pany would either seek instructions from its own securities holders or vote its portfolio holdings in the same proportion as all other stockholders of portfolio funds vote. The first alternative—involving a pass-through—is not desirable because of the expense and impracticality of repeated proxy solicitations by the fund-holding company. Each time a portfolio fund would solicit its stockholders, the fund-holding company would be required to do the same. A vote in the same proportion, on the other hand, would mean that investors in the fund-holding company would be deprived of an opportunity to exercise their own individual judgment on matters of importance to the stockholders of the mutual funds whose securities are held in the portfolio of the fund-holding company.

Mr. Moss. Mr. Keith?

Mr. Keith. I wonder if we could have Mr. Cohen back to develop this matter?

If there are to be no further public discussions with him, I have had a chance to look over institutional activity for the week of October 24–28, 1966, by the stock exchange, and I wonder if we shouldn't give Mr. Cohen a chance to comment on what further reflections he may have made with reference to the need for some action by this Committee and the Congress in this field.

Mr. Moss. I would, before having you respond, I think it would be very helpful, I would like to ask unanimous consent to include in the record at this point a speech by Commissioner Hugh F. Owens before the Mississippi Valley group of the Investment Bankers Association of America, of Hot Springs, Ark., October, 1967.

Without objection that will be included at this point in the record.

(The speech referred to follows:)

A Regulator's Look at Quick Profit Fever—Some Disquieting Reactions

(Address by Hugh F. Owens, Commissioner, Securities and Exchange Commission, Washington, D.C., before Mississippi Valley Group, Investment Bankers Association of America, Hot Springs, Ark., October 20, 1967)

In 1961, the high level of investor interest in new stock issues led Keith Funston, who was the President of the New York Stock Exchange, to observe that "some would-be investors are attempting to purchase shares of companies whose names they cannot identify, whose products are unknown to them, and whose future is at best highly uncertain."

Both before and since the hot issue market of 1961, there have been investors who have pursued what has been called the "bigger fool" theory of investing. There comes a time, of course, when the latest fool places his sell order only to find that buyers are unwilling to take the stock off his hands at anything approaching the price he recently paid for it. We have little sympathy for the speculator caught in the shakeout. We are concerned, however, for the unwary who are victimized by those who persuade them that the securities markets are a place to make a quick buck.

There are some disturbing signs that we may be on the threshold of another hot issue market. While it has been said that history does not repeat itself, there is once again some evidence that issuers whose names end in the syllables "-tronics" or "-sonics," and other sounds which seem to suggest waves of the future, are being grabbed up by the public at substantial premiums over their offering prices. In a recent instance, a registration statement which became effective on September 5, 1967 contained an Income Statement showing that for the six-month period ending May 31, 1967, the issuer had earnings for the first time in its history. Within 10 days of the effective date of the registration statement, the underwriter and issuer decided to withdraw the offering, cancel all transactions, and bring to the Commission's attention facts that had not previously been disclosed—that the company had operated at a loss in June and July of 1967. By the time this action was taken, the entire offering had been sold out at the offering price of $22.50 per share and active trading was in progress at prices up to $49.00 per share. As a result of the concellation, no securities were delivered and no transactions were consummated.