. Total mfg. ind.....	11, 725, 000	380, 718	441, 183, 712	611, 766, 814	3, 000, 000	1, 617, 945, 515	75, 789, 209	1, 642, 166, 309	169, 438, 993	6, 170, 815	241, 046, 209
	Financial & investment company's: Investment & trading company's: General & limited management co's.....	13, 083, 181		4, 495, 000	46, 930, 295	380, 720, 760	1, 478, 286	379, 224, 464	6, 113, 631	13, 052, 363		18, 165, 994
	Fixed trusts.....	11, 725, 000	78, 018, 639		46, 930, 295	79, 868, 639		79, 868, 639				18, 165, 994
	Total investment & trading co's.....	36, 450, 836	201, 652, 512	4, 495, 000	46, 930, 295	460, 561, 389	1, 478, 286	469, 083, 103		13, 052, 363		18, 165, 994
	Holding company's.....	6, 784, 410		50, 000, 000		56, 784, 410	100, 000	56, 684, 410		1, 784, 410		1, 784, 410
	Commercial credit, fi- nance, & mg. co's.....	60, 979, 315	80, 000	2, 173, 262	1, 618, 460	119, 293, 767	205, 720	119, 088, 047	45, 466, 476	3, 661, 000	668, 490	49, 785, 966
	Industrial & personal loan company's.....	2, 303, 900		2, 742, 500	869, 882	13, 751, 972	7, 143, 650	6, 608, 322	281, 289	401, 400	6, 100	688, 750
	Insurance company's.....	6, 360, 000				6, 360, 000	4, 251, 656	2, 098, 346				
	Other finance & in- vestment company's.....	8, 075, 560	13, 078, 656			21, 154, 086	197, 055	20, 957, 031	50, 000			50, 000
	Total finance & investment co's.....	112, 812, 587	201, 732, 512	58, 668, 262	51, 201, 245	1, 914, 882	13, 376, 361	684, 489, 263	50, 911, 857	18, 859, 173	674, 500	70, 445, 120
	Merchandising.....	14, 341, 698		5, 108, 728	1, 260, 000	36, 688, 886	10, 788, 475	27, 800, 411	3, 033, 820	316, 000	813, 000	4, 182, 820
	Real estate.....	1, 490, 000				2, 764, 583	758	2, 764, 000	1, 260, 000			1, 260, 000
	Const'n & allied ind. Transportation & com- munication.....	262, 500		276, 988, 500	20, 440, 000	291, 575, 774	729, 690	290, 846, 084	1, 090, 000		400, 000	1, 490, 000
	Service industries.....	5, 760, 000		1, 118, 268		42, 774, 845	6, 067, 448	36, 707, 397	6, 416, 670	2, 646, 360		9, 263, 030
	Electric & power, gas, & water.....	141, 503		1, 164, 000	21, 137, 500	22, 443, 003		22, 443, 003				
	Holding company's.....	5, 650, 000		405, 648, 288	92, 943, 085	508, 641, 353	2, 296, 876	508, 344, 478	4, 400, 000			4, 400, 000
	Operating holding company's.....	50, 763, 646	11, 128, 265	961, 177, 531	42, 446, 377	1, 821, 875	1, 086, 868, 084	67, 195, 971	1, 019, 610, 068		15, 000, 000	22, 125, 000
	Operating company's.....	56, 413, 646	11, 128, 265	1, 367, 989, 799	156, 526, 962	1, 821, 875	1, 617, 890, 420	69, 492, 846	1, 548, 397, 674	11, 625, 000	15, 000, 000	26, 525, 000
	Total elec. lgt. & pwr., gas, & water.....	130, 599		72, 375, 000	904, 951	637, 500	74, 048, 050	74, 048, 050				
	Misc. domestic co's.....			100, 192, 800	74, 290, 000	214, 382, 800		214, 382, 800				
	Foreign governments & subdivisions.....											
	Grand total.....	593, 351, 987	1, 119, 216, 245	2, 344, 402, 496	916, 859, 792	47, 274, 267	4, 677, 301, 462	187, 031, 999	1, 490, 299, 463	244, 929, 530	90, 957, 994	22, 060, 205
												368, 947, 729





TABLE 5.—Statistics, by industries, of new securities fully effective under the Securities Act of 1933 from July 1, 1935 to June 30, 1936—Continued

Industry	Net proceeds of securities offered for sale to be used for—										Increase of working capital
	Net proceeds less cost of selling and distributing	Organization and development	Real estate	Plant and equipment	Other tangible assets	Securities		Intangible assets	Total all assets		
						For investment	For affiliation				
Agriculture.....	\$100,000	27	28	29	30	31	32	33	34	35	\$23,000
Coal mining.....	2,997,297			290,675					290,675		775,632
Metal mining.....	32,337,600	5,031,150	972,452	4,977,814			\$352,500	\$236,072	6,568,838		31,621,835
Oil and gas wells.....	15,371,780	2,576,994	213,125	3,024,632	\$282,812			852,244	4,372,833		6,966,803
Quarrying and nonmetal mining.....	5,368,734			260,534					260,534		
Total extractive industries.....	65,095,411	8,067,144	1,185,577	8,563,075	282,812		1,352,500	1,138,316	11,492,980		10,384,270
Manufacturing industries:											
Food and related products.....	171,190,715		9,400	1,902,991			1,217,269		3,129,690		4,531,688
Tobacco products.....	155,685						20,000	7,500	27,500		
Beverages:											
Breweries.....	1,932,425	10,401	9,000	1,238,428			35,533		1,247,426		411,698
Distilleries.....	23,625,446	5,555	8,050	470,310					513,963		6,154,810
Total beverages.....	25,557,871	16,056	17,050	1,708,738			1,35,633		1,761,419		5,666,408
Textiles and their products.....	3,117,710			250,000					250,000		527,044
Lumber and timber products.....	1,462,222			55,000				27,000	94,000		1,406,971
Paper and paper products.....	14,144,843	4,000	12,000	5,677,950					5,677,950		6,000,000
Paper, printing, and allied industries.....	3,585,208	8,960		6,000					6,000		6,000,000
Chemical and allied products.....	18,080,433	72,279	1,000	1,988,782				90,000	2,069,782		5,665,512
Mineral oil and allied (including distribution).....	362,328,845			2,168,455					2,168,455		29,894,437
Leather and leather manufactures.....	11,991,392										427,069
Building and related manufactures.....	32,105,147	5,000	3,750	408,916				15,300	427,069		6,965,295
Iron and steel (excluding machinery).....	322,821,713	90,000	12,500	43,556,962			704,841		44,261,803		14,571,381
Nonferrous metals.....	66,047,785			1,404,356					1,416,859		1,566,784
Machinery and tools (excluding transportation equipment).....	41,401,908	321,200		1,114,000	250,000			70,000	1,384,000		11,394,993
Transportation equipment.....	22,826,942	87,989		3,406,033					3,476,033		12,497,704
Miscellaneous manufacturing industries.....	39,477,571	81,000		19,469,876			192,244	6,000	19,668,120		3,467,991
Total manufacturing industries.....	1,152,296,077	1,156,484	55,700	80,313,080	250,000		2,169,517	216,400	82,804,677		98,448,583







TABLE 6.—Channels of distribution of new securities registered for account of issuers and fully effective July 1, 1935–June 30, 1936

[Estimated gross proceeds in dollars]

Industry	Securities offered for sale				
	To own security holders	To investors through underwriters and agents	Direct to investors by registrants	To others	Total
Agriculture.....			125,000		125,000
Extractive industries:					
Coal mining.....	500,000	2,146,315	500,000		3,146,315
Metal mining.....	1,306,921	37,264,403	2,684,913	284,785	41,541,027
Oil and gas wells.....	2,579,800	15,860,265	2,103,000		20,543,065
Quarrying and nonmetal mining.....		5,667,358			5,667,358
Total extractive industries.....	4,386,721	60,938,341	5,287,918	284,785	70,897,765
Manufacturing industries:					
Food and related products.....	63,320,028	118,884,133	1,056,404	250	183,260,815
Tobacco products.....			199,625		199,625
Beverages:					
Breweries.....	52,340	2,239,424	199,662		2,491,426
Distilleries.....		24,911,623	125,000		25,036,623
Total beverages.....	52,340	27,151,047	324,662		27,528,049
Textiles and their products.....	332,585	2,802,226	403,000		3,537,811
Lumber and lumber products.....		1,840,000			1,840,000
Paper and paper products.....	5,072,101	9,989,761			15,061,862
Printing, publishing, and allied industries.....		3,906,450			3,906,450
Chemicals and allied products.....	16,578,600	1,092,740	412,000	702,000	18,785,340
Mineral oil refining (including distribution).....	17,817,880	292,067,500	200,000	60,231,600	370,336,880
Leather and leather manufactures.....		12,479,710			12,479,710
Building and related products.....	3,709,920	29,452,740	223,510		33,386,170
Iron and steel (excluding machinery).....	9,200,098	325,864,141	65,575	10,182,200	345,312,014
Nonferrous metals.....	3,289,524	64,725,000	50,000	734,000	68,798,524
Machinery and tools (excluding transportation equipment).....	24,529,774	18,265,653	869,112	65,000	43,729,539
Transportation equipment.....	17,091,808	5,142,127	2,479,350	255,080	24,968,365
Miscellaneous manufacturing industries.....	19,444,574	21,844,265		9,683	41,298,522
Total manufacturing industries.....	180,439,232	935,527,493	6,283,238	72,179,713	1,194,429,676
Financial and investment companies:					
Investment and trading companies:					
General and limited management.....		295,675,356	21,298,855	20,051,960	337,026,191
Fixed trusts.....		79,858,639			79,858,639
Total investment and trading companies.....		375,533,995	21,298,855	20,051,960	416,884,830
Holding companies.....		54,900,000			54,900,000
Commercial credit, finance, and mortgage companies.....	773,044	46,721,731	1,734,159		49,228,925
Industrial and personal loan companies.....		3,193,605	2,222,500	503,467	5,919,572
Insurance companies.....		165,000	433,350	1,500,000	2,098,350
Other financial and investment companies.....		12,152,631	6,004,500	2,750,000	20,907,031
Total financial and investment companies.....	773,044	492,666,862	31,693,355	24,805,447	549,938,708
Merchandising.....	6,092,848	12,775,608	233,815	647,100	19,799,371
Real estate.....		1,514,000			1,514,000
Construction and allied industries.....		262,500			262,500
Transportation and communication.....	7,799,100	270,709,534	2,603,000	3,300,000	284,411,634
Service industries.....	904,300	21,973,618	2,061,497	2,042,552	26,981,867
Electric light and power, gas, and water:					
Holding companies.....	102,343	22,301,600			22,403,943
Operating-holding companies.....		499,394,478	2,560,000		501,944,478
Operating companies.....	12,343,350	961,702,535		1,025,000	975,070,885
Total electric light and power, gas, and water.....	12,445,693	1,483,398,513	2,560,000	1,025,000	1,499,419,206
Miscellaneous domestic companies.....	730,000	73,298,050		20,000	74,048,050
Foreign governments and subdivisions.....		174,482,500		39,900,000	214,382,500
Grand total.....	213,570,938	3,527,547,219	50,887,823	144,204,567	3,936,210,677



TABLE 7.—Type classification, by months, of securities included in registration statements for reorganization and exchange issues fully effective July 1, 1935-June 30, 1936

Month	Number of issues										Approximate market value <sup>1</sup> in dollars									
	Num-ber of state-ments	Com-mon stock	Pre-ferred stock	Cer-tifi-cates of partici-pation	Sec-ured ben-don-tures	Short-term notes	Cer-tifi-cates of de-posi-t	Vot-ing trust cer-tifi-cates	Total	Com-mon stock	Pre-ferred stock	Cer-tifi-cates of partici-pation, benefi-cial in-terest, etc.	Sec-ured bonds	Deben-tures	Short-term notes	Cer-tifi-cates of de-posi-t	Vot-ing trust cer-tifi-cates	Total		
1935																				
July	13	3	1		2		6	3	19	7, 118, 987	293, 100	3, 848, 063	11, 248, 196		14, 123, 848	9, 867, 320	46, 457, 514			
August	10	2	2		2		7	1	12	1, 233, 034	1, 493, 668	204, 187			1, 158, 667		2, 625, 888			
September	6	1			1		3		6	46, 667	1, 693, 668	1, 220, 400			1, 720, 400		3, 474, 133			
October	9	2	1		2		5		12	2, 347, 250	1, 368, 753	2, 505, 600	977, 000		3, 906, 000	268, 000	11, 370, 000			
November	14	4	1		4		4	3	17	3, 667, 735	1, 756, 533	1, 648, 187	283, 258		2, 077, 225	4, 269, 837	13, 705, 605			
December	1	1			1			2	2	1, 212		119, 955					121, 167			
1936																				
January	9	1			3		5		9	64, 625		618, 588			821, 784		1, 504, 997			
February	4				0		20	2	22						2, 982, 883	10, 524, 852	13, 507, 735			
March	8				5		7	3	10		16, 948	1, 391, 799			533, 333	1, 676, 200	3, 618, 280			
April	9	2		1	2		7		11	2, 301, 200		944, 092			23, 654, 489		26, 216, 656			
May	7	2	1		2		2	2	10	44, 116	97, 963			15, 000	1, 170, 734	1, 507, 160	2, 788, 065			
June	9	1		1	0		5	3	11	5, 531, 250	36, 844		2, 655, 123		2, 262, 375	21, 871, 760	32, 357, 852			
Total	98	17	7	2	24	7	65	18	141	21, 123, 092	5, 208, 846	53, 792	12, 761, 198	15, 161, 677	15, 000	49, 973, 129	157, 747, 372			

<sup>1</sup> Represents actual market value and/or 1/2 of face value when market value was not available or applicable.

