

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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

Washington, D.C. 20549

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

(Issue No. 65-8-15)

FOR RELEASE August 23, 1965

**BROKER/DEALER AUDIT RULES CLARIFIED.** The SEC today announced a proposal under the Securities Exchange Act (Release 34-7683) for clarification of the minimum audit requirements of Rule 17a-5 applicable to brokers and dealers, as well as the broker-dealer financial report (Form X-17A-5). Views and comments thereon are due not later than September 30.

Experience gained from broker-dealer inspections, as well as the comments of exchanges, professional societies and trade organizations, has suggested the need for some major changes to strengthen the form by expanding and clarifying the requirements, especially for the benefit of the smaller brokers and dealers who have difficulty in preparing the present form. The major changes proposed would require (1) valuations of all securities and commodities, except for securities actually in segregation; (2) disclosure of fails to deliver and fails to receive over thirty days old; (3) disclosure of all subordinated accounts; and (4) disclosure of all contractual commitments and participations of the respondent in joint trading and investment accounts which are not recorded in a ledger account for money.

The minimum audit requirements would be revised to emphasize (1) that the purpose of the audit is to enable the accountant to express an opinion on the effectiveness of the internal control and procedures for safeguarding securities as well as on the financial questionnaire and (2) that the requirements are a minimum only and should not be interpreted as limiting or permitting the omission of any other audit procedure which may be necessary under the circumstances. Under a completely new requirement the computation of the ratio of aggregate indebtedness to net capital to be required by the proposed amendment to Rule 17a-3(a)(11) must be verified by the accountant as of the audit date and the procedures followed in making periodic calculations of the ratio must be reviewed.

**BP NORTH AMERICAN FINANCE SEEKS ORDER.** BP North American Finance Corporation ("North American"), Wilmington, Del., has applied to the SEC for an exemption order under the Investment Company Act with respect to all provisions of the Act; and the Commission has issued an order (Release IC-4332) giving interested persons until September 7 to request a hearing thereon. According to the application, North American was organized under Delaware law in July 1965 by The British Petroleum Co., Ltd. ("BP"), an English corporation engaged in all phases of the petroleum industry. The application states that the sole function of North American is to serve as a vehicle through which BP and its subsidiaries may obtain capital funds in the United States. It proposes to issue \$55,000,000 principal amount of 20-year promissory notes to eight institutional investors and to lend the proceeds to BP upon such terms as will permit North American to satisfy all of its obligations under the notes. BP will guarantee the obligations of North American under the notes, but no securities or other property will be pledged to secure the notes. While North American is not prohibited from incurring additional indebtedness, it does not presently contemplate doing so. North American asserts that (1) its only significant assets will be notes of BP or its subsidiary or associated companies, (2) it will not trade in securities, (3) none of its securities (other than debt securities) will be held by anyone other than BP or a wholly-owned subsidiary of BP, and (4) the notes will be acquired by institutional investors who will be purchasing for investment.

**CHINA INDUSTRIES RECEIVES ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-4333) declaring that China Industries, Inc., New York, has ceased to be an investment company as defined in the Act. The application stated that on February 25, 1960, China Industries was merged into another corporation which at the time of the merger held all of its stock. The company, therefore, has no shares of capital stock outstanding and is no longer a corporate entity.

**UNLISTED TRADING GRANTED.** The SEC has issued an order under the Securities Exchange Act (Release 34-7681) granting an application of the Boston Stock Exchange for unlisted trading privileges in the common stocks of Edgerton, Germeshausen & Grier, Inc., M. A. Hanna Co., and Varian Associates.

**IFC COLLATERAL FILES FOR SECONDARY.** IFC Collateral Corporation, 630 Fifth Ave., New York, filed a registration statement (File 2-23949) with the SEC on August 19 seeking registration of an aggregate of \$518,000 of outstanding 6%, 8%, 9%, and 10% registered subordinated debentures (due 1966-75). The present holders thereof may offer the debentures for public sale from time to time in \$1,000 and \$5,000 units, through IFC Securities Corporation, 650 Fifth Ave., New York, an affiliated company. IFC Securities owns \$18,000 of the debentures being registered and may offer such securities for its own account. According to the prospectus, it cannot be determined at this time how many of such debentures will be sold, nor to which series such debentures will belong.

The company (a wholly owned subsidiary of Investors Funding Corporation of New York) is engaged in the real estate mortgage business. It has outstanding \$4,400,000 of registered subordinated debentures and 200 common shares. Jerome Dansker is president of the company, as well as president and board chairman of Investors Funding.

