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United States. Securities and Exchange Commission

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SECURITIES AND EXCHANGE COMMISSION
Philadelphia

INVESTMENT COMPANY ACT OF 1940

Release No. 968

SECURITIES ACT OF 1933

Release No. 3173

SECURITIES EXCHANGE ACT OF 1934

Release No. 3883

ACCOUNTING SERIES

Release No. 57

The Securities and Exchange Commission today announced a general revision of its requirements as to the form and content of financial statements filed by management investment companies other than those which are issuers of periodic payment plan certificates. The revised requirements are applicable to all financial statements filed by such companies under the Investment Company Act of 1940, the Securities Act of 1933 and the Securities Exchange Act of 1934. The action taken resulted in a complete restatement of Article 6 of Regulation S-X and in major changes in the related supplementary schedules contained in Rules 12-19, 12-20, 12-21 and 12-22 of Article 12 of Regulation S-X. In addition, as a result of the restatement of Article 6 certain related changes have been made in Rules 4-10 and 11-01 and in caption 1(a) of Rule 11-02.

The Commission also made public a statement reviewing the development of the revised Article 6 and setting forth its conclusions as to certain of the problems with which the rules deal.

The amendments of Regulation S-X become effective on December 31, 1946, provided, that any financial statements included in a report required to be filed prior to March 15, 1947 need only comply with the provisions of Regulation S-X as in effect immediately prior to the adoption of these rules and, provided further, that rules prescribing the accounting treatment for any transaction or adjustment of the accounts shall be effective only as to transactions or adjustments of accounts for fiscal years commencing on or after December 31, 1946.

The statement and new rules are attached.

Statement of the Securities and Exchange Commission upon the promulgation of a general revision of Article 6 of Regulation S-X, governing the form and content of financial statements filed by management investment companies other than those which are issuers of periodic payment plan certificates.

Our promulgation today of the general revision of Article 6 of Regulation S-X governing the form and content of financial statements filed by management investment companies was preceded by such extended discussions that it might well be thought that further elaboration of the subject is unnecessary. However, in view of the importance of the subject, it seems appropriate to outline briefly the history of the problem, to discuss generally our conclusions, and to discuss certain provisions of the rules as to which certain of those participating in the discussions indicated some objections or reservations.

History of the Problem

Experience gained during the past several years from a critical review of financial statements filed by management investment companies under the 1933, 1934 and 1940 Acts has indicated that certain changes might profitably be made in the rules under Article 6 of Regulation S-X to provide, pursuant to Section 31 (c) of the Investment Company Act of 1940, for a reasonable degree of uniformity in the accounting policies and principles to be followed by registered management investment companies in preparing financial statements filed with this Commission. The review indicated also that the financial statements might be prepared in a manner which would bring more forcefully to the attention of the investor the special characteristics of this type of company and the significant aspects of its financial condition and results of operation.

The problems encountered have been the subject of many discussions with numerous representatives of investment companies, with the National Association of Investment Companies and with accountants, attorneys and other interested persons. Following a series of preliminary discussions, the National Association of Investment Companies drafted a series of recommendations dealing with financial statements which were given extended consideration by the staff. Later, in 1944, the staff drafted a thorough-going revision of Article 6 of Regulation S-X which was submitted for comment to all registered management investment companies, to the National Association of Investment Companies, to a number of accounting and professional societies, and to many individual accountants and others who had evinced an interest in the problem. This circularization resulted in the receipt of many comments and led to many individual and round-table conferences.

At this point, the staff reviewed its preliminary proposals, and with the benefit of the comments and conferences mentioned prepared a revised draft which gave effect to many of the suggestions received and incorporated a number of solutions of issues which had theretofore been controversial. However, in a number of important respects the staff's revised proposals did not give effect to the recommendations of those from whom comments had been received.

In view of the importance and significance of the changes proposed by the staff and of the divergence in opinion on certain points, the Commission on May 22, 1946 directed a public conference be held on July 9, 1946 for the purpose of ascertaining the views of all interested persons with respect to the staff proposal. For the convenience of those interested, the staff prepared a report on the revision of Article 6 which described in detail the changes proposed to be made and the more important considerations which it believed required these changes.

Copies of the proposed revision of Article 6 and of the staff report were sent to all management investment companies, and to those persons to whom the draft dated May 31, 1944 was sent for comment, and to numerous other accountants, attorneys and other interested persons who had requested a copy of the staff report.

At the public conference, representatives of the National Association of Investment Companies appeared to voice their objections to certain of the changes proposed by the staff. A number of written comments were received and were placed in the record of the conference.

Subsequent to the conference, representatives of the Association and of the staff of the Commission discussed the principal differences which had been brought out at the conference. As a result of these discussions, mutually agreeable solutions were worked out as to most of these differences. We will discuss the remaining points later on.

General Conclusions

After considering the staff report, the comments received from time to time, and the record made at the public conference on July 9, 1946, we are of the opinion that the attached amendments to Regulation S-X should result in a reasonable degree of uniformity in the accounting policies and principles followed by the registered investment companies subject to the new rules and should also result in financial statements of a more informative and useful nature than those heretofore required under the old rules. In reaching this conclusion, we have also drawn heavily on our experience with the individual cases that have arisen from time to time and we have benefited in a very material way from the discussions of these problems that we have had with representatives of the N.A.I.C. and of many of the companies that will be subject to these rules. In view of the breadth of the area of agreement on the new rules we do not believe it necessary to seek to restate here the considerations which underlie most of the changes from the preexisting rules. Those matters were dealt with in detail in the staff report on May, 1946, referred to earlier and with which we, in general, concur. We shall, however, outline briefly our conclusions on the very few points as to which the staff and the N.A.I.C. representatives were unable to find a mutually agreeable solution.

1. Applicability of these rules to financial statements included in reports to stockholders.

Section 30 (d) of the 1940 Act requires that financial statements included in stockholders reports "shall not be misleading in any material respect in the light of the reports required to be filed" with the Commission. The representatives of the N.A.I.C. in commenting on the new

rules expressly stated that they were considering them only as rules governing statements to be filed with the Commission and were not prepared or authorized to discuss the question of what differences or what omissions therefrom might be considered to make stockholders reports misleading. At the public conference, our staff suggested that that problem was not included in the present proposals and ought to be reserved for further consideration later on. As a general matter, we concur in that conclusion. However, we wish to point out that it would not in our opinion be consonant with the provisions of Section 30 (d) for a company to file a report with us following, with respect to certain transactions, the accounting principles prescribed in the new rules and at the same time to issue reports to stockholders in which entirely different accounting principles are followed.