TABLE 8.—Industry group classification, by months, of securities included in registration statements for reorganization and exchange issues July effective July 1, 1956—June 30, 1956

Month	Number of issues										Approximate market value <sup>1</sup> in dollars														
	Agriculture	Extractive	Manufacturing	Finance and investment	Merchandising	Real estate	Construction	Transportation and communication	Service	Electric light, power, gas, and water	Other	Total	Agriculture	Extractive	Manufacturing	Finance and investment	Merchandising	Real estate	Construction	Transportation and communication	Service	Electric light, power, gas, and water	Other	Total	
1955																									
July				4	3	2				10		19			6,318,346	10,544,901		169,500				172,000	29,424,767		46,487,514
August				2		6			1	1	2	12			1,233,034	925,001		925,001				137,833	158,000		2,625,868
September				3	2							6			625,333	2,440,800		140,000			408,000				3,474,133
October				3		1				3		12			4,900,000			988,809				848,000	3,482,000		11,370,000
November	1	1		3		4					5	17			6,209,023			121,167				4,038,903	\$1,120,495		13,705,605
December						2					2	2						121,167							121,167
1956																									
January				2	18	7						22			354,575	1,008,083		1,150,422							1,504,987
February				2		5						10			10,524,552	1,038,633		1,626,314		1,974,800		953,333			13,507,735
March				2		6						10			1,038,633	26,401,362		403,834					411,460		3,618,280
April				5	4					2		11			134,619	179,734		780,000				193,412			2,216,056
May				1	2	1						10			1,500,000	2,883,041		36,844				15,289,160			2,788,065
June				4	3	1					1	11			14,003,307	2,883,041		36,844					145,000		32,357,352
Total	1	2	27	33		33			3	18	16	8	141	946,875	1,912,500	47,342,023	42,457,921	6,321,891		2,382,800	21,494,808	33,458,060	1,432,465	187,747,372	

<sup>1</sup> Represents actual market value and/or 1/4 of face value when market value was not available or applicable.

<sup>2</sup> Includes 2 foreign companies, approximate market value \$39,775.

TABLE 9.—Private placings of securities <sup>1</sup> January 1, 1934–June 30, 1936

Year and month	Total		Type of security		Group classification of issuers		
	Number of issues	Amount	Bonds and notes	Stocks	Public utility	Industrial	Other
1934							
January.....	2	\$12,000,000	\$12,000,000		\$12,000,000		
February.....							
March.....	1	2,000,000		\$2,000,000	2,000,000		
April.....							
May.....	1	1,247,000	1,247,000		1,247,000		
June.....	1	654,200		654,200	654,200		
July.....	1	6,500,000	6,500,000			\$6,500,000	
August.....	2	10,315,000	10,315,000		6,315,000	4,000,000	
September.....	1	10,000,000	10,000,000		10,000,000		
October.....	2	1,145,508		1,145,508		1,145,508	
November.....	6	48,903,000	48,763,000	140,000	19,323,000	29,140,000	\$440,000
December.....	3	5,076,000	5,076,000		2,086,000	2,990,000	
Total.....	20	97,840,708	93,901,000	3,939,708	53,625,200	43,775,508	440,000
1935							
January.....	7	45,805,000	45,805,000		453,000	22,602,000	22,750,000
February.....	2	38,950,000	38,950,000		1,950,000	37,000,000	
March.....	1	450,000	450,000		450,000		
April.....	4	6,807,568	5,750,000	1,757,568	3,807,568	3,000,000	
May.....	3	33,190,000	33,190,000		13,190,000	20,000,000	
June.....	7	51,431,000	51,431,000		21,181,000	28,000,000	2,250,000
July.....	4	13,403,000	13,403,000		10,403,000	3,000,000	
August.....	7	31,778,000	31,778,000		24,378,000	7,400,000	
September.....	4	16,180,000	16,180,000		1,550,000	14,630,000	
October.....	4	24,690,000	24,690,000		21,690,000	3,000,000	
November.....	4	30,800,000	30,800,000		14,800,000	16,000,000	
December.....	1	3,500,000	3,500,000		3,500,000		
Total.....	48	296,984,568	295,227,000	1,757,568	117,362,568	154,632,000	25,000,000
1936							
January.....	3	36,050,000	36,050,000		35,000,000	1,050,000	
February.....	2	8,650,000	8,650,000			8,650,000	
March.....	4	24,285,600	23,100,000	1,185,600	16,600,000	7,685,600	
April.....	1	7,000,000	7,000,000			7,000,000	
May.....							
June.....	3	14,500,000	14,500,000		3,000,000	11,500,000	
Total 6 months.....	13	90,485,600	89,300,000	1,185,600	54,600,000	35,885,600	
Grand total.....	81	485,310,876	478,428,000	6,882,876	225,577,788	234,293,108	25,440,000

<sup>1</sup> Registered private placings excluded.

TABLE 10.—Number, personnel, and branch offices of brokers and dealers registered on Form 1-M as of May 27, 1936, by form of organization  
ALL FIRMS WITH PRINCIPAL OFFICES WITHIN CONTINENTAL UNITED STATES OF AMERICA

Form of organization	Employees				Branch offices								
	Number of firms	Partners or officers	Total	Salesmen	Traders	Customers men	Others	Partners, officers, and employees	Total	Home city	Home state	Continental United States	Outside United States
Sole ownership.....	2,284	2,285	3,886	1,555	238	79	2,013	6,170	90	6	52	31	1
Partnership.....	1,580	5,925	48,983	3,401	1,634	5,557	38,881	54,908	1,361	177	283	859	62
Corporation.....	1,888	8,656	23,084	8,886	1,413	96	12,689	31,740	917	25	421	463	8
Other.....	9	107	110	10	1	1	99	217	5	-----	-----	4	1
Total.....	5,761	16,973	76,062	13,852	3,286	5,732	53,192	98,036	2,373	208	766	1,327	72
FIRMS WITH PRINCIPAL OFFICES IN NEW YORK CITY													
Sole ownership.....	690	689	863	197	109	17	535	1,647	15	3	3	8	1
Partnership.....	811	3,426	34,419	1,967	1,088	4,100	28,164	37,845	883	163	85	685	60
Corporation.....	363	1,649	5,772	2,391	458	7	2,916	7,421	230	8	32	187	3
Other.....	1	2	-----	-----	-----	-----	-----	2	-----	-----	-----	-----	-----
Total.....	1,865	5,766	41,049	3,655	1,655	4,124	31,615	46,815	1,128	164	120	780	64
FIRMS WITH PRINCIPAL OFFICES OUTSIDE NEW YORK CITY													
Sole ownership.....	1,594	1,956	3,027	1,358	129	62	1,478	4,623	75	3	49	23	0
Partnership.....	1,786	2,499	14,564	2,334	546	1,457	10,227	17,063	478	24	208	244	2
Corporation.....	1,525	7,007	17,312	6,495	955	89	9,773	24,319	687	17	389	276	6
Other.....	8	105	110	10	1	-----	99	215	5	-----	-----	4	1
Total.....	3,896	11,207	36,013	10,197	1,631	1,608	21,677	46,220	1,245	44	646	547	8

TABLE 11.—Value and volume of sales on registered exchanges, by months, July 1, 1935-June 30, 1936

PART 1. TOTAL MARKET VALUE OF ALL SALES\*

[Amounts in dollars]

	1935						1936						July 1, 1935 to June 30, 1936
	July	August	September	October	November	December	January	February	March	April	May	June	
Baltimore Stock Exchange	1,119,663	994,888	810,795	1,183,475	1,528,747	1,570,654	2,150,619	1,619,007	1,320,242	1,057,681	709,214	785,837	14,829,822
Boston Stock Exchange	15,872,027	17,869,812	16,394,371	21,077,357	25,137,891	22,205,607	26,728,799	26,407,668	22,912,128	23,855,791	15,700,373	14,400,983	245,622,805
Buffalo Stock Exchange	170,532	100,587	81,315	153,653	206,518	208,480	248,802	201,788	177,253	225,401	102,520	110,563	1,594,508
Chicago Board of Trade	184,604	431,677	291,072	204,010	303,244	153,813	249,603	279,130	330,602	255,401	122,520	277,207	2,845,245
Chicago Curb Exchange <sup>1</sup>					106,028	21,048	687,932	693,938	494,451	395,684	123,999	277,207	2,906,909
Chicago Stock Exchange	14,794,471	16,088,465	16,004,959	29,153,217	27,599,720	24,436,051	32,748,784	33,544,098	26,628,081	23,620,180	12,680,438	13,766,075	271,041,540
Cincinnati Stock Exchange	659,722	481,226	349,196	640,700	652,267	674,066	916,022	850,034	784,888	678,056	361,220	796,989	7,620,936
Cleveland Stock Exchange	4,897,999	4,983,663	4,120,842	4,214,802	4,047,809	4,524,262	4,163,965	4,202,908	4,165,153	4,186,165	4,952,349	4,783,017	19,322,934
Denver Stock Exchange	107,680	89,158	70,166	71,863	62,843	35,615	29,189	21,682	19,804	8,910			516,919
Detroit Stock Exchange	5,937,263	5,834,694	6,390,682	9,378,272	8,196,449	8,288,917	10,765,166	9,650,690	8,044,245	7,116,180	3,123,194	4,113,805	86,845,563
Los Angeles Stock Exchange	5,776,380	6,951,288	5,742,908	8,194,263	11,252,825	8,662,292	12,365,004	10,337,368	9,332,327	9,409,217	5,026,284	7,979,367	101,024,107
New Orleans Stock Exchange	246,656	280,640	153,479	323,899	265,736	285,488	347,628	280,306	273,497	211,448	100,070	155,071	2,924,174
New York Curb Exchange	167,307,429	216,839,184	148,384,104	216,614,611	253,487,973	218,284,864	342,229,584	323,622,999	303,279,932	209,137,761	132,919,204	150,685,562	2,083,193,207
New York Real Estate Securities Exchange	6,900	2,568	12,712	620	8,803	7,413	8,477	7,930	1,375	7,115	720	26,050	90,683
New York Stock Exchange	1,188,411,994	1,038,782,000	1,459,201,333	1,880,332,107	2,170,029,646	1,977,039,229	2,408,259,638	2,445,136,283	2,353,860,627	1,877,116,081	1,241,054,581	1,233,278,192	21,882,749,900
Philadelphia Stock Exchange	7,475,559	10,229,837	5,489,137	11,995,957	13,582,127	10,654,750	12,820,134	13,270,033	12,952,769	11,479,222	7,731,477	6,674,339	126,055,941
Pittsburgh Stock Exchange	2,702,724	3,133,529	2,753,627	4,111,433	4,514,288	3,636,212	4,620,271	5,903,737	3,893,729	4,578,500	1,833,712	2,308,568	44,033,040
St. Louis Stock Exchange	264,672	278,061	215,728	631,270	643,400	339,612	563,489	653,630	605,252	687,700	595,748	585,452	5,994,023
Salt Lake City Stock Exchange	171,913	223,435	179,365	183,837	316,808	274,217	577,114	486,250	539,091	443,008	315,594	173,173	3,883,805
San Francisco Curb Exchange <sup>2</sup>	2,010,235	2,723,266	2,232,186	2,637,378	4,271,970	1,902,166	3,537,371	4,070,342	3,533,652	2,561,814	1,319,345	1,568,318	32,368,003
San Francisco Mining Exchange <sup>3</sup>												40,194	40,194
San Francisco Stock Exchange	8,395,741	11,333,832	8,390,835	10,221,394	21,407,568	12,431,098	20,705,015	18,674,651	15,184,338	13,380,830	6,473,501	9,044,746	161,648,909
Standard Stock Exchange of Spokane <sup>4</sup>				100,833	90,686	104,047	168,190	81,248	67,477	70,247	146,825	248,434	1,089,967
Washington Stock Exchange	190,673	197,314	112,971	117,904	214,303	233,070	180,142	157,216	231,248	280,433	121,721	260,474	2,306,129
Total all registered exchanges	1,422,593,637	1,933,785,104	1,677,967,783	2,214,478,595	2,540,932,454	2,293,246,569	2,882,509,938	2,898,415,545	2,700,186,166	2,188,093,022	1,432,064,012	1,447,926,967	25,704,199,792

