

Third Annual Report
of the
Securities and Exchange Commission

Fiscal Year Ended June 30, 1937

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Washington, D.C.

COMMISSIONERS

William O. Douglas, Chairman
George C. Mathews
Robert E. Healy
J. D. Ross
Francis P. Brassor, Secretary

Address All Communications
Securities and Exchange Commission
Washington, D.C.

LETTER OF TRANSMITTAL

Securities and Exchange Commission
Washington, January 3, 1938

SIR:

I have the honor to transmit to you the Third 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,
William O. Douglas, Chairman

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

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THIRD ANNUAL REPORT OF THE SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C.

Section 23 (b) of the Securities Exchange Act of 1934 and Section 23 of the Public Utility Holding Company Act of 1935 provide that the Securities and Exchange Commission shall submit annually a report to the Congress covering the work of the Commission for the preceding year and such information, data, and recommendations for further legislation as it may find advisable. The following report, made pursuant to these provisions, covers the fiscal year ended June 30, 1937.

FUNCTIONS OF THE COMMISSION

The Securities and Exchange Commission is responsible for the administration and enforcement of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, [Footnote: Under Section 7 of this Act, jurisdiction to regulate the extension and maintenance of credit on exchanges is vested exclusively in the Board of Governors of the Federal Reserve System.] as amended, and the Public Utility Holding Company Act of 1935. In general, it may be stated that the Securities Act of 1933 is designed to require a complete and accurate disclosure of the material facts concerning securities offered for sale or sold in interstate commerce or by the use of the mails, and to prevent fraud in the sale of securities; the Securities Exchange Act of 1934 is designed to provide for regulation of trading upon national securities exchanges and in the over-the-counter markets; and the Public Utility Holding Company Act of 1935 is designed to provide for the regulation of gas and electric utility holding company systems.

A fuller description of the purposes and the objectives sought in the passage of these enactments, together with detailed statements of the functions of the various divisions of the Commission, may be found in the first and second annual reports of the Commission.

COMMISSIONERS AND STAFF OFFICERS

Commissioners:

Douglas, William O., Chairman [Footnote: Commissioner William O. Douglas, was elected Chairman of the Commission on September 21, 1937, for the period ending June 30, 1938, vice James M. Landis, who resigned as Chairman and Commissioner, effective September 15, 1937.]

Mathews, George C., Commissioner

Healy, Robert B., Commissioner

Ross, J. D., Commissioner

Staff Officers:

Bane, Baldwin B., Director of Registration Division

Blough, Carman G., Chief Accountant

Brassor, Francis P., Secretary of the Commission

Gilman, Win. C., Director of the Public Utilities Division [Footnote: In September 1937, Mr. Gilman resigned; Mr. C. Roy Smith was appointed Director of the Public Utilities Division, and Mr. W. J. Kenney was appointed Chief of the Oil and Gas Unit.]

Gourrich, Paul P., Director of Research Division

Katz, Milton, Executive Assistant to the Chairman

Neff, Harold H., Director of the Division of Forms and Regulations

Saperstein, David, Director of Trading and Exchange Division

Sheridan, Edwin A., Supervisor of Information Research

Simpson, Kemper, Economic Adviser [Footnote: To September 30, 1937]

Smith, C. Roy, Chief, Oil and Gas Unit

Throop, Allen A., General Counsel

Regional Administrators:

Allred, Oran H., Fort Worth Regional Office

Angell, Ernest, New York Regional Office

Caffrey, James J., Boston Regional Office

Cline, Foster, Denver Regional Office

Green, William, Atlanta Regional Office

Judy, Howard A., San Francisco Regional Office

Karr, Day, Seattle Regional Office

Kennedy, W. McNeill, Chicago Regional Office

Malone, William M., Washington Field Office

REGISTRATION OF SECURITIES UNDER THE SECURITIES ACT OF 1933

Examination of Securities Act Registration Statements

Under the Securities Act of 1933, as amended, with certain exceptions, securities may not be publicly offered for sale or sold in interstate commerce or through the mails unless a registration statement has been filed with the Commission and is effective. A prospectus, containing the more material ultimate facts set forth in the registration statement is also required to be filed as part of the registration statement. The law provides that a copy of the prospectus to be used in connection with the sale of registered securities must be given to every person to whom the securities are offered for sale and to every purchaser at or before the time of the sale.

The registration statement serves a two-fold purpose: (1) it discloses to investors material facts concerning an issue of securities that is offered for sale to the public, and (2) it stands as a record of the representations made at the time the securities were sold, and thus, if any such representation should be false, simplifies the problem of proof in any legal proceedings which may result. The statement must be filed on the particular form prescribed by the Commission as appropriate to the type of the security proposed to be offered and each form provides for the submission of information essential to a fair disclosure of material facts relative to the issuer and the securities offered for sale.

With certain exceptions, the Act provides for the lapse of a period of twenty days after filing before the registration statement becomes effective. This provision gives the investors a reasonable period of time in which to look into the facts concerning the issue and the issuer before the issue is offered for sale, and, in addition, allows the Commission to make an examination of the statement for omissions, inaccuracies, and untruths. If the examination of the statement discloses deficiencies, but nevertheless indicates a sincere and honest effort to comply with the requirements, the registrant is so advised. The deficiencies may be corrected by the filing of amendments. If, on the other hand, the examination reveals that the registration statement includes untrue statements or omissions of material facts in intentional or reckless disregard of the standard of disclosure prescribed by the Act, stop order proceedings may be instituted immediately. The Commission is empowered also to refuse registration in those instances where the information given is incomplete or inaccurate on its face and to undertake investigations

involving examination of the issuer, underwriters, or any other person for the purpose of determining whether a stop order should issue. Further, the Commission may suspend registration after a registration statement becomes effective if it develops that the information furnished in the statement is untrue or misleading in any material particulars.

Neither the fact that a registration statement for a security has been filed or is in effect, nor the fact that a stop order is not in effect with respect to that particular statement, can be treated as an indication that the Commission considers the registration statement to be true and accurate on its face or that it does not contain an untrue statement of fact or omits to state a material fact, or be held to mean that the Commission has in any way passed upon the merits of, or given approval to, the security. To represent otherwise is made a criminal act by the statute.

The annual reports filed with the Commission pursuant to the provisions of Section 15 (d) of the Securities Exchange Act of 1934, as amended, by issuers having securities registered under the Securities Act of 1933, are examined and analyzed in the same manner as registration statements.

For the purpose of giving some indication of the nature of disclosures made as a result of examinations, a few typical cases are briefly summarized below.

A company engaged in the business of creating and selling to the public a class of securities known as investment contracts sought to register \$10,000,000 face amount of certificates to be offered under a so-called investment trust accumulation plan. These contracts provided for either a lump sum payment or monthly installment payments on the part of the purchaser, the net proceeds being used for the purchase of shares of an underlying investment trust which were to be deposited with a trustee, who was to hold them for the account of certificate holders. The plan of investment thus involved a trust upon a trust with two sets of loading or service charges, one on the underlying trust shares and the other on the investment certificates.

The certificates to be issued under the periodic or installment investment plans were stated on the face thereof and in the prospectus as having a "maturity value" of \$2,000 for each \$1,200 agreed to be paid by the investor. The prospectus did not disclose the fact that this figure of \$2,000 was purely arbitrary, representing nothing more than the sum which the investor would obtain only when, as, and if the value of the underlying trust shares purchased with the funds paid in, less the charges and reductions, had reached \$2,000. The investor had no assurance that the so-called "maturity value" would ever be reached. In fact, by reason of the substantial charges deducted from the \$1,200 paid in by the investor, amounting to approximately \$200, the attainment of the stated "maturity value" would require a total appreciation of almost 100% of the market value of the underlying securities. This element of contingency was artfully concealed and the use of this term, appearing in the prospectus no less than twenty times, indicated an endeavor to import to the concept of "maturity value" a specious reality for apparently no purpose

other than to mislead prospective investors. The prospectus, further, in connection with an elaborate recital of the routine duties of the trustee under the plan, gave unwarranted prominence to the name of the trustee, which was a well-known financial institution, in what appeared to be an unjustified attempt to trade on its reputation. In consequence of such misleading representations and the failure of the prospectus in certain other respects to set forth clearly the information required to be furnished, the Commission instituted stop-order proceedings. The registrant subsequently amended its registration statement and prospectus, eliminating all reference to "maturity value" and otherwise revising the prospectus in keeping with the requirements of full and fair disclosure of the material facts relating to the investment plan.

A registration statement filed by a bottling company in connection with a proposed public offering of common stock contained a balance sheet of the issuer which included among its assets franchise rights at a stated valuation of \$2,500,000. It appearing from information contained in the registration statement that the valuation ascribed to the franchise rights was excessive, the Commission proceeded to a hearing under Section 8 (e) of the Act. At this hearing, evidence was adduced to indicate that no basis existed for the valuation placed upon this intangible asset, whereupon stop-order proceedings were instituted under Section 8 (d) of the Act. Upon notice of hearing the registrant filed an amended balance sheet reducing the valuation of the franchise rights from \$2,500,000 to \$1.

In a similar case involving the matter of property valuation, the balance sheet of a newly organized manufacturing company set forth its fixed assets at a valuation of approximately \$700,000. The properties in question had recently been acquired at a cost of \$200,000 and were appraised, on the basis of reproduction cost new less depreciation, at approximately \$1,200,000. For balance sheet purposes the company placed an arbitrary valuation of \$700,000 on the properties, thus creating a "surplus" of approximately \$500,000. The Commission instituted stop-order proceedings on the grounds that the balance sheet representations were misleading and that, in this instance, reproduction cost less depreciation did not constitute a criterion of value since the issuer had not demonstrated successful use of the properties warranting such valuation. As a result of the proceedings, the issuer amended its balance sheet to show the properties at cost, \$200,000, thereby eliminating the "surplus" of one-half million dollars which appeared on the balance sheet as originally filed.

A business trust filed a registration statement covering an issue of \$800,000 of certificates of beneficial interest, proposing to use the proceeds from their public sale to acquire oil properties which it had previously contracted to purchase from an oil operator in the Mid-Continent Field. Shortly after the effective date of the registration statement a preliminary investigation was undertaken which disclosed that the income of the properties was insufficient to support the dividends paid during the promotional period and, in addition, that the sponsors of the trust were misappropriating the proceeds from the sale of securities offered to the public instead of applying these proceeds on the

purchase price of the properties. Injunction proceedings were instituted in the Federal Court, as a result of which the promoters were forced to restore the funds which had been diverted and the company was required to make full disclosure to prospective investors regarding the current earnings of the properties. Further investigation established that the estimates contained in the registration statement regarding the value, productivity, and income of the properties had been grossly exaggerated, the estimate of recoverable oil being overstated almost 500 percent. In addition, it was revealed that a certain over-the-counter dealer was selling the trust certificates in a nation-wide campaign involving willful and reckless misrepresentation. [Footnote: On July 7, 1937, proceedings to revoke the registration of this dealer were instituted pursuant to Section 15 (b) of the Securities Exchange Act of 1934.] Stop-order proceedings have been instituted under the Securities Act of 1933 to suspend the effectiveness of the registration statement and proceedings under the Securities Exchange Act of 1934 have also been instituted with a view to revocation of the dealer's license.

An express trust, created in accordance with the laws of the State of Oklahoma with assets consisting of oil and gas interests in Oklahoma and Texas, filed a registration statement with the Commission on Form A-1 on December 12, 1935. The statement became effective, as amended, on February 19, 1936. Some \$1,070,000 of certificates of interest in the trust were sold to the public. In January, 1937, stop-order proceedings were instituted under Section 8 (d) of the Securities Act. After full and complete hearings before an examiner and argument before the Commission on exceptions to the examiner's findings, the Commission issued its order stopping the effectiveness of the registration statement. [Footnote: The Commission's order issued after the close of the fiscal year, on September 23, 1937.] The registration statement was found to be deficient in the following respects:

- (a) The registration statement failed to disclose the identity of the one promoter and failed to disclose the amount of profit that he had made. A great majority of the assets of the trust had been purchased from him.
- (b) The statement that quarterly reports would be furnished, when at the time of the hearing no reports at all had been issued.
- (c) The failure to disclose certain pending litigation relative to certain of the properties in the trust.
- (d) The engineer's reports attached as exhibits to the registration statement were found to include misstatements of material physical facts and to omit facts necessary to prevent the estimate arrived at from being misleading. The reports also, in some instances, failed to follow methods approved in the profession.

(e) The statement of the present monthly income in the registration statement was found to be erroneous. Motions to dismiss the proceedings and to withdraw the registration statement were made in the proceedings, but were both denied by the Commission.

A manufacturing company filed a registration statement with the Commission for the purpose of registering a large block of its common stock of which approximately 80% was outstanding and to be offered for the account of certain stockholders and 20% represented unissued stock to be offered for the account of the issuer. The registration statement stated that approximately 60% of the company's output was sold to one customer, a large automobile manufacturer. The registration statement contained also, as part of the required financial information, a profit and loss statement covering a six months period subsequent to the close of the issuer's last fiscal year which apparently indicated, in comparison with profit and loss statements for the three years preceding, a pronounced upward trend in its profits. Investigation by the Commission revealed that the principal customer of the registrant intended in the immediate future to reduce substantially its purchases from the issuer in consequence of certain changes effected in the design of its own product and, further, that this customer purchased most of its annual requirements during that portion of the year covered by the aforementioned six months profit and loss statement, a circumstance which would render such statement misleading unless the seasonal nature of the business were clearly indicated. Since full and fair disclosure respecting these matters had not been made in the registration statement, the Commission instituted stop-order proceedings whereupon the registrant, upon notice of hearing, withdrew its registration statement. The issuer later filed another registration statement. This statement properly set forth the limitations attached to the six months profit and loss statement and indicated clearly the possibility that a large portion of the issuer's business which had accounted for its profits in recent years might be lost as a result of an adverse change which appeared imminent in the business relationship between the registrant and its principal customer.

Securities Act Forms, Rules and Regulations

During the past year, the Commission adopted a new form (Form A-0-1) for the registration of securities under the Securities Act of 1933 for promotional mining companies. Theretofore, mining issues had been registered on the more general forms, A-1 and A-2. It had been found, however, that a number of the requirements of these forms were not well adapted to the problems of a newly organized mining enterprise. To meet the problem, the Commission prepared the new Form A-0-1, which is specifically designed to meet the needs of such new mining enterprises. In preparing this new form, the Commission not only drew heavily upon the services of its own experts, but also, in accordance with its usual practice, invited criticism and suggestions from many interested persons throughout the country, including the principal mining and engineering societies, and many engineers, lawyers, accountants, and other technicians experienced in the field.

The preparation of a general form having specialized alternative questions to be answered by particular categories of issuers has been undertaken. Experience gained from the registration statements on file with the Commission indicates that a form of this type will promote standardization of requirements and should materially lessen the problems confronting the prospective registrant. For certain special types of securities, revised forms are in course of preparation. One of these forms, i. e., Form C-3, For American Certificates Against Foreign Issues and For the Underlying Securities, was adopted shortly after the close of the fiscal year. [Footnote: Published July 8, 1937.] In connection with this program, the instructions as to financial statements to be filed are being appropriately modified to conform to the other changes.

A considerable number of improving amendments have been made to the basic forms for registration under the Securities Act. 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.

Section 15 (d) of the Securities Exchange Act of 1934, as amended on May 27, 1936, requires registrants under the Securities Act of 1933 to file annual reports with the Commission under certain circumstances. During the year, the Commission adopted rules and regulations prescribing the nature of the information to be filed pursuant to this legislation. For the purpose of filing such annual reports, the Commission adopted a new general form (Form 1-MD), modeled after the basic form for annual reports of issuers having securities listed on national securities exchanges. Additional special forms for this purpose have also been adopted, i. e., Form 2-MD, For Investment Trusts having Securities Registered on Form C-1; Form 3-MD, For Voting Trust Certificates; and Form 4-MD, For Certificates of Deposit Issued by a Committee.

Revisions of numerous rules and regulations have been made from time to time to perfect the mechanics of registration and to provide for special situations.

In connection with the preparation of forms and rules, representatives of the Commission have been in close touch, through conferences and correspondence, with various accountants, lawyers, and other interested persons. Many of the suggestions received from such persons have been incorporated in the forms and rules and regulations as finally promulgated. Numerous legal opinions and interpretations have been prepared in connection with the application of the existing forms and rules to the individual problems of prospective registrants.

Several interpretative opinions by the Director of the Forms and Regulations Division have been published by the Commission. These opinions have been concerned primarily with the form in which information is to be given in the prospectus. They are designed to be the first of a series interpreting the requirements of the Commission as to the mode of furnishing information and are intended to assist registrants in making a prospectus a concise and legible presentation of the material facts of the particular offering.

Statistics of Securities Registered Under the Securities Act

At the beginning of the fiscal year, there were 2,314 registration statements on file. Of these, 1,757 were effective, 129 were under stop or refusal order, 294 had been withdrawn, and 134 were under examination or held pending the receipt of amendments.

During the period of July 1, 1936 to June 30, 1937, inclusive, 967 additional registration statements were filed. There were 887 registration statements which became effective during this period (of which all but 17 were fully effective); a total of 2,571 statements were effective at the end of the period, 73 of those effective at the beginning of the period or during the period either having been withdrawn or placed under stop order.

The net number of registration statements withdrawn increased by 128, to a total of 422 on June 30, 1937. The net number of stop or refusal orders increased during the period by 14, a total of 143 of such orders being in effect on June 30, 1937. As of June 30, 1937, there were 145 registration statements in the process of examination or awaiting amendments.

During the fiscal year ended June 30, 1937, new securities with estimated gross proceeds of \$4,686,296,000 became fully effective. This total compares with \$4,677,302,000 effectively registered in the year ended June 30, 1936, \$948,471,000 during the year ended June 30, 1935, and \$759,406,000 from July 27, 1933, when the first statement became effective, to June 30, 1934.

In addition to these new issues, there were effectively registered, during the year ended June 30, 1937, \$164,462,000 of voting trust certificates, certificates of deposit and securities proposed to be offered in exchange for registrants' or predecessors' securities. This amount compares with \$157,747,000 of similar securities registered during the previous fiscal year.

Of the \$4,686,296,000 of new securities effectively registered during the past fiscal year, about \$298,515,000 were registered for reserve against the conversion of other securities, so that a total of \$4,387,781,000 was available for present or future sale for cash or other considerations for the accounts of the registrants or other persons. While the total of all new securities registered during the year ended June 30, 1937, was higher than for any fiscal year under the Securities Act, the total of securities other than amounts reserved for conversion amounted to \$4,387,781,000 or approximately \$45,000,000 less than the comparable figure for the year ended June 30, 1936.

In addition to the securities registered for reserve against conversion, there were other securities which were registered but not intended to be immediately offered for sale for cash for the benefit of the registrants. Approximately \$374,395,000 of securities were registered during the past fiscal year "for the account of others". These represented

securities already issued by the registrants and outstanding with security-holders at the time of registration; for the most part their registration was undertaken in connection with proposed resale to the general public, no part of the proceeds to accrue to the registrants. In addition, a total of \$245,587,000 of securities was proposed to be issued in exchange for other securities -- \$120,843,000 to retire outstanding preferred stock issues by replacement, \$11,813,000 to pay off indebtedness through issuance of other securities, and \$112,931,000 for various other purposes. Finally, \$103,243,000 were reserved against the exercise of options and warrants, \$23,099,000 were reserved for other subsequent issuance and \$8,372,000 were intended to be issued for various assets, claims, and selling commissions. Thus, including the securities reserved against conversion, a total of \$1,053,210,000 of new securities effectively registered during the fiscal year, or 22.5% of total registrations, was intended for purposes other than immediate cash sale for the account of the registrants.

After deducting this amount, registered securities with estimated gross proceeds of \$3,633,086,000 remained available for cash offering for the account of the registrants. Of these securities all but 3.1% represented issues of already established enterprises. In connection with the sale of these securities the registrants estimated that they would incur \$140,963,000 of expense [Footnote: Not including \$2,215,000 of compensation given to underwriters or agents in the form of registered securities.]; \$114,950,000 (3.2% of estimated gross proceeds) for commissions and discounts to underwriters and agents, and \$26,013,000 (0.7% of estimated gross proceeds) for other expenses in connection with flotation and issuance. The registrants estimated that upon the sale of their securities as contemplated in their registration statements and after payment of these expenses, they would retain as net cash proceeds \$3,492,123,000.

A comparison of the uses to which the registrants during the past fiscal year proposed to apply their net proceeds with the intentions of the registrants during the preceding fiscal period, indicates the declining importance of repayment of indebtedness and the increasing significance of the needs for additional working capital and expanded plant and equipment. Nevertheless, the main use proposed to be made of these cash funds still was the repayment of indebtedness. The table below shows the proposed employment of the net cash proceeds as indicated by the registrants of the year ended June 30, 1937, and of the preceding period.

Year ended June 30, 1937

Repayment of indebtedness	– \$1,933,849; 55.4 percent of total
Retirement of preferred stock	-- \$225,136,000; 6.5 percent of total
Increase of working capital	-- \$633,278,000; 18.1 percent of total
Plant and equipment expenditures	– \$256,979,000; 7.4 percent of total
Purchase of securities for investment	-- \$352,097,000; 10.1 percent of total
Other purposes	-- \$90,784,000; 2.5 percent of total
Total	-- \$3,492,123,000; 100.0 percent of total

Year ended June 30, 1936

Repayment of indebtedness – \$2,805,442,000; 74.2 percent of total
Retirement of preferred stock -- \$213,369,000; 5.6 percent of total
Increase of working capital -- \$207,308,000; 5.5 percent of total
Plant and equipment expenditures – \$120,489,000; 3.2 percent of total
Purchase of securities for investment -- \$382,753,000; 10.1 percent of total
Other purposes -- \$52,782,000; 1.4 percent of total
Total – \$3,782,143,000; 100.0 percent of total

The registration statements disclosed that \$3,021,647,900, or 83.1%, of the \$3,633,086,000 of securities proposed for cash offering for the account of registrants were to be offered to the public generally, \$456,603,000, or 12.6%, to the registrants' security-holders and \$154,836,000, or 4.3%, to special persons. About \$2,839,375,000, or 78.2%, of the securities were underwritten while \$411,990,000, or 11.3%, were to be offered by the registrants themselves, and \$381,721,000, or 10.5%, were to be offered by various selling agents. The last fiscal year witnessed an increase in the number of offerings by registrants to their own security-holders. Such offerings were chiefly effected through the issuance of rights to stockholders to purchase common shares at a price below the market. More than 65% of the securities offered to security-holders was common stock, and slightly more than 48% of the common stock registered for cash sale was offered to the registrants' own security-holders.