2. The definition of "affiliates"(Rule 6-02-4).

This rule defines the term "affiliate" to mean an "affiliated person" as defined in Section 2 (a) (3) of the Investment Company Act of 1940. Thus the term as used in Article 6 of Regulation S-X includes a company of which the registrant owns directly or indirectly 5% to 25% of the outstanding voting securities. Under this definition data as to such companies is required by several of the amended rules to be shown separately in financial statements filed with the Commission.

The National Association of Investment Companies as well as a number of investment companies objected to the classification of investments in 5% to 25% owned companies as "affiliates" in financial statements on the grounds, first, that for the purposes of the financial statements such investments are not different in any fundamental way from general portfolio investments, and second, that such investments do not have the characteristic attributes ordinarily associated with investments in "affiliates" in the usual sense of that word. It was also pointed out that the 1933, 1934 and 1940 Acts contain no definition of the word "affiliate"; and, therefore, it cannot be said that the classification of investments in financial statements of 5% to 25% owned companies is required by statute; that the term "affiliated person" as defined in the 1940 Act was occasioned primarily by Section 17 of the Act which relates to self-dealing and has nothing to do with accounting rules; that the term "affiliate" connotes a measure of control as indicated by the definition we have adopted in certain rules under the 1933 Act; that the term "affiliated person" under the 1940 Act is being applied to the 1933 and 1934 Acts when such Acts do not refer to the term "affiliated person"; and that there is nothing in the 1940 Act which requires the Commission for the purposes of Article 6 to include investments in 5% to 25% owned companies in the definition of "affiliates." It was therefore urged that the Commission consider the matter on the sole ground of whether the information called for as to "affiliates" in Article 6 should also be furnished as to the 5% to 25% group.

The fact remains that Section 2 (a) (3) of the 1940 Act does clearly relate to companies in which the registrant owns 5% or more of the outstanding voting securities. It seems clear that Congress had a definite purpose in referring to such class of investments. Even if the Act sets up the 5-25% group primarily for the purposes of Section 17 which relates to self-dealing, as is contended, it seems clear that this does not preclude the Commission from requiring the separate disclosure of financial information as to such companies if that information is material to investors. This is, indeed, the very point made by N.A.I.C. — that we should get these disclosures only if we feel the data is material.

As to the merits, we feel that where a registrant owns a large percentage of the securities of a company the investment and the fruits thereof are worthy of separate attention by investors and investment analysts. Whether a 5% minimum cut-off is appropriate is, of course, in many respects an arbitrary judgment. The fact is that in its consideration of investment company problems Congress deemed it wise for certain purposes to establish a 5% to 25% group. We feel that there is no sound basis for establishing a new and different category for the purpose of financial statements and we feel that investments in single companies to the extent of 25% of its voting control and on down to some lower percentage are items sufficiently dissimilar in nature to general portfolio investments as to warrant separate disclosure.

It should be pointed out that a company in preparing its financial statements has the right under the amended rules to describe the 5% to 25% companies in such a way as in its opinion will be adequately informative. Thus where the amended rule requires investments in affiliates to be segregated in the balance sheet a company can describe each category of investment for exactly what it is; namely, majority owned (over 50%), other controlled affiliates (over 25%, but not more than 50% owned), and companies in which over 5% but not more than 25% is owned and as to which control is denied. The manner of describing the latter category should be sufficient to avoid any misconception as to its relationship with the reporting company.

As to the contention that the 1933 and 1934 Acts do not contain a statutory category comparable to the 5% to 25% test, the Acts do contain provisions permitting the Commission to obtain information in addition to that specified, for example, in Schedule A. We feel that the intent of Congress as later indicated in the 1940 Act furnishes a satisfactory basis for the Commission to require this information with respect to filings under the two earlier Acts.

We conclude, therefore, that the disclosures required by the amended rules as to this 5-25% group of companies are material information and are in the public interest and appropriate for the protection of investors.

3. Disclosures as to the capital and surplus accounts - Caption 21 of Rule 6-03 and Rules 6-07, 6-08, and 6-09.

Of all the problems encountered in our study, perhaps the most persistent has been the scope and nature of the disclosures to be made as to the capital and surplus accounts of management investment companies. Objections have been raised on this score both as to our requirements under the old rules and as to the proposals of the staff. These have been vigorously continued and indeed a good portion of the public conference was devoted to them. The final rules or requirements on the point, however, are in our opinion excellent evidence of the advantages and possibilities of thorough discussion of a problem by those holding different views on the subject. In the final rules we have adopted a great part of the suggestions made by members of the industry but we have at the same time found means to retain, in a form that we think will be quite generally acceptable, the fundamental disclosures urged by the Staff.

It is generally recognized, we think, that a fair disclosure of corporate financial affairs at a given date includes a disclosure of the amount

of stated capital, the amount of paid-in surplus, the balance of earned surplus, and the balances in any other surplus accounts. In addition, an analysis of the changes in any of these surplus balances since the next preceding report is essential as a means of informing the reader of the nature of changes occurring during the period.

As to management investment companies it has been urged that this "breakdown" of net assets into the various capital and surplus accounts is of questionable usefulness and under some circumstances might make misleading inferences possible. In general, as we understand it the argument made is founded on the belief that an investor in a management investment company is not interested in the source of the present net assets but rather in the amount of his pro rata interest in such assets at various dates and in the distributions made from time to time. It was pointed out that in such companies the difference between the realized security profits or losses which result from disposition of portfolio securities and the unrealized appreciation or depreciation, which results from changes in the market value of portfolio securities not sold is of relatively minor importance. Also, the incidence of the special tax laws applicable to such companies resulted in the practical necessity of distributing annual realized gains even though such gains were insufficient to offset prior realized losses. These factors it was claimed destroyed the significance ordinarily attaching to surplus balances.

As is pointed out in the staff report of May, 1946, these several points are characteristic peculiarities of this type of business. However, we are disposed to agree with the conclusion of the staff as developed in detail in Appendix B of their report that these peculiarities are not such as to destroy the significance of either the breakdown into the various capital and surplus accounts or the analysis of changes in surplus accounts occurring during the period of report. For one thing these surplus balances are important in the application of Section 19 of the Act. We note also in this connection the position taken by many prominent accountants that the portrayal of a breakdown into the various capital and surplus accounts is of great importance as the connecting link between a "value" balance sheet and the "cost" basis on which the book records are kept. On the other hand, we feel that every effort ought to be made to adapt the format of disclosure and the descriptive captions employed to the peculiarities of this kind of company.

The rules now being adopted meet and, we feel, solve the problem satisfactorily in this way:

1. Companies reflecting assets at value may show the breakdown of the various capital and surplus accounts in a separate statement.
2. The captions of the several surplus accounts are adapted to the peculiarities of this kind of company and are in conformity with the language of Sec. 19 of the Act and the usages long customary among many of the companies. It may be noted that the customary "earned surplus" account is not provided for but its two constituent elements "balance of undistributed net income (excluding gain or loss on investments)" and "net realized gain or loss on investments" are shown as separate items.
3. Companies reflecting assets at value may under Rule 6-08 omit the analyses of the several surplus accounts if there is furnished a "statement of changes in net assets" comparable to that used for some time by many companies.

