

takeover bids. They are designed to provide a form of regulation as I indicated somewhat comparable to the proxy contest situation.

As far as conglomerates is concerned, this is a growing phenomenon. The antitrust people have recently issued some statements which deal specifically with this problem and it appears to me that they are growing more interested in it and more concerned with the effects of this development.

But as I say, this is not my field. I have been concerned with conglomerates and I have been speaking out to this for some 3 years now because of two things. First, if I may digress to point this up, this bill is not directed solely to the situation where there is a takeover bid for dormant, sleepy, unimaginative management which is usually the argument made. Many takeover bids are made by people who find it cheaper to pick up a bright, vibrant company than to go about setting up their own competitor and to this extent they limit competition but they also hope to pick up, at a fairly reasonable price, a company where the possible future value is not yet reflected in the marketplace because the company is in a growing stage. They also unfortunately pick up lemons here and there but when they drop them you don't hear about them. They go out the back door. It is for that reason that I have been concerned for some time now as to the adequacy of the disclosure that is made by these companies most of whom as you corrected me, Mr. Keith, are engaged in disparate businesses which have no relationship to one another.

Very often they are put together not because the businesses go well together but because the financial statements go well together, whether because of provisions of the tax laws or for other reasons. We have had some problems this year in which that has occurred and we have had to insist that a very large conglomerate company revise certain financial data it published in its annual report before the Commission would make effective a registration statement under the Securities Act. I have been after this disclosure problem for some time.

About a year and a half ago the Financial Executives Institute, and this is a marvelous instance of the statesmanship that industry brings to bear on these problems on occasion, came to me and suggested that we await a study that they would undertake and finance in this area.

That study has been completed, and I think the book which reflects the study and the conclusions drawn is just now reaching the bookshops. They make suggestions for important changes.

The American Institute of Certified Public Accountants at my request, and based on their own realization that there is a problem here, have been looking at this.

The National Accounting Association has just issued a report, so recent that I don't have a copy yet, but I have been informed generally what it is. These are reflections of a view by people who represent or work for management, as well as investors and creditors, that changes are required.

Now, the analysts and the investors have been asking for information in this area for a long time in order to determine better the situation of a particular company and to assess its future prospects in the context of its past history. But it is true, Mr. Keith, that there may be a larger problem involved in all of this and that is the growing