PART 2. MARKET VALUE OF STOCK SALES\*

[Amounts in dollars]

	1935						1936						July 1, 1935 to June 30, 1936
	July	August	September	October	November	December	January	February	March	April	May	June	
Baltimore Stock Exchange	1,097,832	957,187	785,914	1,138,539	1,493,038	1,510,794	2,053,354	1,593,255	1,287,156	960,639	625,232	681,644	14,164,594
Boston Stock Exchange	15,839,639	17,806,728	16,236,616	20,984,544	25,054,941	22,172,265	26,679,718	26,394,360	22,807,651	23,689,588	15,731,844	14,361,163	247,619,057
Buffalo Stock Exchange	169,782	106,067	81,315	153,210	205,252	208,480	248,802	201,788	177,253	225,401	102,520	110,563	1,594,508
Chicago Board of Trade	129,567	431,677	291,072	204,010	303,244	153,813	249,603	279,130	330,602	255,401	122,520	277,207	2,845,245
Chicago Curb Exchange <sup>1</sup>					102,105	161,593	657,932	693,938	494,451	395,684	123,999	277,207	2,906,909
Chicago Stock Exchange	14,791,130	16,016,802	16,004,021	29,128,263	27,597,570	24,430,894	32,737,163	33,538,604	26,620,644	23,614,722	12,679,132	13,755,942	270,914,887
Cincinnati Stock Exchange	647,663	421,465	344,185	624,181	633,830	663,028	906,004	848,114	784,888	672,966	344,637	794,962	7,486,844
Cleveland Stock Exchange	864,072	969,240	1,180,064	2,274,051	3,000,909	1,509,851	1,607,247	2,442,152	1,635,119	1,853,068	928,080	775,698	19,039,551
Denver Stock Exchange	107,680	89,158	70,166	71,863	62,843	35,615	29,189	21,682	19,804	8,910			516,919
Detroit Stock Exchange	5,937,263	5,834,694	6,390,682	9,378,272	8,196,449	8,288,917	10,765,166	9,650,696	8,044,245	7,116,180	3,123,194	4,113,805	86,845,563
Los Angeles Stock Exchange	5,776,380	6,948,350	5,741,482	8,193,211	11,252,825	8,662,292	12,365,004	10,337,368	9,332,327	9,409,217	5,026,284	7,979,367	101,024,107
New Orleans Stock Exchange	96,600	102,492	38,674	146,667	49,917	146,667	577,114	486,250	539,091	443,008	60,280	62,399	1,048,589
New York Curb Exchange	82,800,189	139,945,831	95,616,779	144,658,344	175,856,380	144,190,813	238,378,215	233,937,367	229,162,801	155,167,725	88,581,829	98,299,773	1,826,595,016
New York Real Estate Securities Exchange	6,900	2,568	12,712	620	8,803	7,413	8,477	7,930	1,375	7,115	720	26,050	90,683
New York Stock Exchange	990,280,739	1,392,860,490	1,241,475,228	1,659,689,784	1,953,074,676	1,738,246,762	2,009,593,692	2,140,083,999	2,092,308,111	1,679,839,354	1,077,071,770	1,002,190,079	19,036,284,664
Philadelphia Stock Exchange	7,444,071	10,201,284	5,489,137	11,976,072	13,564,555	10,111,555	12,777,949	13,251,877	12,872,000	11,453,915	7,708,054	6,674,339	126,055,941
Pittsburgh Stock Exchange	2,689,059	3,129,331	2,747,917	4,105,217	4,507,866	3,625,975	4,610,201	5,902,697	3,892,659	4,577,435	1,833,712	2,308,568	44,033,040
St. Louis Stock Exchange	282,522	273,285	214,373	627,979	637,155	334,709	510,461	627,247	544,472	667,079	544,472	572,609	5,994,023
Salt Lake City Stock Exchange	171,913	223,435	179,365	183,837	316,808	274,217	577,114	486,250	539,091	443,008	315,594	173,173	3,883,805
San Francisco Curb Exchange <sup>2</sup>	1,990,181	2,704,144	2,228,664	2,608,759	4,288,119	1,887,530	3,519,670	4,055,783	3,532,617	2,550,989	1,317,514	1,564,238	32,327,849
San Francisco Mining Exchange <sup>3</sup>												40,194	40,194
San Francisco Stock Exchange	8,312,146	11,251,277	8,308,743	10,134,302	21,332,522	12,338,407	20,596,426	18,584,403	15,068,799	13,329,882	6,457,671	9,016,461	160,681,030
Standard Stock Exchange of Spokane <sup>4</sup>				100,833	90,686	104,047	168,190	81,248	67,477	70,247	146,825	248,434	1,089,967
Washington Stock Exchange	106,135	97,255	59,636	61,602	72,645	161,361	73,321	84,213	163,496	183,403	85,414	172,920	1,321,401
Total all registered exchanges	1,139,413,533	1,510,330,142	1,406,442,223	1,912,260,309	2,250,673,333	1,979,149,490	2,439,219,328	2,503,129,081	2,429,959,330	1,936,201,836	1,223,443,863	1,164,147,432	21,994,370,360

PART 3. MARKET VALUE OF BOND SALES\*

[Amounts in dollars]

	1935						1936						July 1, 1935 to June 30, 1936
	July	August	September	October	November	December	January	February	March	April	May	June	
Baltimore Stock Exchange	21,831	37,751	44,881	44,936	35,709	59,860	97,265	25,752	42,086	96,982	83,982	74,193	685,228
Boston Stock Exchange	32,888	63,084	157,755	92,813	82,650	33,342	49,081	13,306	44,477	166,203	28,629	39,820	809,745
Buffalo Stock Exchange	5,937	470		478	1,063								2,556
Chicago Board of Trade													5,037
Chicago Curb Exchange <sup>1</sup>					3,923								56,376
Chicago Stock Exchange	3,341	51,663	9,938	24,954	2,150	5,187	11,621	7,494	2,437	5,458	1,306	10,134	126,653
Cincinnati Stock Exchange	42,059	9,761	5,010	22,519	18,437	11,638	9,118	1,920	5,070	6,583	6,583	1,977	134,092
Cleveland Stock Exchange													6,664
Los Angeles Stock Exchange	2,938	1,420	1,052	1,052									1,877,585
New Orleans Stock Exchange	150,056	218,148	114,805	189,443	215,899	138,821	212,996	203,178	142,519	144,768	54,810	92,672	856,598,191
New York Curb Exchange	84,507,270	76,993,353	53,268,325	7									

## APPENDIX VI

### LITIGATION INVOLVING STATUTES ADMINISTERED BY THE COMMISSION

In tabulating the Court proceedings in which this Commission or the Acts administered by it have been involved, a brief reference to every case of possible importance has been included. Litigation which has resulted in a reported opinion of the Court is described somewhat fully under the heading of the statute primarily in issue in the particular case. Other cases which have resulted in a decision or which remain pending as of June 30, 1936, are tabulated in alphabetical order under the same classification. Although this appendix in general describes the status of litigation only as it existed as of June 30, 1936, several of the more important developments subsequent to that date have been referred to.

#### I. SECURITIES ACT OF 1933, AS AMENDED

Proceedings arising under this statute have usually resulted from suits in equity commenced by the Commission pursuant to Section 20 (b) of the statute, seeking to enjoin violation of Section 17, the general prohibition against the fraudulent sale of securities, and violation of Section 5, requiring registration of securities.

*J. Edward Jones, New York.*—The most important litigation under this statute comprises two suits between the Commission and J. Edward Jones. The Commission first brought suit in the District Court for the Southern District of New York on February 4, 1935, to enjoin violations of Sections 5 and 17 of the Securities Act of 1933 in connection with the sale of beneficial interests, and interim receipts therefor, in oil royalty trusts sponsored by Jones. The second case arose on an application made to the District Court for the Southern District of New York on July 3, 1935, for an order to compel Jones to comply with a subpoena issued in a stop-order hearing under Section 8 (d) of the Act.

On February 4, 1935, the Securities and Exchange Commission filed a bill in equity against J. Edward Jones and others in the Southern District of New York, alleging that Jones had sold fractional undivided interests in oil properties, as well as trust certificates against such properties; that he had misrepresented the value of the oil interests comprising the trusts; that false and fraudulent

representations were employed in the sale of securities issued and sold by him; that the course of business employed by Jones constituted a scheme and artifice to defraud, contrary to the Securities Act of 1933; and that the mails and other instrumentalities of interstate commerce had been used. The bill sought to enjoin the defendants from using the mails and facilities of interstate commerce to defraud the public in the sale of securities in violation of Section 17 of the Act and to sell unregistered securities in violation of Section 5. The defendants consented in open court to the entry of a temporary injunction on February 8, 1935.

Subsequent to the temporary injunction referred to above, and on May 4, 1935, Jones filed a registration statement under the Act in respect of beneficial interests in an oil royalty trust to be created by him. After examination, the Commission instituted stop-order proceedings against the registration statement, and a hearing was held on June 18, 1935, at which Jones did not appear. His counsel then moved to withdraw the registration statement, which was denied. Thereafter a subpoena was served upon Jones, requiring his appearance and testimony on June 27 at the adjourned hearing. Jones again failed to appear, and the Commission applied to the District Court for the Southern District of New York for an order requiring his appearance, which was granted by Judge Caffey on August 12, 1935. In its opinion (reported at 12 F. Supp. 210), the District Court held that the Securities Act of 1933 was within the mail and commerce powers of Congress, that there was no invalid delegation of powers to the Commission, and sustained the Commission's action in denying Jones the right to withdraw his registration statement. This decision rebutted Jones' contention that the stop order proceedings had lapsed upon withdrawal of the statement, thus invalidating the subpoena. An appeal was taken to the Circuit Court of Appeals for the Second Circuit.

In the meantime, on June 28, 1935, Jones had filed a petition in the Circuit Court of Appeals for the Second Circuit, seeking to review the trial examiner's refusal to dismiss the stop-order proceedings and to permit withdrawal of the registration statement then under inquiry. However, the Court on November 4, 1935, dismissed this petition for review (consolidated on appeal with Jones' appeal from the District Court's order requiring compliance with the subpoena), on the ground that the orders denying withdrawal of the registration statement were interlocutory and therefore not appealable under Section 9 of the Act (79 F. (2d) 617).

On the same date, the Circuit Court of Appeals, Judge Manton rendering the opinion (79 F. (2d) 617), affirmed the order requiring compliance with the subpoena, and held that the powers of Congress

were sufficiently broad to prevent the use of the mails for the purpose of the transmission of unregistered securities; that the powers of the Commission as to the procedure of registration had been validly delegated by Congress; that the action of the Commission refusing the withdrawal of Jones' statement was proper; and that the Commission's authority to subpoena Jones was clear. On February 3, 1936, the Supreme Court granted certiorari to the ruling which ordered Jones to testify.