4. Open-end companies may under Rule 6-09 use a special form of statement in lieu of the customary capital and surplus breakdown. In this statement capital and capital surplus are combined under a special caption, with par or stated capital shown parenthetically. It is interesting to note that this statement is modeled after a proposal which was introduced for the first time at the public conference.

Miscellaneous Matters

The finality of the amended rules.

As has been pointed out, we feel the new rules should do much to secure a reasonable degree of uniformity in the accounting practices of these companies and to obtain more informative and useful financial statements. However, in many respects the proposed forms of financial statement are novel and in some respects experimental in nature. Consequently, we are in entire agreement with the statement made on behalf of the N.A.I.C. that "All of us will know more about the new rules after operating under them. If experience shows that any of the rules are impracticable or subject to improvement, we should like the opportunity to say so at some future date." We also expect our staff to observe the operation of the new rules in practice and to report to us as to their effectiveness and as to any improvements that may be indicated.

Effective date of the new rules.

Due to the wide circulation accorded drafts of the new rules it is probable that most companies and their accountants have already become reasonably familiar with them. We also understand that in some recent interim reports certain of the changes proposed have already been effected. However, the departures from the preexisting rules are such that we feel adequate time should be given for companies to accomplish such adaptation in their reporting procedures as may be necessary. Accordingly, we have set the effective date generally as December 31, 1946, with the proviso that any report required to be filed within four months of the date on which these rules are adopted need only comply with our requirements as in effect immediately prior thereto. Since most of the companies affected have fiscal years ending at December 31, this will give such companies at least 5 months in which to make the necessary adjustments and in any case will give all companies at least 4 months. In addition, such of the new rules as prescribe the accounting principles to be followed with respect to certain transactions or adjustments of the accounts will be applicable only as to transactions or adjustments falling in fiscal years beginning on or after December 31, 1946.

Related changes in other rules.

Comprehensive revision of Article 6 of Regulation S-X for management investment companies has necessitated certain related amendments to Regulation S-X involving Rules 4-10, 11-01, 11-02 (caption 1(a)) and 12-20, as follows:

Rule 4-10 relating to consolidated and combined statements of investment companies is deleted and its substance included in Rule 6-02-3 of the revised Article 6. The amendments to Rules 11-01 and 11-02, caption 1(a), provide for the deletion of certain references and requirements relating to statements of surplus of investment companies inasmuch as special requirements for such companies have been included in the revised Article 6. Rule 12-20, which provides a schedule for investment companies showing investments in securities -- other than marketable securities, is deleted since the requirements under this rule have been incorporated into the new Rule 12-19.

The text of the Commission's action is as follows:

Acting pursuant to the authority conferred upon it by the Securities Act of 1933, particularly Sections 7 and 19 (a) thereof, the Securities Exchange Act of 1934, particularly Sections 12, 13, 15 (d), and 23 (a) thereof, and the Investment Company Act of 1940, particularly Sections 8, 30, 31 (c) and 38 (a) thereof, and deeming such action necessary and appropriate in the public interest and for the protection of investors and necessary for the execution of the functions vested in it by said Acts, the Securities and Exchange Commission hereby amends Regulation S-X as follows:

I. Rule 4-10 is deleted.

II. Rule 11-01 is amended by deleting therefrom the reference "6-02 (caption 24)" in the second line thereof.

As amended the rule reads as follows:

"This article prescribes the content of the statements of surplus specified in Rules 5-02 (caption 34), and 7-03 (caption 20)."

III. Subparagraph (a) of caption 1 of Rule 11-02 is amended by inserting a period after the word "accounts" in the second line and deleting the text thereafter.

As amended subparagraph (a) reads as follows:

"(a) The balance at the beginning of the period of report may be as per accounts."

IV. Rule 12-20 is deleted.

V. Article 6 and Rules 12-19, 12-21 and 12-22 of Article 12 are deleted in their entirety and there is substituted therefor the following new Article 6 and the following new Rules 12-19, 12-21 and 12-22 of Article 12:

ARTICLE 6. MANAGEMENT INVESTMENT COMPANIES

Rule 6-01. Application of Article 6.

This article shall be applicable to financial statements filed for management investment companies other than those which are issuers of periodic payment plan certificates.

Rule 6-02. Special Rules Applicable to Management Investment Companies.

The financial statements filed for persons to which this article is applicable shall be prepared in accordance with the following special rules in addition to the general rules in articles 1, 2, 3 and 4. Where the requirements of a special rule differ from those prescribed in a general rule, the requirements of the special rule shall be met.

1. Content of financial statements.--The financial statements shall be prepared in accordance with the requirements of regulation S-X notwithstanding any provision of the articles of incorporation, trust indenture or other governing legal instruments specifying certain accounting procedures inconsistent with those herein required.

2. Certification.--Where, under the applicable form, financial statements are required to be certified, the certifying accountant shall have been selected and ratified in accordance with Sec. 32 of the Investment Company Act of 1940 and the applicable rules thereunder.

3. Consolidated and combined statements.--(a) Consolidated and combined statements filed for management investment companies shall be prepared in accordance with article 4 except that (1) statements of the registrant may be consolidated only with the statements of subsidiaries which are investment companies; (2) a consolidated statement of the registrant and any of its investment company subsidiaries shall not be filed unless accompanied by a consolidating statement which sets forth the individual statements of each significant subsidiary included in the consolidated statement, provided, however, that a consolidating statement need not be filed if all included subsidiaries are totally held; and (3) consolidated or combined statements filed for subsidiaries not consolidated with the registrant shall not include any investment companies unless accompanied by consolidating or combining statements which set forth the individual statements of each included investment company which is a significant subsidiary.

(b) If consolidated statements are filed, the amounts included under each caption in which financial data pertaining to affiliates is required to be furnished shall be subdivided to show separately the amounts (1) eliminated in consolidation and (2) not eliminated in consolidation.

4. Affiliates.--The term "affiliate" means an "affiliated person" as defined in Sec. 2 (a) (3) of the Investment Company Act of 1940. The term "control" has the meaning given in Sec. 2 (a) (9) of that Act.

5. Value.--As used in this article 6, the word "value" shall have the meaning given in Sec. 2 (a) (39) (B) of the Investment Company Act of 1940.

6. Valuation of assets.--(a) The balance sheets of open-end companies shall reflect all assets at value, showing cost parenthetically.

