

ENFORCEMENT ACTIVITIES

1. Under the pressure of investigations conducted by the Commission, the following exchanges have gone out of business:

New York Mining Exchange
New York Produce Exchange - Securities
Division
Boston Curb Exchange
California Stock Exchange
Denver Stock Exchange

2. The Commission has instituted proceedings against the following firms and individuals to suspend or expel them from membership in exchanges for alleged stock manipulations:

Michael J. Meehan - Suspension or expulsion from New York Stock Exchange, New York Curb Exchange and Chicago Board of Trade, for alleged manipulations in the stock of Bellanca Aircraft Corporation.

Charles C. Wright and eleven others - Suspension or expulsion from New York Stock Exchange, New York Curb Exchange, Philadelphia Stock Exchange, Chicago Stock Exchange, and the Board of Trade of the City of Chicago, for alleged manipulations in the stock of Kinner Airplane and Motor Corporation.

Nelson A. Cleek and C. G. Blackwell - Suspension or expulsion from the Denver Stock Exchange for alleged manipulations in the stock of Hidalgo Gold Mines, Inc.

Thomas F. Gagen - Suspension or expulsion from the Boston Stock Exchange for alleged manipulations in the stock of the East Boston Company.

White, Weld and Company - Suspension or expulsion from the New York Stock Exchange, New York Curb Exchange, and the Board of Trade of the City of Chicago, for alleged manipulations in the stock of A. O. Smith Corporation.

In addition, the Commission has in progress at all times between 50 and 75 investigations of transactions on exchanges.

3. The Commission has sought court action to prevent violations of the Securities Exchange Act in the cases of the following three firms which are not members of exchanges:

Otis and Company. Leading Cleveland investment house. Bill of Complaint filed charging manipulation of the stock of Murray Ohio Corporation. Case pending.

Sterling Investment Corporation, Pittsburgh, Pa. Alleged manipulations on exchanges in the 6% Debentures of Shamrock Oil and Gas Corporation and in the common stock of Chicago Rivet and Machine Corporation. Temporary injunction June 5, 1935.

Torr and Company. Sixteen defendants charged with manipulation of the stock of Trans-Lux Daylight Picture Screen Corporation. Temporary injunction.

4. The following are some of the cases referred by the Commission to the Department of Justice for criminal actions:

Polymet Manufacturing Company of Boston. Indictments for violation of the postal laws and the Securities Act returned against nine defendants, among them William L. Jarvis, notorious for many years as a tipster sheet and fake stock operator. To date, four defendants have been convicted and sentenced. Jarvis and one other defendant have received sentences of five years each, and two defendants have been sentenced to terms of one year and one day each.

Joseph Mendelson, Leonard A. Satterman, John J. Burke and Joseph Sherman. Indicted for violation of the manipulation provisions of the Securities Exchange Act. These men were principals in a national ring of stock manipulators, probably the most extensive in the country, and have been operating since the early 1920's. They were indicted for a huge jiggle in the stock of Stutz Motor Car Corporation of America, in which thousands of investors through the mid-west lost money.

El Presidio Oil Guaranteed Syndicate. Eleven defendants indicted, convicted and sentenced for mail fraud, conspiracy, and violation of the Securities Act.

Colonial Investment Syndicate, Inc., of Memphis, Tennessee. Used bucket shop and sell and switch methods to defraud small-town investors in several southern states. Indictments returned against five defendants.

C. S. Goddard & Co. Two defendants indicted for mail fraud and violation of the Securities Act. Conviction resulted in sentences of eighteen months and two years.

Turivas and Company, Inc., of Chicago, New Orleans and Atlanta. Old established and trusted New Orleans firm, revealed to be operating bucket shop on a large scale. Indictments returned for mail fraud against twenty defendants.

Stroud, Kurtz and Company, Inc., Washington, D. C.
Carl Robertson Kurtz, socially prominent broker, sentenced to four years at Lorton Penitentiary for violation of the Securities Act in an embezzlement scheme.