Of the total of \$4,387,781,000 of securities effectively registered (after deducting amounts reserved against conversion) \$1,091,816,000, or 24.9%, were for common stock issues; \$569,371,000, or 13.0%, were for preferred stock issues; \$247,958,000, or 5.6%, were for certificates of participation, beneficial interest, and warrants; \$1,552,871,000, or 35.4%, were for secured bonds; \$921,186,000, or 21.0%, were for debentures, and \$4,579,000, or 0.1%, were for short term notes. Interest bearing obligations, then, totaled 56.5%, stock issues 37.9%, and other types of securities 5.6%.

Approximately \$1,249,333,000, or 28.5%, of the registrations (after deducting amounts reserved against conversion) were for manufacturing companies; \$1,175,468,000, or 26.8%, were for the electric light and power, gas and water utility companies; \$771,888,000, or 17.6%, were for financial and investment companies; \$557,477,000, or 12.7%, were for transportation and communication companies (exclusive of common carriers exempt under the Securities Act of 1933); \$276,058,000, or 6.3%, for merchandising companies; \$61,068,000, or 1.4%, were for companies in the extractive industries; and \$296,489,000, or 6.7%, were for all other registrants including foreign governments.

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, as well as the summary figures quoted above, 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 they appear in the registration statements on the effective dates. They thus represent, in reality, statistics of intentions to sell securities rather than statistics of actual sales of securities.

The statute does not provide for the accumulation of data showing the extent to which securities registered have actually been sold by the registrant. Although the Commission has endeavored to obtain such data, it does not yet have exact knowledge upon this subject. However, in cases where securities are underwritten by responsible banking houses, it is certain that the issuing corporation has received the stipulated sales price. As indicated above, of the \$3,633,086,000 of new securities proposed to be offered for cash about \$2,839,375,000, or 78.2%, were intended to be sold to underwriters and may, therefore, be assumed to have netted the issuing corporations the contemplated amount of funds.

For the purpose of ascertaining the proportion of registered securities not sold to underwriters which were actually disposed of by registrants through contracts with selling agents or their own facilities, 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 April 30, 1936. Approximately 435 replies, inclusive of the 270 replies mentioned in the annual report of 1936, were received up to June 30, 1937. From these replies it appeared that only about 20% of the total estimated gross proceeds of the securities registered by this group of registrants which consists almost entirely of unseasoned companies disposing of their securities without the aid of underwriters, has actually been sold. About one third of the registrants reported no sales whatever of registered securities, while the remaining registrants reported sales of slightly more than one fourth of the amount 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. [Footnote: The chief categories of exempt securities 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 non-commercial 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 is keeping a record of unregistered private placings based on information published in the financial press and supplemented by short questionnaires sent to the issuers of securities reported as privately placed.

During the fiscal year ended June 30, 1937, 28 unregistered private placings with total estimated gross proceeds of almost \$296,000,000 came to the attention of the Commission comparing with 37 issues with estimated gross proceeds of over \$213,000,000 during the preceding fiscal year. The proceeds of these privately placed issues were equivalent to approximately 8% of the securities effectively registered for cash offering with the Commission during the fiscal year ended June 30, 1937, comparing with the corresponding ratio of approximately 5% during the preceding fiscal year. Industrial corporations sold slightly over one half of the reported private placings, public utilities accounting for about 80% of the rest. Repayment of indebtedness continued the chief purpose for which the proceeds of the securities placed privately were to be used but the proportion to total proceeds declined to 58% compared with 85% during the fiscal year ended June 30, 1936. The amounts to be used for working capital and plant and equipment rose to \$119,000,000 compared with slightly over \$30,000,000 during the preceding year. Monthly data on the type of securities, the classification of the issuers and the use of proceeds of the privately placed securities on which the Commission has information are presented in Table 10 of Appendix V.

Securities placed privately according to the information supplied by the issuer of the registration statements, but registered either on issuance or later under the Securities Act of 1933, (such securities are, of course, included in the statistics of the registered issues) were very small during the fiscal year ended June 30, 1937, amounting to less than \$12,000,000 in 4 issues compared to \$211,000,000 in 20 issues during the preceding fiscal year.

EXEMPTION FROM REGISTRATION REQUIREMENTS OF SECURITIES ACT

Exemptions of Fractional Undivided Interests in Oil or Gas Rights

In order to secure a more effective supervision over the class of exemptions involving offerings relating to the sale of fractional undivided interests in oil or gas rights filed pursuant to Regulation B of the Commission's General Rules and Regulations under the Securities Act of 1933, as amended, on July 1, 1936, the Commission established the Oil

and Gas Unit. The functions of this Unit are to examine all offering sheets and amendments thereto; to examine prospectuses involving oil and gas issues filed pursuant to Rule 202 of the Commission's General Rules and Regulations; to assist in the examination of and to furnish technical, engineering and valuation advice on registrations involving oil or gas properties; and to conduct formal investigations into the activities of oil royalty trusts and investigations to verify the representations made as to properties offered and the recoveries estimated to be realized therefrom.

Of the 1,720 offering sheets examined, suspension orders were issued in 443 cases. In 294 of these cases, the defects pointed out by the Commission were cured by amendment and the suspension orders lifted. The following statistics indicate the number of original offering sheets filed and the actions with respect thereto from July 1, 1936 to June 30, 1937:

Offering sheets filed: 1,720

Suspension orders entered: 443

Offering sheets withdrawn: 94

Offering sheets amended: 295

Number of hearings held and completed to determine whether temporary suspensions should be made permanent: 25

(a) Resulting in withdrawals: 2

(b) Resulting in amendments to correct deficiencies: 1

(c) Resulting in permanent suspensions: 22

Temporary suspensions pending June 30, 1937: 29

Exemptions Other Than Those Relating to Oil and Gas Interests

Under the rules and regulations of the Commission adopted pursuant to Section 3 (b) of the Securities Act of 1933, which provide for conditional exemptions from registration for certain issues not in excess of \$100,000, the Commission, during the past year, received and examined 475 prospectuses, relating mostly to offerings of stock issues. Numerous amendments, which were required to correct the deficiencies found in the prospectuses as originally filed, were also examined. The aggregate offerings, as disclosed by the prospectuses, amounted to \$37,734,416.

REGISTRATION OF NATIONAL SECURITIES EXCHANGES

Exchanges Registered

The 22 national securities exchanges as of June 30, 1937, are as follows:

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

The Buffalo Stock Exchange and the Denver Stock Exchange, which had been permitted to withdraw their applications for registration as national securities exchanges with leave to apply for reinstatement before April 1, 1937, and May 1, 1937, respectively, requested extensions of time within which to apply for reinstatement as national securities exchanges. By order of the Commission, the Buffalo Stock Exchange was granted an extension to April 1, 1938 within which it might apply for reinstatement as a national securities exchange. The application of the Denver Stock Exchange was denied.

The Commission, during the year, revised its rules specifying the manner in which registered and exempt exchanges should file amendments and supplements in order to keep their applications for registration or exemption up to date. These revised rules eliminate the necessity for the filing of formal supplements containing certain information regularly published by the exchanges and require the submission to the Commission of annual financial statements for each exchange and its affiliates.

The amendments and financial statements are examined for the purpose of ascertaining compliance with the Securities Exchange Act of 1934 and the Rules and Regulations of the Commission. During the year, more than 250 amendments were filed.

Exchanges Exempted From Registration

As of June 30, 1937, the 7 exchanges granted exemption from registration as national securities exchanges remain the same as last year and are as follows:

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

REGISTRATION OF SECURITIES ON EXCHANGES

Applications for the Registration of Securities on Exchanges

One of the main objectives of the Securities Exchange Act of 1934 is to make available for the investor, reliable, current, and comprehensive information regarding the affairs of the company whose securities are listed, or are to be listed, on a national securities exchange. Certain information is also required to be furnished by companies whose securities are listed, or are to be listed, on exempt exchanges.

A company which seeks to list its securities on national securities exchanges may accomplish such listing by conforming to the requirements of the exchange to which it applies, and by filing, on the appropriate form, an application for the registration of such securities with the Commission and with the exchange on which the registration is sought. For the purpose of the basic registration, several forms have been adopted and each one provides for the submission of data of the character called for in the Act and appropriate to the particular type of issuer or security. These forms in general require non-financial as well as financial information. Data is required concerning the organization of the registrant and of the system of which it may be an integral part, its capital structure, its authorized outstanding funded debt, the debt structure of its subsidiaries, its authorized, issued and outstanding capital stock, the amount of securities of other corporations that it may have guaranteed, its position with reference to outstanding warrants and rights, an adequate description of the actual securities being registered, recent financing, control and management, stock options, balance sheets,

profit and loss statements, together with supporting schedules, the remuneration of officers and directors, and other pertinent information.

The continuance of registration upon an exchange is conditioned upon the filing of interim reports covering material changes occurring from time to time, and the filing, within 120 days after the close of the fiscal year of the registrant, of an annual report. These reports are designed to bring up to date the information contained in the applications for permanent registration of securities.

A detailed examination is made of each of these applications, annual reports, and current reports 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. Deficiencies which are revealed by such examinations are communicated to the registrant and amendments correcting such deficiencies are required to be filed. Upon receipt, the correcting amendments are examined in the same manner as the applications and reports.

Applications for the Withdrawal or Striking from Listing and Registration of Securities on Exchanges

In accordance with the provisions of Section 12 (d) of the Securities Exchange Act of 1934 and Rule JD2 (b) promulgated thereunder, the Commission received 78 applications for withdrawal or striking from listing of securities fully listed and registered on exchanges. Public hearings were held on these applications and 56 of them were granted. The remaining 22 were pending as of June 30, 1937.

Pursuant to Rule JD3 (a) of the Commission, 433 certifications were received from national securities exchanges relative to the withdrawal from listing and registration of maturing securities and securities redeemed or retired.

Application for the Granting, Extension and Termination of Unlisted Trading Privileges on Exchanges

The Commission, during the year, amended its rules governing unlisted trading privileges on national securities exchanges pursuant to Section 12 (f) of the Securities Exchange Act of 1934, as amended on May 27, 1936. [Footnote: For a discussion of background of this Amendment, see the Commission's Second Annual Report.] These rules permit the continuation of unlisted trading privileges in a security without further application to the Commission if only minor changes have occurred in such security, such as changes in the title thereof, the interest rate, the par value, the amount outstanding, etc. The exchanges are required to notify the Commission in writing of any changes promptly after they have knowledge thereof. During the fiscal year ended June 30, 1937, the Commission received 424 such notifications.

If more substantial changes are made in securities, an application must be filed by the exchange supporting the contention that the altered security is substantially equivalent to the security admitted to unlisted trading privileges. Before the altered security may be traded on an exchange, the application must be approved by the Commission. During the past year, 50 such applications were received, of which 24 were granted and 26 were denied.

It may be interesting at this point to sum up the record of reduction in the total number of securities admitted to unlisted trading privileges since October 1, 1934. The total number of securities originally admitted to unlisted trading privileges, pursuant to Clause 1 of Section 12 (f) of the Securities Exchange Act of 1934 amounted to:

Stocks: 2,685

Bonds: 1,288

Total: 3,973

On June 30, 1937, the number of securities still enjoying unlisted trading privileges, pursuant to Clause 1 of Section 12 (f) was:

Stocks: 1,656

Bonds: 615

Total: 2,271

Thus, there has been a net decline of:

Stocks: 1,029

Bonds: 673

Total: 1,702 [Footnote: We wish to emphasize that this reduction applies only to securities for which unlisted trading privileges have been continued pursuant to Clause 1 of Section 12 (f). This category of securities constitutes an anomaly in exchange trading, in that full and continuing information concerning the issuers thereof is not made available pursuant to law. Since an abrupt termination of trading in these securities might have resulted in serious dislocation, such trading was permitted to continue, in the belief that there would be a gradual decline therein. The statistical record justifies this expectation. Securities admitted to so-called unlisted trading privileges pursuant to Clause 2 or Clause 3 of Section 12 (f) of the Securities Exchange Act of 1934, as amended, present an entirely different situation inasmuch as full and continuing information concerning these securities is filed pursuant to law.]

During the fiscal year, 69 applications for the extension of unlisted trading privileges to securities duly listed and registered on other national securities exchanges were received. Of these, 11 were granted, 13 were denied and 45 were pending as of June 30, 1937. During the fiscal year, the Commission received 22 applications for the extension of unlisted trading privileges to securities in respect of which there is claimed to be available from registration statements and periodic reports or other data filed pursuant to rules or regulations prescribed by the Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, information substantially equivalent to that available pursuant to rules or regulations of the Commission in respect of a security duly listed and registered on a national securities exchange. These applications were still pending as of June 30, 1937.

The Commission received 5 applications from persons other than exchanges for the termination of unlisted trading privileges on national securities exchanges. Of these, 2 were granted, 1 was denied and 2 were pending as of June 30, 1937.

During the fiscal year, the Commission was notified of the removal by exchanges from unlisted trading privileges of 327 issues of securities.

As of June 30, 1937, 14 national securities exchanges traded in securities on an unlisted basis. Of this number, 5 exchanges traded in both stocks and bonds on an unlisted basis and the other 9 traded in stocks only. As of June 30, 1937, 2,282 issues of securities were admitted to unlisted trading privileges on the 14 registered exchanges, of which 1,666 were stock issues and 616 were bond issues. [Footnote: Includes some duplication inasmuch as some securities are admitted to unlisted trading privileges on more than one registered exchange.]

As of June 30, 1937, 3 exempted exchanges traded in securities on an unlisted basis, of which 2 traded in both stocks and bonds and 1 in stocks only. Approximately 164 issues of securities were admitted to unlisted trading privileges on exempted exchanges, of which 137 were stock issues and 27 were bond issues.

Forms for the Registration of Securities on Exchanges

During the past year, the Commission added three forms to the initial series of forms for registration of securities on national securities exchanges, i. e., Form 22, For Issuers Reorganized in Insolvency Proceedings or which have Succeeded to a Person in Insolvency Proceedings; Form 23, For Successor Issuers; and Form 24, For Bank Holding Companies. A form (Form 8-C) has also been adopted to facilitate the registration of securities on additional exchanges. [Footnote: Published July 7, 1937.] In connection with the promulgation of these forms, previously existing exemptions with respect to such issuers have in large part been repealed.

To the series of forms for annual reports, and as companion forms to the forms for registration previously adopted, the Commission has added four annual report forms, i. e., Form 18-K, For Foreign Governments and Political Subdivisions Thereof; Form 19-K, For American Certificates Against Foreign Issuers and for the Underlying Securities; Form 20-K, For Securities other than Bonds of Foreign Private Issuers; and Form 21-K, For Bonds of Foreign Private Issuers.

To supplement the information required in the annual reports and to provide a mechanism for making important events known to investors with as little delay as possible, a new form (Form 8-K) has been adopted for reporting shortly after the close of each month certain important events occurring during the month within which the specified events occur. In addition, the problem of obtaining financial information more frequently than once each year is being studied to determine whether a form for quarterly reports of listed companies should be adopted.

At the present time, there is in progress a complete revision of the existing forms with a view to coordination of their requirements with each other and with the requirements of forms for registration under the Securities Act of 1933. It is anticipated that such revision will result in the elimination of a number of the existing forms by combination into more general categories.

Statistics of Securities Registered or Exempt from Registration on Exchanges

The Commission is now engaged in the development of a new program for the collection and analysis of significant data relating to all phases of exchange trading. It is expected that the data yielded by this new program will be both more comprehensive and more significant than the data which have been accumulated to date. Further reference to this new program will be made below.

Certain interesting data concerning securities registered or exempt from registration upon exchanges follow:

Sales of securities on registered exchanges for the fiscal year ended June 30, 1937, amounted to \$28,052,500,834, increasing 9.1 per cent over sales in the fiscal year ended June 30, 1936. Stock sales totaled \$24,581,956,285, a figure 11.8 per cent higher than that of the preceding year, and bond sales were valued at \$3,470,144,794, declining 6.5 per cent from the comparable figure in the preceding year.

Shares of stock sold totaled 945,164,509, 1.8 per cent less than the total a year earlier, while the principal amount of bond sales declined 9.9 per cent to \$4,307,104,255.

These figures indicate that the average price per share of stock sold and the average price per hundred dollars of principal amount of bonds sold both increased.

The two leading New York exchanges accounted for 95.8 % of sales on all registered exchanges; 95.3 per cent of stock sales and 99.8 per cent of bond sales.

The Commission, in addition to continuing its regular monthly releases on the value and volume of trading on securities exchanges, has instituted, in the past year, several series of releases making available to the public for the first time regular data on the trading of various groups on the two leading New York exchanges.

In accordance with the program embodied in its report to Congress on the Feasibility and Advisability of the Complete Segregation of the Functions of Broker and Dealer, the Commission commenced in October 1936 to issue weekly releases showing daily the purchases and sales for their own account of several groups of members on the New York Stock Exchange and the New York Curb Exchange. A summary of these releases, with corrections as received from the exchanges, was made available in June 1937 at the public reference rooms of the Commission's Washington office and principal regional offices. Through the weekly releases and the annual summary, there is now available to the public a continuous record of members' trading on the New York Stock Exchange and the New York Curb Exchange since March 1936.

In June 1937, the Commission commenced to release to the public figures on odd-lot trading. There is made available daily at the Washington office figures showing for the second day preceding that of the release the number of shares purchased and the number of shares sold in odd-lots by odd-lot dealers and specialists on the New York Stock Exchange, together with the number of orders involved in such trades. Weekly summaries of these figures, as corrected by more complete reports from the odd-lot dealers and expanded to include the value of daily purchases and sales in odd-lots, are publicly distributed in release form.

These two series enable the investing public to follow in some detail and with reasonable dispatch the extent and the direction of two important sections of total trading on the two largest stock exchanges; purchases and sales by members of the exchanges and transactions in small amounts (i. e., in amounts of less than full lots) which may be assumed to reflect purchases and sales by smaller traders. During the six-month period ending June 30, 1937, member trading has represented about 21% and odd-lot trading about 12% of total exchange trading (i. e., total purchases and sales both in round lots and odd-lots). The two new series, therefore, provide information concerning one third of the total stock exchange trading.

In addition to statistical information on the securities markets made available through public releases, the Commission has regularly collected from a number of member houses of the New York Stock Exchange and the New York Curb Exchange data on margin accounts, commission orders received and executed, orders on specialists' books and orders executed for account of foreign customers. Most of these series are still in an experimental stage, but have provided the Commission with current information valuable

in its administration of the Securities Exchange Act. The Commission has been gratified by the ready cooperation of the member houses in furnishing the basic material for these statistics.

During the year, the Commission instituted proceedings to determine whether to suspend for a period not exceeding twelve months or to withdraw the registration of securities of seven companies listed on national securities exchanges. In general, these proceedings were based upon the failure of the registrants to conform to the requirements of certain sections of the Act, and the Rules and Regulations thereunder. At the close of the fiscal year, four of these proceedings had been terminated, two by entry of an order by the Commission directing the withdrawal of the securities registered on such national securities exchange, and two by dismissing the proceedings in view of the satisfactory fulfillment of the requirements by the registrant company, and three were pending.

Annual reports on Forms 18-K, 19-K, 20-K, and 21-K are due to be filed on or before September 30, 1937 by 155 foreign issuers having securities registered on a national securities exchange. As the securities of such issuers were exempt from registration until May 15, 1936, this will represent the initial filing of annual reports by foreign issuers. As of June 30, 1937, eight such reports were filed with the Commission.

The following table indicates the number of applications and reports filed in connection with the listing of securities on exchanges during the period from July 1, 1936 to June 30, 1937:

New applications on basic forms and supplemental applications:	913
New applications on provisional Form 7:	40
Applications for "when issued" trading in unissued warrants:	69
Applications for "when issued" trading in unissued securities other than warrants:	6
Statements in respect of exemption of issued warrants:	101
Section 13 reports:	3,931

In addition, 3,941 amendments to these applications and reports were received.

The following table indicates the basic forms used by issuers in registering securities and the number of securities registered and issuers involved as of June 30, 1936 and as of June 30, 1937:

As of June 30, 1936:

Form 7; Provisional registration form: 10 securities registered, 8 issuers involved

Form 10; General corporations: 2,751 securities registered, 1,739 issuers involved

Form 11; Unincorporated issuers: 25 securities registered, 13 issuers involved

Form 12; Issuers making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934: 746 securities registered, 196 issuers involved

Form 12-A; Issuers 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 securities registered, 25 issuers involved

Form 13; Insurance companies other than life and title insurance companies: 17 securities registered, 17 issuers involved

Form 14; Certificates of deposit issued by a committee: 60 securities registered, 43 issuers involved

Form 15; Incorporated investment companies: 117 securities registered, 67 issuers involved

Form 16; Voting trust certificates and underlying securities: 41 securities registered, 35 issuers involved

Form 17 Unincorporated issuers engaged primarily in the business of investing or trading in securities: 7 securities registered, 5 issuers involved

Form 18; Foreign governments and political subdivisions thereof: 182 securities registered, 86 issuers involved

Form 19; American certificates issued against foreign securities and for the underlying securities: 13 securities registered, 11 issuers involved

Form 20; Securities other than bonds of foreign private issuers: 5 securities registered, 3 issuers involved

Form 21; Bonds of foreign private issuers: 92 securities registered, 55 issuers involved

Form 22; Securities of issuers reorganized in insolvency proceedings or their successors: Form not promulgated as of June 30, 1936.

Form 23; Securities of successor issuers other than those succeeding insolvent issuers: Form not promulgated as of June 30, 1936.