(b) The balance sheets of closed-end companies shall either (1) reflect all assets at cost, showing value parenthetically, or (2) reflect all assets at value, showing cost parenthetically. If assets are reflected at cost, however, due consideration shall be given to evidence of probable loss and, where such evidence indicates an apparently permanent decline in underlying value and earning power, recognition thereof shall be made by means of an appropriate write-down or the establishment of an appropriate reserve.

(c) The balance sheet shall clearly disclose whether assets are carried at cost or value.

7. Cost in case of reorganizations, exchanges of investments, syndicate operations, etc.--Where information as to the cost of investments is required to be furnished, the term "cost" shall have the indicated special meaning in the following instances:

(a) Reorganizations and quasi-reorganizations.--Where investments have been adjusted in the course of a reorganization or quasi-reorganization of the registrant, "cost" shall mean such adjusted amount. The date of and a brief statement as to such adjustment shall be given in a note referred to in the balance sheet.

(b) Exchanges of investments.--(1) Where investments have been acquired in exchange for other investments as a result of a reorganization, consolidation or merger of a portfolio company, "cost" of the investments acquired shall be the cost of the investments released. Due consideration shall, however, be given to evidence of probable loss and, where such evidence indicates an apparently permanent decline in underlying value and earning power, "cost" of the investments acquired shall be the value, on the effective date of the transaction, of the investments released or of the investments received, as appropriate. (2) In other cases in which investments have been acquired in exchange for assets other than cash, "cost" of the investments acquired shall be the value, on the effective date of the exchange, of the assets released or of the assets received, as appropriate.

(c) Syndicate operations.--In the case of securities acquired through joint syndicate operations, "cost" shall be net of syndicate discounts and commissions applicable thereto.

8. Issuance and repurchase of securities by a management investment company.-- In a footnote or statement referred to in the balance sheet or other appropriate statement, show for each class of the company's securities (1) the number of shares or principal amount of bonds sold during the period of report, the amount received therefor, and, in the case of shares sold by closed-end companies, the difference, if any, between the amount received and the net asset value or preference in involuntary liquidation (whichever is appropriate) of securities of the same class prior to such sale; and (2) the number of shares or principal amount of bonds repurchased during the period of report and the total or average cost thereof. Closed-end companies shall furnish the following additional information as to securities repurchased during the period of report:

(a) as to bonds and preferred shares, the aggregate difference between cost and the face amount or preference in involuntary liquidation and, if applicable net assets taken at value as of the date of repurchase were less than such face amount or preference, the aggregate difference between cost and such applicable net asset value;

(b) as to common shares, the weighted average discount per share, expressed as a percentage, between cost of repurchase and the net asset value applicable to such shares at the date of repurchases.

The information required by 2 (a) and (b) may be based on reasonable estimates if it is impracticable to determine the exact amounts involved.

9. Federal income taxes.--Appropriate provision shall be made, on the basis of the applicable tax laws, for Federal income taxes that it is reasonably believed are, or will become, payable in respect of (a) current net income, (b) realized gain on investments and (c) unrealized appreciation on investments. The company's status as a "regulated investment company" as defined in Supplement Q of the Internal Revenue Code as amended shall be stated in a note referred to in the appropriate statements. Such note shall also indicate briefly the principal present assumptions on which the company has relied in making or not making provisions for such taxes.

10. Balance sheets; statements of assets and liabilities.--As used herein the term "balance sheets" shall include statements of assets and liabilities unless the context clearly indicates the contrary.

11. Inapplicable captions.--Attention is directed to the provisions of rule 3-02 which permit the omission of separate captions in financial statements as to which the items and conditions are not present, or the amounts involved not significant. However, amounts involving directors, officers, and affiliates shall nevertheless be separately set forth except as otherwise specifically permitted under a particular caption.

Rule 6-03. Balance Sheets; Statements of Assets and Liabilities.

Balance sheets and statements of assets and liabilities filed under this rule shall comply with the following provisions:

ASSETS

1. Cash and cash items.--State separately (a) cash on hand, demand deposits, and time deposits; (b) call loans; and (c) funds subject to withdrawal restrictions. Funds subject to withdrawal restrictions and deposits in closed banks shall not be included under this caption unless they will become available within one year.

2. Dividends and interest receivable.--(a) Dividends shall not be included before the ex-dividend date, nor unless payment is reasonably assured by past experience, guaranty, or otherwise. No dividend shall be included on stocks issued or assumed by the company and held by or for it, whether held in its treasury, in sinking or other special funds, or pledged as collateral.

(b) Interest due or accrued on bonds, notes, deposits, open accounts, and other interest-bearing obligations owned, shall not be included unless payment is reasonably accrued by past experience, guaranty, or otherwise. No interest shall be included on securities issued or assumed by the company and held by or for it, whether held in its treasury, in sinking or other special funds, or pledged as collateral.

3. Notes receivable.

4. Accounts receivable.

5. Reserves for doubtful receivables.--Notes and accounts receivable known to be uncollectible shall be excluded from the asset as well as from the reserve account.

6. Sundry assets of a current nature.--State separately (a) total of current amounts due from directors and officers; (b) participation in syndicates; and (c) any other significant amount.

7. Investments in securities of unaffiliated issuers.--See rule 6-02-6.

(a) United States Government bonds and other obligations.--Include only direct obligations of the United States Government.

(b) Securities of other investment companies.--Such securities may be included under (c) if they amount in the aggregate to less than 5% of total assets.

(c) Other securities.

(d) Such further classification may be used as is appropriate under the circumstances.

(e) Reserves for unrealized depreciation in value of securities.--If assets are reflected at cost, any reserve for unrealized depreciation shall be shown here as a deduction from the items to which applicable.

8. Investments--Other than securities.--State separately each major class. See rule 6-02-6.

9. Investments in affiliates.--State separately investments in (a) controlled companies and (b) other affiliates. See rule 6-02-6.

10. Prepaid expenses and other deferred items.—(a) State separately each of the following items if significant: (1) debt discount and expense, (2) organization expense, (3) commissions and expense on capital shares, and (4) other prepaid and deferred items showing separately any significant items. Explain in a note to this caption the provisions which have been made to write off or amortize such items.

(b) Recurrent costs of issuing shares, such as registration fees and expenses, shall be charged off in the statement of income and expense for the period in which such costs are incurred.

11. Other assets.—State separately (a) total of amounts due from directors and officers, not included under caption 6 above; (b) each special fund of a significant amount; (c) real estate and improvements not included under caption 8 above; (d) furniture and fixtures; and (e) any other significant amounts.

LIABILITIES

12. Notes payable.—State separately amounts payable within one year (a) to banks, and (b) to others. See caption 16 (a).

13. Accounts payable.—State separately (a) the total of amounts payable for purchase of securities, and (b) other accounts payable.

14. Accrued liabilities.—State separately (a) accrued salaries, (b) tax liability, (c) interest, and (d) any other significant items. If the total under this caption is not significant, it may be stated as one amount.