Norman Berry & Company. Nine defendants indicted.

Lory T. Gardner and Company, of San Antonio, Texas.
Indicted for mail fraud, conspiracy, and violation of the Securities Act.

Oklahoma City Oil Journal. Two defendants indicted for mail fraud, conspiracy, and violation of the Securities Act.

Flymouth Consolidated Gold Mines. Six defendants indicted for mail fraud, conspiracy, and violation of the Securities Act.

Standard Royalty Company. Three defendants indicted for mail fraud, conspiracy, and violation of the Securities Act.

Jack B. Vale. Indicted and convicted for mail fraud, sentenced to eighteen months and \$1,000 fine.

5. The Commission has instituted injunctive actions in the court in the following stock fraud cases, most of them basket shops, tipster sheets, or a combination of the two. A list of these cases follows:

Maison Pichel, Incorporated. Action instituted by Federal Trade Commission. Injunction granted February 13, 1934.

C. Morrison Smith. Action instituted by Federal Trade Commission. Injunction granted June 8, 1934.

Carleton Saunders and Company. Action begun by Federal Trade Commission, concluded by Securities and Exchange Commission. Sell and switch racket, using telephone, boiler-room, and tipster sheet methods to sell gold mine stock. Permanent injunction September 12, 1934.

Stock Market Finance, of Boston, Massachusetts. Tipster service, operating sell and switch racket to sell stock of Fada Radio and Electric Corporation. Appeal pending before Second Circuit, Circuit Court of Appeals.

Popular Finance, Inc., et al., of Boston, Massachusetts. Tipster sheet, fraud and misrepresentation to sell gold mine stock. Temporary injunction issued October 1, 1934.

Aldrich Blake, Inc., et al., of Oklahoma. Used radio broadcasting to sell shares in oil on a "when, as and if produced" basis. Permanent injunction May 1936.

National Investment Transcript, Inc., et al., of Newark, New Jersey. \$20,000,000 operation in stock of Bayon Industries Corporation. Master mind was Leonard Rollnick, leading tipster sheet operator of this country. Used boiler-room methods and tipster sheet called "Deconcycle". Permanent injunction September 24, 1934.

Turivas and Company, Inc., et al., of New Orleans. Firm of established reputation revealed to be a gigantic bucket shop. Permanent injunction granted January 7, 1935.

George Gallop, of New Orleans. Bucket shop. Permanent injunction February 25, 1935.

Flymouth Consolidated Gold Mines, Ltd., et al. Fraud in sale of own stock and failure to register under Securities Act. Preliminary injunction August 8, 1935.

J. Edward Jones. Leading oil royalty dealer. Although the Supreme Court permitted Jones to withdraw a registration statement filed with the Commission, it should be noted that the Commission nevertheless stopped the sale of the proposed securities.

N. E. Wilcox, Inc., et al. Typical bucket shop, firm insolvent, various violations of fraud section of Securities Act. Permanent injunction February 14, 1935.

Wall Street Security Corporation, et al. Violations of Securities Act. Temporary injunction issued February 28, 1936.

Harrison Knight and Company, Inc., et al., of Baltimore. Posed as brokers, but never executed orders for purchases of shares; misappropriated customers' funds and securities. Permanent injunction issued March 17, 1935.

Hill and Company, Inc., et al., of Boston. Failure to register Class A stock of Investors Trading Corporation under the Securities Act. Misrepresentation and failure to reveal that dividends were paid from capital instead of earnings. Restraining order issued and receiver appointed March 11, 1935.

Colonial Trading Company, et al, of Reno, Nevada, and thirty-six other firms or individuals. Operated a "blind pool", a common pool for trading funds for speculation in grain, cotton or other commodities. Preliminary injunction April 19, 1935.

Jack Zimmerman, et al, of Atlanta. Bucket shop. Permanent injunction April 25, 1935.