Total: 4,195 securities registered, 2,303 issuers involved

As of June 30, 1937:

Form 7; Provisional registration form: 18 securities registered, 11 issuers involved

Form 10; General corporations: 2,848 securities registered, 1,876 issuers involved

Form 11; Unincorporated issuers: 27 securities registered, 13 issuers involved

Form 12; Issuers making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934: 712 securities registered, 193 issuers involved

Form 12-A; Issuers 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: 128 securities registered, 25 issuers involved

Form 13; Insurance companies other than life and title insurance companies: 16 securities registered, 16 issuers involved

Form 14; Certificates of deposit issued by a committee: 58 securities registered, 39 issuers involved

Form 15; Incorporated investment companies: 104 securities registered, 61 issuers involved

Form 16; Voting trust certificates and underlying securities: 43 securities registered, 35 issuers involved

Form 17 Unincorporated issuers engaged primarily in the business of investing or trading in securities: 8 securities registered, 5 issuers involved

Form 18; Foreign governments and political subdivisions thereof: 188 securities registered, 86 issuers involved

Form 19; American certificates issued against foreign securities and for the underlying securities: 13 securities registered, 11 issuers involved

Form 20; Securities other than bonds of foreign private issuers: 6 securities registered, 3 issuers involved

Form 21; Bonds of foreign private issuers: 95 securities registered, 55 issuers involved

Form 22; Securities of issuers reorganized in insolvency proceedings or their successors: 70 securities registered, 34 issuers involved

Form 23; Securities of successor issuers other than those succeeding insolvent issuers: 34 securities registered, 26 issuers involved

Total: 4,368 securities registered, 2,489 issuers involved

The following table indicates the industries engaged in by issuers having securities registered on national securities exchanges as of June 30, 1937 [Industry, Number of issuers]

Transportation and communication (railroads, telephone, etc.): 318

Metal mining (including non-ferrous): 269

Machinery and tools: 202

Transportation equipment (automobiles, parts, accessories, etc.): 164

Merchandising (chain stores, department stores, etc.): 156

Financial and investment (investment trusts, fire insurance, etc.): 136

Food and related products: 105

Utility operating (electric and gas): 98

Miscellaneous manufacturing: 86

Oil and gas wells: 77

Chemicals and allied products: 73

Beverages (breweries and distilleries): 66

Utility holding (electric and gas): 61

Textiles and their products: 58

Building and related companies: 55

Iron and steel (excluding machinery): 53

Oil refining and distributing: 50

Tire, rubber, and leather products: 35

Paper and paper products: 32

Real estate: 28

Coal mining: 26

Printing, publishing, and allied industries: 23

Tobacco products: 22

Utility operating-holding (electric and gas): 22

Agriculture: 17

Miscellaneous other industries: 257

Total: 2,489

[three tables omitted]

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

Section 15 (d) of the Securities Exchange Act of 1934, as amended on May 27, 1936, preserved all registrations of brokers and dealers which were in effect on the enactment date without the necessity of filing new applications for registration on the part of those so registered. Subsequent registrations were continued in substantially the same manner as prior to the amendment.

[table omitted]

REGISTRATION OF PUBLIC UTILITY HOLDING COMPANIES

Registration of a public utility holding company, pursuant to the provisions of the Public Utility Holding Company Act of 1935, is accomplished by filing with the Commission a notification of registration and, later, a registration statement.

During the fiscal year, the Commission adopted a permanent form for notification of registration (Form U5A) and a form for the registration statement (Form U5B). In requiring the completion of statements on this latter form (Form U5B), the Commission made effective one of the vital provisions of the law.

Congress, by incorporating in the Public Utility Holding Company Act of 1935 the provisions of Sections 4 and 5, realized that the informatory process was fundamental to the positive powers of regulation established in other parts of the Act. Sections 4 and 5 require that interstate utility holding company systems disclose complete financial and operating information as well as management interests. Since many abuses enumerated in Section 1 of the Act have sprung from the inaccessibility and unavailability of information about the holding company, its interests and activities, the publicity thus required will prove a great deterrent of future financial chicanery and abuse.

Although the registration provisions were established as the means whereby other parts of the law were made effective, they were designed to serve a necessary purpose in and by themselves, independent of other parts of the Act. They represent an important supplement to the regulations in the Securities Act of 1933 and the Securities Exchange Act of 1934 in providing protection, through disclosure, to investors, consumers, and the general public.

To provide full information regarding interstate holding company systems a comprehensive form was required. Perhaps the most essential requirement contained in Form U5B is that the registrant submit, as part of the exhibits, consolidating balance sheet, income and surplus statements. The consolidating type of statement reveals the financial interrelationships within a given system since it requires that the individual statements of the registrant and each subsidiary which is customarily consolidated shall be set forth separately, with explanations of the intercompany eliminations made by the accountants in compiling the consolidated statement.

In addition to these consolidating statements which in themselves provide a wealth of important financial data not generally available in the past, certain pertinent information is required, relating to specific subjects of which the following are representative: (except where noted, the various required data pertaining to these general subjects must be furnished for both the registrant and its subsidiary companies)

- (1) general character of business;
- (2) analysis of balance sheet accounts including funded debt, capital stock and property;
- (3) revaluations of property;

- (4) intercompany holdings of securities and evidences of indebtedness issued by companies within the system;
- (5) investments in outside holding companies and public utility companies;
- (6) interstate sales of electric energy and gas;
- (7) important leases;
- (8) important financing during the past five years;
- (9) distribution of capital stock of the registrant;
- (10) officers' and directors' other business affiliations, including connections with financial institutions;
- (11) loans to officers and directors;
- (12) interests of officers and directors in contracts to which the registrant or subsidiaries are parties;
- (13) compensation to officers, directors and highly-paid employees;
- (14) important sales, service, construction and other contracts; and
- (15) litigation relating to franchises, orders of a State Commission or other governmental agency and other important matters.

As exhibits, in addition to the consolidating statements referred to above, certain additional material is required. These include, among other things, maps showing the areas in which electric and gas service are furnished and maps showing the nature and location of various types of electric and gas property, such as generating plants, transmission systems, points of interconnection with all other systems, and similar or related material.

The illumination of the facts required by Form U5B should be a potent influence in eradicating serious abuses which exist in some systems, and in dispelling suspicions which may unjustly be prevalent regarding the activities in other systems.

Upon filing with the Commission, the registration statements are thoroughly examined for the purpose of determining compliance with the Act and the rules and regulations promulgated thereunder. When the examination discloses the existence of deficiencies, the registrant is so advised. Deficiencies in the statements may be corrected by the

registrant filing the necessary amendments. Amendments filed with the Commission are also examined.

Although it is difficult to accurately determine the total number of holding companies subject to regulation under the Act, or the volume of assets which they control, it is estimated that at the present time somewhat less than 45% of the total number of companies subject to the Act are registered. However, the assets controlled by these registered companies probably constitute not more than 30% of the total assets of the companies subject to the Act.

As of June 30, 1936, there were sixty-five holding companies registered under the Act. During the year ended June 30, 1937, there occurred a net increase of twenty-one companies, bringing the total number of registered holding companies to eighty-six. Included in the companies which registered during the last fiscal year were such large systems as The North American Company, American Water Works and Electric Company, Inc., and American Light and Traction Company.

The eighty-six holding companies which were registered at June 30, 1937, comprise the following:

American Light & Traction Company

American Public Service Company

American Utilities Service Corporation

American Water Works and Electric Company, Inc.

Arkansas-Missouri Power Company

Lee Barroll, Charles H. Bliss, Mord M. Bogie, Robert D. Gordon, Thomas A. Tunney
(Voting Trustees of the American Utilities Service Corporation)

Lee Barroll, et al, Trustees of United Public Utilities Corporation

British-American Utilities Corporation

Brokaw, Dixon & McKee

Central and South West Utilities Company

Central New Hampshire Power Company

Central States Edison, Inc.

Central States Power & Light Corporation

Central States Utilities Corporation

Citizens Public Service Company

Citizens Utilities Company

Colonial Utilities, Inc.

Colonial Utilities Corporation

Commonwealth Light & Power Company (Trustee of)

Community Power and Light Company

Consumers Natural Gas Company

Crescent Public Service Company

Derby Gas and Electric Corporation

Fast Coast Public Service Company

Foster Petroleum Corporation

Gary Electric and Gas Company

The Gas Company of New Mexico

General Public Utilities, Inc.

Georgia Natural Gas Corporation (Trustees of)

Granite City Generating Company (Voting Trustees)

Great Lakes Utilities Company

Great Lakes Utilities Company (Voting Trustees for Common Stock)

Great Lakes Utilities Corporation

Illinois Traction Company

Inland Power & Light Corporation (Trustees of)

International Hydro-Electric System, New England Power Association, and Old Colony Trust Company (Trustees of)

Interstate Gas and Electric Company

Interstate Light and Power Company

Interstate Power Company

Iowa Public Service Company

Lone Star Gas Corporation

Middle West Corporation

(The) Midland United Company (Trustees of)

Midland Utilities Company (Trustees of)

Minneapolis General Electric Company

Mission Oil Company

(The) National Fuel Gas Company

National Gas and Electric Corporation (Trustees of)

National Gas and Electric Corporation

National Light, Heat and Power Company

New England Power Association

New England Public Service Company

North American Company

(The) North American Edison Company

(The) North American Gas and Electric Company

North American Light and Power Company

Northern States Power Company

North West Utilities Company

Penn Western Gas and Electric Company

Pennsylvania Gas & Electric Corporation

Peoples Light and Power Company

Peoples Light and Power Corporation (Trustees of)

Peoples Light and Power Corporation (Voting Trustees)

Public Service Corporation of Texas

Public Utilities Securities Corporation (Trustees for)

Republic Electric Power Corporation

Republic Service Corporation

Sandar Corporation Southeast Power & Light Company

Southern Natural Gas Company

Southern Union Gas Company

Southwestern Development Company

Southwestern Public Service Company

States Electric & Gas Corporation

Twin State Gas and Electric Company

(The) Union Electric Power Corporation

United Cities Utilities Company

United Public Service Corporation

United Public Utilities Corporation

Utilities Holding Corporation

Utilities Power & Light Corporation

Utilities Stock and Bond Corporation

Washington and Suburban Companies

Washington Gas and Electric Company

West Penn Electric Company

(The) West Penn Railways Company

EXEMPTIONS FROM REGISTRATION UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Applications for exemptions from registration requirements under the Public Utility Holding Company Act of 1935 are filed with the Commission pursuant to specific sections of the Act which exempt by rule or order of the Commission holding companies of certain specified types and holding companies which meet certain specified requirements.

The requirements as to the various kinds of applications for exemption under Sections 2 and 3 of the Act are extremely flexible. The Commission has adopted rules specifying the minimum information which was thought relevant in the ordinary situation, but has suggested that each applicant omit irrelevant data and furnish any additional information which is pertinent to the particular case, reserving the right on the part of the Commission to call for any other data that might be necessary.

As of June 30, 1937, 399 applications for exemption of holding companies and for orders declaring companies not to be holding companies or declaring companies not to be electric or gas utilities had been received. Twenty-four of these applications were received during the past year. Of these 399 applications, there were 87 granted exemption, 172 withdrawals, and 140 pending at the close of the fiscal year.

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

During the year ended June 30, 1937, the Commission adopted nine new rules, while sixteen rules were amended to a greater or lesser degree. In addition to adopting four new forms, the Commission also adopted the "Uniform System of Accounts for Public Utility Holding Companies".

The new rules adopted during the year include the following:

Rule 3B-2 exempts public utility companies operating within the United States from duties and obligations as holding companies under the Act if such companies would be considered holding companies under the Act solely because of a foreign public-utility subsidiary company operating in Mexico or Canada.

Rule 3D-6 exempts from the provisions of Section 6 (a) the issue of initial shares of a company in process of organization, if all such shares having a par, stated, or declared value not exceeding \$10,000 are acquired for cash by a single company.

Rule 5A-3 prescribes the use of Form U5A for notification of registration.

Rule 5B-1 prescribes the use of Form U5B for registration statements.

Rule 6B-1 prescribes the use of Form U6B-1 for applications for exemption from Section 6 (a) of the issue and sale of securities, the proceeds from which are to be used to finance the business of the applicant and which have been expressly authorized by the State commission of the State in which the applicant is organized and doing business.

Rule 12-C-2 provides that no dividend shall be declared or paid out of capital or unearned surplus, except upon application to and approval by order of the Commission.

Rule 13-60 requires the filing of annual reports by mutual and subsidiary service companies on Form U-13-60.

Rule 15-10 prescribes the use of the Uniform System of Accounts for Public Utility Holding Companies which do not own and operate public utility or other property.

Rule 17C-12 grants to newly registered holding companies and their subsidiary companies exemption until September 1, 1937, from the provisions of Section 17 (c), with reference to financial connections of directors and officers, which existed on August 26, 1936.

Of the many amendments to existing rules adopted during the year, the most far-reaching and important were to Rule 9C-3, dealing with exemptions from the requirement to obtain approval of the Commission as to certain acquisitions of securities. Certain new exemptions were included, namely, the acquisition of securities which have been issued in accordance with Rule 3D-6 and those which have been acquired in the exercise of

preemptive rights. In this connection, Rule 14-1, providing for quarterly reports to the Commission on such acquisitions, redemptions and retirements of securities, was amended to eliminate the necessity for filing duplicate reports under certain circumstances.

Other amendments included amendments to Rule 3, regarding applications for exemption under Sections 2 or 3 of the Act; Rule 9A2-2, permitting brokers, dealers, or underwriters to acquire securities of a public-utility company in certain circumstances; Rule 13-3, exempting newly registered holding companies from the provisions of Section 13 for a period of thirty days; Rule 17C-3, exempting from the provisions of Section 17 (c) officers or directors of financial institutions who are acting as directors of a registered holding company or subsidiary on express approval by a Federal Court.

Forms have been promulgated as follows:

- (1) Form U5A -- Notification of Registration pursuant to Section 5 (a) of the Public Utility holding Company Act of 1935.
- (2) Form U5B -- Registration Statement, pursuant to Section 5 (b) of the Public Utility Holding Company Act of 1935.
- (3) Form U6B-1 -- Application by a subsidiary of a registered holding company, pursuant to Section 6 (b) of the Public Utility Holding Company Act of 1935, for exemption of securities expressly authorized by a State commission.
- (4) Form U-13-60 -- Annual Report of Mutual and Subsidiary Service Companies, pursuant to Section 13 of the Public Utility Holding Company Act of 1935.
- (5) The Uniform System of Accounts for Public Utility Holding Companies, prescribing a system of accounts, pursuant to Section 15 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 required. 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 elicit the requisite information.

UNIFORM SYSTEM OF ACCOUNTS FOR PUBLIC UTILITY HOLDING COMPANIES

Pursuant to Section 15 of the Public Utility Holding Company Act of 1935, the Commission, on August 8, 1936, adopted the "Uniform System of Accounts for Public

Utility Holding Companies". This system became effective January 1, 1937, as to those registered holding companies for which the system was designed.

This system of accounts is applicable to public utility holding companies which derive practically all their income from dividends and interest on investments in other companies. It was not designed to meet fully the requirements of those holding companies which derive a portion of their income from public utility or other physical property of similar character directly owned and operated by them.

It was the aim of the Commission to provide a system of accounts which would not impose burdensome requirements upon the companies, but sufficiently comprehensive to provide information essential in the administration of the Act. In formulating the system, certain matters had to be dealt with respecting which diverse accounting practices were being followed. It is not anticipated, however, that the companies will be faced with any serious problem in conforming their accounting practices to the uniform methods prescribed by the system.

Financial data for public utility holding companies, thus compiled for the first time on a uniform basis, will be of material assistance to investors, as well as to this Commission and to State regulatory commissions in protecting the interests of consumers and investors.

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. Numerous conferences were held with representatives of the foregoing, at which extended discussions were had upon various matters involved. Upon completion of a tentative draft of the system, copies were distributed to holding companies and others inviting comments, suggestions and criticism in connection therewith. The replies received in response to this invitation were given careful consideration, and as a result, a number of modifications, amendments, and changes suggested were embodied in the system as finally adopted.

ISSUANCE OF SECURITIES BY REGISTERED HOLDING COMPANIES

One of the important provisions of the Public Utility Holding Company Act of 1935 relates to control over the issuance of securities. During the fiscal year just ended, the Commission received 95 applications and declarations under Sections 6 (b) and 7 relating to the issuance of securities by registered holding companies and their subsidiaries. Prior to July 1, 1936, 24 applications and declarations had been received, making a total of 119 received since the Act became effective. Of these, 87 have been approved, 11 withdrawn, and the balance of 21 were still pending on June 30, 1937.

The eighty-seven applications and declarations which have been approved by the Commission related to the issuance of over \$750,000,000 of securities [Footnote: Of this

amount about \$500,000,000 were approved under Sec. 7 and the balance of \$250,000,000 under Sec. 6 (b).], while the 11 withdrawals covered securities aggregating almost \$90,000,000. Applications and declarations pending on June 30, 1937 related to securities amounting to over \$225,000,000. Thus the issuance of well over \$1,000,000,000 of securities has been covered by applications and declarations filed with the Commission under this Act.

A very large proportion of the approved security issues were those of subsidiary operating companies of registered holding companies which were issued in refinancing outstanding securities with securities having smaller fixed charges. Representatives of companies appearing in these cases have maintained before the Commission that the resultant savings in the course of time should materially benefit consumers of these companies. Many of these issues had been authorized previously by State commissions. In certain instances, the Commission made suggestions which were adopted by the local commissions, which it is hoped resulted in improved security issues. In certain other instances where, because of the lack of local commission control, the initial responsibility lay with this Commission, it has likewise endeavored to improve the character of securities which were issued.

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

The Commission received, during the fiscal year ended June 30, 1937, 56 applications requesting approval of the acquisition of securities and assets under Section 10 of the Public Utility Holding Company Act of 1935. Since the effective date of the Act, 76 such applications had been received. Of these 76 applications, 53 were approved, 8 were withdrawn or dismissed, and 15 were pending on June 30, 1937.

The following statistics indicate the number of applications received, the number of applications approved, the number of applications withdrawn or dismissed, and the number of applications pending as of June 30, 1937:

To June 30, 1936:

Number of applications received: 20
Number of applications approved: 15
Number of applications withdrawn or dismissed: 4
Number of applications pending close of fiscal year: 1

July 1, 1936 to June 30, 1937:

Number of applications received: 56
Number of applications approved: 38

Number of applications withdrawn or dismissed: 4
Number of applications pending close of fiscal year: 15

The preponderance of these applications related to the acquisition of securities, with 62 in this category compared with 14 applications for approval of the acquisition of utility assets or interest in a business.

Acquisition of securities and assets approved under these applications in many instances have constituted important steps in the simplification of holding companies in voluntary compliance with the purposes of Section 11.

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

During the past year, 25 reports on Form U-12 (i)-1 were filed with the Commission pursuant to Section 12 (i) of the Public Utility holding Company Act of 1935. This section of the Act requires 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 of Congress, or before the Securities and Exchange Commission or the Federal Power Commission or any member, officer, or employee of either such Commission, to file a statement with the Securities and Exchange Commission. The information required in this statement covers the subject matter in respect of 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.

CONTROL OF SERVICE COMPANIES

Following the adoption on May 12, 1936 of a "Uniform System of Accounts For Mutual Service Companies and Subsidiary Service Companies", the Commission, during the year, adopted Form U-13-60 as the form of annual report to be submitted to the Commission by such companies.

The principal requirements of the report embrace the following: a balance sheet statement as of the close of the year with supporting schedules; a statement of revenues and expenses classified in accordance with the prescribed accounts, together with detailed analyses of the more important classes; and various schedules to show the allocations made of charges for service, including a schedule of the amount of service charges billed to associated companies or other customers.

The purpose of this report is to secure information with respect to the financial condition of service companies and the charges made by them to associate companies and others in the performance of service, sales, or construction contracts. As a result of the information obtained, it is expected that the Commission will be in a position to adequately safeguard the interests of consumers and investors with respect to the operations of mutual service companies and subsidiary service companies without placing any undue burden on any such company with respect to the necessity of disclosing in full its methods and means of operations.

Furthermore, under the uniform system of accounts for service companies, detailed information with reference to the costs of furnishing services are made available for the first time to local regulatory bodies and should be of value to them in determining the fairness of service charges paid by operating companies under their jurisdictions.

A report on Form U-13-60 covering the calendar year must be filed by each mutual service company or subsidiary service company on or before the first day of April, following the close of the year for which the report is made. The form of this annual report is based upon the requirements of the uniform system of accounts for such service companies. As this system of accounts became effective August 1, 1936, the first of the annual reports covered the five months period ended December 31, 1936.

During the past year, 3 applications were filed for approval of mutual service companies and 13 applications were filed for approval of subsidiary service companies. All of the applications in the first category have been approved, while in the second group 11 have been approved, one withdrawn, and one was pending on June 30, 1937.

VOLUNTARY COMPLIANCE WITH THE PURPOSES OF SECTION 11 OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 BY REGISTERED HOLDING COMPANIES AND SUBSIDIARIES

Since the passage of the Public Utility Holding Company Act of 1935, a number of applications have been received and granted by the Commission, which involved simplification of corporate structures, and indicated the desire of the applicant to comply with the provisions embodied in Section 11 of the Act.

Transformation of Holding Companies Into Operating Companies by Acquisition of the Utility Assets of Subsidiaries

There have been two outstanding examples of the type of simplification in which registered holding companies acquired the utility assets of their operating subsidiaries and thereby became entitled to the exemption provided for under Section 5 (d).

The Nevada-California Electric Corporation, a Delaware corporation, formerly owned three electric utility operating companies namely:

The Nevada-California Power Company, a Wyoming corporation
The Southern Sierras Power Company, a Wyoming corporation
Yuma Utilities Company, an Arizona corporation

All the outstanding securities of these three utility subsidiary companies were owned by The Nevada-California Electric Corporation. The properties of such subsidiaries constituted and were operated as a single interconnected system for the generation, transmission and distribution of electric energy in the States of California, Nevada and Arizona.

On April 16, 1936, the Commission approved the acquisition by The Nevada-California Electric Corporation of all the assets of the subsidiary companies above named. Upon the acquisition of such assets, The Nevada-California Electric Corporation surrendered all their outstanding securities of each of the subsidiary companies for cancellation and assumed their other obligations and liabilities.

As a result of the foregoing transaction, The Nevada-California Electric Corporation ceased to be a holding company and an order to that effect was issued by the Commission pursuant to Section 5 (d) of the Public Utility Holding Company Act of 1935, on December 10, 1936.

A further simplification of the corporate structure of The Nevada-California Electric Corporation was achieved by its acquisition of the properties of two of its non-utility subsidiaries, in exchange for which it surrendered all the outstanding securities of such subsidiaries. This transaction was likewise approved by the Commission, pursuant to Section 9 (a) of the Act.

On March 13, 1936, the Commission issued an order pursuant to Section 9 (a) of the Act, approving the acquisition by the Montana-Dakota Utilities Co., a Delaware corporation, which was both a registered holding company and an operating company, of the utility assets or any other interest in business of the following of its public utility subsidiary companies, subject to the funded debt and other liabilities of such subsidiaries:

Montana-Dakota Power Company, a Delaware corporation, and
Montana Cities Gas Company, a Delaware corporation.