15. Sundry liabilities of a current nature.—State separately (a) dividends declared; (b) bonds, notes, mortgage installments, and mortgages due within one year; (c) total of current amounts due to affiliates, excluding any amounts owing to non-controlled affiliates which arose in the ordinary course of business and are subject to usual trade terms; (d) total of current amounts (other than as required under caption 14) due directors and officers; and (e) any other items of significant amount. Remaining items may be shown in one amount.

16. Long-term debt.

(a) Funded debt.—If any amount included herein will fall due within one year, indicate such amount and explain in a footnote the reason for not including such amount as a current liability under rule 6-03-15. See also caption 19 (c) (2).

(b) Indebtedness to affiliates—not current.—State separately amounts due to (1) controlled companies and (2) other affiliates.

(c) Other long-term debt.—Indicate whether secured. State separately (1) total of amounts due directors and officers; and (2) other long-term debt, specifying any significant item. State separately by years, in the balance sheet or in a note therein referred to, the total amounts of the respective maturities for the five years following the date of the balance sheet.

17. Other liabilities.--State separately any significant amounts.

18. Reserves, not shown elsewhere.--State separately the total of each major class and describe each such major class by using an appropriate caption or by a footnote referred to in the caption.

19. Net assets applicable to outstanding capital shares.--(a) This caption may be used only by companies which reflect assets at value, showing cost parenthetically.

(b) Companies having only one class of outstanding capital securities.--Such companies may conclude the statement with this caption and give the number of outstanding shares and the net asset value per share. In such case the statement shall be entitled "Statement of Assets and Liabilities" and the information required by captions 20 to 24 below shall be set forth in the form of a separate schedule immediately following this statement and referred to under this caption.

(c) Companies having more than one class of outstanding capital securities.--(1) Such companies may conclude the statement at this point and in such case shall furnish in tabular form immediately following this caption the following information as to each class of capital securities: (i) title of issue; (ii) in the case of funded debt treated as a capital security the total face amount outstanding and the asset coverage per unit; (iii) in the case of preferred shares, the par or stated value, the number of shares outstanding, the total preference thereof in involuntary liquidation, and the asset coverage per share and (iv) in the case of common shares, the par or stated value, the number of shares outstanding and the net asset value per share and in the aggregate. In such case the statement shall be entitled "Statement of Assets, Liabilities and Capital Securities" and the information required by captions 20 to 24 below shall be set forth in the form of a separate schedule immediately following this statement and referred to under this caption.

(2) If funded debt is outstanding and is to be treated as a capital security, caption 16 (a) may be omitted if appropriate adjustment of related captions is made.

CAPITAL SHARES AND SURPLUS

20. Capital shares.--State for each class of shares the title of issue, the number of shares authorized, the number of shares outstanding and the capital share liability thereof. See also rule 6-09.

21. Surplus.--(a) Show the division of this item into (1) capital surplus; (2) balance of undistributed net income (excluding gain or loss on investments); and (3) accumulated net realized gain or loss on investments. The information required by rule 6-02-8 shall be given in a footnote to this statement, or in a footnote to the statement permitted by rule 6-08.

(b) Except as permitted by rule 6-08, an analysis of each surplus account setting forth the information prescribed in rule 6-07 shall be given, for each period for which a statement of income and expense is filed, in the form of a separate statement of surplus, and shall be referred to under this caption.

22. Total capital and surplus.—Companies which reflect assets at cost, showing value parenthetically, shall furnish the following information in a separate statement immediately following this statement and referred to herein:

(a) The amount of unrealized appreciation or depreciation of the assets, taken at value, as compared to the amount at which such assets are reflected in the balance sheet, together with the increase or decrease thereof during the period of report.

(b) An appropriate provision for taxes in respect of appreciation if required by rule 6-02-9.

(c) If total assets at value are less than cost, the adjustment that would have to be made to reflect such depreciation in the surplus accounts.

(d) The net asset coverage per unit of each class of bonds and per share of each class of preferred shares.

(e) The net asset value per share of the outstanding common shares, computed on the basis of assigning to prior securities their preference in involuntary liquidation.

23. Unrealized appreciation or depreciation of assets.—Companies which reflect assets at value showing cost parenthetically shall include this item as an addition to or deduction from caption 22. See rule 6-06. Appropriate provisions shall be made for applicable income taxes if required by rule 6-02-9.

24. Net assets applicable to outstanding capital shares.—The amount of this caption should agree with the amount shown under caption 19.

Rule 6-04. Statement of Income and Expense (excluding gain or loss on investments).

(a) Statements required by this rule and by rules 6-05 and 6-06 shall be shown on the same or on consecutive pages. If not shown on the same page, however, the items required to be set forth by caption 5 of rule 6-05 and caption 2 of rule 6-06 shall be appended immediately following the information required by caption 7 of this rule.

(b) Statements filed under this rule shall comply with the following provisions:

1. Income.—(a) State separately income from (1) cash dividends, (2) interest, and (3) other income. If income from investments in or indebtedness of affiliates is included hereunder, such income shall be segregated under an appropriate caption subdivided to show separately income from (i) controlled companies and (ii) other affiliates.

(b) Due consideration shall be given to the propriety of treating, as income, dividends on stock acquired or disposed of during the period of report.

(c) Due consideration shall be given to the propriety of treating extraordinary dividends as income. For the purpose of this rule the term "extraordinary dividends" shall mean (1) dividends which are known to have been declared out of sources other than current earnings or earned surplus and (2) dividends which are declared otherwise than out of earnings of the current or preceding year and are abnormal in size in relationship to the value of the securities upon which declared.

(d) Dividends in arrears on preferred stock may not be treated as income in an amount which exceeds an amount arrived at by applying the stated dividend rate to the period during which the stock has been held, provided, that, in computing the period held, periods of more than one-half of a quarter year may be treated as full quarter years, if periods of less than one-half of a quarter year are not counted. Any such dividends which are treated as income but which are applicable to periods prior to the current fiscal year shall be included under caption 1 (a) (3) above.

(e) Dividends by controlled companies may be treated as income only to the extent that they are out of earnings subsequent to (1) the date of acquisition or (2) the effective date of a reorganization or quasi-reorganization of the receiving company if such date is subsequent to the date of acquisition.

(f) Due consideration shall be given to the propriety of treating, as income, interest received on bonds which were in default when acquired. Any such interest which may be treated as income shall not be treated as ordinary interest income in an amount in excess of the amount arrived at by applying the stated interest rate to the period of report, and any excess thereof shall be included under caption 1 (a) (3) above. The policy followed in accounting for such interest shall be stated in a footnote.

(g) Common stock received as a dividend on common stock of the same issuer shall not be treated as income, and no amount shall be debited to investments or credited to income or surplus at the time such dividend is received.

