

March 12, 1936.

Mr. Abe Fortas,
The Yale Law School,
New Haven, Connecticut.

Re: Sections 7, 10 and of the Public Utility Holding Company Act

Dear Abe:

The issuance of new securities, that acquisition of assets and reorganizations under the above mentioned sections raise fundamental problems of an administrative nature for this Commission. Many of those problems are precisely the ones you are presently working on in connection with the chapter on voluntary reorganizations for our report. Cases under these sections are beginning to come up before the Commission. We passed on one this morning. Others are to follow. Nothing as yet has been worked out of here which would, in my opinion, adequately safeguard the interests of our investors in many typical situations which might arise. You are wholly acquainted with the types of problems which I have in mind. They involve qualifications, committees, supervision of deposit agreements, regulation of proxies, disclosure of material facts to stockholders who are about to vote on a merger under a state statute so that they will be given an independent position to choose either to go along with the plan or to file their dissent, etc. The filing of the dissent is of some importance to us because in jurisdictions like Delaware I believe that a security holder who wants his shares appraised must file his dissent before the stockholders' meeting. Obviously, if he is to have an intelligent choice between assent or dissent certain safeguards need to be set up.

My concrete suggestion is that when you are down here Eastern vacation you have a long talk with Mr. Gilman and Mr. Bolton-Smith of the Utilities Division, and perhaps others such as Mr. Guthrie, to see if we can work out some rules and regulations for operation under those sections. I think it would be a splendid idea to get the Commission to adopt as a part of its procedure under these sections the specific recommendations for control of voluntary reorganizations, for such of those as may be applicable, which will be contained in our chapter on voluntary reorganization in the report to Congress. In other words, some impetus to effective reform might be given to all of our proposals if the Commission had adopted our specific suggestions before the report goes in.

It is the same idea I have in mind in connection with our chapter on corporate trustee where I am hoping that some rules and regulations may perhaps be

promulgated in connection with Section 7(d)(6) of the Utility Act. I believe I told you that Higer, Hickey, Foster and Guthrie are working on that.

Yours faithfully,