The Montana-Dakota Utilities Co. supplies natural gas to various communities in western North and South Dakota, eastern and northern Montana, and north-central Wyoming. The properties acquired from its two subsidiary companies are located in and serve the same general territory.

The three corporations named above were merged into a single corporation, the surviving corporation being the Montana-Dakota Utilities Co. The outstanding preferred and common stocks of the subsidiary companies held by the public were acquired by the Montana-Dakota Utilities Co. through exchange for its own securities. The capital stocks of subsidiaries thus acquired, together with such capital stocks already held by the Montana-Dakota Utilities Co. were cancelled.

The Montana-Dakota Utilities Co. also disposed of its holdings of the entire capital stock of Missoula Gas and Coke Company, another of its public utility subsidiaries.

As a result of the foregoing transaction, Montana-Dakota Utilities Co. ceased to be a holding company and an order to that effect, pursuant to Section 5 (d) of the Act, was issued by the Commission on March 29, 1936.

Exchange of Control of Properties for the Purpose of Creating Integrated Public Utility Systems

The Commission had occasion to approve two applications which involved the exchange by two holding company systems of minority interests in a group of operating companies for control of two utility companies. The purpose of these transactions was the ultimate elimination of a number of subsidiary holding companies and the creation of an integrated public utility system.

On March 19, 1937, the Commission, pursuant to Section 9 (a) of the Act, approved the acquisition by Massachusetts Utilities Associates of the outstanding minority interests in 16 of its existing subsidiary companies from New England Gas and Electric Association, in exchange for securities of Plymouth County Electric Company (representing 91.73% of voting control) and of Plymouth Gas Light Company (representing 84.04% of the voting control).

Massachusetts Utilities Associates, a subsidiary company of New England Power Association, both of which are registered holding companies, is a Massachusetts voluntary association. Massachusetts Utilities Associates has four subsidiary holding companies, and controls, directly or indirectly, 29 public utility companies, all of which operate in the Commonwealth of Massachusetts.

The electric properties of the subsidiaries of Massachusetts Utilities Associates, in which New England Gas and Electric Association owned a minority interest, together with other electric properties controlled by Massachusetts Utilities Associates and New England Power Association, form an interconnected system which serves generally contiguous areas. Two gas utility companies which were included in the above mentioned 16 companies likewise operate in the area served by subsidiaries of the New England Power Association.

The acquisition of the minority interests in these operating companies will facilitate the ultimate elimination of four subsidiary holding companies of Massachusetts Utilities Associates, and, therefore, result in the simplification of the corporate structure of the New England Power Association system.

New England Gas and Electric Association is a Massachusetts voluntary association, and an affiliate of a number of public utility companies, among which is Associated Gas and Electric Company.

Plymouth County Electric Company and Plymouth Gas Light Company, the companies acquired by New England Gas and Electric Association, are Massachusetts corporations and operate in the same area in the State of Massachusetts. The territory served by Plymouth County Electric Company is located between areas served by New Bedford Gas & Edison Light Company and Cape & Vineyard Electric Company, existing subsidiaries of New England Gas and Electric Association, which are physically interconnected.

Simplification of Corporate Structure of Holding Company Systems by Merger of Subsidiaries Operating in the Same Area

There is one outstanding example of the type of transaction by which the corporate structure of a holding company system was simplified through a merger of a number of subsidiary companies into one operating company.

In orders dated May 24, May 27 and June 25, 1937, the Commission approved certain declarations and applications as a result of which five subsidiary companies of the Union Electric Light and Power Company (Missouri) were reorganized and merged into one company whose name was changed to Union Electric Company of Illinois. These five companies, all Illinois corporations, were as follows:

East St. Louis Light & Power Co -- Surviving company
Union Electric Light and Power Company of Illinois
Alton Light & Power Co.
Alton Gas Company
Power Operating Company

The above companies are public utility companies operating in and around Alton and East St. Louis, Illinois. Power Operating Company owned no properties of its own, but leased its power generating facilities from Union Electric Light and Power Company of Illinois and sold electric energy at wholesale to Union Electric Light and Power Company (Missouri), to East St. Louis Light and Power Company and to Illinois-Iowa Power Corporation.

The parent company of the five merged companies was Union Electric Light and Power Company (Missouri), a subsidiary of the North American Edison Company, which in turn is a subsidiary of the North American Company, both registered holding companies.

Four of the five merged companies had securities outstanding with the public. Union Electric Light and Power Company (Missouri) acquired all the common stock and the first mortgage bonds of the new company so that only two small issues of underlying non-callable bonds remain outstanding in the hands of the public. The first mortgage bonds of Union Electric Company of Illinois were pledged under a new large issue of first mortgage and collateral trust bonds of Union Electric Light and Power Company (Missouri).

The result of these transactions, therefore, was the reduction of the number of subsidiaries in the North American Company system by four and a very substantial simplification in the capital structure of its Missouri and Illinois subsidiaries.

COMMISSION REPORTS ON REORGANIZATION PLANS

Section 11 (g) of the Act requires the Commission to make reports on plans of reorganization of registered holding companies or their subsidiaries. Any person soliciting proxies or other authorizations in connection with a plan must accompany or precede such solicitation with a copy of the Commission's report. This section is applicable not only to court reorganization proceedings, but to readjustment plans affecting stockholders alone and consummated through their vote. Two large companies whose securities are widely held, have carried through stock readjustment plans and have obtained and submitted to their security holders reports of the Commission in connection with such plans.

One of the companies which carried through such a stock readjustment plan is Illinois Power & Light Corporation, all of whose common stock was held by its parent, North American Company. The company also had outstanding a large amount of publicly held preferred stock on which there were substantial accumulations of unpaid dividends. A plan was proposed to the preferred stockholders by the company and it may fairly be assumed that it represented the wishes of the parent company which was the sole owner of the common stock. The plan offered to preferred stockholders 60% of the common stock equity in return for a reduction in the dividend rate on the preferred stock and a funding of accumulated dividends into dividend arrears certificates. The Commission's report attempted to make clear to preferred stockholders the fact that the interest of the management proposing the plan was necessarily adverse to theirs and to set forth the considerations which would be relevant to appraise the fairness of the proposal made to them by the management. The application was filed with the Commission on March 1, 1937 and the plan was formally approved by the requisite vote of the company's stockholders on April 30, 1937.

The other plan presented to the Commission was that of the International Paper & Power Company, which presented questions on which there was a division of opinion on the part of the Commission, both as to its jurisdiction in the matter and as to the merits of the plan.

The division of opinion as to jurisdiction arose out of the circumstance that the company had not registered but was claiming the status of temporary exemption pending disposition by the Commission of an application for exemption under Section 3. It was not considered feasible to dispose of the exemption application immediately. The company desired, however, without delay to propose to its stockholders a plan calling for reclassification of its outstanding stock into new securities, including preferred stock, convertible into common, and option warrants to purchase common stock. The company wished to avoid the risk of being unable to fulfill its commitments with respect to future issues of common stock in the event of termination of its existing status as to exemption prior to conversion of all the preferred stock and exercise of all the purchase warrants and applied for an order which would have the effect of exempting such future issues.

The application also submitted all information which would have been required from a registered company and requested a report on the plan in the manner provided in Section 11(g).

The Commission rendered an opinion holding that it had jurisdiction and at the same time made the report on the plan. One Commissioner wrote a separate concurring opinion agreeing that the Commission should make a report on the plan but pointing out some features of the new securities which, in his opinion, were objectionable. Another Commissioner, in a dissenting opinion, denied the jurisdiction of the Commission to make the report and in certain respects disagreed with the report as made. No order was entered pursuant to the request for exemption until after the Commission was advised of the action taken by shareholders in voting to assent to the plan. Thereafter the Commission entered an order exempting from the Act the shares of common stock to be issued upon conversion of preferred stock and exercise of warrants. The Commissioner who had previously dissented did not participate in this and the Commissioner who had previously written the separate concurring opinion dissented because of the objections stated in such concurring opinion to some features of the new securities. [Footnote: A common stockholder who had appeared before the Commission in opposition to the plan applied for a rehearing on September 9, 1937. This application was denied, under date of October 12th. This stock holder has filed a petition seeking review of the Commission's order by the United States Circuit Court of Appeals for the First Circuit.]

GENERAL POLICIES WITH RESPECT TO ADMINISTRATION OF PUBLIC
UTILITY HOLDING COMPANY ACT

In spite of pending litigation which has resulted in the failure of a substantial proportion of the holding companies to register under the Act, a sufficient number of companies have registered to provide exercise by the Commission of practically all important regulatory functions. Under Section 11 of the Public Utility Holding Company Act of 1935, it will be the duty of the Commission as soon as practicable after January 1, 1938, to take steps looking toward the simplification and integration of public utility holding company systems. The Commission has been preparing itself for the discharge of these duties, both by extensive research into these problems and by actual experience in working with companies which have voluntarily simplified their corporate structures.

The Commission continues to administer this law to the end that abuses which brought about its passage will not recur. But in carrying out this program it endeavors to impose no more than a minimum of necessary restrictions on the industry. The importance of active cooperation by utility holding companies in expediting the changes required under Section 11 and other sections of the law are clearly understood, and the Commission's general policy is designed to develop a spirit of cooperation by encouraging registered holding companies to initiate constructive policies wherever possible.

COMPLAINTS, INFORMAL AND FORMAL INVESTIGATIONS

The Commission receives thousands of letters annually complaining of fraudulent or other illegal activities by persons engaged in the sale of securities. While most of such letters are sent by members of the general public, many are likewise sent by State Securities Commissions, State and Federal officials, and voluntary agencies such as Better Business Bureaus and Chambers of Commerce.

If the information thus brought to the Commission's notice by complaint, or information independently obtained by the Commission from its own surveillance of trading activities and examination of registration statements, indicated a substantial possibility of a violation of any of the Acts administered by the Commission, it was handled as a complaint case, and the facts thereof were investigated informally. During the past year 678 new complaint cases were set up.

If an informal investigation disclosed no violation of the legislation administered by the Commission, or if sufficient facts did not appear to warrant a belief that there had been a violation, the case was closed at that point and no further action was taken by the Commission.

If, as a result of the informal investigation, sufficient facts were developed to warrant the institution of civil or criminal proceedings, appropriate action along those lines was immediately taken. Where enough facts were not elicited in the course of an informal investigation to merit immediate court proceedings, but substantial basis existed for the belief that the legislation administered by the Commission had in some respect been

violated, a formal order for investigation was entered by the Commission pursuant to the powers conferred upon it under Sections 19 and 20 of the Securities Act of 1933 and Section 21 of the Securities Exchange Act of 1934. These formal orders empowered designated officers of the Commission to administer oaths and affirmations, subpoena witnesses, take evidence, and require the production of any books, papers, correspondence, memoranda, or other records which were relevant or material to the inquiry. If facts indicating a violation of any of the Acts administered by the Commission were discovered in a formal investigation, such action as was deemed most fitting to the circumstances was thereafter undertaken. But if the facts as developed in the formal investigation indicated that no violation had taken place, the case was closed.

During the past year formal orders were issued by the Commission in 87 cases. At the close of the preceding fiscal year 185 such investigations were pending, resulting in a total of 272 such investigations which were pursued by the Commission during the past year. Of the 272 cases in which formal investigations were undertaken, 123 are pending and 149 were concluded.

Report of complaints, informal investigations, and formal investigations for fiscal year 1936 (Under both Securities Act of 1933 and Securities Exchange Act of 1934)

[The numbers represent, in order, the number of 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; and 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

Report of complaints, informal investigations, and formal investigations for fiscal year 1937 (Under both Securities Act of 1933 and Securities Exchange Act of 1934)

[The numbers represent, in order, the number of 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; and cases pending July 1, 1936]

Cases set up as result of complaints: 1,174; 678; 1,852; 1,102; 750
Informal investigations: 989; 591; 1,580; 953; 627
Formal investigations: 185; 87; 149; 123

PUBLIC HEARINGS

Many phases of the quasi-judicial work of the Commission necessitate the holding of public hearings. The following statistics indicate the number of orders entered for public hearings and the number of public hearings held from July 1, 1935 to June 30, 1937.

[The numbers represent, in order, the orders for public hearings July 1, 1935 to June 30, 1936; orders for public hearings July 1, 1936 to June 30, 1937; public hearings held July 1, 1935 to June 30, 1936; and public hearings held July 1, 1936 to June 30, 1937

Securities Act of 1933: 70; 550; 55; 174

Securities Exchange Act of 1934: 46; 132; 37; 44

Public Utility Holding Company Act of 1935 (exclusive of Investment trust study): 132; 187; 124; 180

Total: 248; 869; 216; 398

The following represent a few of the situations in which public hearings are held by the Commission:

(a) Under the Securities Act of 1933, hearings are held in connection with the registration of securities in order to determine whether stop or refusal orders suspending the effectiveness of registration statements should be entered by the Commission.

(b) Under the Securities Exchange Act of 1934, hearings are held relating to registrations of brokers and dealers, withdrawal and striking from listing and registration of securities listed or registered on national securities exchanges; and suspension of members of exchanges for violations of the Securities Exchange Act of 1934.

(c) Under the Public Utility Holding Company Act of 1935, hearings are held in connection with the acquisition of securities and assets, the issuance of securities, exemptions, and other matters.

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

During the fiscal year ended June 30, 1937, 86 civil proceedings were initiated with respect to the enforcement of the Securities Act of 1933 and the Securities Exchange Act of 1934, bringing the total of such suits since the creation of the Commission to 209. The large majority of these proceedings have been injunctive suits instituted by the Commission to enjoin violations of Sections 5 and 17 of the Securities Act and Section 9 of the Securities Exchange Act. The remainder have included suits to enjoin enforcement of the Securities Act and the Securities Exchange Act, suits to enforce subpoenas issued by the Commission, and petitions for review of the Commission's determination that information for which application was made for confidential treatment, pursuant to

Section 24 (b) of the Securities Exchange Act, be made public. In accordance with the provisions of Section 20 (b) of the Securities Act and Section 21 (e) of the Securities Exchange Act, the Commission has also referred a number of cases to the Attorney General for criminal prosecution. The status of the cases filed or pending during the fiscal year ended June 30, 1937, is given in the tables in Appendix VI, and the more important of these cases are there discussed in detail.

Statement Indicating Number of Litigation Cases under the Securities Act and Securities Exchange Act by Types of Cases

[The numbers represent, in order, total cases initiated prior to July 1, 1936; total cases initiated during fiscal year ended June 30, 1937; total cases initiated prior to July 1, 1937; total cases closed prior to July 1, 1936; total cases closed during fiscal year ended June 30, 1937; total cases closed prior to July 1, 1937; total cases pending as of June 30, 1937]

Suits by Commission to enjoin violations of Securities Act and/or Securities Exchange Act: 667; 71; 137; 41; 61; 102; 35

Suits against Commission to enjoin enforcement of Securities Act and/or Securities Exchange Act: 4; 3; 7; 0; 3; 3; 4

Suits in which Commission has appeared and petitioned for leave to appear as amicus curiae or intervener in suits involving the Securities Act and/or Securities Exchange Act: 20; 2; 22; 0; 0; 0; 22

Suits to compel appearance and testimony of witnesses before a trial examiner: 12; 1; 13; 6; 6; 12; 1

Petitions for review of Commission orders by Circuit Courts of Appeals (or Court of Appeals for District of Columbia) pursuant to Section 9 (a) of Securities Act or Section 25 (a) of Securities Exchange Act: 22; 12; 34; 0; 10; 10; 86

Totals: 124; 89; 213; 47; 80; 127; 24

Injunctions Against Violation of the Securities Act and the Securities Exchange Act

As a result of suits instituted by the Commission, by June 30, 1937, 269 firms and individuals had been permanently enjoined from the acts and practices complained of,

121 of such injunctions having been obtained during the past fiscal year. [Footnote: These figures include some firms and individuals as to whom the injunction was subsequently vacated.]

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

Southern District of Arizona:

Consolidated Gold Mines Company, Ltd, et al.

Colorado:

The Metals Tunnel Company, et al.

Crusader Aircraft Corporation, et al.

Anaconda Mining and Milling Company, et al.

The Union Trust Company, et al.

Great Western Mine Trust, et al.

Tip-Top Gold Mines, Inc., et al.

Viking Gold Mines Corp., et al.

McDowell Mines, Inc.

United Empire Gold Mines Company, et al.

District of Columbia:

The Krystal Chemical Company, Inc., et al.

Hertz & Company, Inc., et al.

The Columbia Company, et al.

Automatic Guns, Inc., et al.

National Reference Library, Inc., et al.

Idaho:

Submarine Gold Mining Company.

Dry Lake Oil Company.

Granite Creek Dredging Company.

Willis E. Smith.

George D. Gottlieb.

Boise Petroleum Corporation, et al.

Edward L. Webster.

Northern District of Illinois:

R. J. Koeppe & Company (2 suits).

Edman Company, et al.

Maryland:

Associated Pharmacists of Baltimore, Inc., et al.

Massachusetts:

William Huke.

Ralph A. Gallagher, et al.

Harold Alton Meyer.

W. A. Nash & Co., Inc.

H. Gordon Oburg.

H. Henry Anthony, et al.

Albert Emerton & Co., Inc.

Eastern District of Michigan:

Harold M. Saddlemire, et al.

Montana:

Lawrence R. Hannah.

Butte Mines Holding Company.

Elkhorn Mines, Inc.

Basin Goldfields, Ltd., et al.

Southern District of New York:

Centennial Consolidated Mines Corporation, et al.

Archie M. Andrews, et al.

Aaron S. Saphier, et al.

Connor, Leach & Co., Inc., et al.

Frank V. Brecka, et al.

George Hubert Heyman.

Nevada:

United Goldfields Company, et al.

New Hampshire:

Francis J. Sullivan, Inc.

Northern District of Ohio:

The Hickox Finance Corporation, et al.

Southern District of Ohio:

C. S. Parks. F. R. Perry, et al.

Oregon:

F. I. Lamb.

Leo A. McGrail & Co., Inc., et al.

Eastern District of Pennsylvania:

C. Raymond Wickes, Inc., et al.

Western District of Tennessee:

Federal Compress and Warehouse Company, et al.

E. Randall Henderson.

Northern District of Texas:

J. G. Jarvis, et al.

A. D. Beck.

Ben Banner.

Utah:

The Royalty Securities Company, et al.

Western District of Virginia:

Walter P. Spielberger, et al.

Eastern District of Washington:

William LaVey, et al.

L. O. Pickett.

Montana Drum Lummon Extension, Inc.

Western District of Washington:

Northwest Gas & Oil Properties, Inc., et al.

Record Gold Mining Company, et al.

Indian Creek Mining Company, Inc., et al.

Peter Ivanoff.

Sunbeam Gold Mines Company (2 suits).

Golden West Consolidated Mines, et al.

C. R. Hesseltine.

Engineers Gold Mining Co., et al.

Gold Helm Mining Company.

Suits to Enforce Subpoenas

The principal defendants in suits to enforce subpoenas issued by the Commission filed or pending during the fiscal year ended June 30, 1937, grouped according to the district in which they were filed, are as follows:

District of Columbia:

The Krystal Chemical Co., Inc., et al.

Massachusetts:

National Short Term Securities Corporation, et al.

Western District of Oklahoma:

Verser-Clay Co., et al.

Western District of Pennsylvania:

A. C. Smith.

Northern District of Tennessee:

J. Edward Mills, et al.

Petitions for Review of Commission's Determination on Applications For Confidential Treatment

During the fiscal year ended June 30, 1937, 31 petitions were filed or pending in 7 Circuit Courts of Appeal and in the Court of Appeals for the District of Columbia for review of determinations made by the Commission upon application for confidential treatment of material filed with it, that public disclosure of this material was in the public interest. As of June 30, 1937, the Courts had disposed of none of these petitions on the merits. Table X of Appendix VI indicates the name of the company, the date of the filing of the petition, the circuit within which filed, and the status of the case as of June 30, 1937.

References to The Attorney General For Criminal Prosecution

During the fiscal year, 42 cases were referred to the Attorney General for criminal prosecution, bringing the total so referred to 112. Most of these references followed formal investigations conducted by the Commission. Of the 112 cases referred, indictments containing counts charging violations of the Securities Act or conspiracy to violate the Securities Act were returned in 54 cases, 21 of such indictments having been returned during the past fiscal year. During the same period, indictments charging violations of the Securities Exchange Act were returned in 3 cases.

Thirty of the cases in which violations of the Securities Act were charged have been tried, and 99 individuals have been convicted. Eighty-seven of these individuals were given jail

sentences ranging from 5 days to 17 years, and were fined from \$50 to \$15,000; 9 received suspended sentences; 2 are awaiting sentences; and 1 has been placed on probation. The cases in which indictments were returned or pending during the fiscal year ended June 30, 1937, are listed and briefly described in Table VI of Appendix VI, and the more important are there discussed in some detail.

LITIGATION UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Litigation under the Public Utility Holding Company Act has consisted almost wholly of actions to determine the validity of that Act. Since its enactment, a total of 58 suits challenging the constitutionality of this Act have been brought. These suits may be classified into three groups according to the manner in which they have arisen: (1) suits by holding companies to enjoin enforcement of the Act; (2) petitions by trustees of holding companies in bankruptcy seeking determinations that the Act is unconstitutional; and (3) stockholders' suits seeking similar decisions. Two suits to enjoin the investigation of investment trusts conducted by the Commission pursuant to Section 30 of that Act were begun during the fiscal year ended June 30, 1937. These cases are discussed in detail in Part III of Appendix VI.

Suits by Holding Companies to Enjoin Enforcement

Thirty-nine of the 44 suits brought by holding companies to enjoin enforcement of the Holding Company Act of 1935 were pending during the fiscal year ended June 30, 1937. This number is exclusive of the suit brought by the Commission in the District Court of the United States for the Southern District of New York against the Electric Bond & Share Company and its principal intermediate holding companies (*Securities and Exchange Commission v. Electric Bond and Share Company*), in which defendants filed a cross bill and counter-claim seeking an injunction against enforcement and a declaratory judgment that the Act was unconstitutional. This case is discussed more fully in Appendix VI, Part III.