(h) State as to any non-cash dividends, other than stock dividends referred to in paragraph (g), and as to preferred stock received as a stock dividend, the basis on which taken up as income. If any such dividends received from controlled companies have been credited to income in an amount different from that charged to income or earned surplus by the disbursing company, state the amount of such difference and explain.

(i) State separately each category of other income representing more than five percent of the total shown under caption 1 of rule 6-04 (b).

(j) Proceeds from the sale of new capital shares which represent payment on account of accrued undivided income shall not be included in the statement of income and expense. See rule 6-07-2.

(k) Dividends and interest applicable to an issuer's own securities held in its treasury or in sinking or other special funds shall not be treated as income.

2. Expenses.--State separately each category of expense representing more than five percent of the total expenses. There shall also be shown in an appropriate manner (a) the total of management and other service fees to unaffiliated persons; (b) the total of management and other service fees to affiliated persons, indicating in a note or otherwise (1) the name of each such person accounting for ten percent or more of the total under this subcaption, (2) the nature of the affiliation between the investment company and each such person, and (3) the amount applicable to each such person; and (c) other expenses within the person's own organization in connection with research, selection and supervision of investments. The total of management and service fees shall be included herein regardless of the basis used for, or the method of, computation thereof. State in a note referred to under this item the basis and methods of computing management or service fees and if none was incurred for the period of report, the reason therefor. If any of the expenses were paid otherwise than in cash, state the details in a note referred to under this caption.

3. Taxes - Other than taxes on income.

4. Interest and debt discount and expense.--State separately (a) interest on funded debt, (b) amortization of debt discount and expense or premium, and (c) other interest.

5. Balance before provision for taxes on income.

6. Provision for taxes on income.--State separately (a) Federal taxes on income, and (b) other taxes on income. If the amount to be shown under this caption is less than 5% of caption 7, it may be combined with caption 3 and in such case caption 5 may be omitted. See rule 6-02-9.

7. Net income (excluding gain or loss on investments).--The amount included under this caption shall be carried to the related subdivision of surplus or to the statement of changes in net assets, as appropriate. See rules 6-07-2 and 6-08 (b) (2).

Rule 6-05. Statement of Realized Gain or Loss on Investments.

Statements filed under this rule shall comply with the following provisions:

1. Realized gain or loss on sales of investments.—(a) State separately the aggregate cost, the aggregate proceeds, and the net gain or loss from sales of each of the following classes of investments: (1) investments in securities of affiliates, (2) investments in other securities, showing United States Government bonds and other direct obligations separately, and (3) other investments.

(b) Transactions in shares of the person for which the statement is filed shall not be included here.

(c) State in a footnote the aggregate cost of securities acquired during the period, showing separately United States Government bonds and other direct obligations.

(d) State the basis followed in determining the cost of securities sold. If a basis other than average cost is used, state, if practicable, the gain or loss computed on the basis of average cost.

2. Realized gain or loss on other transactions.—(a) Include under this caption exchanges of investments. Show the aggregate cost of the investments released and, as the proceeds of the exchanges, the aggregate amount at which the investments acquired were recorded in the accounts. See rule 6-02-7.

(b) Include also under this caption any write-downs required by rule 6-02-6 (b). Show the aggregate cost and the aggregate adjusted cost of the investments involved.

3. Realized gain or loss on investments, before provision for income taxes.

4. Provision for income taxes.

5. Net realized gain or loss on investments.—The amount included under this caption shall be carried to the related section of surplus or to the statement of changes in net assets, as appropriate. See rules 6-07-3 and 6-08 (b) (3).

Rule 6-06. Statement of Unrealized Appreciation or Depreciation of Investments.

This statement may be omitted by companies reflecting assets at cost, showing value parenthetically, provided the information called for by the second sentence of rule 6-04 (a) is given. Statements filed under this rule shall comply with the following provisions:

1. Unrealized appreciation or depreciation of investments.—State the amount of unrealized appreciation or depreciation of investments as shown in caption 23 of the balance sheet (a) at the beginning of the period of report, and (b) at the end of the period of report.

2. Increase or decrease of unrealized appreciation or depreciation.

Rule 6-07. Surplus Statements.

Surplus statements filed under this rule shall comply with the following provisions:

1. Capital surplus.--(a) The analysis of capital surplus shall show separately for each period (1) balance at beginning of period, (2) additions during period due to (i) sale of capital shares, and (ii) other additions described in reasonable detail, (3) deductions during period due to (i) repurchase of capital shares, (ii) distributions to shareholders from capital surplus, and (iii) other deductions, described in reasonable detail, and (4) balance at end of period. State in a footnote the dates and amounts per share of dividends paid during the period.

(b) There shall be shown, parenthetically or otherwise, the total dividend distributions to shareholders made from capital surplus since the date of organization or the date of the most recent reorganization, whichever is later; provided that companies organized prior to January 1, 1925 need show only such dividends paid since that date if that fact is indicated.

2. Balance of undistributed net income (excluding gain or loss on investments).--The analysis of the balance of undistributed net income (excluding gain or loss on investments), shall show separately for each period of report (a) balance at beginning of period, (b) net income as shown under rule 6-04-7, (c) other additions described in reasonable detail, (d) distributions to shareholders, (e) other deductions described in reasonable detail, and (f) balance at end of period. State in a footnote the dates and amounts of dividends paid during the period.

Open-end companies which follow the policy of recording separately a part of the sale and repurchase price of capital shares as an adjustment on account of undivided income shall include, as a separate item hereunder, the difference between the amount received from the sale of new capital shares which represent payment on account of accrued undivided income and the amount paid on the repurchase of capital shares which represent payment on account of accrued undivided income.

3. Accumulated net realized gain or loss on investments.-- The analysis of accumulated realized gain or loss on investments shall show separately for each period of report (a) gain or loss on investments prior to the period, (b) distributions to shareholders made therefrom prior to the period, (c) balance at the beginning of the period, (d) gain or loss on investments as shown under rule 6-05-5, (e) distributions to shareholders, and (f) balance at end of period. Captions (a) and (b) of this paragraph may be omitted by companies organized or most recently reorganized, prior to January 1, 1925 provided there is given in a footnote (i) total distributions made to shareholders out of realized gain on investments during the

period from January 1, 1925 to the beginning of the period of report, and (ii) total realized gain or loss on Investments for the same period. State in a footnote the dates and amounts per share of dividends paid during the period of report.

4. Opening balances.--Companies may accept balances of surplus accounts at January 1, 1925 as per the accounts.

5. See also rules 6-03-19 and 6-03-21.

Rule 6-08. Statements of Changes in Net Assets.