The case was argued for the Government by Stanley Reed, Solicitor General, and John J. Burns, General Counsel for the Commission; James M. Beck and Harry O. Glasser appeared for Jones. On April 6, 1936, the Court delivered its opinion, reported at 298 U. S. 1, Mr. Justice Sutherland writing the majority opinion, Justices Cardozo, Brandeis, and Stone dissenting. Although the decision was adverse to the Commission, the Court did not consider the constitutionality of the Securities Act of 1933. In substance the majority of the Court held that the commencement of stop-order proceedings by the Commission had prevented Jones' registration statement from ever becoming effective, and that, since none of the securities sought to be registered had been offered or sold, there was no public interest which could be prejudiced by its withdrawal. On this basis the Court held that the Commission erred in denying withdrawal of the statement. The right of withdrawal was considered by the Court, at least in this case, to be unqualified. Consequently, the Court held that the stop-order proceedings had lapsed and terminated when the motion to withdraw the statement was made, with the result that the subpoena, not having been issued in a properly pending proceeding under the Act, was invalid and of no force. The scope of the Court's decision in thus reversing the orders below is apparently largely limited to the procedure which it considered proper for the Commission to employ in connection with stop-order proceedings instituted under Section 8 of the Act.

The dissenting opinion written by Mr. Justice Cardozo stated that the rule of the Commission was valid; that the Commission had adequate reason for seeking to compel Jones to testify; and that notice of the withdrawal of the statement should not affect the power of the Commission to summon Jones.

One year after entry of the temporary injunction by consent, and subsequent to the decision of the Supreme Court holding that the Commission's subpoena against Jones was invalidly issued, the defendants on April 28, 1936, moved to vacate this consent injunction and sought dismissal of the suit. On June 1, 1936, the Court (Patterson, J), in an opinion reported at 15 F. Supp. 321, refused to dissolve the injunction, holding that Jones' consent precluded this sub-



sequent attack upon it, denied a motion for the return of certain records, and refused to dismiss the bill, holding the Act constitutional in the light of the Circuit Court of Appeals' previous decision in the case of *Jones v. Securities and Exchange Commission*, 79 F. (2d) 617, discussed *supra*. The Court further said:

It is further said that the 1933 Act is unconstitutional. But it was ruled constitutional by the Circuit Court of Appeals of this Circuit in *Jones v. Securities and Exchange Commission*, 79 F. (2d) 617, and the Supreme Court in reversing the result did not reverse that ruling.

An appeal by the defendants to the Circuit Court of Appeals for the Second Circuit was allowed, and was argued on June 26, 1936.<sup>1</sup>

Indictments were returned against Jones in the Southern District of New York on May 8, 1936, containing 15 counts alleging violations of the mail-fraud statute only. No date for trial has been set.

*Robert Collier & Co., Inc., Stock Market Finance, Inc.*—Litigation of importance second only to the different phases of the *Jones case* is that resulting from suits for an injunction against violations of the Act brought against Robert Collier & Co., Inc., et al., and against Stock Market Finance, Inc., et al. District Judge Caffey, on February 23, 1935, had dismissed both of these suits on the grounds that the Commission was not entitled to appear except by the United States Attorney or the Attorney General. The cases were consolidated for argument on appeal. The Circuit Court of Appeals for the Second Circuit, on November 26, 1935, in an opinion by Judge Learned Hand reported in 76 F. (2d) 939, held that in injunction proceedings brought under Section 20 (b) of the Securities Act of 1933 the Commission is entitled to appear by its own counsel. The Circuit Court, in construing the authority vested in the Commission by Section 20 (b) of the Securities Act, gave much importance to the fact that the original bills, H. R. 4314 and S. R. 875, accorded to the Attorney General exclusive power not only to decide when to sue but necessarily to conduct the suit, but were subsequently amended in this respect by the Congressional committees at the suggestion of Robert E. Healy, then the Chief Counsel of the Federal Trade Commission.

Judge Hand in his opinion stated:

There cannot be the least question that \* \* \* it was intended to allow the Commission complete autonomy in civil prosecutions.

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<sup>1</sup> In a decision rendered July 14, 1936, and reported at 85 F. (2d) 17, the Court affirmed the judgment below and reiterated its position in the earlier case (79 F. (2d) 617) that the Securities Act of 1933 was constitutional. A petition for certiorari was denied by the Supreme Court on Oct. 19, 1936, with the result that the case is now pending on the merits in the District Court.

Thereafter a temporary injunction was granted by District Judge Hulbert, and on October 16, 1935, a permanent injunction was entered on consent of the respondents in the *Robert Collier case*. Certiorari was sought in the *Stock Market Finance case*, but was denied on March 2, 1936 (56 Sup. Ct. 589). Thereafter, on May 29, 1936, the District Court denied a temporary injunction on the ground that the defendants were no longer engaged in the activities alleged to violate the Act, and that there was no reason to anticipate a resumption thereof.

#### CASES INVOLVING THE DEFINITION OF THE TERM "SECURITY" CONTAINED IN SECTION 2 (1) OF THE ACT

*H. P. Wickham, doing business as Minneapolis Stock Traders Service, and The Grain Marketing Service.*—The decision of the District Court for the District of Minnesota, Fourth Division, in this case is also of major importance in that it involves the application of the Act to interests in a "trading pool" composed of investors' funds and securities. Although the contract sold by the defendants purported only to create an agency to invest and manage the funds and securities of the principal, the Court, in addition to sustaining the constitutionality of the Securities Act, held that participations in such an enterprise were securities within the definition in the Act. Although the Commission has obtained other injunctions against the sale of similar participating interests, the only definitive opinion upon the status of such trading contracts under the Act is that of Judge Nordbye in this case, reported at 12 F. Supp. 245.

The bill for an injunction, filed July 9, 1935, sought to restrain the defendant from selling through the mails or in interstate commerce without registration being effective, contracts authorizing investment and speculation in his uncontrolled discretion with the purchasers' funds, the defendant retaining 40 percent of the profits as his compensation. The defendant moved to dismiss the bill primarily upon the ground that this contract did not constitute a "security" within the meaning of Section 2 (1) of the Securities Act of 1933. On September 17 the court granted the preliminary injunction sought by the Commission.

The Court, in holding that this contract was a security, said:

Whether one invests money in the proverbial gold mine where he receives a certificate evidencing his contributions and resulting interest in the profits which are anticipated, or invests in a speculative venture by reason of the claimed skill and experience of a grain and stock market manipulator to make profits, the transactions cannot be rationally distinguished in determining the dealings which Congress intended

to regulate in using the term "investment contract." Both are investments that the law seeks to supervise and regulate to prevent abuses and afford the investing public some measure of protection. Both entail the issuance of a security. In one the investor expects profits by reason of the gold to be mined; in the other by reason of the skill and experience of the defendant in the market. In both the opportunities for fraud are notorious.

In any event, if resort must be made to any other portion of the Act, the phrase "certificate of interest or participation in any profit-sharing agreement" is amply inclusive to embrace the contract in question. The Court does not consider *Dame v. Lee*, 178 S. E. 752 (Ga.), cited by the defendant, as controlling. Further, the Court is of the opinion that the constitutionality of the Securities Act of 1933 must be sustained, so far as that question is before the court on this motion.

On February 11, 1936, a permanent injunction was entered upon the consent of the defendants.

#### CASES INVOLVING DEFINITION OF "SECURITY"

Principal defendants	United States district court in which complaint filed	Date of filing of bill	Violations alleged	Disposition
Aldrich Blake.....	District of Columbia.	Sept. 7, 1934	Sec. 5.....	Temporary injunction granted Jan. 20, 1934. Permanent injunction granted May 19, 1936. Appeal dismissed Sept. 18, 1936.
Colonial Trading Co. (and 36 other defendants).	District of Nevada.	Apr. 11, 1935	Secs. 5 and 17....	Permanent injunctions granted May 1, 1936. 11 defendants indicted July 6, 1935.
Crude Oil Corporation of America (and 3 other defendants).	Western District of Wisconsin.	Apr. 27, 1936	.....do.....	Pending.
Cultivated Oyster Farms Corporation.	Southern District of Florida.	Jan. 10, 1936	.....do.....	Temporary injunction granted May 20, 1936.

*"Sell and Switch" devices.*—The Commission has litigated numerous cases involving the practice of first selling to customers seasoned dividend-paying stocks listed on the major securities exchanges, and, after gaining their confidence, "switching" them into a low-grade speculative stock being distributed by the dealer and, of course, highly recommended by him. This simple expedient for gaining and subsequently abusing the customers' trust, which often involves use of "tipster sheets" as well as misrepresentation of bid and asked prices in a fictitious over-the-counter market, was involved in the following court proceedings.

Principal defendants	United States district court in which suit was brought	Date of filing	Violations alleged	Disposition
Benners, Owens & Co. et al.	Eastern District of Michigan.	May 15, 1936	Sec. 17.....	Temporary injunctions entered against 3 defendants May 15, 1936. One defendant has filed answer. Pending.
Carleton Saunders & Co.	District of New Jersey.	June 25, 1934	.....do.....	Permanent injunction entered Sept. 12, 1934.
Collins-Moore & Co. et al.	Western District of Kentucky.	Sept. 17, 1935	Secs. 5 and 17.....	Case dismissed by plaintiff without prejudice Jan. 7, 1936.
Dill & Co., Inc., Investors Trading Corporation, Harold L. McCormack, et al.	District of Massachusetts.	Mar. 5, 1935	.....do.....	Receiver appointed for corporate defendants Mar. 11, 1935. Suit dismissed as to 1 defendant Dec. 27, 1935. Defendant McCormack consented to entry of permanent injunction Apr. 1, 1936.
Kerpel & Co., Inc., et al.	Southern District of New York.	Nov. 2, 1935	Sec. 17.....	Permanent injunction entered Feb. 21, 1936.
National Investment Transcript et al.	District of New Jersey.	Sept. 14, 1934	.....do.....	Permanent injunction entered by consent Sept. 24, 1936. Twenty defendants indicted July 2, 1936. Pending.
Lawrence A. Rose (Lawrence A. Rose Co.).	Southern District of New York.	Feb. 8, 1936	.....do.....	Permanent injunction entered by consent Feb. 4, 1936.
Louis Weingarten & Co., Inc.	.....do.....	May 7, 1936	.....do.....	Permanent injunction entered by consent May 9, 1936.

**ACTIONS AGAINST BROKERS AND DEALERS OPERATING BUCKET SHOPS**

Another situation often encountered involves the sale of securities on margin or on a deferred-payment plan wherein the broker or dealer neither purchases the securities thus sold to his customers nor makes other provision for acquiring securities with which to fulfill his commitment to the customer. In the normal case this involves "bucketing" orders, a fraudulent practice which is specifically defined as a crime under the laws of most States. In many instances the operators of bucket shops, in addition to failure to purchase the security sold to customers, embezzle the partial payments made, or the margin collateral deposited, by customers. The following cases involve this type of fraudulent operation.

Principal defendants	United States district court in which suit was brought	Date of filing of bill	Violations alleged	Disposition
Crumpton & Co. (Frank J. Hill, John G. Nagel).	District of Columbia.	May 14, 1935	Sec. 17-----	Permanent injunction entered against Nagel on June 9, 1936. Other defendants could not be served.
Donegan & Co. (J. J. Donegan).	-----do-----	May 6, 1935	Secs. 5 and 17---	Consent injunction granted May 6, 1936.
Kattelman & Co. (H. T. Kattelman).	Eastern District of Missouri.	June 29, 1935	-----do-----	Decrees <i>pro confesso</i> entered Aug. 28, 1935, but set aside on Sept. 23, 1935. Kattelman has been indicted in Circuit Court of the City of St. Louis for embezzlement; trial set for Dec. 21, 1936.
Krog, Carl E. (Investment Securities Co.).	Northern District of Texas.	Feb. 7, 1936	Secs. 5 and 17 Securities Act, and Sec. 8 of the Securities Exchange Act.	Permanent injunction granted on Feb. 11, 1936.
Harrison Knight & Co., Inc. (Harrison Knight, Edward A. Snyder).	District of Maryland.	Mar. 1, 1935	Sec. 17-----	Permanent injunction granted by consent on May 17, 1935.
Roberts, Howard M. (Howard M. Roberts Co.).	District of Columbia.	May 3, 1935	Secs. 5 and 17---	Temporary injunctions granted May 14, 1935, and May 17, 1935. 1 defendant obtained vacation of order as to him May 16, 1935.
Turivas & Co., Inc. (Louis Turivas et al.).	Eastern District of Louisiana.	Dec. 7, 1934	-----do-----	Principal defendants consented to entry of permanent injunction on Jan. 9, 1935. On May 23, 1935, indictments were returned against 20 defendants and are now pending.
Upton & Co. et al. (Howard C. Upton).	Northern District of Illinois.	July 31, 1935	Sec. 17-----	Permanent injunction entered on consent Oct. 18, 1935.
M. E. Wilcox, Inc. (Vincent J. O'Brien, Harry L. Reif).	Northern District of Indiana.	Feb. 14, 1935	Secs. 5 and 17---	Permanent injunction entered on consent and receivers appointed Feb. 14, 1935.
Zimmerman, Jack-----	Northern District of Georgia.	Apr. 19, 1935	Sec. 17-----	Permanent injunction entered by consent Apr. 20, 1935. 2 defendants indicted June 17, 1936, and trial set for October 1936. 1 defendant pleaded guilty, receiving a 3-year sentence.

