

6 months before the company proposes to engage in these activities, I think it is 6 months, there be some notice to shareholders. This has never been viewed as manipulative. Actually, these are designed to be antimanipulative because of the exposure to daylight of the intentions of various parties.

Mr. KEITH. Would you tell me if there is any significance to the use of the treasury stock in attaining these objectives?

Mr. COHEN. No. I don't think the bill deals with treasury stock as such because the bill requires information with respect to the purchase of stock, outstanding stock. Stock held in the treasury I am not sure is affected by this bill or by any rules conceivably at the moment that the Commission might adopt under this particular section.

But I think your question is significant in the light of the point I made earlier that there are many companies that do hold a substantial amount of the outstanding shares in the treasury and in addition other people hold the shares so that the market is very thin. In such situations the acquisition of 1 percent, not talking in terms of a year, but the acquisition of a concentrated block of stock of 1 to 2 percent within a narrow period of time could have an effect.

I don't think anyone could predict without the context whether or not it is manipulative or nonmanipulative, but I want to emphasize that there is nothing in the bill that requires that disclosure in the case cited by the person that sent that telegram.

Mr. KEITH. I am not certain that I see the problem in the same way you do. I am completely unfamiliar with it except for this morning's discussion, but I would think that a company like American Home Products in the business of picking up smaller companies to increase their capability of serving the public with a larger inventory for the salesman to sell might be using their treasury stock to pick up smaller companies.

Mr. COHEN. That is true. That happens. Mr. Keith, as a matter of fact, but there is nothing in the bill here which affects that one way or another. It would be subject to the same requirements.

For example, if it was a stock for stock exchange, the issuance of treasury stock or newly issued stock would be subject to the registration and prospectus requirements of the Securities Act so that I don't see that anything in the bill affects that situation one way or another unless there is some aspect of it concerning which I cannot now address myself.

Mr. LOOMIS. Except if, as the House bill provides, such transaction is subject to the bill. Then solicitations by anyone for or against acceptance of such a treasury stock offering could not be false, misleading or deceptive.

Mr. COHEN. I guess I overstated the situation.

I think I understand the point now. Forgive me. It is not uncommon and the bill is directed to that. It was just the status of treasury stock on which I said the bill had no effect, but, quite often, we find companies faced with a takeover bid, or a worry that one was coming along, will attempt to buy up such available stock as they think may put them in a more strategic position with regard to any person who is engaged in a takeover.