(a) Companies which in statements filed pursuant to rule 6-03 reflect assets at value, showing cost parenthetically, may file statements of changes in net assets in lieu of the surplus statements required by rule 6-07, provided, there is shown under caption 21(a) of rule 6-03 the amount of dividends previously paid from (1) capital surplus, and (2) realized gain on investments. See rules 6-07-1(b) and 6-07-3.

(b) Statements of changes in net assets filed under this rule shall comply with the following provisions:

(1) Net assets at beginning of period.--The amount shown shall agree with caption 19 of the related statement filed pursuant to rule 6-03 as of the beginning of the period of report.

(2) Income.--State separately (a) net income as shown by caption 7 of rule 6-04; (b) net accrued undivided earnings included in price of capital shares issued and repurchased; (c) distributions paid; and (d) balance of income undistributed, or decrease in prior balance of undistributed net income, as appropriate.

(3) Realized gain or loss on investments.--State separately (a) net realized gain or loss on investments as shown by caption 5 of rule 6-05; (b) distributions paid; and (c) balance of realized gain on investments for the period, or decrease in prior accumulated realized gain on investments, as appropriate.

(4) Increase or decrease of unrealized appreciation or depreciation of assets.--The amount shown should agree with caption 2 of rule 6-06.

(5) Securities issued and repurchased.--State separately for each issue (1) amount issued, and receipts therefrom on account of principal; (2) amount repurchased, and payments therefor on account of principal; and (3) net increase or decrease in amount outstanding and the difference between receipts and payments in respect thereof.

(6) Distributions of capital.

(7) Other items.--If during the period there have been any charges or credits to surplus accounts not specifically provided for in captions (2) to (6), include such items under an appropriate caption and explain clearly their nature.

(8) Net assets at close of period. --The amount shown shall agree with caption 19 of rule 6-03.

State in a footnote to captions (2), (3) and (6) the dates and amounts per share of dividends paid during the period.

Rule 6-09. Special Statement in Lieu of Statement of Capital Shares and Surplus.

Open-end companies having only one class of outstanding capital securities may combine captions 20 and 21 (a) (1) of rule 6-03, provided, information comparable to that prescribed by captions 20 to 24 of rule 6-03 is set forth in substantially the following form:

- (1) Excess of amounts received from sale of capital shares over amounts paid out in redeeming shares.--State here or in a footnote the number of shares authorized, the number of shares outstanding, and the capital share liability thereof. The information required by rule 6-02-8 shall be given in a footnote or by reference to the statement of changes in net assets.
- (2) Aggregate distributions from capital sources.--See also rule 6-07-1 (b).
- (3) Remainder.
- (4) Accumulated net realized gain or loss on investments.
- (5) Accumulated distributions of realized gain on investments.--See rule 6-07-3. The amount shown under this caption 5 shall be added to or deducted from caption (4) as appropriate to give a single total which need not be separately designated.
- (6) Balance of undistributed net income (excluding gain or loss on investments).
- (7) Total of captions 3 to 6, inclusive.
- (8) Unrealized appreciation or depreciation of assets.--See rule 6-02-9.
- (9) Net assets applicable to outstanding shares.

Rule 6-10. What Schedules Are to be Filed.

- (a) Except as otherwise expressly provided in the applicable form:
 - (1) The schedules specified below in this rule as schedules VII, VIII and IX shall be filed as of the date of the most recent balance sheet filed for each person and for each group for which separate statements are filed. Such schedules shall be certified if the related balance sheet is certified.
 - (2) All other schedules specified below in this rule shall be filed for each period for which a statement of income and expense is filed. Such schedules shall be certified if the related statement of income and expense is certified.

(b) The information required in schedules for the registrant, for the consolidated subsidiaries and for the registrant and its subsidiaries consolidated may be presented in the form of a single schedule, provided, that items pertaining to the registrant and to each consolidated subsidiary or group for which separate statements are required are separately shown and that such single schedule affords a properly summarized presentation of the facts.

(c) If the information required by any schedule (including the footnotes thereto) may be shown in the statements required by rules 6-03 to 6-09 without making such statements unclear or confusing, that procedure may be followed and the schedule omitted.

(d) Reference to the schedules shall be made against the appropriate captions of the balance sheet and the statement of income and expense.

A. INVESTMENT SCHEDULES

Schedule I. Investments in securities of unaffiliated issuers.

The schedule prescribed by rule 12-19 shall be filed in support of caption 7 of each balance sheet.

Schedule II. Investments - Other than securities.

The schedule prescribed by rule 12-21 shall be filed in support of caption 8 of each balance sheet. This schedule may be omitted if the investments, other than securities, at both the beginning and end of the period amount to less than 1% of total assets or \$50,000 whichever is less.

Schedule III. Investments in affiliates.

The schedule prescribed by rule 12-22 shall be filed in support of caption 9 of each balance sheet.

B. MISCELLANEOUS SCHEDULES

Schedule IV. Amounts due from directors and officers.

The schedule prescribed by rule 12-03 shall be filed with respect to each person among the directors and officers from whom any amount was owed at any time during the period for which related statements of income and expense are filed.

Schedule V. Indebtedness to affiliates.

The schedule prescribed by rule 12-11 shall be filed in support of caption 16 (b). This schedule and schedule III may be combined if desired.

Schedule VI. Reserves.

The schedule prescribed by rule 12-13 shall be filed in support of all reserves included in the balance sheet.

C. CAPITAL SECURITIES

Schedule VII. Funded debt.

The schedule prescribed by rule 12-10 shall be filed in support of caption 16 (a) of each balance sheet.

Schedule VIII. Capital shares.

(a) Open-end companies, all of whose outstanding securities are redeemable at the option of the holder thereof, need not file this schedule.

(b) Closed-end companies shall file the schedule prescribed by rule 12-14 in support of caption 20 of each balance sheet.

Schedule IX. Other securities.

Schedules shall be filed in respect of any classes of securities issued by the person for whom the statement is filed, but not included in schedules VII and VIII. As to guarantees of securities of other issuers, furnish the information required by rule 12-12. As to warrants or rights granted by the person for whom the statement is filed, to subscribe for or purchase securities to be issued by such person, furnish the information called for by rule 12-15. As to any other securities, furnish information comparable to that called for by rules 12-10, 12-12, 12-14 or 12-15, as appropriate. Information need not be set forth, however, as to notes, drafts, bills of exchange or bankers' acceptances having a maturity at the time of issuance of less than one year.

Rule 12-19. Investments in Securities of Unaffiliated Issuers.

