

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



Washington 25, D.C.

(In ordering full text of Releases from Publications Unit, cite number)

(Issue No. 63-5-16)

FOR RELEASE May 22, 1963

**ACCOUNTANT DISCIPLINED.** The SEC today announced the issuance of a decision (Release A-97) denying to Harmon R. Stone, a certified public accountant with offices in Chestnut Hill, Mass., the privilege of practicing before it for a period of 60 days. The suspension order was based upon the inadequate performance by Stone of his professional duties, and activities incompatible with required professional independence. While the serious discrepancies between proper auditing standards and the procedures Stone utilized cannot be condoned, the Commission observed, there is no evidence that his professional conduct has otherwise been questioned and its findings in this case do not raise a basic question as to his personal integrity. Accordingly, the Commission concluded that, under the circumstances, the 60-day suspension from practice was appropriate.

In its decision (written by Commissioner Cohen) the Commission ruled that in connection with the preparation and certification of four financial reports of Keller Brothers Securities Co., Inc., a registered broker-dealer, during 1957-60, Stone failed to perform various auditing procedures specified in the Commission's Minimum Audit Requirements for such reports and failed to comply with generally accepted auditing standards. Among other things, he did not properly obtain confirmations of customers' accounts and closed accounts and did not properly balance securities positions or verify securities in transfer. The Commission also held that Stone engaged in activities incompatible with required professional independence in that he certified financial statements of a mutual fund for periods during which Trinity Investment Company, of which he was a principal stockholder and co-manager, made collateralized loans to salesmen and customers of Keller, which was principal underwriter and a broker for the fund (and through an affiliate, its investment adviser). By virtue of the Trinity loans, Stone, as its principal stockholder, assumed a relationship with Keller which was inconsistent with his position as an independent accountant. Moreover, his certification of the financial statements of the fund deprived its shareholders of the protections afforded by an independent examination of the fund's financial condition as contemplated by the Investment Company Act and SEC Regulation S-X. "In our opinion," the Commission stated "it constituted improper professional conduct."

**ADVISER REGISTRATION OF WILLIAM H. BIESEL GRANTED.** The SEC today announced the issuance of a decision under the Investment Advisers Act (IA-145) granting an application filed by William H. Biesel, of Coudersport, Pa., for registration as an investment adviser. The Commission determined that although in 1961 it had revoked the broker-dealer registration of Biesel (as well as the registration of a firm in which he previously was a partner) for certain violations of the Securities Exchange Act (and Commission rules thereunder), it does not consider "that his past failure to conduct a broker-dealer business properly compels a permanent bar from every aspect of the securities business or a conclusion that he may not serve usefully in an advisory capacity to his clients." The Commission's order contains certain conditions to ensure that Biesel will confine his activities exclusively to the offering of investment advice on a fee basis, including that he will not have custody or possession of any securities or funds of his customers or exercise any discretionary authority or execute any orders for the purchase or sale of securities. The Commission observed that its conclusion in these proceedings is in no way a condonation of Biesel's previous violations as a broker-dealer and that the conditions recited in the order "should make it clear that we are in no way rescinding or modifying our earlier order revoking his registration as a broker-dealer." Chairman Cary and Commissioner Frear dissented from the Commission decision.

**GUARDIAN INVESTMENT INDICTED.** The SEC Washington Regional Office announced May 21 (LR-2630) the return of a 36-count indictment (USDC, DC) charging Guardian Investment Corporation, a broker-dealer, and its president, Earl J. Lombard, of Washington, D. C., with violating the Securities Act anti-fraud provisions in connection with their failure to deliver securities to or return the funds advanced by customers.

**COBURN CREDIT FILES FOR DEBENTURE RIGHTS OFFERING.** Coburn Credit Co., Inc., 53 North Park Ave., Rockville Centre, N. Y., filed a registration statement (File 2-21434) with the SEC on May 20 seeking registration of \$4,000,000 of convertible subordinated debentures due 1978. It is proposed to offer such debentures for subscription at 100% of principal amount by common stockholders. Unsubscribed debentures are to be offered for public sale through underwriters headed by New York Hanseatic Corp., 60 Broad St., New York. The interest rate, record date, rate of subscription and underwriting terms are to be supplied by amendment.

The company is engaged primarily in the consumer sales finance business which consists of the purchase by the company from retail dealers of installment contracts entered into by customers with the dealers in connection with installment purchases of merchandise. Of the net proceeds from the debenture sale, \$2,262,980 will be used to repay outstanding subordinated notes and debentures (the proceeds of which were used as working capital) and the balance will be added to general funds and used for working capital, acquisition of installment contracts and for general corporate purposes. In addition to certain indebtedness and preferred stock, the company has outstanding 961,136 shares of common stock, of which management officials as a group own 45.9%. Harold Grossman is board chairman and Irving L. Bernstein is president.

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**BARD, INC. FILES FOR SECONDARY.** C. R. Bard, Inc., 731 Central Ave., Murray Hill, N. J., filed a registration statement (File 2-21435) with the SEC on May 21 seeking registration of 204,095 outstanding shares of capital stock, to be offered for public sale by the holders thereof through underwriters headed by Kidder, Peabody & Co., Inc., 20 Exchange Place, New York, and Blunt Ellis & Simmons, 111 West Monroe St., Chicago. The public offering price (maximum \$17 per share\*) and underwriting terms are to be supplied by amendment.