MISCELLANEOUS INJUNCTIONS

*Grinnell F. Oliver & Co. et al.*—This action was instituted on March 16, 1936, in the District Court of the United States for the Northern District of Illinois, Eastern Division, to enjoin defendants from violating the provisions of Section 5 and Section 17 in the sale of Mid-Continent Income Shares, Inc., a purported investment trust for oil royalties. Fraudulent practices in the sale of oil royalties were asserted, as well as fraudulent commingling of the customers' funds with the personal funds of the defendants, and misrepresentation as to "income" payments alleged to have been paid out of capital. The complaint also alleged that sales of the shares in the investment trust were made in violation of the registration and prospectus requirements of the Act. The Court, in an oral opinion not reported, dismissed the complaint on the ground that the activities complained of had ceased, that there was no reason to believe that they would be resumed, and that therefore the defendants could not be enjoined since they were neither "engaged" nor "about to engage" in violations of the Act.

Other miscellaneous cases are tabulated below:

Principal defendants	United States district court in which suit was brought	Date of filing of bill	Violations alleged	Disposition
Billberg, Edward, Allen Gordon, Harry J. Greenwald.	Eastern District of Washington.	Jan. 29, 1936	Secs. 5 and 17	Permanent injunction granted by consent Jan. 29, 1936.
Boyette, W. E.	Southern District of Florida.	Oct. 21, 1935	do	Temporary injunction granted Oct. 29, 1935.
Bryant, F. S. (F. S. Bryant & Co.).	District of Massachusetts.	Mar. 24, 1936	Sec. 17	Defendant consented to entry of permanent injunction Mar. 24, 1936.
Direct Royalty Sales Corporation.	District of Columbia.	Sept. 23, 1935	Secs. 5 and 17	Case pending.
Durante, A. A.	Southern District of New York.	June 24, 1935	do	Temporary injunction granted as to Durante July 13, 1935, as to defendant Goodwin Sept. 25, 1935. Answer filed and case pending.
Elliott, Harry W., John Buie.	Southern District of Mississippi.	Jan. 27, 1936	do	Temporary injunction granted Mar. 3, 1936, permanent injunction granted May 18, 1936, both on consent. 2 defendants indicted Nov. 8, 1936. Trial was held in May 1936, 1 defendant convicted, 1 acquitted. No appeal.
El Presidio Hotel Guaranteed Syndicate.	Northern District of Texas.	June 28, 1935	do	Permanent injunctions entered against 8 defendants Feb. 27, 1936. Suit dismissed as to 1 defendant Feb. 27, 1936.

Principal defendants	United States district court in which suit was brought	Date of filing of bill	Violations alleged	Disposition
Fernald, George A. ....	District of Massachusetts.	Mar. 6, 1936	Sec. 17.....	Permanent injunction granted Mar. 6, 1936.
Franklin Savings & Loan Co. et al. of Spartanburg, S. C.	Western District of South Carolina.	Sept. 17, 1935	Secs. 5 and 17...	Permanent injunction granted Sept. 17, 1935.
Gallop, George (Gallop & Co.).	Eastern District of Louisiana.	Dec. 8, 1934	Sec. 17.....	Permanent injunction entered by consent Feb. 25, 1935.
Glengarry Mining Co. et al.	Southern District of New York.	Dec. 18, 1935	-----do-----	Permanent injunctions entered on consent as to all defendants between Dec. 19, 1935 and May 11, 1936.
Goldfields Consolidated Mines, Inc., et al.	District of Montana.	Nov. 2, 1935	Secs. 5 and 17...	Motion to vacate order to show cause and to dismiss amended complaint made on May 27, 1936. Pending.
Jensen, Andrew, Jr. ....	District of Massachusetts.	Mar. 11, 1936	Sec. 17.....	Defendant consented to entry of permanent injunction on Mar. 11, 1936.
Knapp Milton & Co., Inc., et al.	Southern District of New York.	Mar. 3, 1936	Secs. 5 and 17...	Permanent injunction granted on consent and entered Apr. 2, 1936.
Levett & Co. (Harry H. Levett, M. A. Levett et al.).	Eastern District of Michigan.	June 15, 1936	Sec. 17.....	Temporary injunctions granted June 15, 1936 and Sept. 12, 1936.
Morgan, Walter Terry.	Southern District of Texas.	Sept. 3, 1935	Secs. 5 and 17...	After answer and argument permanent injunction granted June 8, 1936.
Myers, Sam, et al. ....	District of Massachusetts.	Apr. 1, 1936	Sec. 17.....	Permanent injunction granted Apr. 1, 1936.
Nazaro, Edmund E., et al.	-----do-----	July 19, 1935	-----do-----	Permanent injunction consented to in open court July 22, 1935
Pike, Joel, et al. ....	-----do-----	Feb. 20, 1936	-----do-----	Permanent injunction entered by consent Feb. 20, 1936.
Plymouth Consolidated Gold Mines, Ltd., et al.	District of Delaware.	Jan 3, 1935	Secs. 5 and 17...	Preliminary injunction granted Aug. 8, 1935; permanent injunction granted June 3, 1936. Indictments returned against 6 persons Mar. 1, 1936. Prosecution pending.
Popular Finance, Inc., et al.	District of Massachusetts.	Aug. 30, 1934	Sec. 17.....	Defendants consented to entry of preliminary injunction Oct. 1, 1934. Pending.
Raffe, Mandell, et al. ....	-----do-----	Dec. 19, 1935	-----do-----	Permanent injunction granted on consent Dec. 19, 1935.
Secord, Vanderpoel & Co., Ltd., et al.	Southern District of New York.	June 21, 1935	Secs. 5 and 17...	Temporary injunctions granted as to several separate defendants between July 15, 1945, and Dec. 27, 1935.
Thompson, Walter S. ....	District of Massachusetts.	May 2, 1936	Sec. 5.....	Permanent injunction granted on consent May 2, 1936.

Principal defendants	United States district court in which suit was brought	Date of filing of bill	Violations alleged	Disposition
Trowbridge, Almarin..	District of Massachusetts.	Jan. 2, 1936	Sec. 17.....	Permanent injunction granted on consent Jan. 2, 1936.
Universal Service Association et al.	Northern District of Illinois.	Mar. 30, 1936	Secs. 5 and 17...	Motion for preliminary injunction made on Apr. 9, 1936. Answer filed Apr. 28, 1936. Case pending.
Vale, Jack R.....	Northern District of Mississippi.	Nov. 12, 1935	Sec. 17.....	Preliminary injunction granted Nov. 12, 1935. Permanent injunction Nov. 25, 1935. Indictment returned Nov. 8, 1935. Defendant convicted and sentenced for 1 year and 6 months on Nov. 21, 1936.
Vickers, Sidney G. et al.	District of Massachusetts.	Mar. 4, 1936	....do....	Permanent injunction entered Mar. 30, 1936.
Wall Street Security Corporation et al.	Northern District of Illinois.	Feb. 27, 1935	Secs. 5 and 17..	Temporary injunction granted against further violations and against transfer of defendant's assets on Feb. 28, 1935. Indictment returned Aug. 9, 1935. Prosecution pending.
Wheaton Co., Inc., et al.	District of New Jersey.	Oct. 14, 1935	Sec. 17.....	On Nov. 6, 1935, action dismissed as to Joseph S. Barr. Decree pro confesso taken as to other defendants Mar. 9, 1936. Indictments returned against 14 defendants June 23, 1936. Prosecution pending.
Young & Co. (Stanley B. Young, R. M. Prozan et al.)	Western District of Kentucky.	July 17, 1935	Secs. 5 and 17...	Permanent injunctions entered by consent of defendants July 31, 1935, and Aug. 13, 1935.
		Aug. 16, 1935 <sup>1</sup>	.....	Temporary injunction as prayed for in amended bill granted as to 7 defendants Sept. 25, 1935, which was made permanent Dec. 6, 1935. Indictments returned against 17 defendants on Feb. 12, 1935, trial held June 1, 1936. 2 defendants acquitted, indictment dropped as to 1 defendant, all others convicted except 4 who are fugitives from justice.

<sup>1</sup> Amended Bill filed.



## CASES INVOLVING VALIDITY OF SUBPENAS

In a number of instances the Commission, as authorized by Section 22 (b) of the Act, has had to resort to the Courts to enforce compliance with subpoenas issued in connection with investigations of violations of its provisions. The most important case involving the subpoena power of the Commission is *Securities and Exchange Commission v. Jones* discussed above, where the subpoena was issued in the course of a stop-order proceeding under Section 8 (d) then pending. Although the Supreme Court refused enforcement of the subpoena there in issue, it based its decision upon the premise that the proceedings had lapsed and terminated because of the attempted withdrawal of the registration statement prior to the issuance of the subpoena. The decision, therefore, although holding that particular subpoena to have been invalidly issued inasmuch as it was issued otherwise than in a lawfully pending proceeding, does not derogate from the substantive subpoena powers of the Commission under Section 19 (b).

The first application by the Commission to enforce a subpoena was that made to the District Court for the Northern District of Georgia, Atlanta Division, in the *American Bond and Share* case on March 15, 1935. Although this application was fully argued before the Court, it was continued indefinitely because the Commission had, prior to decision, obtained the required evidence from other sources. Similar disposition has likewise been made of a number of the following tabulated cases.

Principal defendants	District in which suit was brought	Date of filing of application	Disposition
American Rand Corporation.	Western District of Washington.	June 8, 1936	Application dismissed on motion of Commission, July 13, 1936.
Collins-Moore & Co. et al.	Western District of Kentucky.	Nov. 11, 1935	Application dismissed on motion of Commission, Nov. 14, 1935.
Hussey, Arthur E.-----	Western District of Washington.	----do-----	Application dismissed June 16, 1936, because of destruction of documents prior to service of subpoena.
The Krystal Chemical Co., Inc., et al.	District of Columbia...	Jan. 29, 1936	Order granted by District Court, Mar. 30, 1936. Appeal taken and argued in United States Court of Appeals Oct. 9, 1936. Motion made by Commission to remand case to District Court for dismissal, Oct. 13, 1936, pending.
Mills, J. Edward, et al...	Northern District of Texas.	Feb. 12, 1936	Defendants on Feb. 28, 1936, moved to dismiss application on ground that Securities Act of 1933 is unconstitutional. Motion pending.
National Short Term Securities Corporation et al.	District of Massachusetts.	Jan. 31, 1936	Order entered Feb. 3, 1936. Defendant on Feb. 11, 1936 moved to vacate on various grounds, including procedure and constitutionality of Securities Act of 1933. Case pending.

Principal defendants	District in which suit was brought	Date of filing of application	Disposition
Royalty Bond & Share Corporation et al.	District of New Mexico.	Oct. 16, 1935	Order entered Oct. 19, 1935.
The Black Gold Exploration Trust et al.	Western District of Oklahoma.	Dec. 17, 1935	Application dismissed July 21, 1936.
Verser-Clay Co., Mid-Continent Crude Oil Purchasing Co., and E. C. Clay, President.	-----do-----	Dec. 18, 1935	Pending.

### SUITS TO ENJOIN ENFORCEMENT OF THE SECURITIES ACT

Principal plaintiffs	District in which suit was brought	Date of filing of bill	Disposition
Abraham, Benjamin L.....	Eastern District of Pennsylvania.	June 13, 1935	Pending.
Crawford, R. R.....	Northern District of Oklahoma.	Aug. 8, 1935	Do.
National Short Term Securities Corporation.	District of Columbia....	Feb. 21, 1936	Preliminary injunction denied Mar. 6, 1936. Case is pending.