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**GREY ADVERTISING FILES FOR SECONDARY.** Grey Advertising Inc., 777 Third Ave., New York 10017, filed a registration statement (File 2-23950) with the SEC on August 19 seeking registration of 290,000 outstanding shares of common stock, to be offered for public sale by the present holders thereof (15,000 shares to be offered initially to certain company employees). Merrill Lynch, Pierce, Fenner & Smith Inc., 70 Pine St., New York 10005, is listed as the principal underwriter. The public offering price (\$22 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company, an advertising agency, has outstanding 1,230,632 common shares, of which management officials own approximately 71%. The prospectus lists 17 selling stockholders, including Alice Valenstein, offering 45,100 of 116,570 shares held; Arthur C. Fatt (board chairman), 45,100 of 158,390; Herbert D. Strauss, (president), 36,000 of 115,245; Alfred L. Hollender (director), 36,000 of 88,320; Richard S. Lessler (executive vice president), 29,500 of 82,422; and Edward H. Meyer (executive vice president), 29,500 of 75,157. The remaining selling stockholders are offering shares ranging in amounts from 4,700 to 12,000. Upon completion of the offering, management officials will own 49.27% of the outstanding stock.

**UNDERWRITERS LIFE OF COLORADO PROPOSES OFFERING.** Underwriters Life Insurance Company of Colorado, 970 Denver Club Bldg., Denver, Colo., filed a registration statement (File 2-23951) with the SEC on August 20 seeking registration of 1,900,000 shares of common stock, to be offered for public sale in units of 4 shares each, at \$1 per share. According to the prospectus, 7,500 shares are to be offered at the public offering price to each of the 20 initial company investors, or their nominees, and, with such exception, no person may purchase less than 500 or more than 5,000 of the shares. In addition, 5,000 shares are to be offered to two legal firms. The offering is to be made on a best-efforts basis through Underwriters Investment Corporation, of the Denver address, which will receive a \$.03-per-share selling commission. An additional underwriting commission, computed at the rate of 12% of the offering price of the shares sold, will be payable in company stock at \$1 per share (and the company is registering an additional 228,000 common shares for such purpose). Also being registered are options to purchase 450,000 common shares, which are to be offered to insurance agents, brokers and solicitors.

Organized under Colorado law in January 1965, the company was formed for the purpose of engaging in the life insurance business. Net proceeds from its stock sale will be added to capital and surplus and used in the conduct of such insurance activities. The company has outstanding 100 common shares, purchased by the 20 initial investors. In addition, each of the initial investors has subscribed and paid for 5,000 common shares (at \$1 per share) under a subscription agreement whereby they will be given the opportunity to subscribe for additional stock. Stanford L. Hyman is president.

**WARNER ELECTRIC BRAKE FILES FOR SECONDARY.** Warner Electric Brake & Clutch Company, 449 Gardner St., South Beloit, Ill. 61080, filed a registration statement (File 2-23952) with the SEC on August 20 seeking registration of 45,385 outstanding shares of common stock. The stock is to be offered for public sale by the present holder thereof, through underwriters headed by Glore Forgan, Wm. R. Staats Inc., 135 S. LaSalle St. Chicago, Ill. 60603. The public offering price (\$30 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company manufactures electric brakes, clutches, and precision ball screw actuators, which are used primarily in the automation of industrial and business machines and equipment. In addition to indebtedness, it has outstanding 1,339,923 common shares, of which management officials own 31.5%. Malcom J. Wood (company director) is the selling stockholder. Upon completion of the offering, he will own 90,775 common shares. Steven P. J. Wood is president.

**O/C REGISTRATIONS REPORTED.** The following issuers of securities traded over-the-counter have filed registration statements with the Commission pursuant to requirements of Section 12(g) of the Securities Exchange Act (companies which currently file annual and other periodic reports with the SEC are identified by "\*\*\*"):

File No. C- Registrant	Location	File No. O- Registrant	Location
1631 Peterson, Howell & Heather, Inc. **	Baltimore, Md.	1635 Simon Stores, Inc. **	Oakland, Cal.
		1633 Whiting Corp. **	Harvey, Ill.
		1539 Guaranty Financial Corp.	Pine Bluff, Ark.

**SECURITIES ACT REGISTRATION STATEMENTS.** During the week ended August 19, 1965, 22 registration statements were filed, 20 became effective, 3 were withdrawn, and 310 were pending at the week-end.

**SECURITIES ACT REGISTRATIONS.** Effective August 20: Madison Fund, Inc., 2-23887. Effective August 23: American Atlantic Life Insurance Co., 2-23667 (90 days); R. J. Enstrom Corp., 2-23848 (Nov 23).

**NOTE TO DEALERS.** The last date or the period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

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