The Commission and the Attorney General announced at the time the latter case was instituted that no penalties would be sought for failure to comply with the requirements of the Act until its validity had been confirmed by the Supreme Court. Each of the 44 suits brought by holding companies involved substantially similar questions of law and fact; and the maintenance of those actions harassed the government with a needless multiplicity of suits. All of these suits have been handled in accordance with a uniform policy developed by the Commission in collaboration with the Department of Justice. No effort was made to defend the suits outside the District of Columbia on their merits. In each such suit, appropriate motions were made for dismissal for lack of jurisdiction. The suits then remained pending as to the local government officials. In 26 of the suits, injunctions have been issued against such local government officials; in the remainder, the courts either refused to make any disposition until after a decision by the Supreme

Court in the Electric Bond and Share case or the parties have agreed to hold the litigation in abeyance until such a decision.

In the 7 suits which were instituted in the District Court for the District of Columbia, the government obtained a stay of proceedings pending a determination of the *Electric Bond and Share* case (*North American Co. v. Landis*, D. C., decided January 6, 1936). On appeal, the Supreme Court, in a decision rendered December 7, 1936, remanded the causes for further proceedings on that stay. (*Landis v. North American Co.*, 299 U. S. 248). Four of these cases are now in the District Court for the District of Columbia awaiting further proceedings on the motion to stay. *The Tennessee Electric Power Company* case, the *American Water Works & Electric Co., Inc.*, case, and the *North American Co., Inc.*, case have been dismissed on motions by the plaintiffs.

Parties plaintiff in the cases in this group filed or pending during the fiscal year, listed according to the district court in which the suit was filed, are as follows:

Colorado:

Public Service Co. of Colorado, et al.

Delaware:

Delaware Electric Power Co.

Susquehanna Utilities Co.

The Commonwealth & Southern Corp.

Eastern Texas Electric Co.

El Paso Electric Co.

Engineers Public Service

The Toledo Edison Co., et al.

Stone & Webster, Inc.

Stone & Webster Utilities Corp.

American Gas & Power Co.

Louisville Gas & Electric Co.

Standard Power & Light Corporation

Cities Service Co., at al.

North Continent Utilities Corp.

The United Corporation, et al.

Associated Gas & Electric Co., et al.

H. M. Byllesby & Co.

The Byllesby Corporation

North American Edison Co.

North American Light & Power Co.

Northeastern Water & Electric Corp.

District of Columbia:

The North American Company

American Water Works and Electric Company, Inc.

United Light and Power Co.

United Light and Railway Co.

Continental Gas & Electric Corp.

American Light & Traction Co.

Maine:

Sierra Pacific Electric Co.

Maryland:

United States Electric Power Corp.

Minnesota:

Northern States Power Co., et al.

Southern District of New York:

Consolidated Gas Co. of New York

The United Corporation, et al.

Cities Service Co., et al.

Federal Light & Traction Co., et al.

Northern District of Ohio:

The Toledo Edison Co., et al.

Eastern District of Pennsylvania:

Philadelphia Electric Co.

United Gas Improvement Company

Western District of Virginia:

East Tennessee Light & Power Company, et al.

Petitions by Trustees of Holding Companies in Bankruptcy

Two of the six petitions filed in the District Courts by trustees of holding companies in bankruptcy, seeking determinations that the Holding Company Act is unconstitutional, were pending during the fiscal year. In another suit, that brought by the *Standard Gas and Electric Co.*, government officials were joined as parties. Except for the Burco case (*Burco, Inc. v. Whitworth*), discussed in the Second Annual Report, all of the bankruptcy

suits have been either dismissed or are still pending. The three cases pending during the fiscal year are as follows:

Delaware:

Standard Gas and Electric Company

Southern District of New York:

North American Gas and Electric Co.

Eastern District of Pennsylvania:

Lehigh Valley and Transit Company

Stockholders' Suits

There have also been instituted six stockholders' suits to enjoin compliance by utility holding companies with the Public Utility Holding Company Act on the ground that the Act is unconstitutional. In only one case was the Commission made a party. Each of the suits, insofar as the Commission is informed, is still pending; in certain cases temporary restraining orders have been granted. The cases are as follows:

Delaware:

Albert E. Pierce v. Central Public Utility Corporation, et al.

Massachusetts:

Charles B. Barnes v. Ford, et al.

Southern District of New York:

Theodore Case v. Columbia Gas & Electric Corporation

Albert E. Pierce v. Coughlin, et al.

Public Utility Investment Corporation v. Utilities Power and Light Corporation

Eastern District of Virginia:

Public Utility Investment Corporation v. Utilities Power and Light Corporation, et al.

Validity of Section 30 of Public Utility Holding Company Act of 1935

Fisher v. Landis, et al; Fisher v. The Equity corporation, et al -- On July 27, 1936, the complainant filed two suits, one in his individual capacity and one as a stockholder of The Equity Corporation, challenging the validity of subpoenas issued by the Commission in its investigation into investment trusts conducted pursuant to Section 30 of the Holding Company Act. In the former suit, Fisher sought to enjoin the individual Commissioners from compelling his appearance pursuant to subpoenas, from issuing any further subpoenas, and from taking any steps to cause him to be prosecuted for refusal to obey these subpoenas. In the companion suit which named as defendants, in addition to the Commissioners, The Equity Corporation and its officers and directors, the complainant sought to restrain the Commission from taking any action to compel the giving of evidence by the latter persons, or the prosecution of such persons for failing to give evidence, and also sought to enjoin such persons from appearing and testifying at the inquiry. On August 11, 1936, the District Court for the District of Columbia denied the motions for preliminary injunctions on the ground of want of equity.

SECURITIES VIOLATIONS FILES

The Securities Violations Files, established on May 1, 1935, and described in the Commission's previous annual reports, were enlarged during the fiscal year by the addition of 5,613 items of information pertaining to existing files and by the addition of 3,604 new files. As of June 30, 1937, the Commission had assembled data. relative to the records of 25,379 persons against whom State and Federal action had been taken during the past ten years in connection with the sale of securities.

FORMAL OPINIONS

The Commission, during the past year, issued 196 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 Bainbridge Colby, et al(Kreuger & Toll Company) -- June 26, 1937

PERMANENT SUSPENSION ORDERS:

In the Matter of American States Oil Company, Respondent -- Offering Sheet of Producing Landowners' Royalty Interests in the American States Oil Company – Skelly-Dittmers Farm -- June 29, 1937

In the Matter of A. D. Beck, Respondent -- Offering Sheet of Nonproducing Free-working Interests in the Smith-Fleet-Bell-Beaver Block Farms -- Apr. 12, 1937

In the Matter of Louis Bernstein, Respondent -- Offering Sheet of Producing Landowner's Royalty Interests in the British-American et al-McNabb Farm -- May 20, 1937

In the Matter of Central Royalties Company, Respondent -- Offering Sheet of Non-producing Landowner's Royalty Interests in the Central Royalties Company-Central-Sooy Farm -- June 30, 1937

In the Matter of Continental Investment Corporation, Respondent -- Offering Sheet of Royalty Interests in the Gulf-Culp Farm -- Nov. 17, 1936

In the Matter of Continental Investment Corporation, Respondent -- Offering Sheet of Landowner's Royalty Interests in the Magnolia-Metropolitan Life Tracts -- Dec. 3, 1936

In the Matter of Fredrick Falkin & Company, Respondent -- Offering Sheet of Producing Landowner's Royalty Interests in the Loual-Carter-Craddock Farm -- May 14, 1937

In the Matter of G. E. Fisher, Respondent -- Offering Sheet of Non-producing Landowner's Royalty Interests in the Anderson-Prichard Oil Corp.-Swisher Lease -- Apr. 20, 1937

In the Matter of L. D. Greenfield Company, Respondent -- Offering Sheet of Overriding Royalty Interests in the Avalon Oil Co.-Garfield Street Addition Lease -- Dec. 5, 1936

In the Matter of L. D. Greenfield Company, Respondent -- Offering Sheet of Overriding Royalty Interests in the W. C. W. Oil Co.-Garfield Street Addition Lease -- Nov. 30, 1936

In the Matter of L. D. Greenfield Company, Respondent -- Offering Sheet of Landowner's Producing Royalty Interests in the Windsor-Culbertson No. 1 Farm -- Mar. 30, 1937

In the Matter of Park T. Grimes, Respondent -- Offering Sheet of Royalty Interests in the Rosenthal and Beardmore Derby Karst Farm -- Nov. 3, 1936

In the Matter of Kent K. Kimball, Respondent -- Offering Sheet of Landowner's Producing Royalty Interests in the Central Petroleum Co.-Benso "A" Farm -- May 25, 1937

In the Matter of Dion A. Kitsos, Respondent -- Offering Sheet of Working Interests in the Scaly-Burke #2 Farm -- Oct. 29, 1936

In the Matter of P. R. Knickerbocker, Respondent -- Offering Sheet of Royalty Interests in the Pure Oil Co.-R. L. Wells No. 47 Lease -- Nov. 12, 1936

In the Matter of Guy C. McRide, Respondent -- Offering Sheet of Landowner's Producing Royalty Interests in the Carter-Smith Lease -- Apr. 2, 1937

In the Matter of Guy C. McBride, Respondent -- Offering Sheet of Landowner's Producing Royalty Interests in the Magnolia-Smith Lease -- Apr. 5, 1937

In the Matter of E. M. Thomasson Producing Company, Respondent -- Offering Sheet of Non-producing Overriding Royalty Interests in the Thomasson-Durham et al Community Farm -- May 14, 1937

In the Matter of E. M. Thomasson Producing Company, Respondent -- Offering Sheet of Producing Overriding Royalty Interests in the Thomasson-Durham et al Community Farm -- May 20, 1937

In the Matter of Stuart L. Vance, Respondent -- Offering Sheet of Royalty Interests in the Alma and Skelly Johnson Farm -- Oct. 20, 1936

In the Matter of John Wight, Respondent -- Offering Sheet of Overriding Producing Royalty Interests in the O'Donnell Farm -- Apr. 9, 1937

REFUSAL ORDERS:

In the Matter of National Boston Montana Mines Corporation -- Aug. 6, 1936

In the Matter of National Invested Savings Corporation -- Nov. 5, 1936

STOP ORDERS:

In the Matter of American Kid Company -- Sep. 29, 1936

In the Matter of American Terminals and Transit Company -- Sep. 29, 1936

In the Matter of Avocalon Extension Syndicate Ltd-- Aug. 25, 1936

In the Matter of Bankers Union Life Company -- Feb. 20, 1937

In the Matter of Condor Pictures, Inc -- May 11, 1937

In the Matter of Consolidated Mines Syndicate – May 19, 1937

In the Matter of Emporia Gold Mines, Inc -- Apr. 23, 1937

In the Matter of Gilpin Eureka Consolidated Mines, Inc -- Oct. 8, 1936

In the Matter of Gold Hill Operating Company -- Sep. 14, 1936

In the Matter of Great Dike Gold Mines, Inc -- Aug. 3, 1936

In the Matter of Income Estates of America, Inc -- June 29, 1937

In the Matter of The Livingston Mining Company -- Apr. 3, 1937

In the Matter of Major Metals Corporation -- Feb. 20, 1937

In the Matter of Mining and Development Corporation -- Oct. 20, 1937

In the Matter of National Boston Montana Mines Corporation -- Apr. 28, 1937

In the Matter of National Invested Savings Corporation -- Mar. 24, 1937

In the Matter of Old Monroe Brewing Association – July 30, 1936

In the Matter of Rickard Ramore Gold Mines, Ltd – June 16, 1937

In the Matter of Sunset Gold Fields, Inc – May 20, 1937

In the Matter of Treasure Hill Extension Mines Co., Inc -- Apr. 2, 1937

In the Matter of Yumuri Jute Mills Company -- Mar. 2, 1937

Securities Exchange Act of 1934

BROKER AND DEALER:

In the Matter of Louis Grow -- May 18, 1937

In the Matter of Michael James Hughes -- Nov. 12, 1936

In the Matter of H. Owen Jones -- May 26, 1937

In the Matter of Clyde Beall Mitchell -- Nov. 30, 1936

In the Matter of Harry H. Natanson -- Nov. 23, 1936

In the Matter of Lewis S. Parsons -- Apr. 15, 1937

In the Matter of B. W. Sargent -- May 18, 1937

MANIPULATION:

In the Matter of W. E. Hutton & Co., et al -- Feb. 6, 1937

In the Matter of White, Weld and Company -- July 14, 1936

In the Matter of Charles C. Wright et al -- July 10, 1936

In the Matter of Charles C. Wright et al -- Dec. 14, 1936

UNLISTED TRADING:

In the Matter of American District Telegraph Company -- June 30, 1937

In the Matter of American District Telegraph Company -- June 30, 1937

In the Matter of City and Suburban Homes Company -- Jan. 5, 1937

In the Matter of Edison Electric Illuminating Co. of Boston -- Dec. 16, 1936

In the Matter of Piedmont & Northern Railway Company -- Dec. 16, 1936

Pittsburgh Stock Exchange (Applications for Unlisted Trading Privileges in 23 Securities) -- Apr. 14, 1937

In the Matter of Security-First National Bank of Los Angeles -- Dec. 16, 1936

WITHDRAWAL FROM LISTING AND REGISTRATION:

In the Matter of Allen Industries, Inc -- Jan. 19, 1937

In the Matter of Connecticut Railway and Lighting Co -- Jan. 22, 1937

In the Matter of Dolphin Paint & Varnish Co -- Dec. 10, 1936

In the Matter of Teck-Hughes Gold Mines, Ltd -- June 19, 1937

Public Utility Holding Company Act of 1935 [Footnote: In a few instances, opinions are duplicated under more than one classification.]

ACQUISITION OF SECURITIES, ASSETS, BUSINESS OR OTHER INTERESTS:

In the Matter of Amarillo Gas Company -- Apr. 10, 1937

In the Matter of Arkansas-Missouri Power Corporation -- June 25, 1937

In the Matter of Citizens Utilities Company -- June 30, 1937

In the Matter of Citizens Utilities Company -- June 30, 1937

In the Matter of Clam River Electric Company -- June 30, 1937

In the Matter of East St. Louis Light & Power Company -- May 27, 1937

In the Matter of Morris E. Feiwell, Emanuel M. Goodman and Edward P. Allen, Voting Trustees of the Capital Stock of Granite City Generating Company -- June 30, 1937

In the Matter of Granite City Generating Company -- June 30, 1937

In the Matter of Great Lakes Utilities Company -- Apr. 2, 1937

In the Matter of Voting Trustees for Common Stock of Great Lakes Utilities Company -- Apr. 2, 1937

In the Matter of Kentucky Utilities Company -- June 26, 1937

In the Matter of Laclede Power & Light Company -- June 30, 1937

In the Matter of Massachusetts Utilities Associates -- Mar. 19, 1937

In the Matter of The Middle West Corporation -- July 15, 1936

In the Matter of The Middle West Corporation -- Jan. 22, 1937

In the Matter of The Middle West Corporation -- Jan. 28, 1937

In the Matter of The Middle West Corporation -- June 15, 1937

In the Matter of The Middle West Corporation -- June 26, 1937

In the Matter of Middle West Utilities Company of Canada Limited -- June 30, 1937

In the Matter of National Gas & Electric Corporation, The Industrial Gas Company, Gas Producing Company of Ohio -- Mar. 19, 1937

In the Matter of Nevada-California Electric Corporation -- July 1, 1936

In the Matter of Nevada-California Power Company -- Oct. 14, 1936

In the Matter of New England Gas and Electric Association -- Mar. 19, 1937

In the Matter of New England Power Association -- Mar. 5, 1937

In the Matter of New England Power Association -- June 24, 1937

In the Matter of Polk Electric Light Company -- June 30, 1937

In the Matter of Public Service Company of New Hampshire -- Oct. 9, 1936

In the Matter of Public Service Company of New Hampshire -- Mar. 24, 1937

In the Matter of Republic Service Corporation -- Apr. 26, 1937

In the Matter of Southern Natural Gas Company -- May 26, 1937

In the Matter of States Electric & Gas Corporation -- June 18, 1937

In the Matter of Texas Utilities Company -- Dec. 28, 1936

In the Matter of Union Electric Company of Missouri -- June 25, 1937

In the Matter of Union Electric Light and Power Company -- May 27, 1937

In the Matter of United Public Service Corporation -- Dec. 5, 1936

In the Matter of Utility Service Company -- Dec. 30, 1936

In the Matter of Virginia East Coast Utilities, Inc -- Dec. 11, 1936

APPROVAL AS MUTUAL SERVICE COMPANY:

In the Matter of Nepsco Appliance Finance Corporation -- July 30, 1936

In the Matter of Penn-Western Service Corporation -- July 13, 1936

In the Matter of Republic Mutual Service Company -- Oct. 5, 1936

AUTHORIZING INCREASE OF PERCENTAGE OF SHORT-TERM
INDEBTEDNESS PURSUANT TO CLAUSE (3) OF THE FIRST SENTENCE OF
SECTION 6 (B):

In the Matter of Cumberland County Power and Light Company -- Sept. 25, 1936

In the Matter of Public Service Company of New Hampshire -- Oct. 9, 1936

In the Matter of The Twin State Gas & Electric Company -- Sept. 26, 1936

In the Matter of Union Electric Light and Power Company of Illinois -- May 24, 1937

DECLARATION WITH RESPECT TO ORGANIZATION AND CONDUCT OF
BUSINESS OF SUBSIDIARY SERVICE COMPANY:

In the Matter of American Service Company -- Mar. 8, 1937

In the Matter of John F. Barber, Joseph B. Wilson, Edward A. Olsen, Trustees -- July 31,
1936

In the Matter of Bureau of Safety -- July 30, 1936

In the Matter of Corporation Services, Inc -- July 31, 1936

In the Matter of Illinois Stock Transfer Company -- July 31, 1936

In the Matter of Middle West Service Company -- July 31, 1936

In the Matter of Midland Stock Transfer Company -- July 31, 1936

In the Matter of Nepsco Services Inc -- July 30, 1936

In the Matter of New England Power Service Company -- July 31, 1936

In the Matter of Republic Service Management Company -- Dec. 31, 1936

In the Matter of Utilities Power & Light Operating Corporation -- Sept. 3, 1936

DECLARING APPLICANT NOT TO BE A HOLDING COMPANY:

In the Matter of Indiana Southwestern Gas & Utilities Corporation -- Dec. 29, 1936

In the Matter of The Nevada-California Electric Corporation -- Dec. 10, 1936

In the Matter of Southern United Gas Company -- May 3, 1937

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

In the Matter of Boise Gas Light and Coke Company -- May 3, 1937

In the Matter of Chicago District Electric Generating Corporation -- Jan. 13, 1937

DIVIDEND DECLARATIONS AND PAYMENTS:

In the Matter of Clam River Electric Company -- June 30, 1937

In the Matter of Illinois Power and Light Corporation -- May 1, 1937

In the Matter of Polk Electric Light Company -- June 30, 1937

EXEMPTION FROM PROVISIONS OF THE ACT:

In the Matter of American Allied Products Company, American Engineering & Management Corporation, and Associated Public Service Company -- Dec. 10, 1936

In the Matter of The Arizona Edison Company Inc -- July 1, 1936

In the Matter of Central California Utilities Corporation -- Jan. 5, 1937

In the Matter of Columbian Carbon Company, and F. F. Curtze, Reid L. Carr, George L. Bubb, S. Vere Smith and Allan F. Kitchel as Voting Trustees of the Capital Stock of the Columbian Carbon Company -- Aug. 5, 1936

In the Matter of Consolidated Oil Corporation -- Apr. 9, 1937

In the Matter of Copper Range Company -- Feb. 11, 1937

In the Matter of Dental Oil Company -- Aug. 3, 1936

In the Matter of Essex and Hudson Gas Company -- Nov. 6, 1936

In the Matter of Illinois Northern Utilities Company -- Oct. 19, 1936

In the Matter of Insular Light and Power Corporation -- Mar. 1, 1937

In the Matter of International General Electric Company, Inc -- Oct. 21, 1936

In the Matter of International Pulp Company and Oswegatchie Light and Power Company -- Dec. 15, 1936

In the Matter of The Millville Manufacturing Company -- Dec. 17, 1936

In the Matter of Minnesota Tribune Company -- Aug. 3, 1936

In the Matter of Monarch Mills -- Nov. 5, 1936

In the Matter of Monroe Gas Company, Inc -- Aug. 6, 1936

In the Matter of The National Supply Company of Delaware -- Sep. 29, 1936

In the Matter of Newark Consolidated Gas Company -- Nov. 7, 1936

In the Matter of New Brunswick Light, Heat and Power Company -- Nov. 7, 1936

In the Matter of Northern Indiana Public Service Company -- Apr. 8, 1937

In the Matter of Northern Paper Mills -- Dec. 29, 1936

In the Matter of Petroleum Corporation of America -- Apr. 20, 1937

In the Matter of Phelps Dodge Corporation -- May 26, 1937

In the Matter of Reno Oil Company -- Aug. 3, 1936

In the Matter of South American Utilities Corporation -- May 18, 1937

In the Matter of Southeastern Indiana Corporation -- Apr. 7, 1937

In the Matter of Tyler Oil Company -- Aug. 3, 1936

EXEMPTION OF SECURITY TRANSACTIONS FROM PROVISIONS OF SECTION
6 (A) OF THE ACT:

In the Matter of Abington Electric Company -- Apr. 26, 1937

In the Matter of The Buckeye Light & Power Company, The Bradford & Gettysburg
Electric Light & Power Company, The Brookville & Lewisburg Lighting Company, The
New Madison Lighting Company, The Eaton Lighting Company, and the Western Ohio
Public Service Company -- June 12, 1937

In the Matter of Central Maine Power Company -- Oct. 23, 1936

In the Matter of Central Ohio Light & Power Company -- June 22, 1937

In the Matter of Central Vermont Public Service Corporation -- Aug. 17, 1936

In the Matter of Copper District Power Company -- July 8, 1936 --

In the Matter of Cumberland County Power and Light Company -- Oct. 15, 1936

In the Matter of Green Mountain Power Corporation -- Dec. 23, 1936

In the Matter of The Laclede Gas Light Company -- Sept. 17, 1936

In the Matter of Lake Superior District Power Company -- Oct. 16, 1936

In the Matter of Middle West Service Company -- June 9, 1937

In the Matter of Missouri Gas & Electric Service Company -- Jan. 28, 1937

In the Matter of The Narragansett Electric Company -- July 14, 1936

In the Matter of New England Power Company -- Nov. 7, 1936

In the Matter of Northern Berkshire Gas Company -- June 24, 1937

In the Matter of Northwestern Wisconsin Electric Company -- June 30, 1937

In the Matter of Public Service Company of New Hampshire -- Aug. 10, 1936

In the Matter of Public Service Company of New Hampshire -- Dec. 19, 1936

In the Matter of Tidewater Electric Service Company -- Dec. 11, 1936

In the Matter of Union Electric Company of Illinois -- June 25, 1937

In the Matter of Washington Gas Light Company -- June 22, 1937

In the Matter of Washington Gas Light Company of Montgomery County, Md -- Aug. 28, 1936