### CRIMINAL PROSECUTIONS UNDER THE SECURITIES ACT OF 1933, AS AMENDED

The foregoing tabulation of injunction suits refers to the ensuing indictments and prosecutions, if any. In many instances it has, however, been found desirable to refer the results of the Commission's investigation directly to the Attorney General in the interest of speedy prosecution without the delay encountered in contested injunction suits. The most important prosecutions are briefly described and others tabulated below.

*Kopald-Quinn & Co.*  
*McCormick & Co.*  
*Gould & Co.*

*Joseph R. Mendelson.*  
*Leonard H. Sutterman.*  
*Joseph N. Sherman.*

The Commission spent over 18 months in investigating the activities of a vast interstate chain store of "bucket shop" security firms, which sold securities from central offices in Chicago, Indianapolis, Duluth, St. Paul, Minneapolis, Dallas, Wilmington, Baltimore, Atlanta, Houston, New York City, Boston, Detroit, Milwaukee, and Philadelphia. Thereafter the Department of Justice, collaborating with the Commission, secured the return of two indictments.

The first was returned in the Southern District of New York on August 30, 1935, naming Mendelson, Sutterman, Sherman, and one other person, the named individuals being the principals of the group, and charging them in 10 separate counts with violations of Section 9 (a) (2) of the Securities Exchange Act of 1934 for their activities in

connection with market manipulations in the stock of the Stutz Motor Car Co. of America on the New York Curb Exchange. This matter has yet to be set for trial. Subsequently, on July 14, 1936, in the Northern District of Georgia, Gainesville Division, indictments were returned charging the above corporations and individuals, in addition to 24 other defendants, with violations of both the mail fraud statutes and the fraud provisions of the Securities Act. The indictment contains five counts alleging violations of Section 17 (a) (1), one count alleging violation of Section 17 (a) (2), one count alleging violations of Section 17 (a) (3), seven mail fraud counts and one conspiracy count. All but two of the defendants named in the indictment have been apprehended, and, with the exception of one of those apprehended, all have been unsuccessful in their attempts to resist removal. Defendants are now at liberty under bond of \$5,000 or less pending trial, the date of which has not yet been set.

Briefly, the Georgia indictments alleged that the defendants and their agents, operating through eight or more corporate entities, sold securities to the public from offices located in many States through high-pressure telephone solicitation methods. It is alleged that the defendants sold stock on a 50-percent partial-payment basis and subsequently induced customers to switch from the conservative securities originally purchased to another stock in which the defendants were interested, the price of which the defendants had previously manipulated to inflated prices on a national securities exchange where it was traded. Thereafter, before balances were due, it is charged that the defendants, by ceasing their market operations, would allow the price to fall to its natural level. The customers' equities in their securities were thus alleged to have been appropriated through the guise of selling the collateral security for the customers' unpaid installments. Since, under the partial-payment plan described, the defendants were able to refuse delivery of the securities purchased until the balances were paid, they were able to "bucket" orders, and in this way it is alleged that they did in fact many times actually oversell the capitalization of corporations in the securities of which they dealt. It is estimated that the group named in this indictment, which has been operating extensively since 1927, have defrauded the public of over 10 million dollars.

In connection with the grand jury presentation resulting in this second indictment, a bill in equity was filed on behalf of McCormick & Co., one of the defendants, attempting to enjoin the United States attorney and two representatives of the Securities and Exchange Commission from presenting certain evidence to the grand jury which had been obtained by officers of the Commission in the course of its investigation. Judge Underwood, United States Judge for

the Southern District of Georgia, refused to grant the temporary injunction requested.

*Polymet Manufacturing Corporation.*—Following investigation by the Commission, and with its cooperation, indictments were returned in the District of Massachusetts on February 8, August 20, and September 9, 1935, and in the Southern District of New York, charging W. L. Jarvis and associated persons with violation of the mail fraud statutes and Section 17 (a) of the Securities Act of 1933, as amended. The indictments charged publication of a so-called investment service which was circulated from Boston and Springfield, Mass. Through this financial publication, purportedly independent and unbiased, but alleged to be operated in conjunction with a high-pressure telephone sales campaign, Jarvis and his codefendants were charged with selling Polymet Manufacturing Corporation stock to the investing public at a market price which they had previously inflated by manipulative transactions. Jarvis and his principal codefendant, Gaines, as well as certain others, have been convicted and sentenced. An appeal has been noted, but has not yet been heard or decided.

Jarvis, Gaines, and two of his associates, were also indicted in the Southern District of New York in connection with a manipulative operation in the stock of the Atlas Tack Corporation, listed on the New York Stock Exchange. Trial was held in October 1935. No convictions were had, owing to disagreement by the jury.

*Arizona Comstock Corporation.*—An indictment was returned on September 14, 1934, in the Western District of Washington against 15 individuals. Three defendants were convicted on the Securities Act count and sentenced to terms ranging from 3 years to 18 months with fines from \$4,000 to \$500.

*Colonial Investment Syndicate.*—Indictments were obtained in the District Court for the Western District of Tennessee on February 14, April 13, April 14, and April 15, 1936. Trial has not been set. One defendant has pleaded guilty and received sentence.

*Security Service Corporation, El Oro Mines Co.*—The results of investigation were transmitted to the Department of Justice and resulted in two indictments returned in the Northern District of Texas on January 18, 1936, charging violations of Section 17 of the Act.

The first indictment was tried February 20, 1936. Four defendants were acquitted, and the other three were found guilty of conspiracy and the mail fraud violations. The three defendants convicted in the first indictment were also named in the second indictment, and on pleas of guilty, were given concurrent sentences under the second indictment. Nine of the remaining defendants in the second indict-

ment also plead guilty and received fines or jail sentences. Charges were dismissed with respect to all of the remaining defendants but two, and these are still to be apprehended.

In an opinion reported sub nomine, *U. S. v. Alluan*, 13 F. Supp., 289, the District Court refused to quash the indictments, holding that both mail fraud and Securities Act counts may be included in a single indictment without duplicity.

The following prosecutions are described in tabular form:

Name of case	United States district court where indictments returned	Date of indictments	Number of defendants named	Disposition
Acceptance & Exchange Co.	Southern District of California.	Nov. 27, 1935	8	Pending.
American Bond & Share Corporation (B. R. Bradley, R. E. Lee, et al.).	Northern District of Georgia.	Mar. 26, 1935 Mar. 27, 1935 Apr. 17, 1935 July 31, 1935	3	2 defendants convicted and sentenced June 1936. The principal defendant pleaded guilty Oct. 22, 1936, and was sentenced for 7 years Oct. 28, 1936.
Bankers Service Corporation.	Southern District of New York.	Dec. 2, 1935	11	Pending.
Norman Berry & Co.....	Eastern District of Michigan.	Nov. 1, 1935	9	Do.
Big Wedge Gold Mining Co.	District of Columbia.	Jan. 6, 1935	4	Do.
El Presidio Hotel Guaranteed Syndicate.	Northern District of Texas.	Jan. 22, 1936	11	All defendants pleaded guilty. Sentences from 90 days to 1 year.
Emblem Manufacturing & Distributing Co.	District of Nevada....	May 20, 1936	1	Defendant pleaded nolo contendere. Sentenced for 2 years.
C. S. Goddard & Co.....	District of Utah.....	Oct. 22, 1935	2	Appeal pending.
C. B. Kelley & Co., Inc.	District of Delaware...	Jan. 8, 1936	5	Pending.
Irwin Kott et al.....	Southern District of Texas.	May 11, 1936	7	Pending. 2 defendants pleaded guilty and were sentenced for 3 years each. Charges dismissed as to 3 defendants, remaining 2 not yet apprehended.
Lory T. Gardner & Co...	Western District of Texas.	May 6, 1936	2	Pending.
Mid - West Mortgage Corporation. Reported sub nomine, <i>U. S. v. Alluan</i> , 13 F. Supp. 289.	Northern District of Texas.	Jan. 17, 1936	20	Pending. 8 defendants pleaded guilty and were sentenced.
Oklahoma City Oil Journal.	Western District of Oklahoma.	Mar. 9, 1936	2	1 conviction, 1 acquittal.
Pulliam & Co.....	Northern District of Texas.	June 5, 1934	4	All defendants convicted and sentenced for 3 years each.
Southern States Refinery Co.	Northern District of Georgia.	Jan. 15, 1936	1	Pending.
Standard Royalty Co...	Western District of Louisiana.	Apr. 2, 1936	3	Do.
Stroud-Kurtz & Co.....	District of Columbia...	May 17, 1936	1	Defendant pleaded guilty and was sentenced from 1 to 4 years.
Joseph Williams.....	Southern District of California.	Oct. 3, 1935	2	Both defendants acquitted.

**CIVIL LEGISLATION UNDER THE SECURITIES ACT OF 1933, OF WHICH  
THE COMMISSION IS INFORMED**

*P. J. Lisicky v. Continental Distillers & Importers Corporation et al.*—Plaintiff purchased securities of the Continental Distillers & Importers Corporation, which were then registered under the Act, relying partly upon representations in a prospectus filed with the Federal Trade Commission, which it is alleged was false and misleading. The Commission issued a stop order pursuant to Section 8 (d) on January 26, 1935. On January 24, 1936, Lisicky sued in the District of Columbia under the Sections of the Act creating civil remedies. The Commission obtained leave of Court to intervene as amicus curiae in order to argue the constitutional issues. The defendants then withdrew their challenge of constitutionality and proceeded to a trial of the case upon its merits.

Eighteen other suits of identical nature have been brought in the District of Columbia by other plaintiffs against the same defendants, which by agreement have been stayed pending determination of a single such action now before the United States Court of Appeals for the District of Columbia.

On May 27, 1936, indictments were obtained in the District Court for the District of Columbia following reference of the files to the Department of Justice, naming four defendants. The single count in the indictments is based upon alleged violations of Section 24 of the Securities Act of 1933, which renders unlawful the willful making of false or misleading statements in a registration statement filed under the Act. Date for trial has not yet been set.

*In the Matter of The United Telephone & Telegraph Co.*—On April 10, 1936, the Commission petitioned the United States Court for the District of Delaware for permission to intervene in the reorganization proceedings of The United Telephone & Telegraph Co., a debtor corporation, which were then pending under Section 77B of the Bankruptcy Act. In support of the petition, the Commission filed a memorandum stating that two reorganization committees for preferred stocks of the debtor had solicited deposits in violation of Section 5 of the Act, and that stocks so deposited in disobedience to an order of the Court had not been returned to depositors. The Commission prayed that the petition of the reorganization committees for approval of their plans of deposits be granted, if at all, only after return of the securities unlawfully solicited. No further action has been taken by the Commission.

*Borland v. Commonwealth Subsidiary Corporation.*—The Commission, at the request of the litigants, has expressed a willingness to appear as amicus curiae in this case which has been pending in the District Court of the United States for the Northern District of

Illinois since the Fall of 1935. This litigation will apparently necessitate decision by the Court on very complicated, difficult, and novel questions of the interpretation of Sections 3 (a) (1), 3 (a) (9), and 2 (11) of the Securities Act of 1933, as amended. Essentially the problem of statutory interpretations involved is whether the exemption from registration provided by Section 3 (a) (9) of the Act, as amended, can apply to securities made the subject of a secondary distribution by a person in control of the issuing corporation, who received such securities in the course of an earlier exchange of securities which fell within the literal language of Section 3 (a) (9). The parties in the case have consulted with the Commission, and are keeping it informed of the progress of the cause, which may be reached for argument within the next few months.