The company is engaged in the design, packaging, distribution and sale of hospital and surgical specialties. It has outstanding 863,287 shares of capital stock (not including 68,031 outstanding shares to be acquired from selling stockholders by the company for \$1,000,000 and held as treasury stock), of which Gladys A. Willits, John F. Willits, a vice president, and Edson S. Outwin, board chairman, own 13.91%, 10.36%, and 26.04%, respectively. In addition, Davol Rubber Company owns 25.13%. Outwin proposes to sell 181,915 shares (plus 60,635 back to the company), and Mary Outwin, individually and as custodian, proposes to sell the remaining shares. Harris L. Willits is president.

**ZAUSNER FOODS FILES FOR OFFERING AND SECONDARY.** Zausner Foods Corp., New Holland, Pa., filed a registration statement (File 2-21436) with the SEC on May 21 seeking registration of 100,000 shares of Class A common stock, of which 40,000 shares are to be offered for public sale by the company and 60,000 shares, being outstanding stock, by the holders thereof. Reynolds & Co., Inc., 120 Broadway, New York, and Auchincloss, Parker & Redpath, 1705 H St., N. W., Washington, D. C., head the list of underwriters. The public offering price (maximum \$10 per share\*) and underwriting terms are to be supplied by amendment.

The company (formerly Meyer Zausner, Inc.) operates a milk products receiving, processing, manufacturing, selling and distributing business throughout the eastern seaboard. In June it intends to acquire in exchange for 4,422 Class A and 10,320 Class B common shares all of the outstanding stock of Major Smith, Inc., a New Jersey company, which is engaged in buying and selling bulk raw milk and pasteurized sweet cream. Of the net proceeds from the company's sale of additional stock, \$250,000 will be used to purchase and install milk processing equipment in the company's New Holland plant, and the balance will be added to working capital to be used for general corporate purposes. The company has outstanding 64,422 Class A and 150,320 Class B common shares, of which Sol Zausner, president, Hy Zausner, a director, Nat Zausner, a vice president, and Sylvia Fleischman own 27.94%, 27.94%, 18.63% and 18.63%, respectively, of each class. They propose to sell all of their Class A holdings, aggregating 60,000 shares. Book value of all stock now outstanding is \$3.51 per share.

**PETRO-CAPITAL SEEKS ORDER.** Petro-Capital Corporation, Dallas small business investment company, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-3701) giving interested persons until June 7, 1963 to request a hearing thereon. According to the application, at a special meeting of shareholders in November 1962, resolutions were adopted that the company dissolve, surrender its license as a small business investment company, and cease to be an investment company.

**GAS INDUSTRIES FUND SEEKS ORDER.** Gas Industries Fund, Inc., Boston open-end investment company, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-3702) giving interested persons until June 7, 1963 to request a hearing thereon. According to the application, in 1959 the Fund was merged into Colonial Energy Shares, Inc., a Massachusetts corporation and the surviving corporation of the merger (now known as Colonial Growth & Energy Shares, Inc.), and upon effectiveness of the merger the separate existence of the Fund ceased (all stockholders becoming stockholders of the surviving company).

**SHELL FUNDING SEEKS EXEMPTION.** Shell Funding Corporation, a New York company, has applied to the SEC for an order under the Investment Company Act exempting it from all provisions thereof; and the Commission has issued an order (Release IC-3703) giving interested persons until June 4, 1963 to request a hearing thereon. All of Funding's outstanding stock is owned by Canadian Shell Limited, a Canadian holding company (whose stock in turn is wholly-owned by another foreign holding company which in turn is a subsidiary of two other foreign holding companies). According to the application, the sole purpose and only business of Funding is to serve as a vehicle to facilitate debt financing in the United States by the companies of the said group and, in carrying out this function, Funding will from time to time issue collateral trust bonds in amounts depending on the needs of the companies. Initially Funding intends to sell to institutional investors \$115,000,000 of 4½% collateral trust bonds due 1983 (series A), and the proceeds will be loaned to Shell Petroleum Company Limited, of England. The application states that the only significant assets of Funding will be the notes of the companies in the group which make borrowings from Funding; Funding will not sell or trade in securities; and none of its outstanding securities (other than debt securities) will be held outside the said group of companies. If the requested exemption is granted, Funding, among other things, will file with the Commission a yearly balance sheet, statement of income and expense, statement of surplus and a schedule of investments. In addition, it will notify the Commission of its intent to issue any additional debt securities and will not issue same except in accordance with an appropriate order of the Commission.

**SECURITIES ACT REGISTRATIONS.** Effective May 21: City of Copenhagen (File 2-21356).  
Effective May 22: Globe Security System, Inc. (File 2-21335); Hudson's Bay Oil & Gas Co. Ltd. (File 2-21409); The Mountain States Telephone & Telegraph Co. (File 2-21390).  
Withdrawn May 21: Greenman Bros. Inc. (File 2-20280); Bordentown Associates (File 2-20569).

\*As estimated for purposes of computing the registration fee.