In the Matter of Wisconsin Power and Light Company -- Apr. 14, 1937

EXEMPTION OF ACQUISITION OF SECURITIES FROM PROVISIONS OF SECTION 9 (A) OF THE ACT:

In the Matter of The Middle West Corporation -- June 30, 1937

EXEMPTION FROM PROVISIONS OF SECTION 13 (A) OF THE ACT:

In the Matter of Citizens Utilities Company -- Oct. 6, 1936

In the Matter of United Cities Utilities Company -- Sep. 19, 1936

FIXING DATE FOR DECLARATION TO BECOME EFFECTIVE:

In the Matter of Amarillo Gas Company and Southwestern Development Co -- Apr. 10, 1937

In the Matter of American Public Service Company -- Feb. 4, 1937

In the Matter of American Service Company -- Mar. 8, 1937

In the Matter of Arkansas-Missouri Power Corporation -- June 25, 1937

In the Matter of Central and South West Utilities Company --Feb 4, 1937

In the Matter of Central Vermont Public Service Corporation -- Aug. 7, 1936

In the Matter of Citizens Utilities Company -- June 30, 1937

In the Matter of Deerfield River Electric Company -- June 24, 1937

In the Matter of Great Lakes Utilities Company -- Apr. 2, 1937

In the Matter of Voting Trustees for Common Stock of Great Lakes Utilities Company -- Apr. 2, 1937

In the Matter of Illinois Power and Light Corporation -- May 1, 1937

In the Matter of Iowa Public Service Company -- Dec. 29, 1936

In the Matter of Iowa Public Service Company -- June 29, 1937

In the Matter of The Kansas Electric Power Company -- Nov. 27, 1936

In the Matter of The Kansas Electric Power Company -- Dec. 14, 1936

In the Matter of Middle West Utilities Company of Canada Limited -- June 30, 1937

In the Matter of The Mission Oil Company -- Dec. 23, 1936

In the Matter of Missouri Public Service Corporation -- Jan. 11, 1937

In the Matter of Nepsco Appliance Finance Corporation -- May 15, 1937

In the Matter of Nepsco Services Inc -- May 15, 1937

In the Matter of Nevada-California Electric Corporation -- Oct. 14, 1936

In the Matter of New Hampshire Power Company and Public Service Company of New Hampshire -- July 21, 1936

In the Matter of North American Gas and Electric Company -- Apr. 22, 1937

In the Matter of Republic Service Corporation -- Nov. 19, 1936

In the Matter of Republic Service Corporation -- Feb. 3, 1937

In the Matter of San Antonio Public Service Company -- May 29, 1937

In the Matter of Sioux City Gas and Electric Company -- July 14, 1936

In the Matter of Southwestern Development Company -- July 13, 1936

In the Matter of Southwestern Development Company -- Dec. 17, 1936

In the Matter of States Electric & Gas Corporation -- June 18, 1937

In the Matter of Texas Utilities Company -- Dec. 28, 1936

In the Matter of Washington and Suburban Companies -- Dec. 30, 1936

PERMITTING DECLARATION TO BECOME EFFECTIVE:

In the Matter of East St. Louis Light & Power Company -- May 24, 1937

In the Matter of East St. Louis Light & Power Company -- May 27, 1937

In the Matter of Granite City Generating Company -- June 30, 1937

In the Matter of Morris E. Feiwell, Emanuel M. Goodman and Edward P. Allen, Voting Trustees of the Capital Stock of Granite City Generating Company -- June 30, 1937

In the Matter of Union Electric Company of Missouri -- June 25, 1937

In the Matter of Union Electric Light and Power Company of Illinois -- May 27, 1937

REORGANIZATION PLAN -- JURISDICTION OF THE COMMISSION:

In the Matter of International Paper and Power Company -- May 5, 1937

ADVISORY AND INTERPRETATIVE ASSISTANCE

Numerous inquiries as to the application to particular transactions of the provisions of the Acts administered and the rules and regulations promulgated by the Commission are constantly received by the Commission, in both written and oral form. In order that legitimate financing might not be impeded, the Commission, during the year, continued carefully and promptly to consider such inquiries and, wherever possible, to render advisory assistance.

The extent of this service, however, is determined by the purpose which it is designed to serve, i. e., assistance to those who seek to comply with the law but who have a bona fide doubt as to the proper interpretation of particular provisions. The Commission declines to answer hypothetical questions or problems arising otherwise than from sections of the Acts which it administers. The Commission does not feel at liberty to render interpretative opinions with respect to possible civil liabilities since it has no jurisdiction over these matters, nor are advisory opinions rendered unless the inquirer states all the relevant facts of an existing or proposed transaction and, in addition, discloses the names of the persons or corporations, as well as the amounts involved.

New problems of interpretation are continually raised by the inquiries. In many instances, the solution of the question presented has necessitated, in addition to analysis of complicated factual situations, a thorough understanding both of the history of the legislative provisions in question and of the practical results of a particular interpretation. Furthermore, in order to answer many questions of this type, the general body of judicial case law must be searched for relevant analogies. While an advisory opinion upon a particular factual situation may serve as a basis for a similar opinion upon an analogous set of facts, the great variety of circumstances under which financing transactions are undertaken give rise to a constant stream of novel problems of interpretation.

The advisory service afforded by the Commission has been designed for the benefit of those seeking assistance in their endeavor to comply with the Acts. But the Commission has likewise benefited. Through correspondence and conferences incident to the rendering of advisory legal opinions, the Commission has itself obtained invaluable factual information which has provided the basis upon which existing rules and regulations have been improved and which has materially aided the Commission in the promulgation of new rules and regulations.

REPORTS OF OFFICERS, DIRECTORS, AND PRINCIPAL STOCKHOLDERS

As part of its new comprehensive survey of significant data relating to trading upon exchanges, the Commission is making new analyses of reports of officers, directors, and

principal stockholders, filed pursuant to Section 16 (a) of the Securities Exchange Act of 1934.

Where any issuer has any class of equity security listed and registered on a national securities exchange, its officers, directors, and principal stockholders (i. e., persons who beneficially own, directly or indirectly, more than 10% of a class of registered equity security) are required under Section 16 (a) of the Securities Exchange Act to file initial reports showing their beneficial ownership of equity securities of such issuer and monthly reports showing all changes in their holdings of any equity security of their company. Corresponding reports are required under Section 17 (a) of the Public Utility Holding Company Act to be filed by officers and directors of registered holding companies concerning their holdings of all securities of the registered holding company and its subsidiaries.

The principal purpose of these reports is to make available information with respect to the amount of equity securities of issuers beneficially owned by their officers, directors, and principal stockholders and with respect to transactions on the part of such persons closely identified with the management or control of their enterprises.

The numbers of original and amended reports filed and examined during the fiscal year ended June 30, 1937 are compared below with corresponding figures for the two preceding fiscal years:

Original reports -- Securities Exchange Act: 10,114 in fiscal year 1935; 37,509 in fiscal year 1936; 25,022 in fiscal year 1937

Amended reports -- Securities Exchange Act: 2,524 in fiscal year 1935; 5,754 in fiscal year 1936; 5,101 in fiscal year 1937

Original reports -- Holding Company Act: 464 in fiscal year 1936; 416 in fiscal year 1937

Amended reports -- Holding Company Act: 45 in fiscal year 1936; 44 in fiscal year 1937

A separate file is established for each person reporting on a given issuer or a given holding company system. At the close of the fiscal year 25,017 such files had been established for 23,340 different persons, representing largely the leaders of American business and industry, who had filed with the Commission a grand total of 86,993 reports, or an average of nearly 4 reports each. On the other hand, there are only about a half dozen cases of persons who have 'failed to file reports apparently required of them under Section 16 (a) of the Securities Exchange Act or to furnish a satisfactory statement or explanation regarding their apparent non-compliance with the statutory requirement. Appropriate action is being taken in these cases.

The Commission compiles and publishes semi-monthly an Official Summary of Security Transactions and Holdings of Directors, Officers and Principal Stockholders as reported to it under Section 16 (a) of the Securities Exchange Act of 1934 and Section 17 (a) of the Public Utility Holding Company Act of 1935. Copies of these summaries are available at each regional office of the Commission and each national securities exchange, as well as at the office of the Commission in Washington, D. C. In addition, the actual reports filed are themselves available for public inspection at the office of the Commission in Washington, D. C. and the particular exchange with which copies relating to the issuer concerned are required to be filed.

SOLICITATION OF PROXIES, CONSENTS, AND AUTHORIZATIONS

The administration of the rules and regulations governing the solicitation of proxies, consents, or authorizations, adopted pursuant to Section 14 of the Securities Exchange Act of 1934, has involved, among other things, the examination of soliciting material sent to the security holders of more than 1,500 listed companies. This examination is for the purpose of determining whether the companies have complied with the rules and regulations of the Commission. The examination of proxy, consent, or authorization soliciting material has disclosed the need for a general revision of these rules and regulations, to the end that the purpose thereof may be more completely and effectively accomplished. Such a revision has been undertaken and is in the final stage of preparation.

During the past fiscal year, 1,896 proxies and approximately 230 amendments thereto were filed with the Commission.

In one case, the Commission, upon the examination of soliciting material, raised a question as to whether statements contained in such material might not be misleading, and suggested to the company that it recircularize its stockholders with supplemental information to correct any false impressions which might have been formed by them. When the company declined to do so, the Commission, acting pursuant to Section 21 (a) of the Securities Exchange Act of 1934, decided that it was in the public interest and in the interest of all the stockholders of the company to make public information available to the Commission bearing upon the adequacy of certain statements contained in the soliciting material. In the release which the Commission made public, the Commission set forth various particulars in which it appeared to the Commission that the soliciting material might be misleading.

In another case in which the Commission desired soliciting material to be supplemented in order to eliminate false impressions, and in which the corporation concerned agreed to do so, the Commission issued a public release explaining the particulars in which it felt

that further disclosure was essential to the protection of stockholders and in the public interest generally.

CONFIDENTIAL TREATMENT OF APPLICATIONS, REPORTS OR DOCUMENTS

Rules of the Commission provide that persons wishing to object to the public disclosure of any application, report, or document, filed by them with the Commission under the Securities Exchange Act may file the confidential portion of such material with the Chairman of the Commission, together with an application stating the grounds upon which the objection to public disclosure is based.

During the year, 234 applications for confidential treatment of material, involving a total of 308 separate items of information primarily in connection with annual reports filed with the Commission pursuant to Section 13 of the Securities Exchange Act of 1934 were filed. Material filed by 202 issuers, involving 288 items, was made public during the year, the Commission having determined that disclosure of such information is in the public interest; and material filed by 49 issuers, in respect of 62 items, was granted confidential treatment. During the year 48 private hearings on the applications for confidential treatment were held.

One application for confidential treatment with respect to ownership reports of equity securities required by Section 16 (a) of the Securities Exchange Act of 1934 to be filed by directors, officers, and certain securities holders, was filed with the Commission during the year. This report, together with 3 such reports covered by applications pending at the beginning of the year, were made available to the public.

Sixty-eight applications for confidential treatment of material contracts or portions thereof contained in registration statements filed under the Securities Act of 1933 were submitted during the year pursuant to Rule 580 under said Act. Of these 68 requests, 65 were granted in their entirety, 1 was granted in part, 1 was denied and 1 was withdrawn.

One application for confidential treatment of material filed under the Public Utility Holding Company Act of 1935 was received during the fiscal year and is still pending.

At the beginning of the year, petitions had been filed in the several Circuit Courts of Appeal by 31 issuers seeking to review findings of the Commission that disclosure of information filed by such issuers in pursuance of Rule UB2 is in the public interest. During the year, 10 of these petitions were dismissed by the petitioners, and the material in question, involving 17 items of information, was made public. No new petitions for judicial review of the Commission's determinations in these matters were filed during the fiscal year.

ADMISSIONS TO PRACTICE AS ATTORNEY OR AGENT BEFORE THE COMMISSION

In order to gain admission to practice before the Commission as Attorney or Agent, the Rules of Practice require the submission to the Commission of an application disclosing certain specified information regarding the qualifications of the applicant. During the year, 733 applications for admission to practice as Attorney and 143 applications for admission to practice as Agent were received. The register, which the Commission established November 1, 1935, containing the names and addresses of all persons admitted to practice before the Commission, was enlarged during the fiscal year by the addition of 873 names. The following statistics indicate the number of applications received since the register was established (November 1, 1935), the number of persons admitted to practice, and the number of applications pending as of June 30, 1937:

[table omitted]

Total admitted to practice: 2,230.

The Rules of Practice, as amended November 4, 1936 and January 19, 1937, appear in Appendix I.

REPORT ON THE STUDY AND INVESTIGATION OF PROTECTIVE AND REORGANIZATION COMMITTEES

The Commission continued work on the report to the Congress based on its study and investigation of the work, activities, personnel and functions of protective committees. This study, investigation, and report were authorized and directed by Section 211 of the Securities Exchange Act of 1934.

During the preceding year, three parts of the report had been completed and submitted to the Congress. These were Part III, pertaining to the Committees for the Holders of Real Estate Bonds; Part IV, pertaining to the Committees for the Holders of Municipal and Quasi-Municipal Obligations; and Part VI, pertaining to Trustees Under Indentures.

During the current year, three additional parts of the report have been completed. These are the following:

Part I, entitled Strategy and Techniques of Protective and Reorganization Committees, which was transmitted to the Congress on May 10, 1937.

Part II, entitled Committees and Conflicts of Interest, which was transmitted to the Congress on June 21, 1937.

Part V, entitled Protective Committees and Agencies for Holders of Defaulted Foreign Governmental Bonds, which was transmitted to the Congress on May 14, 1937.

The two remaining parts of the report are in process of completion. The basic recommendations contained in the Commission's reports were embodied in three bills introduced at the last session of Congress: The Barkley Bill (S. 2344); the Lea Bill (H. R. 6968); and Chapter X of the Chandler Bill (H. R. 6439; H. RI. 8046). The last, Chapter X of which contains a complete revision of the corporate reorganization provisions of the existing law, revises the National Bankruptcy Act. It was passed by the House on August 10, 1937, and is now pending before the Senate, where it has been referred to the Committee on the Judiciary. The Barkley Bill, still pending before the Senate Committee on Banking and Currency, deals with the corporate trustee and time trust indenture. The Lea Bill, still pending before the House Committee on Interstate and Foreign Commerce, deals with the solicitation of deposits, proxies or assents in reorganization situations. Administrative powers created by the three bills would be vested in the Securities and Exchange Commission.

Representatives of the Commission aided in drafting these bills and appeared before the Congressional committees at hearings on the bills and testified in support of them.

STUDY OF INVESTMENT TRUSTS AND INVESTMENT COMPANIES

In the Commission's study of investment trusts and investment companies, undertaken pursuant to the Congressional mandate of Section 30 of the Public Utilities Act of 1935, the major portion of the work was completed during the fiscal year.

In addition to four questionnaires distributed at the inception of the study, the Commission, with cooperation of the representatives of the industry, prepared a questionnaire for common or commingled trust funds and another for investment counsel and investment advisory services. Both questionnaires were of the summary type and required only basic information.

As of June 30, 1937, the Commission had received questionnaire replies from 495 management investment companies; from 178 fixed investment trusts; from 37 investment special plans; from 5 companies offering guaranteed face amount certificates; from 16 common trust funds; and from 400 investment counsel organizations.

The great amount of material received by the Commission in response to its questionnaires, the unexpected ramifications of the activities of investment companies

and investment trusts discovered in the course of the study, and the necessity of including a considerable number of additional investment organizations in the study, has delayed the Commission in submitting its final report and its recommendations to the Congress. On January 8, 1937, the Commission submitted to the Congress a progress report indicating the Commission's method of procedure and detailing the progress of the study and its status.

Detailed studies have been made of the larger investment trusts and investment companies and of a number of smaller companies regarded as representative examples. These have been based in most instances upon the information furnished by the companies in reply to the questionnaire and in some instances through a field study of the books and records of the companies. During the fiscal year, public examinations were held on approximately 125 investment companies and investment trusts at which about 20,000 pages of testimony were taken and 2,100 exhibits introduced into evidence. All public examinations were preceded by preliminary conferences with representatives of the companies

At the close of the fiscal year, the Commission had received information from practically all companies believed to be within the purview of the study and had almost completed its field studies. Considerable progress had been made on the statistical and analytical study of the material collected, and on the preparation of the final report.

A list of public hearings held in connection with this study [and dates of public examination] during the fiscal year ended June 30, 1937, follows:

Investment Trusts and Investment Companies of the Management Type

Adams Express Company -- December 1, 1936

Allied General Corp -- November 5, 6, 1936

All American General Corp -- May 28, June 28, 29, 30, 1937

American, British & Continental Corp -- October 28, 29, 1936, June 28, 29, 30, 1937

American Capital Corporation -- December 2, 3, 1936

American Cities Power & Light Corp -- February 25, 26, March 1, 2, 3, 4, 5, 8, 9, 1937

American Company -- June 2, 3, 4, 8, 9, 10, 11, 1937

American-European Securities -- September 30, 1936

American International Corporation -- November 30, 1936

American Investors, Inc -- June 28, 29, 30, 1937

American Superpower Corp -- January 6, 1937

Atlantic & Pacific International Corp -- December 17, 18, 19, 21, 22, 23, 1936

Atlantic Securities Corp -- June 28, 29, 30, 1937

Atlas Corporation -- June 28, 29, 30, 1937

Atlas Utilities & Investors Co., Ltd -- June 28, 29, 30, 1937

Aviation Securities Corp -- June 28, 29, 30, 1937

Blue Ridge Corp -- June 2, 3, 4, 8, 9,10,11, 28, 29, 30, 1937

Bond, Goodwin & Tucker, Inc -- June 2, 3, 4, 8, 9, 10, 11, 1937

Bullock Fund Ltd -- October 14, 15, 16, 1936

Canadian Investment Fund, Ltd -- October 14, 15, 16, 1936

Carriers and General Corporation -- October 14, 15, 16, 1936

Central Illinois Securities Corp -- September 14, 15, 1936

Central States Electric Corp -- February 25, 26, March 1, 2, 3, 4, 5, 8, 9, 1937

Chain & General Equities, Inc -- August 14, 1936 June 28, 29, 30, 1937

Chain Store Stocks, Inc -- January 14, 15, 1937

Chicago Corporation -- September 22, 1936

Consolidated Equities, Inc -- December 17, 18, 19, 21, 22, 23, 1936

Consolidated Funds Corporation (Del.) -- October 14, 15, 16, 1936

Dividend Shares Inc -- August 3, 1936

Eastern Shares Corporation -- June 28, 29, 30, 1937

Federated Capital Corp -- May 4, June 28, 29, 30, 1937

Financial Corporation (Formerly known as Ungerleider Corp.) -- June 2, 3, 4, 8, 9, 10, 11, 1937

Financial & Industrial Securities Corp -- October 26, 28, 1936

Fourth National Investors -- November 12, 1936

General American Investors Company, Inc. -- December 17, 18, 19, 1936

General American Securities Corporation -- October 8, 1936

General Capital Corporation General Equities, Inc -- December 17, 18, 19, 21, 22, 23, 1936

General Investment Corp -- May 7, 8, 1937

Granger Trading Corporation -- September 16, 1936

Group Securities (Distributors Group) -- January 22, 1937

Home & Foreign Securities -- April 29, 1937

Illuminating & Power Securities Corp -- January 5, 1937

Incorporated Investors -- September 22, 1936

Insuranshares Certificate Corp -- November 5, 6, 1936

Insuranshares Management Corp -- November 5, 6, 1936

International Superpower Corp -- October 14, 15, 16, 1936

Interstate Equities Corp -- July 27, 28, 29, 30, 31, 1936

Investors Company of America -- December 2, 3, 1936

Investment Trust Fund A -- February 1, 1937

Investment Trust Fund B -- February 1, 1937

Investors Fund C Inc -- February 1, 1937

Iroquois Shares Corp -- March 30, June 28, 29, 30, 1937

Italian Superpower Corp -- December 15, 1936

Joint Investors, Inc -- July 31, 1936

Lehman Corp -- November 9,10,1936

Liberty Share Corp -- December 29, 30, 1936

M & T Securities Corp -- January 18, 1937

Maryland Fund, Inc. (Ross Beason Group) -- January 27, 28, 29, 1937

Massachusetts Investors Trust -- September 21, 1936

Mayflower Associates, Inc -- October 13, 1936

National Bond & Share Corp -- September 16, 1936

National Investors -- October 26, 27, 1936

National Liberty Insurance Companies -- June 2, 3, 4, 8, 9, 10, 11, 1937

National Securities Investment Co -- April 2, June 28, 29, 30, 1937

Nation-Wide Securities Company -- October 14, 15, 16, 1936

Oil & Industries, Inc -- April 1,1937

Old Colony Investment Trust -- November 19, 1936

Old Colony Trust Associates -- November 19, 1936

Pacific American Co., Ltd -- June 2, 3, 4, 8, 9, 10, 11, 1937

Pacific Eastern Corp (Formerly known as Goldman Sachs Trading Corp.) -- June 2, 3, 4, 5, 8, 9,10,11, 28, 29, 30, 1937

Pacific Investors Inc -- December 2, 3,1936

Pacific Southern Investors, Inc -- December 2, 3,1936

Petroleum Corporation of America -- September 28, 29, 1936

Phoenix Securities Corp -- November 18, 1936

Prudential Investors, Inc -- November 13, 1936

Public Utilities Corp -- January 5, 1937

Reliance International Corp -- August 5, 6, 7, 1936

Reliance Management Corp -- August 5, 6, 7, 1936

Second National Investors -- October 26, 27, 1936

Securities Allied Corp. (formerly known as Chatham Phenix Corp.) -- May 13, June 28, 29, 30, 1937

Securities Research Corporation -- August 12, 1936

Shawmut Association -- October 7, 1936

Shawmut Bank Investment Trust -- October 7, 1936

Shenandoah Corporation -- June 2, 3, 4, 8, 9, 10, 11, 28, 29, 30, 1937

Special Equities, Inc -- December 17, 18, 19, 21, 22, 23, 1936

Spencer Trask Fund, Inc -- September 30, 1936

State Street Investment Corp -- September 23, 1936

Sterling Securities Corp -- April 16, June 28, 29, 30, 1937

The Equity Corporation -- December 17, 18, 19, 21, 22, 23, 1936

Third National Investors -- October 26, 27, 1936

Union Investors Inc -- August 12, 1936

United Equities, Inc -- December 17, 18, 19, 21, 22, 23, 1936

U. S. Electric Light & Power Shares, Inc. of Md. -- Oct. 14, 15, 16, 1936

U. S. & Foreign Securities Corp -- February 12, 1937

U. S. & International Securities Corp -- February 12, 1937

U. S. Shares Corporation (N. Y.) -- December 17, 18, 19, 21, 22, 23, 1936

Vick Financial Corporation -- October 9, 1936

Yosemite Holding Corporation -- August 12, 13, 1936

Fixed Investment Trusts

Ross Beason Group -- January 22, 28, 29, 1937

Basic Industry Shares

Corporate Trust Shares

Corporate Trust Shares, Accumulative

Corporate Trust Shares, Series AA

Corporate Trust Shares Accumulative Modified

Corporate Trust Shares, Series AA modified

Fixed Trust Shares Fixed Trust Shares, Series B

Fixed Trust Oil Shares

Five-Year Trust Shares

Distributors Group -- January 22, 1937

Accumulative Trust Shares

Foreign Bond Associates

North American Bond Trust

North American Trust Shares, 1953, 1955, 1956, and 1958

Diversified Trustee Shares Series A, B, C and D -- December 14, 1936

Nation-Wide Securities Company Trust Certificates Series A & B -- October 14, 15, 16, 1936

United States Electric Light & Power Shares, Inc. Trust Certificates Series A & B -- October 14, 15, 16, 1936

Special Investment Plans

Bank & Insurance Shares (Transcontinent Shares) -- March 19, 20, 1937

Financial Independence Founders, Inc -- November 20, 1936

Independence Fund of North America, Inc -- November 27, 1936

MARGIN REGULATIONS

Under Section 7 of the Securities Exchange Act of 1934, jurisdiction to regulate the extension and maintenance of credit on national securities exchanges is vested in the Board of Governors of the Federal Reserve System. The Commission has endeavored to assist the Board by making suggestions from time to time for methods to increase the effectiveness of Regulations T and U, which have been promulgated by the Board pursuant to Section 7.