## II. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

*John M. Torr et al.*—The most important litigation under the Securities Exchange Act of 1934 was that instituted by the Commission to enjoin transactions by Torr & Co., Ellery Mann, and other associated individuals, engaged in effecting a secondary distribution of Trans-Lux Daylight Picture Screen Co. stock, which is registered and listed upon the New York Curb Exchange. The bill of complaint, which sought both temporary and permanent injunctions, and was filed in the Southern District of New York on December 23, 1935, alleged that Torr & Co. had employed persons in the security business with wide financial acquaintanceship to recommend the purchase of Trans-Lux stock and thus create public buying interest in order to raise the market price of the stock to a point where Torr & Co. might profitably distribute 47,000 shares of stock which it had under option from Mann. The bill of complaint and supporting affidavits alleged that the solicitation activities of the defendants carried on in many States, including California, resulted in greatly increased market activity and in steadily rising prices upon the New York Curb Exchange. The series of transactions at rising prices thus effected for the purpose of inducing the general public to buy Trans-Lux stock, which in turn further raised the price, were alleged to violate Section 9 (a) (2) of the Securities Exchange Act of 1934. The bill also alleged that the failure of the various tipsters employed by Torr & Co. to disclose their adverse financial interest and their bias in thus recommending the purchase of Trans-Lux stock constituted a violation of Section 17 of the Securities Act of 1933.

On February 18, 1936, District Judge Patterson heard oral argument upon the temporary injunction, which was granted on April 11, 1936. The opinion of the District Court, reported at 15 F. Supp.

315, is notable for the decisive language used in sustaining Section 9 of the Securities Exchange Act as a valid exercise of the Federal power over the mails and interstate commerce. The Court further held that the New York Curb Exchange constituted a channel through which passed a continuing stream of interstate commerce in securities, and therefore Section 9 of the statute, regulating manipulative transactions thereon, fell squarely within the decisions of the Supreme Court in *Stafford v. Wallace*, 258 U. S. 495, and *Chicago Board of Trade v. Olsen*, 262 U. S. 1. After discussing the scope of the decisions in these two cases, the Court said:

Both cases were decided on the ground that there was a great interstate commerce in the commodities concerned and that Congress had the power to subject to regulation local incidents that directly affected such commerce. It follows that section 9 (a) of the Act in question, insofar as it purports to prohibit manipulative transactions effected on national securities exchanges, is a valid exercise of Federal control over interstate commerce.

In addition to upholding the validity of Section 9 of the Securities Exchange Act, the Court also held that the practice of giving purportedly disinterested and friendly financial advice without disclosing the fees paid for making such recommendations and for procuring purchases on the market constituted a violation of Section 17 (a) of the Securities Act of 1933, again held valid on the basis of the prior decision of the Second Circuit Court of Appeals in *Jones v. Securities and Exchange Commission*, 79 F. (2d) 617, (1935).

The defendants have appealed from this decision to the Circuit Court of Appeals for the Second Circuit, where argument is expected to be held in November or December 1936.

*Amos Downs et al.*—On January 8, 1936, the Commission commenced action in the District Court of the United States for the District of Colorado against Amos Downs and others, alleging the sale of Alma Lincoln Mining Co. stock and other securities in violation of Section 17 of the Securities Act and of Section 9 (a) of the Securities Exchange Act. The bill alleged that the defendants, in addition to other fraudulent representations, had published a "tipster sheet" known as the "Mining Mirror", recommending purchase of securities without disclosing their adverse interest. Other defendants were alleged to have circulated a publication known as "Profit Pointers", containing further misrepresentations. The bill alleged "wash sales" on the Denver Stock Exchange, a registered exchange, manipulating the price of Alma Lincoln stock. The defendants denied the Commission's allegations and asserted that the acts complained of had



ceased before the filing of the bill. District Judge Symes on February 12, 1936, in an oral opinion, not reported, held that since all the acts complained of had occurred prior to June 29, 1935, no necessity for an injunction was shown, and dismissed the bill without prejudice, saying: "If these defendants or anyone else starts up again after this hearing and all that has been disclosed, the Court will at once grant an injunction."

The following cases are set forth in tabular form:

Principal defendants	District in which suit was brought	Date of filing of bill	Alleged violations	Disposition
Belmont, Robert....	District of Massachusetts.	July 16, 1935	Sec. 17 of Securities Act of 1933, and Sec. 9 (a) (2) of Securities Exchange Act of 1934.	Permanent injunction entered July 16, 1935.
Elchlepp, Alexander Rudolph.	Northern District of Illinois.	Aug. 6, 1935	Sec. 9 (a) (1) and (2)....	Permanent injunction entered with consent of defendant Aug. 6, 1936.
Otis & Co. ....	Northern District of Ohio.	Apr. 1, 1936	Sec. 17 of Securities Act of 1933, and Sec. 9 of Securities Exchange Act of 1934.	Pending.
Sterling Investment Corporation, Pitt Investment Co. et al.	Western District of Pennsylvania.	May 20, 1935	Sec. 9 (a) (1).....	Permanent injunctions entered with consent of defendants June 5, 1935.
Schmid, Herbert W., et al. (H. W. Schmid Co.).	Southern District of New York.	May 22, 1936	Sec. 17 of Securities Act of 1933, and Sec. 9 (a) (1), (2), (3), and (4) of Securities Exchange Act of 1934.	Permanent injunctions entered with consent of defendants May 25, 1936.
Todd, K. W. Co., Inc., et al.	Western District of Pennsylvania.	May 20, 1935	Secs. 5 and 17 of Securities Act of 1933, and Secs. 7 (c) (2) and 11 (d) (2) of the Securities Exchange Act of 1934.	Defendants consented to entry of permanent injunctions on June 14, 1935.

#### CASES INVOLVING SUBPENA POWERS

*Thomas Bracken, et al.*—The defendants refused to testify unless furnished with transcripts of their testimony. On February 19, 1936, the Commission applied to the District Court in the Southern District of New York to enforce these subpoenas. This relief was granted, and an appropriate order was entered (14 F. Supp. 417). An appeal was taken from the order of the Court and heard before the United States Circuit Court of Appeals for the Second Circuit, which affirmed the decision requiring compliance with the subpoenas (84 F. (2d) 316).

The Circuit Court held that the witnesses were unjustified in refusing to appear and testify upon the grounds that they would not be furnished a copy of the testimony given by them. The Court said (Manton, J.) :

An investigation is conducted in order to determine whether the facts justify a determination by the Commission to hold a "hearing" or to bring suit for injunctive relief. The investigation makes no determination or decision between the parties for there are no parties \* \* \* The character of the investigation as a preparatory matter looking to the enforcement of the act, gives the basis for refusal to grant copies of the testimony. Grand jury proceedings are somewhat analogous and their records are not open to defendants.

The court then entered into a discussion as to whether or not the efforts of the Commission constituted a "fishing expedition", and said :

Moreover, the order for the investigation of Pirnie, Simons & Co., Inc., is to ascertain the facts about any violation occurring in trading in the specific stock mentioned, under Section 9 (a) (1), (2), (3), (4), (5). These sections relate to the manipulation of stocks. If the order were required to set out more definite facts, it would make investigations available only when superfluous.

From this decision the witnesses applied to the Supreme Court of the United States for a writ of certiorari. This writ was pending as of June 30, 1936.<sup>2</sup>

#### SUITS TO ENJOIN THE ENFORCEMENT OF THE SECURITIES EXCHANGE ACT

The only action to enjoin application of the Act is that commenced by J. Edward Jones in the Southern District Court of New York on January 2, 1936. Jones sought to enjoin enforcement against him of Section 15 of the Act pursuant to which the Commission by rules then in force required registration of all brokers and dealers using the mails or facilities of interstate commerce to make or to utilize an over-the-counter market in securities. Jones joined as parties defendant the Securities and Exchange Commission, the Postmaster General and the Attorney General, alleging threatened interference with the con-

<sup>2</sup>On Aug. 12, 1936, a bill to enjoin Pirnie, Simons & Co., Inc., and certain other parties from further violations of Section 9 (a) of the Securities Exchange Act of 1934 was filed in the United States District Court for the Southern District of New York. Whereupon the Commission withdrew its subpoenas and moved the Circuit Court of Appeals to dismiss the appeal as the testimony was no longer needed. In opposition to the application for a writ of certiorari, the Commission informed the Supreme Court of the United States that the question presented on appeal was moot. The Supreme Court on October 12, 1936, granted certiorari and directed dismissal of the application on this ground.

duct of his business by requiring registration by him as a broker or dealer under Section 15 and asserting the unconstitutionality thereof in that it represented an unlawful delegation of legislative power and that the enforcement of the section threatened the destruction of his business. A stipulation was entered into on January 3, 1936, in which the defendants agreed to take no action against Jones until final hearing and determination of the case. The defendants filed an answer on January 22, 1936, and the case is now awaiting argument and determination.

#### **APPEALS FROM DENIAL OF CONFIDENTIAL TREATMENT TO MATERIAL CONTAINED IN DOCUMENTS FILED UNDER THE SECURITIES EXCHANGE ACT OF 1934**

Section 24 of the Act permits any person filing any application or report with the Commission to object to public disclosure of some or all of the information contained therein. Under Section 25 (a) of the Act provision is made for review of all orders of the Commission rendered in a proceeding under this Act, in the specified United States Circuit Courts of Appeal or in the Court of Appeals of the District of Columbia. More than 600 issuers of securities seeking registration upon national securities exchanges filed, in connection with their application for registration, objections to disclosure of certain information, for the most part relating to sales and itemized break-down of the cost of sales. In many other instances objection was made to publication of salaries and other remuneration paid to officers and directors. At the request of the issuers concerned, the Commission, in private hearings, heard the objections to public disclosure of the information for which confidential treatment was sought and the grounds urged by the various issuers. Almost 30 of the issuers who felt themselves aggrieved by the Commission's determination to make available to the public information as to which confidential treatment had been requested, filed petitions in the various Circuit Courts of Appeal to review the Commission's action, purportedly relying upon the provisions of Section 25 (a) of the Act. In nearly all instances these petitions challenge the general constitutionality of the Securities Exchange Act of 1934, as well as the validity of the registration requirements of Section 12 of the Act. Inasmuch as the Circuit Courts of Appeal for the various circuits in which such petitions have been filed have not as yet considered or made any disposition thereof, and since the problems involved are substantially identical, the names of such corporations, the date of the filing of the petitions, and the circuit courts of appeal in which such petitions are now pending are listed:

## Companies Filing Petition for Review

Name of petitioner	Date upon which petition for review was filed	Circuit court of appeals
Allied Chemical & Dye Corporation.....	Apr. 4, 1936.....	Second.
American Can Co.....	Dec. 27, 1935.....	Third.
Congoleum-Nairn, Inc.....	Mar. 25, 1936.....	Do.
Electric Auto-Lite Co.....	Feb. 15, 1936.....	Sixth.
Evans Products Co.....	Jan. 18, 1936.....	Do.
General Baking Co.....	Mar. 27, 1936.....	Second.
P. Lorillard Co.....	Mar. 26, 1936.....	Third.
Mathieson Alkali Works, Inc.....	Apr. 3, 1936.....	Second.
Mesta Machine Co.....	Nov. 28, 1935.....	Third.
National Biscuit Co.....	Mar. 26, 1936.....	Do.
R. J. Reynolds Tobacco Co.....	Mar. 24, 1936.....	Fourth.
The American Tobacco Co.....	Mar. 26, 1936.....	Second.
United States Tobacco Co.....	Mar. 24, 1936.....	Do.
Sloss-Sheffield Steel & Iron Co.....	Apr. 8, 1936.....	Third.
United States Industrial Alcohol Co.....	Apr. 23, 1936.....	Second.
Oliver United Filters, Inc.....	May 23, 1936.....	Ninth.
A. Stein & Co.....	June 4, 1936.....	Seventh.
The Cuneo Press, Inc.....	June 3, 1936.....	Do.
The Superheater Co.....	May 15, 1936.....	Second.
J. J. Newberry Co.....	June 12, 1936.....	Do.
W. A. Sheaffer Pen Co.....	June 25, 1936.....	Eighth.
American Sumatra Tobacco Corporation.....	July 9, 1936.....	District of Columbia.
The Diamond Match Co.....	July 3, 1936.....	Do.
Brillo Manufacturing Co.....	July 18-21, 1936.....	Second.
General Mills, Inc.....	July 23, 1936.....	District of Columbia.
New York Trap Rock Corporation.....	July 24, 1936.....	Second.
The International Nickel Co. of Canada, Ltd.....	Aug. 25, 1936.....	District of Columbia.
Pullman, Inc.....	Sept. 4, 1936.....	Third.