Howard M. Roberts, et al, of Baltimore. Fraud in the sale of Television Stock. Temporary injunction May 14, 1935.

Donagan and Company, Washington, D. C. Fraud in the sale of Television Stock. Permanent injunction May 5, 1935.

Frank J. Hill, et al, doing business under the firm name of Crompton and Company, Washington, D. C. Fraud in the sale of Cities Service \$8 Preferred Stock. Temporary injunction May 24, 1935.

K. W. Todd Company, Incorporated, et al. Failure to register common stock of Carnegie Metals Company. Permanent injunction June 14, 1935.

Secord, Vanderpoel and Company, Inc., et al, of New York. Sold mining stock without registering. Restraining order June 21, 1935.

A. A. Durants & Co., et al, of New York. Sale of oil stock without registering. Case pending.

El Presidio Hotel Guaranteed Syndicate, et al, of Dallas, Texas. Fraud in the sale of "guaranteed cash withdrawal value certificates". Funds to be used in the erection of a hotel in Madera Springs, Texas, whereas no hotel was ever built. Eight individuals permanently enjoined.

H. J. Kattelman Company, et al, of St. Louis. Instalment sales of securities listed on exchanges in violation of the law. Misappropriation of money and securities received from customers. Preliminary injunction June 29, 1935.

Robert Collier and Company, Incorporated, et al, of New York. Fraud in the sale of common stock of Eurydice Gold Mining Company. Funds raised went to the promoters instead of the enterprise. Temporary injunction May 2, 1935. Firm ordered by the court to return approximately \$500,000 to investors.

H. P. Wickham, of Minneapolis, Minnesota. Violation of the Securities Act in the sale of "trading contracts". Temporary injunction September 17, 1935.

Stanley B. Young & Company, et al. Violation of the Securities Act in instalment sales of listed securities. Permanent injunction.

Other cases in which the Commission has obtained injunctive relief in the courts follow:

Robert Belmont

E. E. Mazaro & Co., Inc., et al

Upton and Company, et al

Alexander Rudolph Elchlepp

Franklin Savings and Loan Company

Direct Royalty Sales Corporation, et al

W. E. Boyette, et al

Karpel & Company, et al

Goldfields Consolidated Mines, Inc., et al

Jack R. Vale

Glengarry Mining Company, et al

Mandel Raffe

Cultivated Oyster Farms Corporation, et al

Harry W. Elliott, et al

Edward Billberg, et al

Lawrence A. Rose, et al

Carl E. Krog

Joel Pike

Andrew Jensen, Jr.

George A. Fernald

Knapp, Milton & Co., Inc.

Sam Myers

Sidney G. Vickers

F. S. Bryant

Walter S. Thompson

Louis Weingarten & Company, Inc.

Henners, Owens & Company, et al.

Almarin Frowbridge

6. The Commission, through the issuance of stop orders or refusal orders, has prevented the sale of approximately \$100,000,000 worth of new security issues which failed to meet the truth requirements of the Securities Act. Approximately \$300,000,000 worth of proposed issues were withdrawn by the issuers after registration statements had been filed with the Commission. In many cases registration of a new issue has been allowed to become effective only after the issuer has materially amended its registration statement to meet the requirements of the Commission. An outstanding example of this work is seen in the case of the Standard Gas and Electric Company. The Commission required this great public utility system to set up in its financial statements an adjusted balance sheet which showed that if proper accounting and finance practices had been followed, the company's assets would have been \$153,000,000 less than those shown in the original balance sheet, and that in place of a capital surplus of \$111,000,000 and an earned surplus of \$12,000,000, the company would have a corporate deficit of \$30,000,000.

7. The Commission has brought suit in the courts to restrain the Electric Bond and Share Company, the largest public utility holding company system in the country, from violating the Public Utility Holding Company Act and for failing to register with the Commission as required by the Act.