The Commission has taken steps to eliminate violations of Regulation T in respect of the time when margin was required to be deposited by customers with members of exchanges. As a result of conferences held between representatives of exchanges, the Commission, and the Board, substantially all national securities exchanges adopted rules prohibiting members from permitting customers to make a practice of avoiding the requirement for depositing margin by liquidating the unmargined commitment within three days.

Although Regulations T and U are promulgated by the Board of Governors of the Federal Reserve System in the exercise of the Board's exclusive jurisdiction, responsibility for the enforcement of Regulation T devolves entirely upon the Commission. The task is one of great magnitude, for which the Commission unfortunately only has a limited staff available. It involves the systematic inspection of accounts of firms which carry margin accounts for customers; the analysis of reports resulting from such inspections; the institution of proceedings to enforce the rule and the statute whenever violations are found. The Commission keeps the Board of Governors of the Federal Reserve System currently informed concerning the results.

During the fiscal year, 107 margin inspections were made, in which 62,876 accounts were examined. As a result, a number of cases involving members of exchanges have been referred to such exchanges for disciplinary action. As yet, no cases have been discovered which required the institution of legal proceedings by the Commission itself.

DETECTION OF MANIPULATIVE AND DECEPTIVE PRACTICES

Our national securities exchanges have not as yet demonstrated the capacity themselves to police their markets effectively against manipulative and deceptive practices. In consequence, the burden of detecting and instituting proceedings against such practices has rested almost entirely upon the Commission.

During the year, machinery was set up for a systematic coverage of trading in as large a number of securities as was considered practical in an effort to solve the problem of detection of manipulation. A total of 2,778 exchange issues were under regular observation at the close of the fiscal year and price and volume records of approximately 225 securities traded in the over-the-counter markets were made.

To facilitate the detection of manipulation, all securities, wherever traded in, were classified according to the broad categories of industry. The reports of changes in the beneficial ownership of equity securities by those persons called upon to report under Section 16 (a) of the Act were reviewed. The stock ticker tape quotations of the New York Stock Exchange and the New York Curb Exchange were under continued surveillance, and lists of daily security transactions were regularly examined. Transactions on all exchanges were constantly scrutinized.

On July 1, 1936, 54 preliminary and 30 formal investigations were in process. During the year, 420 reports dealing with the probability of manipulation on exchange markets, and 72 preliminary investigations were made. As a result of these preliminary investigations, 18 new formal investigations were authorized, 60 were closed or completed, and 48 were in process as of June 30, 1937. In addition to the 18 new formal investigations begun as the result of preliminary investigations, there were 12 authorized without preliminary investigations. Thus, with the 30 formal investigations carried over from the previous fiscal year, there were 60 formal investigations in process during the year. Of these 60 formal investigations, 31 were closed during the year, and 29 were still pending at the end of the year.

When a formal investigation develops evidence which makes it appear to the Commission that any person is violating or about to violate any provision of the Act, appropriate legal proceedings are instituted. Such proceedings may take the form of a suit for injunction; they may take the form of a reference to the Department of Justice for criminal proceedings; and they may take the form of a proceeding by the Commission under Section 19 (a) (3) of the Securities Exchange Act of 1934 to suspend or expel the offender (if the offender is a member of a national securities exchange) from the exchange of which he is a member. A brief description of injunctive proceedings brought during the fiscal year against violations of the Securities Exchange Act of 1934, and of criminal proceedings instituted against violations of that statute upon reference by the Commission to the Department of Justice, may be found in Appendix VI, Part II. A summary of proceedings instituted under Section 19 (a) (3) follows. (Although some of the events in these summaries preceded the fiscal year and some did not take place until after the fiscal year, it has been thought desirable to include them all, in the interest of giving a reasonably complete picture of the proceedings.)

Securities Exchange Act of 1934 -- Cases in which Section 19 (a) (3) proceedings were instituted

M. J. Median -- (Bellanca Aircraft Corporation)

Commission directed public hearing under Section 19 (a) (3). Order for hearing dated October 25, 1935. Order expelling respondent from membership on national securities exchanges entered August 19, 1937.

Charles C. Wright, et al -- (Kinner Airplane & Motor Corp.)

Commission directed public hearing under Section 19 (a) (3). Orders dated February 27, and April 9, 1936 for hearing. Oral argument on Report of Trial Examiner set down for November 11, 1937.

White, Weld and Co -- (A. O. Smith Corporation)

Commission directed public hearing under Section 19 (a) (3). Order for hearing dated April 22, 1936. Oral argument on Trial Examiner's Report April 23, 1937. Commission has matter under advisement.

Thomas F. Gagen, et al -- (East Boston Company)

Commission directed public hearing under Section 19 (a) (3). Order for hearing dated May 4, 1936. Order expelling respondent from membership on Boston Stock Exchange entered, with consent of respondent on October 6, 1937.

W. E. Hutton, et al -- (Atlas Tack Corporation)

Commission directed public hearing under Section 19 (a) (3). Order for hearing dated November 13, 1937. Hearings concluded and matter before Trial Examiner for Report of Findings.

Harry A. Dart, et al -- (Lakey Foundry and Machine Co.)

Commission directed public hearing under Section 19 (a) (3). Order for hearing dated April 20, 1937. Respondents expelled from membership by Detroit Stock Exchange March 1, 1937; resigned from membership on Chicago Stock Exchange effective May 10, 1937. Because of above, Commission ordered proceedings discontinued and hearing scheduled for May 13, 1937 cancelled.

Abbott, Proctor & Paine, et al -- (Root Petroleum Company)

Commission directed public hearing under Section 19 (a) (3). Order for hearing dated June 7, 1937. Commission ordered discontinuance of proceedings by order dated June 17, 1937, owing to resignations from memberships on national securities exchanges by certain individuals named as respondents in order for hearing.

As a result of surveillance of over-the-counter trading, the Commission authorized 15 preliminary investigations. Of these, 10 were closed and 5 were in process as of June 30, 1937.

SPECIAL STUDIES AND RESEARCHES

Study of Exchange Rules Governing Miscellaneous Exchange Practices

As we have already indicated, the Commission has undertaken a comprehensive new program for the collection and analysis of data relating to all aspects of exchange trading. This program will cover the study of such subjects as: statistics on members' trading; status of margin accounts; orders on specialists' books; short sales statistics; printing or tape of all sales; round-lot orders entered and opened in commission houses; analysis of executed round-lot and odd-lot orders; analysis of executions of all orders of 1,000 shares or more; analysis of tenders and deliveries of certificates; transactions in foreign accounts; statistics of cash and margin accounts and firms' financial positions; analysis of the activity of brokers and dealers; analysis of broker-dealer income and expenses; volume of put and call sales; and data concerning the government and operation of the exchange. In devising this program, the Commission was guided by both its practical experience and its previous research.

During the past year, the Commission has undertaken a number of studies relating to problems arising in connection with the rules of national securities exchanges. These studies have been conducted with a view to obtaining a measure of uniformity in some of the essential rules of registered exchanges and with a view to improving the standards of practice and organization prevailing thereon. The studies undertaken are as follows:

1. A study of the rules of all registered exchanges dealing with those matters specified in Section 19 (b) of the Securities Exchange Act of 1934, concerning which the Commission is authorized to request any registered exchange to alter its rules. These matters include: (a) safeguards in respect of the financial responsibility of members and adequate provision against the evasion of financial responsibility through the use of corporate forms or special partnerships; (b) the limitation or prohibition of the registration or trading in any security within a specified period after the issuance or

primary distribution thereof; (c) the listing or striking from listing of any security; (d) hours of trading; (e) the manner, method, and place of soliciting business; (f) fictitious or numbered accounts; (g) the time and method of making settlements, payments, and deliveries and of closing accounts; (h) the reporting of transactions on the exchange and upon tickers maintained by or with the consent of the exchange, including the method of reporting short sales, stopped sales, sales of securities of issuers in default, bankruptcy, or receivership, and sales involving other special circumstances; (i) the fixing of reasonable rates of commission, interest, listing, and other charges; (j) minimum units of trading; (k) odd-lot purchases and sales; (l) minimum deposits on margin accounts; and (m) similar matters.

2. Studies of specific practices have been combined with a general survey of the scope and effectiveness of all the important rules of four national securities exchanges.

3. A study of the rules and practices of national securities exchanges relating to specifications for admission of securities to listing and setting forth the conditions under which securities may be removed from the list. Conferences with exchange officials have been held in regard to matters relating to exchange policy on the listing and delisting of securities.

4. A study of the methods of providing adequate reporting of transactions effected on exchanges in securities of issuers in bankruptcy, reorganization or receivership, dissolution or liquidation, and securities in respect of which there has been a default in interest or principal or both; and in securities which have been called for retirement or redemption, or which have matured but have been extended, or which have not been fully paid for, or upon which assessments have been levied.

The Commission also continued its studies and researches preparatory to the drafting of rules and regulations on (1) puts, calls, straddles and other options; (2) borrowings and solvency of brokers and dealers, and the hypothecation of customers' securities; (3) pegging, fixing and stabilizing operations; and (4) short selling and stop-loss orders.

A study of the status of margin accounts was also made by the staff.

Study of Over-the-Counter Practices and Problems

The studies inaugurated by the Commission in 1934 of appropriate measures for the control of over-the-counter markets were continued during the year. Following the adoption of the original plan for registration of brokers and dealers on January 1, 1936, which plan became specifically part of the Act by the amendment of May 27, 1936, attention was directed to the need for comprehensive research into various significant problems in the investment banking and over-the-counter fields. Securities traded in on the over-the-counter markets were enumerated and classified. A special study was made

with respect to the dissemination of quotations for securities traded in over-the-counter markets. The legal aspects of various problems of regulation for these markets were studied exhaustively and the possible economic effects of all such proposals were given due consideration. Conferences were held with representative members of the industry upon their problems. Representatives of the Commission cooperated with representatives of the over-the-counter business in the formation of the Investment Bankers Conference, Incorporated, and has maintained close contact with the officials of that organization since its inception in a joint endeavor to improve the standards of practice prevailing in the business. The Commission has also welcomed the assistance of other organizations, such as the New England Dealers' Association, the New York Security Dealers' Association, and the Investment Bankers' Association.

Formulation of Rules to Define Manipulative, Deceptive and Other Fraudulent Devices in the Over-the-Counter Markets

During the fiscal year, the Commission conducted studies and researches in connection with and drafted rules to define manipulative, deceptive and other fraudulent devices in the over-the-counter markets. These rules were drafted pursuant to Section 15 (c) of the Securities Exchange Act of 1934, as amended. In accordance with the custom of the Commission, drafts of the rules were forwarded to an extensive and representative list of members of the securities business for criticism during the latter part of the fiscal year. [Footnote: These regulations were adopted by the Commission after the close of the fiscal year and become effective October 1, 1937.]

Study of "When Issued" Trading Rules

A complete revision of the rules and regulations governing the registration on national securities exchanges of unissued securities and the exemption of issued warrants from the provisions of Section 12 of the Securities Exchange Act of 1934 has been undertaken with a view to simplifying the regulations and the procedure thereunder. A draft of the revised rules has been sent by the Commission to all national securities exchanges for comment.

Further Study of the Segregation of the Functions of Broker and Dealer

Consideration is being given to methods of effectuating the suggestion contained in the Segregation Report that firms carrying margin accounts for customers, and general partners of such firms, should be prohibited from trading on margin for their own account.

The Segregation Report expressly left open for further study certain important questions concerning the status and functions of the specialist. This further study will, of course, be carried forward, as part of the comprehensive program to which reference has been made.

SUMMARY OF ALL RULES AFFECTING EXCHANGE TRADING PROMULGATED BY THE COMMISSION OR ADOPTED BY EXCHANGES AT REQUEST OF COMMISSION.

In view of the pendency of the Commission's new comprehensive survey of trading upon exchanges, it seems desirable to sum up at this point all rules affecting exchange trading which have either been promulgated by the Commission or adopted by exchanges at the request of the Commission since the effective date of the Securities Exchange Act of 1934. There follows a brief description of such rules, together with explanatory comment.

A. Rules Regulating Trading Practices Upon Exchanges Promulgated by the Commission.

In the strict sense, only two rules which actually regulate trading practices upon exchanges have been promulgated by the Commission. In addition to these two rules, a considerable body of regulations has, of course, been promulgated by the Commission under the Exchange Act. These other regulations, however, do not govern trading practices as such, but relate to such subjects as: registration by exchanges; registration of securities upon exchanges; annual and other reports; admission of securities to unlisted trading; admission of securities to when-issued trading; the solicitation of proxies in respect of securities registered upon national securities exchanges; the registration of over-the-counter brokers and dealers; regulation of over-the-counter trading; complete, limited, or temporary exemption from various provisions of the statute; and rules defining certain formal requirements, such as the format of registration statements, the mechanics of filing, etc. The two rules which regulate trading are:

(1) Rule ND1, which brings arbitrage transactions by officers and directors of issuers of listed equity securities under restrictions equivalent to those prescribed by Sections 16 (a) and 16 (b) of the Exchange Act for ordinary transactions.

(2) Rule GB2, which supplements Section 9 (a) (2) of the Act and outlaws an unmistakably manipulative practice. [Footnote: Rule GB2 did not become effective until after the fiscal year, on October 1, 1937.]

B. Trading Rules Adopted by Exchanges at the Request of the Commission.

These rules consist of the following:

- (1) The sixteen trading rules recommended by the Commission in April 1935 for adoption by national securities exchanges.
- (2) The interpretation of the tenth of the foregoing sixteen rules, applicable to trading by specialists, made by the Director of the Trading and Exchange Division.
- (3) The margin rules adopted by exchanges which desired to permit “when issued” dealing thereon, covering the amount of margin required on all commitments in securities or rights admitted to “when issued” dealing upon such exchanges.
- (4) The rules embodying the requirement that commitments of members, their firms and their partners made during any single day shall be fully margined at all times.

(1) The Sixteen Trading Rules:

The sixteen rules for the regulation of trading on exchanges recommended by the Commission on April 16, 1935 for adoption by national securities exchanges are intended to provide additional safeguards against certain activities on exchanges which lend themselves to manipulative tendencies.

It should be noted, that although all of these rules relate to trading activities, three of the rules, in whole or in part, are applicable only to members while on the floor, i. e., the second, fourth and seventh rules.

It should also be noted that bonds, arbitrage and odd-lot transactions are exempted from the operation of some of the rules.

As is noted in the discussion, some of these rules approximate existing regulations of the exchange before April 1935 or codified existing practices.

The *First Rule* in general terms prohibits members, their firms and partners, from effecting transactions of purchase and sale for their own account, which transactions are excessive in view of the market for such security or in view of the financial resources of the member, firm, or partner.

The *Second Rule* reads as follows: Trading for Joint Account

- (a) No member, while on the floor, shall, without the prior approval of the exchange, initiate the purchase or sale on the exchange of any security classified for trading as a stock by the exchange for any account in which he, or the firm of which he is a partner or any partner of such firm, is directly or indirectly interested with any person other than such firm or partner.

(b) The provisions of this rule shall not apply to any purchase or sale (1) by any member for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions, or (2) by an odd-lot dealer or a specialist for any joint account in which he is expressly permitted to have an interest or participation by the Eleventh or Fourteenth Rules, respectively.

This rule is intended to curtail the ability of members, while on the floor, to engage in manipulative practices by means of financial resources made available through joint accounts. The Senate investigation disclosed that members joined in such accounts to a very large extent, and that many manipulative operations were based on a combination of a member's manipulative skill and trading ability with the financial backing of outsiders jointly interested in the account. For the odd-lot dealer and specialist, other rules specifically govern the conditions, and this rule is therefore not applicable to them.

The *Third Rule* merely provides for the reporting of joint accounts to the exchange. It is supervisory in intent, and approximates an exchange regulation in force before the issuance of these rules.

The *Fourth Rule* deals with the fiduciary obligation which a broker owes to his customer. A member handling a customer's discretionary account is forbidden, while on the floor, to execute purchases or sales for such account which are excessive in size or frequency in view of the financial resources in the account. The purpose is twofold: (1) it is designed to eliminate trading for discretionary accounts which is primarily motivated by the broker's desire to increase his commissions; (2) to eliminate any opportunity for a member on the floor to effect transactions by means of discretionary accounts for the purpose of stimulating activity or raising or depressing the price.

The *Fifth Rule*, relating also to fiduciary obligations, is declaratory of prior New York Stock Exchange practice. It prohibits a broker, while holding a customer's unexecuted market or limited price order, from competing with the customer by trading for his own account in the same security on the same side.

The *Sixth Rule* is intended as a deterrent to a familiar device for manipulation. Members, firms and partners are prohibited from making purchases at successively higher prices or sales at successively lower prices for the purpose of creating a misleading appearance of activity, or making a price which does not reflect the true state of the market in any security.

The *Seventh Rule* is aimed at another device which might facilitate manipulation. It was disclosed by the Senate investigation that members of exchanges had participated in options to a large extent in connection with manipulative operations. This rule provides that a member, while on the floor, may not initiate the purchase or sale for his own account or for that of his firm or a partner, of any security classified for trading as a stock

by the exchange, in which he or the firm or partner holds or has granted any put, call, straddle or option.

The *Eighth Rule* provides for the keeping of records of orders. This rule embodies what was considered by most firms as good practice. It is intended to aid the exchange in supervising activities.

The *Ninth Rule* requires the registration of specialists. It is supervisory in intent.

The *Tenth Rule* requires specialists to restrict their dealings for their own account in securities in which they specialize to those reasonably necessary to maintain a fair and orderly market. [Footnote: Section 11(b) of the statute provides that if the Commission permits the specialist to act as both broker and dealer his dealings shall be limited to those reasonably necessary to maintain a fair and orderly market.] Under date of March 30, 1937, an interpretation of this specialist rule was issued, which is summarized and discussed below.

The *Eleventh Rule* permits the specialist to carry a joint account in any security classified by the exchange as a stock only with a partner of such specialist, a member of the exchange, or a firm of which a member is a partner.

This rule is intended to prevent joint accounts between specialists and members of the public, in which the participation of the specialist might serve as a means to manipulative operations conducted from the floor of the exchange.

The *Twelfth Rule* provides merely for the keeping of records by specialists. It was always considered good practice by exchange officials.

The *Thirteenth Rule* provides for the registration of odd-lot dealers.

The *Fourteenth Rule* covers the conditions under which odd-lot dealers may carry joint accounts in the same way as the Eleventh Rule does for specialists.

The *Fifteenth Rule* prohibits the holding or granting of an option by an odd-lot dealer or specialist in any security classified for trading as a stock by the exchange in which such specialist or odd-lot dealer is registered. Its purpose follows that of the Seventh Rule, which governs all members.

The *Sixteenth Rule* forbids a member from effecting a short-sale of a security at a price below the last sale price of such security on the exchange. This rule was a settled practice of the New York Stock Exchange before the issuance of these trading rules.

(2) *The Interpretation of the Tenth of the Sixteen Rules:*

The Tenth Rule, as noted, deals with appropriate restrictions of the activities of the specialist, in general terms. Under date of March 30, 1937, an interpretation of this rule was issued by the Director of the Trading and Exchange Division.

This interpretation stated that the phrasing of the rule prohibits all transactions for the account of a specialist in the security in which he is registered, excepting only such transactions as are properly a part of a course of dealings reasonably necessary to permit the specialist to maintain a fair and orderly market, or to act as an odd-lot dealer. Therefore, each transaction by a specialist for his own account must meet the test of reasonable necessity. A comprehensive affirmative statement of the criteria of reasonable necessity was considered inadvisable, but certain negative tests were set out in this interpretation.

For example, certain types of transactions effected by a specialist in taking or increasing a position were specifically described as tending to have a detrimental effect upon the market, and as being therefore commonly unjustifiable. In this category were placed:

- (1) a purchase above the last sale price;
- (2) the purchase of all or substantially all the stock offered on the book at the last sale price; and
- (3) the supplying of all or substantially all the stock bid for on the book at the last sale price.

(3) *“When Issued” Margin Rules:*

These rules cover the requirements for commitments in securities or rights admitted to “when issued” dealings upon the exchanges. In general, these requirements are designed to be equivalent to those imposed in Regulation T in respect of transactions in issued securities.