## III. THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

*Electric Bond & Share Co. et al.*—On December 1, 1935, the provisions of this Act became effective, requiring registration by substantially all of the major public utility holding companies. However, shortly before this date the Government was faced with a multitude of injunction suits, actual or anticipated, on the part of most of the larger holding companies. It was apparent that active litigation of all these suits involving substantially similar questions would be wasteful as well as unduly expensive, inasmuch as a single selected test case could litigate and determine all the important questions involved in the application of this Act. Consequently, the Commission, desiring to test the Act promptly, selected the Electric Bond & Share System, which within itself presented a number of typical cases to which the Act by its terms applies. Accordingly, on November 26, 1935, the Commission brought a consolidated suit in the Southern District of New York against the Electric Bond & Share Co. and its principal intermediate holding companies to enjoin activities unlawful under the Act in the absence of such registration.

Other defendants were subsequently added in order to bring before the Court many typical situations to which the terms of the Act apply.

To avoid protracted trial, a stipulation of facts approximately 2,000 pages in length was filed with the Court on June 30, 1936. This case is now awaiting trial and consideration by the District Court.

Thus, on a comprehensive record, there is before the Court one of the most important public-utility holding company systems, which comes into contact with the Act at more points than any other.

Since this action will involve every point of law which conceivably could be raised in the forty-odd suits brought against the Commission in a dozen Federal districts by various holding companies, in what appears to have been a concerted attack, the Commission has not seen fit, even if it had the facilities, to defend the latter suits, of which the following is typical.

*United Gas Improvement Company v. James M. Landis et al.*— This public-utility holding company on November 20, 1935, brought suit in the Eastern District of Pennsylvania against the members of the Commission, the Attorney General, the Postmaster General, and the local District Attorney and postmaster. The bill asked for a declaration of the unconstitutionality of the Public Utility Holding Company Act of 1935 on grounds of denial of due process of law, unlawful delegation of Congressional power, and interference with the power reserved to the States by the Constitution. The plaintiffs sought injunctions, both temporary and permanent, against enforcement of the Act by the Commission or any of the defendants. Motions to dismiss have been made on grounds of lack of jurisdiction and improper venue on behalf of the various defendants. The case is still pending. Other similar actions are tabulated.

Parties plaintiff	Court and date of filing suit	Disposition
Public Service Co. of Colorado et al.	District of Colorado, Nov. 29, 1935.	Pending.
Delaware Electric Power Co. . . . .	District of Delaware, Nov. 21, 1935.	Do.
Susquehanna Utilities Co. . . . .	do. . . . .	Do.
The Commonwealth & Southern Corporation.	District of Delaware Nov. 23, 1935.	Pending. <i>Pro confesso</i> decree entered against local U. S. Attorney and postmaster Jan. 30, 1936. Bill dismissed as to other defendants Apr. 22, 1936.
Eastern Texas Electric Co. . . . .	District of Delaware, Nov. 26, 1935.	Bill dismissed on June 25, 1936, as to all but local defendants. Action against the latter is pending.
El Paso Electric Co. . . . .	do. . . . .	Pending.
Engineers Public Service. . . . .	do. . . . .	Do.

Parties plaintiff	Court and date of filing suit	Disposition
Stone & Webster, Inc. ....	District of Delaware, Nov. 26, 1935.	Pending.
Stone & Webster Utilities Corporation.	.....do.....	Do.
American Gas & Power Co. ....	District of Delaware Nov. 27, 1935.	Do.
Louisville Gas & Electric Co. ....	.....do.....	Do.
Standard Power & Light Corporation.	.....do.....	Do.
Cities Service Co. et al. ....	District of Delaware, Nov. 29, 1935.	Do.
North Continent Utilities Corporation.	.....do.....	Do.
The United Corporation et al. ....	.....do.....	Do.
Associated Gas & Electric Co. et al.	District of Delaware, Nov. 30, 1935.	Do.
H. M. Byllesby & Co. ....	.....do.....	Do.
The Byllesby Corporation. ....	.....do.....	Do.
North American Edison Co. ....	.....do.....	Do.
North American Light & Power Co.	.....do.....	On June 8, 1936, bill dismissed as to all but local defendants.
Northeastern Water & Electric Corporation.	District of Delaware, Dec. 4, 1935.	Pending.
Community Gas & Power. ....	District of Delaware. ....	On Mar. 31, 1936, decree pro confesso entered against local United States Attorney.
American Utilities Service Corporation.	Northern District of Illinois, Nov. 30, 1935.	Bill dismissed as to all but local defendants as to which pro confesso decree entered Mar. 16, 1936.
Sierra Pacific Electric Co. ....	District of Maine, Southern Division, Nov. 27, 1935.	Pending.
The Western Public Service Co. ....	District of Maryland, Nov. 27, 1935.	On Feb. 3, 1936, bill dismissed as to other than local defendants. Pro confesso decree as to latter entered Apr. 2, 1936.
United States Electric Power Corporation.	District of Maryland, Nov. 29, 1935.	Pending.
West Penn Electric Co. ....	.....do.....	On Feb. 3, 1936, bill dismissed as to other than local defendants against whom pro confesso decrees entered on Apr. 27, 1936.
Northern States Power Co., et al.	District of Minnesota, Fourth Division, Nov. 29, 1935.	On Feb. 10, 1936, bill dismissed as to nonlocal defendants. Case still pending against local defendants.
Consolidated Gas Co. of New York.	Southern District of New York, Nov. 25, 1935.	On Jan 3, 1936, bill dismissed as to nonlocal defendants. The Court ruled on Feb. 22, 1936, that the Attorney General and Postmaster General were not necessary parties defendant in suits against the local postmasters and United States Marshals. (Reported sub nomine <i>Consolidated Gas Co. v. Hardy</i> , 14 F. Supp. 223.) Motions to dismiss by these parties were therefore denied and pro confesso decrees entered.
The United Corporation et al. ....	Southern District of New York, Nov. 27, 1935.	Same disposition as in Consolidated Gas Co. case.
Cities Service Co. et al. ....	Southern District of New York, Nov. 29, 1935.	Do.
Federal Light & Traction Co. et al.	.....do.....	Do.

Parties plaintiff	Court and date of filing suit	Disposition
The Toledo Edison Co. et al.....	Northern District of Ohio, Western Division, Nov. 29, 1935.	Pending.
The Columbus Railway, Power & Light Co.	Southern District of Ohio, Eastern Division.	Pro confesso decrees entered as against local defendants, Mar. 11, 1936.
Philadelphia Electric Co.....	Eastern District of Pennsyl- vania, Nov. 21, 1935.	Pending.
East Tennessee Light & Power Co. et al.	Western District of Virginia, Nov. 29, 1935.	Bill dismissed as to nonlocal defendants Feb. 2, 1936. Pending as to local de- fendants.

#### SUITS FILED AGAINST THE PUBLIC UTILITY ACT IN THE DISTRICT OF COLUMBIA

Within the week following November 23, 1935, eight separate suits by the following holding companies: American Water Works & Electric Co., Inc.; The Commonwealth & Southern Corporation; The North American Co.; The United Light & Power Co.; Continental Gas & Electric Corporation and Iowa-Nebraska Light & Power Co.; American Light & Traction Co.; The United Light & Railways Co.; and The Tennessee Electric Power Co., were brought against the Government in the District of Columbia. The bills were substantially similar to that filed by the United Gas Improvement Co., described above. The members of the Commission, the Attorney General, and the Postmaster General were named as defendants. On December 7, 1935, a motion was made to stay all the suits pending a decision of the Supreme Court of the United States in the case of *Securities and Exchange Commission v. Electric Bond and Share, et al.*

On special appeal by two of the plaintiffs, the Court of Appeals for the District of Columbia on June 22, 1936, reversed the stay order, one judge dissenting, on the ground that the parties and issues were not identical with those in the *Electric Bond and Share case*. This opinion, not yet reported, is printed in the C. C. H. Securities Act Service, p. 2886. On October 5, 1936, certiorari was granted by the Supreme Court.

On December 7, 1936, the Supreme Court reversed the decision of the Circuit Court of Appeals for the District of Columbia, vacated the order of the District Court, and remanded the cause to the lower court for a reconsideration of the motion for a stay. Mr. Justice Cardozo, speaking for a unanimous court (Mr. Justice McReynolds concurring in result only), stated that although the court did have the power to grant the stay, the stay was excessive insofar as it was to continue in effect beyond the decision of the District Court in the *Electric Bond and Share case*.

**OTHER LITIGATION INVOLVING THE PUBLIC-UTILITY HOLDING COMPANY ACT**

One important case has arisen from reorganization proceedings of a holding company under Section 77B of the Bankruptcy Act, in which the trustees sought a declaration of the invalidity of the Act and instructions as to complying with its provisions.

*In the Matter of American States Public Service Co.*—On September 16, 1935, the trustees of this holding company, in reorganization under Section 77B of the Bankruptcy Act, filed a petition in the District Court for the District of Maryland, praying that the Court determine the Act to be unconstitutional and issue instructions accordingly. Two creditors also filed petitions with the Court, one supporting the trustees' petition, the other, Burco, Inc., opposing the petition and contending that the Act was constitutional. In this case, counsel for the Commission, together with the Special Assistants to the Attorney General assigned to Holding Company Act litigation, appearing as amici curiae, urged that the Court had no jurisdiction to determine the validity of the Act in such a proceeding, on the ground that it was nonadversary, premature, and collusive, and was totally inadequate as a vehicle for testing the validity of an important Act of Congress. On November 7, 1935, the Court ruled against the Government and held the Act void in its entirety (*In re American States Public Service Co.*, 12 F. Supp. 667). On February 22, 1936, the Circuit Court of Appeals for the Fourth Circuit affirmed the decision below, but held the Act invalid only as applied to the debtor (reported sub nomine *Burco, Inc., v. J. B. Whitworth*, 81 F. (2d) 721). Burco, Inc., then petitioned the Supreme Court of United States for writs of certiorari. The Supreme Court denied certiorari on March 30, 1936.

Similar litigation is tabulated below :

Name of debtor holding company	United States district court in which reorganizations are pending	Date of trustees' petition	Disposition
Central West Public Service Co.	District of Delaware..	Nov. 29, 1935....	Pending. No further action taken so far as Commission is aware.
National Public Utilities Corporation.	.....do.....	About Dec. 11, 1935.	Do.
Midland United Co.....	.....do.....	November 1935..	Do.
Standard Gas & Electric Co.	.....do.....	Nov. 27, 1935....	Government officials, joined as defendants, moved to dismiss on grounds of lack of jurisdiction and improper venue on Dec. 16, 1935. Pending.
North American Gas & Electric Co.	Southern District of New York.	June 6, 1936....	Trustees' petition for instructions not pressed and still pending. Commission intervened May 7, 1936, and offered to report on the proposed plan of reorganization.
Lehigh Valley Transit Co.	Eastern District of Pennsylvania.	Nov. 25, 1935....	Pending. No further action taken so far as Commission is aware.



**STOCKHOLDERS' SUITS SEEKING A DECLARATION OF THE  
UNCONSTITUTIONALITY OF THE ACT**

Litigants	United States district court	Date of commencement of suit	Disposition
<i>Charles B. Barnes v. Ford, et al.</i>	District of Massachusetts.	Nov. 30, 1935....	Government officials made parties defendant moved to dismiss on Dec. 17, 1935, on procedural grounds. Case is still pending.
<i>Theodore Case v. Columbia Gas &amp; Electric Corporation.</i>	Southern District of New York.	Nov. 20, 1935....	No further proceedings have been had so far as the Commission is informed.
<i>Albert E. Pierce v. Coughlin, et al.</i>	-----do-----	Nov. 30, 1935....	Temporary restraining order dismissed as to 3 corporate defendants on Dec. 10, 1935. Plaintiff's motion for temporary injunction continued.
<i>Albert E. Pierce v. Central Public Utility Corporation, et al.</i>	District of Delaware..	Dec. 4, 1935....	Temporary restraining order entered Dec. 5, 1935. No further proceedings have been had so far as Commission is informed.
<i>Public Utility Investing Corporation v. Utilities Power &amp; Light Corporation, et al.</i>	Eastern District of Virginia.	Dec. 5, 1935....	Temporary injunction denied Dec. 17, 1935 on ground of want of equity. Circuit Court of Appeals (Fourth Circuit) denied temporary restraining order pending appeal on same grounds on Feb. 22, 1936 (82 F. 2d. 21).
<i>Public Utility Investing Corporation v. Utilities Power &amp; Light Corporation.</i>	Southern District of New York.	Nov. 30, 1935....	No further proceedings have been had so far as the Commission is informed.

