

BAKER, HOSTETLER & PATTERSON
COUNSELLORS AT LAW
UNION COMMERCE BUILDING
CLEVELAND

June 14, 1943

Mr. Stewart S. Hawes
Blyth & Co., Inc.
14 Wall Street
New York, N.Y.

Dear Stew:

I would like to make a report to you about what happened last week in the Securities Acts matters. Both Sam Rosenberry and Colonel Lockwood were present so that they obtained the information first hand.

On Tuesday, June 8th, I appeared before the Securities Acts subcommittee in executive session. The subcommittee as now constituted consists of the following:

Democrats: Lea, California
 Crosser, Ohio
 Boren, Oklahoma
 Priest, Tennessee
 Harris, Arkansas
 Newsome, Alabama

Republicans: Wolverton, New Jersey
 Reece, Tennessee
 Clarence J. Brown, Ohio
 Leonard W. Hall, New York
 Winter, Kansas

When I got in to Mr. Lea's office on Tuesday morning shortly before the hearing commenced he said that he had received a request from the SEC to have someone present when I appeared before the subcommittee in executive session; that while it was not in accordance with their usual procedure he had said that they might. I told him I had no objection. Shortly thereafter Baldwin Bane and John Davis appeared and were present during the two hour session which I had with the subcommittee. All of the members were present. I briefly reviewed the history of the matter up through the hearings and then asked the committee's permission to make a statement about the history and development of security financing and investment banking. You

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will remember that except for Purcell's remarks in his opening statement about this subject during the 1920s there is nothing in the record about it. It seemed to me it might be helpful to have such a statement in the record. The committee agreed, and I thereupon read a statement, copy of which is enclosed. For your information this represents material which was developed in the PSI matter.

No stenographer was present taking the record when I was making my statement. However, following completion of my statement the members of the committee said that they thought it would be well to have the statement printed in the record. It accordingly is going to be printed in that part of the record which will immediately precede the hearings of the subcommittee on the proxy rule matter. Several members of the committee expressed themselves as being very much interested in the statement and Messrs. Bane and Davis also were kind enough to say that they thought it was a good job. I asked them if they had any objections to any of the viewpoints expressed and they said they did not. I reached only the first point of the subject matter agenda, simplification of registration under the 1933 Act. As soon as the present proxy hearings are completed I will continue with the executive sessions before the committee. Whether representatives of the SEC will be present at these further executive sessions I do not know.

The proxy hearings will probably reconvene on Tuesday, June 22nd. Mr. Lea is aiming to have the subcommittee have at least one review of the proposed amendments before Congress takes its contemplated recess about the middle of July. If this can be accomplished I would then have an opportunity to work on drafting of such amendments as the committee may tentatively agree upon while Congress is in recess.

Following the executive session with the subcommittee on Tuesday, public hearings commenced on Wednesday before the same subcommittee on the proxy rule matters. These hearings are limited to consideration of two bills introduced by Mr. Wolverson (H.R. 1493 and H.R. 1821) and the bill introduced by Mr. Boren (H.R. 2019). The general effect of these bills would be to put back the proxy rules where they were prior to November 1, 1942, and to prohibit the SEC from issuing any further proxy rules during the present war and for six months thereafter. Copies of these bills are enclosed. Both morning and afternoon sessions were held by the subcommittee on Wednesday, Thursday and Friday. Three witnesses appeared for the SEC, Purcell, Bane and Freeman. As you may have gathered from reports which you have received from others and from the newspaper reports, the representatives of the SEC were subjected to a rigorous examination by members of the subcommittee. Sam Rosenberry is getting a typed copy of the stenographic report for Emil Schram, and perhaps you can borrow it to have a look at. I think you will find some interesting reading. It will of course be printed later on when the hearings are completed. When the hearings reconvene, which is now expected to occur on Tuesday, June 22nd, representatives of business will speak in opposition to the proxy rules, and thereafter, as I understand it, the Commission will have an opportunity to make further remarks in closing the hearing.

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I will keep you further advised about the progress of these matters.

Sincerely yours,

PAUL W. FRUM

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