(4) *“Daylight Trading” Margin Rules:*

These rules put into effect the recommendation made in the Commission’s report to Congress that trading by members of exchanges, exchange firms, and their partners be fully margined at all times. They were intended as a means for eliminating the “shoestring trader” and discouraging excessive trading, and to establish a parity between member traders and traders who were part of the public.

In essence, these rules apply the standards of Regulation T to transactions by members of the exchange during the course of a single day.

REGIONAL OFFICES

The Commission has established nine regional offices. The addresses of these 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, Col. -- 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.

The regional offices are charged with the responsibility of conducting trading; accounting and legal investigations with a view to the efficient enforcement of the Acts administered by the Commission, and the rules and regulations thereunder. Each office serves the general and investing public within the zone over which it has jurisdiction, such as the holding of conferences and the carrying on of general correspondence relative to matters of enforcement or interpretation.

Personnel assigned to the regional offices not only conduct the aforementioned investigations but likewise assist in the conduct of formal and informal hearings, in the preparation and presentation in court of injunction proceedings and in the preparation of reports on criminal violations, which serve as bases for references to the Attorney General for criminal prosecution. It is customary to cooperate with the United States Attorneys in the presentment and trial of criminal cases, after they have been duly authorized.

PUBLIC REFERENCE ROOMS

In the Public Reference Room of the Commission at Washington, D. C., all public registered information, including registration statements, applications, reports, declarations, and other documents filed with the Commission, is available to the public during business hours.

The facilities available in the Public Reference Room were utilized during the past year by more than 14,200 members of the public who visited the offices of the Commission seeking information. In addition to these visitors, thousands of letters and telephone calls were received requesting information concerning public registered information. Facilities are also available for the sale of copies of any material filed with the Commission and available for public inspection. More than 4,300 orders for photocopies of material, involving 346,342 pages, were filled.

In addition to the Public Reference Room in Washington, D. C., the Commission also maintains Public Reference Rooms in the regional offices located in New York City and in Chicago. In the Public Reference Room in the New York Regional Office, there are 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, together with current and annual reports supplementing these applications and amendments thereto.

In the Public Reference Room in the Chicago Regional Office, there are available to the public such copies of applications for registration of securities on the New York Stock Exchange and the New York Curb Exchange as have received final examination in the Commission, together with current and annual reports supplementing these applications and amendments thereto.

Photocopies of registered public information may be procured from the offices of the Commission in Washington, D. C. only.

Duplicate copies of applications for registration of broker or dealer filed with the Commission are available for public inspection in each regional office having jurisdiction

over the zone in which the broker or dealer has his principal office. Supplemental statements to these applications will also be available in these regional offices.

PUBLICATIONS

Registration Record, Securities Act of 1933

During the year, the Commission developed and put into operation a new daily report, known as the "Registration Record, Securities Act of 1933", containing information concerning registration events occurring each day in connection with the registration of securities under the Securities Act of 1933. At the time public distribution of this daily report was begun (May 10, 1937), the periodic releases covering registrations, hearings, orders, etc., under the Securities Act were discontinued.

The Registration Record, which is in tabular form, was designed: (1) To eliminate delay in reporting to investors and interested members of the public the fact that registration statements have been filed (on the great majority of issues, this information had been released only on a weekly basis); (2) to combine in a single daily release, the registration information which had been made public through many different releases; and (3) to augment the information made available, by reporting daily the filing of each amendment, the date and manner in which each statement becomes effective, the data as to post-effective amendments, and all other material relating to each security issue with respect to which there is a Securities Act registration statement.

At the time of the inauguration of this Registration Record, a handbook was issued as a guide to its use. This handbook gives brief descriptions of the various types of actions in registration procedure, and contains a summary of each of the major registration forms.

Releases

The Commission issues currently releases concerning its activities. 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. These releases are classified according to subject and are made available to the public through issuance to the press and through the medium of a mailing list maintained for the convenience of those members of the public who desire to receive them currently. 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, 1937, the Commission published 625 releases under the Securities Act of 1933, 526 releases under the Securities Exchange Act of 1934, 459

releases under the Public Utility Holding Company Act of 1935, and 32 general releases. Of the total of 1,642 releases thus issued, 685 releases were orders of the Commission; 614 announced the filing of registration statements, applications, and other public documents filed with the Commission; 110 releases announced rules, regulations and interpretations by the Commission; 79 releases contained statistical data; and 154 miscellaneous releases covering such matters as civil and criminal actions taken by the Commission in the Courts, announcements of hearings held in connection with the Commission's Investment Trust Study, tabulations of effective registrations, personnel changes and appointments, etc.

For the convenience of the general public, the Commission has published compilations of releases issued by it under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935. These compilations cover releases issued from the date of the passage of each of the Acts to and including December 31, 1936.

Accounting Opinions

For the purpose of contributing to the development of uniform standards and practice in major accounting questions, the Commission instituted during the year a program for the publication from time to time of opinions on accounting principles. Many accounting problems have arisen during the course of the Commission's administration of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935 which have general application and in these instances the Commission, in following this program, intends to publish opinions as the necessity therefor arises in specific cases. It is believed that by this procedure the quality of the financial statements filed with the Commission will be improved materially and there will be a more general acceptance of good accounting practice in the handling of problems heretofore subject to wide variations in treatment.

Other Publications

Other publications issued by the Commission during the year included the following:

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

Part I-Strategy and Techniques of Protective and Reorganization Committees.

Part II-Committees and Conflicts of Interest.

Part V-Protective Committees and Agencies for Holders of Defaulted Foreign Governmental Bonds.

Preliminary Summary of the Progress of the Study of Investment Trusts and Investment Companies Made by the Securities and Exchange Commission.

Opinions of the Commission, Volume I, Number 2.

Opinions of the Commission, Volume I, Number 3.

Twenty-four semi-monthly issues of the Official Summary of Stock Transactions and Holdings of Officers, Directors and Principal Stockholders.

Uniform System of Accounts for Public Utility Holding Companies under the Public Utility Holding Company Act of 1935.

List of Securities Traded on Exchanges under the Securities Exchange Act of 1934, together with supplements thereto, as of May 31, 1937.

PERSONNEL

The Commission and personnel, at the close of the fiscal year, consisted of 1,140 persons. This total comprised 5 Commissioners and 1,135 employees, 738 of whom were men and 397 were women

Statistics

Commissioners: 5

Departmental:

Permanent: 892

Temporary: 38

Regional offices:

Permanent: 202

Temporary: 3

Subject to retirement act: 639

FISCAL AFFAIRS

Appropriations for fiscal year 1937

Salaries and expenses: \$4,200,000

Printing and binding: 45,000

Total appropriated: \$4,245,000

Obligations for fiscal year 1937

Salaries

Departmental: \$2,479,054

Field: \$599,211

Expenses

Mileage and witness fees: \$27,571

Supplies and material: \$104,638

Communication service: \$56,108

Travel expense: \$168,454

Transportation of things: \$2,235

Reporting hearings: \$66,487

Light and power (Field): \$3,404

Rents: \$68,917

Repairs and alterations: \$6,810

Special and miscellaneous expenses: \$1,686

Purchase of equipment: \$85,992

Total obligations for salaries and expenses: \$3,670,567

Obligations for printing and binding: \$44,971

Grand total obligations: \$3,715,538

Unobligated balance: \$529,462 [Footnote: This means the Commission did not spend this sum out of the total appropriation made for it.]

Appropriations: \$4,245,000

RECEIPTS FOR THE FISCAL YEAR 1937

During the fiscal year the Commission received \$1,103,780.13 in revenue.

[Tables on revenue breakdown omitted]

APPENDIX I
RULES OF PRACTICE (as amended January 19, 1937)

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. in., and on Saturdays from 9 a. in. to 1 p. in. 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

[Footnote: 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.]

- (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 practice 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.

(f) Subpoenas requiring the attendance of witnesses from any place in the United States at any designated place of hearing may be issued by any member of the Commission or any officer designated by it for that purpose in connection with any hearing ordered by the Commission, upon written application therefor.

(g) Subpoenas for the production of documentary evidence will issue only upon application in writing which must specify, as nearly as may be, the documents desired and the facts to be proved by them: *Provided, however,* That nothing herein shall be deemed to require the issuance of any subpoena compelling the production of immaterial documentary evidence.

(h) Witnesses summoned before the Commission shall be paid the same fees and mileage that are paid to witnesses in the courts of the United States, and witnesses whose depositions are taken and the persons taking the same shall severally be entitled to the same fees as are paid for like services in the courts of the United States. Witness fees and mileage shall be paid by the party at whose instance the witnesses appear.

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 exchanged 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.

(1) 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 (1), 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 10 1/2 inches long, with left-hand margin 1 1/2 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

This guide is designed to aid in the selection 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.

GUIDE TO FORMS ADOPTED UNDER THE SECURITIES ACT OF 1933

FOR REGISTRATION STATEMENTS

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-O-1 -- FOR SECURITIES OF CORPORATIONS ORGANIZED WITHIN 2 YEARS TO ENGAGE IN THE EXPLOITATION OF MINERAL DEPOSITS (OTHER THAN OIL OR GAS)

This form is to be used for registration under the Securities Act of 1933, as amended, of securities of any corporation organized within 2 years prior to the date of filing the registration statement to engage primarily in the exploitation of mineral deposits (other than oil or gas) if such securities are to be sold to the public for cash or purchasers' obligations to pay cash.

This form shall not be used, however, by any corporation which (a) has any subsidiary, or (b) was organized to take over and continue the business of another person or persons, unless such other persons were organized within such 2 years.

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: (a) 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 (b) 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.

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. [Footnote: Rule 5 (1) defining the term "reorganization" is set forth below under the caption "Form E-1 for Securities in Reorganization."]

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, 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, as amended, of certificates of interest in securities of a single class of a single issuer, if the following conditions exist:

- (a) The major part of the certificates are to be sold to the public for cash;
- (b) 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;
- (c) 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; and
- (d) 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 C-3 FOR AMERICAN CERTIFICATES AGAINST FOREIGN ISSUES AND FOR THE UNDERLYING SECURITIES

This form shall be used for registration under the Securities Act of 1933, as amended, of American certificates (for example, so-called American depository receipts for foreign shares or American participation certificates in foreign bonds or notes) issued against securities of foreign issuers deposited or to be deposited with an American depository (whether physically held by such depository in America or abroad) and of the foreign securities so deposited.

FORM D-1 FOR CERTIFICATES OF DEPOSIT

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 ISSUED BY ISSUER OF SECURITIES CALLED FOR 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. [Footnote: 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 "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 a reorganization or otherwise.

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

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

As used in the foregoing paragraph, 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 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 OIL AND GAS ROYALTY INTERESTS

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

As used in the foregoing paragraph, the term “nonproducing royalty interests” means any royalty interest not included in the definition of “producing royalty interest” above.

[Footnote: Form A-1 should be used for overriding royalties and working interests, as distinct from landowner’s 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.]

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.

FORM 1-G FOR REPORT OF SALE OF OIL OR GAS RIGHT

This form is to be used for reports of sales of oil or gas rights, required by Rule 320.

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

This form is to be used for reports of sales of oil or gas rights, required by Rule 322.

FOR ANNUAL REPORTS OF REGISTRANTS UNDER THE SECURITIES ACT OF 1933

The filing of annual reports on these forms is required by Rule MD1, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, as amended.

FORM 1-MD GENERAL FORM

This form is to be used for the annual reports, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, as amended, of all issuers except those for which another form is specifically prescribed.

FORM 2-MD FOR SECURITIES OF FIXED INVESTMENT TRUSTS

This form is to be used for annual reports, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, as amended, relating to 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 3-MD FOR VOTING TRUST CERTIFICATES

This form is to be used for annual reports, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, as amended, relating to voting trust certificates.

FORM 4-MD FOR CERTIFICATES OF DEPOSIT

This form is to be used for annual reports, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, as amended, relating to certificates of deposit issued by a Committee.

GUIDE TO FORMS ADOPTED UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR APPLICATIONS FOR REGISTRATION OF SECURITIES ON NATIONAL SECURITIES EXCHANGES

Form 7. For provisional applications -- 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 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, 17, 22, or 23 would be the form appropriate for

registration in case the registrant did not have securities so previously registered:
Provided, That if Form 22 or 23 would be appropriate for original registration, this form shall be used only if securities of the registrant issued pursuant to the plan of reorganization or succession by reason of which Form 22 or 23 would be appropriate for original registration have been registered on such exchange pursuant to an application on such form.

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 (1) from the substitution of issuers incident to the succession, or (2) from changes in capital stock liability per share, or (3) 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 8-C. For registration on an additional exchange -- This form may be used for applications for registration of securities on an exchange upon which no securities of the registrant are listed and registered, if

(a) Securities of the registrant are registered pursuant to Section 12 (b), (c) and (d) on another exchange, and

(b) An application on a form other than Form 7, 8-A, 8-B, or 8-C filed by the registrant (or by the predecessor of the registrant if the registrant had securities registered pursuant to an application on Form 8-B) became effective on such other exchange not more than three years before the filing of this application.

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 investment 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 Section 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 corporations 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 filed on or after July 1, 1935, for the permanent registration of securities of any foreign government or political subdivisions thereof: *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 depositary (whether physically held by such depositary 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 (a) issued by a national of a foreign country other than a North American Country or Cuba, or (b) 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 (a) issued by a national of a foreign country other than a North American country or Cuba; (b) issued by a national of a North American country or Cuba which are guaranteed by any foreign government; (c) issued by any corporation or unincorporated association, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government; or (d) 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 23. For successor issuers -- This form shall be used for applications for registration of securities of any issuer which has acquired, or is presently to acquire, directly or indirectly (through the acquisition of securities or otherwise) the major portion of its business and assets (other than cash) by acquiring all or a part of the business and assets of one or more other persons, and is continuing or is to continue, the business so acquired: *Provided, however,* That this form shall not be used by issuers for which either Form 8-A, 8-B, 12, 12-A, 20, 21, or 22 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 of succession.

Form 24. For bank holding companies -- This form shall be used for applications for the registration of securities of any person which is engaged, either directly or through subsidiaries, primarily in the business of owning securities of banks, for the purpose or with the effect of exercising control.

Form I-J. For registration of unissued warrants or certificates for "when issued" dealing -- 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 and Rules

JD4 and JD5 of the rules and regulations of the Commission thereunder, for “when issued” dealing on a national securities exchange.

Form 2-J. For registration of unissued securities, other than unissued warrants or certificates, for “when issued” dealing -- 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 and Rules JD7 and JD8 of the rules and regulations of the Commission thereunder, for “when issued” dealing on a national securities exchange.

Form 3-J. For reporting deficiencies and changes in information contained in applications on Form 1-J or Form 2-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. For statements in respect of exemption of issued warrants or certificates -- 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 and Rule AN15 of the rules and regulations of the Commission thereunder.

Form 5-J. For reporting deficiencies and changes in information contained in statements on Form 4-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. For applications for registration of brokers and dealers except applications for which Form 4-M is authorized -- 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. For applications for registration of partnerships formed upon death, withdrawal, or admission of one or more partners in partnerships registered as brokers or dealers -- 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. For adoption of applications filed by predecessors -- This form is to be used by a broker or dealer in adopting as its own an application for registration on Form 3-M or Form 4-M filed on its behalf by a predecessor.

Form 6-M. For supplemental statements to applications for registration of brokers and dealers -- This form is to be used for correcting inaccuracies and reporting changes in the information contained or incorporated in any application filed on Form 1-M, Form 3-M, or Form 4-M, or in any adoption filed on Form 5-M or in any supplemental statement filed on Form 2-M or Form 6-M.

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

Form 8-K. For current reports -- This form is to be used for the current reports required by Rule KA7.

[Footnote:

Rule KA7. Current reports. (a) A current report on the appropriate form shall be filed by the issuer of a security registered on a national securities exchange (hereinafter called

“the registrant”) in case any of the events enumerated below occurred or shall occur at any time after the close of the first fiscal year or other one-year period for which an annual report is required to be filed by the registrant, or if the registrant had no security registered on a national securities exchange on December 31, 1935, at any time after the registration of any of its securities first became or shall become effective:

- (1) A material amendment of any exhibit previously filed by the registrant pursuant to Section 12 or 13 of the Act;
- (2) The execution of any voting trust agreement, contract, or indenture of a character required to be filed as an exhibit in the form of annual report appropriate for the registrant;
- (3) A substantial restatement of the capital shares account of the registrant;
- (4) The issuance of any new class of securities, or an aggregate increase or decrease of more than five percent in the amount of any class of securities of the registrant outstanding, as last previously reported, unless resulting from an ordinary sinking fund operation; provided that (i) no report need be made with respect to notes, drafts, bills of exchange, or banker’s acceptances having a maturity at the time of issuance of not exceeding one year, and (ii) for the purposes of this paragraph (4), securities held by the registrant shall not be deemed “outstanding”;
- (5) The granting or extension of any option to purchase equity securities of the registrant from the registrant, provided that a current report need be made only when one or more options calling for an aggregate principal amount of \$50,000 or more of a single issue of convertible evidences of indebtedness, or an aggregate of 1,000 or more shares or other units of any other single class of equity securities, have been granted or extended and have not been previously reported;
- (6) The exercise, in whole or in part, of any option to purchase equity securities of the registrant from the registrant, provided that a current report need be made only when a person or persons have acquired an aggregate principal amount of \$50,000 or more of a single issue of convertible evidences of indebtedness, or an aggregate of 1,000 or more shares or other units of any other single class of equity securities, through one or more exercises which have not been previously reported;
- (7) A person becoming, or ceasing to be, a parent or subsidiary of the registrant, provided that no report need be made as to any subsidiary the name of which would not be required to be furnished in the form of annual report appropriate for the registrant;
- (8) A substantial revaluation of the assets of the registrant;

(9) A substantial withdrawal or substitution with respect to property securing any issue of registered securities; provided, however, that no report need be filed as to any event concerning which information substantially similar to that required by Form 8-K shall have been previously reported by the registrant.

(b) The current report shall be filed not more than 10 days after the close of the calendar month during which occurred the event obligating the registrant to file the current report, or if the event occurred prior to December 1, 1936, not later than January 10, 1937.

(c) As used in this rule, the term “previously reported” means previously reported in an application for registration or a report filed pursuant to Section 12 or 13 of the Act; the term “option” does not include options evidenced by an issue of securities, such as an issue of warrants or rights; the term “unit” means that unit of a class of securities representing the smallest interest in the registrant or in property of the registrant, or having the smallest par or face value or denomination which is separately transferable by a holder thereof. Unless the context otherwise requires, all other terms used in this rule have the same meanings as in the Act, in the form appropriate for an annual report of the registrant, and in the instruction book accompanying such form.

(d) The foregoing provisions of this rule shall not be applicable to issuers of securities which are registered pursuant to an application on Form 18, 19, 20, or 21.]

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.

Form 18-K. For foreign governments and political subdivisions thereof -- This form is to be used for the annual reports of foreign governments or political subdivisions thereof, except any public corporation or other autonomous entity in the nature of a political

subdivision, other than a State, province, county, or municipality or similar body politic which, at its option, has registered its securities on Form 21 in lieu of Form 18.

Form 19-K. For issuers of American certificates against foreign issues and the underlying securities -- This form is to be used for the annual reports of issuers of American certificates (for example, so-called American depositary receipts for foreign shares or American participation certificates in foreign bonds or notes) issued against participation foreign issuers deposited with an American depositary physically held by such depositary in America or abroad) and of the foreign securities so deposited.

Form 20-K. For foreign private issuers registering securities other than bonds -- This form is to be used for the annual reports of the following issuers with respect to securities other than bonds or other evidences of indebtedness: (a) Nationals of a foreign country other than a North American country or Cuba, and (b) corporations or unincorporated associations, foreign or domestic, which are directly or indirectly owned or controlled by any foreign government.

Form 21-K. For foreign private issuers registering bonds -- This form is to be used for the annual reports of the following issuers with respect to bonds or other evidences of indebtedness: (a) Nationals of a foreign country other than a North American country or Cuba, (b) nationals of a North American country or Cuba if such bonds or other evidences of indebtedness are guaranteed by any foreign government, (c) corporations or unincorporated associations, foreign or domestic, which are directly or indirectly owned or controlled by any foreign government, and (d) public corporations or other autonomous entities in the nature of political subdivisions which, at their option, have registered securities on Form 21 in lieu of Form 18.

FOR REGISTRATION OR EXEMPTION OF A NATIONAL SECURITIES EXCHANGE

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 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 filed by an exchange -- This form shall be used for filing amendatory

and/or supplementary statements to applications for exemption from registration as national securities exchanges.

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

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 U5A. Notification of registration -- This form is to be used for notification of registration pursuant to Section 5 (a) of the Act.

Form U5B. Registration statement -- This form is to be used for registration statements to be filed by registered holding companies pursuant to Section 5 (b).

Form U6B-1. Application pursuant to Section 6 (b) -- This form is to be used for applications by subsidiary companies of registered holding companies, pursuant to Section 6 (b) of the Act, for exemption from the provisions of Section 6 (a) with respect to the issue or sale of securities solely for the purpose of financing the business of the applicant and expressly authorized by the State commission of the State in which the applicant is organized and doing business.

Form U-7. Declaration pursuant to Section 7 -- This form is to be used for declarations filed pursuant to Section 7 of the Act, by a registered holding company or subsidiary company thereof, either in respect of the issue or sale of securities issued by it, or in respect of the exercise by the declarant of any privilege or right to alter the priorities, preferences, voting power, or other rights of the holders of any outstanding securities issued by it.

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 any securities by a registered holding

company, or any subsidiary company thereof, or 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 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 any utility assets or other interest in any business by a registered holding company, or any 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 such Commission.

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, for an application for approval of a mutual service company or for a declaration with respect to the organization and conduct of business of a subsidiary service company.

Form U-13-60. Annual report of mutual and subsidiary service companies -- This form is to be used for the filing of annual reports by each mutual service company and each subsidiary service company pursuant to Rule 13-60.

Form U-17-1. Reports of ownership by officers and directors -- This form is to be used for statements of ownership required by Section 17 (a) of the Act to be filed by persons who are officers or directors of a registered holding company at the time when it is registered. A statement must be filed by every officer and director of a holding company following its registration and following his appointment or election after registration, even if he owns no securities of the company or its subsidiaries.

Form U-17-2. Reports of changes of ownership by officers and directors -- This form is to be used by officers and directors of registered holding companies in reporting changes

in their beneficial ownership of securities of such holding companies or any of their subsidiaries, as required by Section 17 (a) of the Act.

Form U-17-3. Statement to be signed by officer or director pursuant to Rule 17C-11 --
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 Act.