(For Management Investment Companies Only)

Column A Column B Column C Column D

| Name of issuer and title of issue <u>1/</u> | Balance held at close of period. Number of shares-- principal amount of bonds and notes. <u>2/</u> | Cost of each item <u>3/</u> <u>4/</u> | Value of each item at close of period <u>3/</u> <u>5/</u> |
|---|--|---------------------------------------|---|
|---|--|---------------------------------------|---|

1/ (a) The required information is to be given as to all securities held as of the close of the period of report. Each issue shall be listed separately: Provided, however, That an amount not exceeding five per cent of the total of column D may be listed in one amount as "Miscellaneous securities," provided the securities so listed have been held for not more than one year prior to the date of the related balance sheet, and have not previously been reported by name to the shareholders of the person for which the statement is filed or to any exchange, or set forth in any registration statement, application, or annual report or otherwise made available to the public.

(b) Indicate by an appropriate symbol those securities which are non-income-producing securities. Evidences of indebtedness and preferred shares may be deemed to be income-producing if, on the respective last interest payment date or date for the declaration of dividends prior to the date of the related balance sheet, there was only a partial payment of interest or a declaration of only a partial amount of the dividends payable; in such case, however, each such issue shall be indicated by an appropriate symbol referring to a note to the effect that, on the last interest or dividend date, only partial interest was paid or partial dividends declared. If, on such respective last interest or dividend date, no interest was paid or no dividends declared, the issue shall not be deemed to be income-producing. Common shares shall not be deemed to be income-producing unless, during the last year preceding the date of the related balance sheet, there was at least one dividend paid upon such common shares. List separately (1) bonds; (2) preferred shares; (3) common shares. Within each of these subdivisions classify according to type of business, insofar as practicable; e.g., investment companies, railroads, utilities, banks, insurance companies, or industrials. Give totals for each group, subdivision, and class.

- 2/ Indicate any securities subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised.
- 3/ Columns C and D shall be totaled. The totals of columns C and D should agree with the correlative amounts required to be shown by the related balance sheet captions. As to what is "cost" where there has been a reorganization or quasi-reorganization, see rule 6-02-7 (a). State in a footnote to column C the aggregate cost for Federal income tax purposes.
- 4/ Closed-end companies reflecting investments at cost, showing value parenthetically.-- If any investments have been written down or reserved against by such companies pursuant to rule 6-02-6 (b), indicate each such item by means of an appropriate symbol and explain in a footnote.
- 5/ Where value is determined on any other basis than closing prices reported on any national securities exchange, explain such other bases in a footnote.

Rule 12-21. Investments--Other than securities.

(For Management Investment Companies Only)

| Column A | Column B | Column C | Column D | Column E | Column F | Column G |
|----------------|--|--|---|--|---|--|
| Description 1/ | Balance held at beginning of period -- quantity 2/ | Gross purchases and additions during period -- quantity 2/ | Gross sales and reductions during period -- quantity 2/ | Balance held at close of period--quantity 2/3/ | Cost of items included in column E 4/5/ | Value of each item at close of period 4/6/ |

1/ The required information is to be given as to all investments which were held at any time within the period. List each major class of investments by descriptive title.

2/ If practicable, indicate the quantity or measure in appropriate units.

3/ Indicate any investments subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised.

4/ Columns F and G shall be totaled and should agree with the amounts required to be shown by the related balance sheet caption. As to what is "cost" where there has been a reorganization or quasi-reorganization, see rule 6-02-7 (a). State in a footnote the aggregate cost for Federal income tax purposes.

5/ Closed-end companies reflecting investments at cost showing value parenthetically.--- If any investments have been written down or reserved against by such companies pursuant to rule 6-02-6 (b), indicate each such item by means of an appropriate symbol and explain in a footnote.

6/ State the basis of determining the amount shown in column G.

Rule 12-22. Investments in Affiliates.

(For Management Investment Companies Only)

| Column A | Column B | Column C | Column D | Column E | Column F |
|---|---|-------------------|---------------------------------------|---------------------------------|--|
| Name of issuer and title of issue or amount of indebtedness | Balance held at close of period. Number of shares-- principal amount of bonds, notes and other indebtedness | Cost of each item | Value of each item at close of period | Amount of dividends or interest | Amount of equity in net profit and loss for the period |
| | 1/ | 2/ | 4/5/ | 4/6/ (1) (2) | 7/ |
| | | 3/4/ | | Credited to income | Other |

1/ (a) The required information is to be given as to all investments in affiliates as of the close of the period. List each issue and group separately (1) investments in majority-owned subsidiaries, segregating subsidiaries consolidated; (2) other controlled companies; and (3) other affiliates. Give totals for each group. If operations of any controlled companies are different in character from those of the registrant, group such affiliates within divisions (1) and (2) by type of activities.

(b) Changes during the period.--If during the period there has been any increase or decrease in the amount of investment in any affiliate, state in a footnote (or if there have been changes as to numerous affiliates, in a supplementary schedule) (1) name of each issuer and title of issue; (2) balance at beginning of period; (3) gross purchases and additions; (4) gross sales and reductions; (5) balance at close of period as shown in column B. Include in such footnote or schedule comparable information as to affiliates in which there was an investment at any time during the period even though there was no investment in such affiliate as of the close of such period.

2/ Indicate any securities subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised.

3/ If the cost in column C represents other than cash expenditure, explain.

4/ (a) Columns C, D and E shall be totaled. The totals of columns C and D should agree with correlative amounts required to be shown by the related balance sheet captions. As to what is "cost" where there has been a quasi-reorganization, see rule 6-02-7(a). State in a footnote the aggregate cost for Federal income tax purposes.

(b) Closed-end companies reflecting investments at cost showing value parenthetically. If any investments have been written down or reserved against by such companies pursuant to rule 6-02-6 (b), indicate each such item by means of an appropriate symbol and explain in a footnote.

5/ State the basis of determining the amounts shown in column D.

6/ Show in column E (1) as to each issue held at close of period, the dividends or interest included in caption 1 of the statement of income and expense. In addition, show as the final item in column E (1) the aggregate dividends and interest included in the statement of income and expense in respect of investments in affiliates not held at the close of the period. The total of this column should agree with the amounts shown under such caption. Include in column E (2) all other dividends and interest. Explain briefly in an appropriate footnote the treatment accorded each item. Identify by an appropriate symbol all non-cash dividends and explain the circumstances in a footnote. See rules 6-03-2 and 6-04-1.

7/ The information required by column F need be furnished only as to controlled companies. The equity in the net profit and loss of each person required to be listed separately shall be computed on an individual basis. In addition, there may be submitted the information required as computed on the basis of the statements of each such person and its subsidiaries consolidated.

The foregoing action shall be effective on December 31, 1946 provided (a) that the financial statements included in any report required to be filed prior to March 15, 1947 need only comply with the provisions of Regulation S-X as in effect immediately prior to the adoption of these rules and (b) that such of the revised rules as prescribe the accounting treatment to be followed with respect to particular transactions or adjustments of the accounts, or otherwise, shall be applicable only as to transactions or adjustments in fiscal years beginning on or after December 31, 1946.

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