

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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. 66-227)

FOR RELEASE November 29, 1966

**SEC BRIEF DISCUSSES ACCOUNTANT'S RESPONSIBILITY.** The SEC has filed an amicus curiae brief in the case of Fischer v. Kletz, now pending in the United States District Court for the Southern District of New York, in which it urges that an accountant who has certified financial statements filed with the Commission under the federal securities laws, and who subsequently learns that such statements were in fact false and misleading in material respects, has a duty to promptly disclose that fact.

It is the Commission's position that such an accountant owes a duty not only to his client but to the investing public as well, and that such certification constitutes a continuing representation upon which the investing public is entitled to rely, that to the best of the accountants' knowledge and belief, such financial statements present fairly the financial position of the enterprise at the times to which they relate.

Filing of the Commission's brief was prompted by a motion filed in the case by counsel for the accountants that the complaint should be dismissed because counsel contends that an accountant owes no duty to reveal to anyone, other than his client, information which he receives after he has certified financial statements, and which contradicts such statements. The Commission believes that this contention represents neither good law nor sound accounting practice. There is no suggestion by the Commission that the accountants involved were in fact guilty of any improprieties or that their conduct did not in fact meet the standards which the Commission expects of accountants practicing before it.

**DECISION ISSUED IN WHITMAN & STIRLING.** The SEC today announced a decision under the Securities Exchange Act (Release 34-7997) in proceedings on an application of Whitman & Stirling Co., of New York, for registration as a broker-dealer. The Commission found that between July 1962 and January 1963 James Stirling, a partner in applicant, while an officer of another broker-dealer firm, had participated in the fraudulent sale to an elderly widow of two 12% subordinated notes of that firm, each in the amount of \$20,000; in charging excessive mark-ups in retail sales; and in doing business while the firm had net capital deficiencies.

The first subordinated note was sold at a meeting with the customer at the office of the firm's counsel, attended by Stirling and other officers of the firm. According to the Commission's decision, the officer handling her account told her that the note was a "safe investment," that she would make a "lot of money," and that she was "better off" purchasing the note than investing in the stock market. Her expressed desire to consult her lawyer and her objection to purchasing a subordinated note were met with the statements by one of the firm's attorneys that there were already "plenty of lawyers" present and that such subordinated notes were commonplace.

No disclosure was made to the customer that the firm was in precarious financial condition, and that if the loan were not obtained, the firm would not be able to stay in business much longer. Nor was such disclosure made in connection with the sale of the second note in November 1962, which Stirling approved. The Commission declared that not only was the sale of the notes violative of the "duty of fair dealing," but that under the circumstances the sale "might well have been fraudulent even with disclosure of the firm's losses."

While the Commission stressed that the violations in which Stirling participated were of a "serious nature," it concluded that since his co-partners in applicant were not charged with any wrongdoing, the public interest would be satisfied by granting applicant's request for withdrawal of its application for registration rather than denying such application.

**MARINE CAPITAL, BUSINESS RESOURCES RECEIVE ORDERS.** The SEC has issued orders under the Investment Company Act declaring that Marine Capital Corporation (Release IC-4760) and Business Resources, Inc. (Release IC-4761), both of Milwaukee, Wisc., have ceased to be investment companies. According to the applications, Marine Capital caused Business Resources to be organized pursuant to a plan of reorganization of Marine. Subsequently, Marine's shareholders voted to liquidate and dissolve Marine, which action eliminated the necessity for the operation of Business Resources.

**LOUISIANA P&L PROPOSES NOTE SALE.** The SEC has issued an order under the Holding Company Act (Release 35-15610) authorizing Louisiana Power & Light Company, public-utility subsidiary of Middle South Utilities, Inc., to sell its notes to a bank in amounts not to exceed an aggregate of \$16,000,000. The application states that the net proceeds of the company's sale will be used to pay certain outstanding short-term notes, to finance construction expenditures, and for other corporate purposes.

**AMERICAN ELECTRIC RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-15611) authorizing American Electric Power Company, Inc., New York, to declare a stock dividend at the rate of two and one-half shares for each 100 outstanding shares of common stock. American has outstanding 45,120,861 common shares having an aggregate par value of \$293,285,726. If the maximum number of shares are issued, the stock dividend will involve the issuance of 1,128,022 shares.

**LINCOLN PRINTING TRADING BAN CONTINUED.** The SEC announced an order under the Securities Exchange Act on November 28 suspending exchange and over-the-counter trading in securities of Lincoln Printing Company for a further 10-day period November 29-December 8, 1966, inclusive.

OVER

**SMITH, BAIRD SENTENCED.** The SEC Denver Regional Office announced November 21 (LR-3615) that Joseph L. Smith of Clarkston, Wash., and R. Dean Baird of Lewiston, Idaho, received prison terms of 2½ and 1½ years, respectively, following their conviction of securities fraud in the sale of securities of International Sales Co-op, Ltd., Inc., SW Fros-T-Pup Co-op, Inc., and MW Fros-T-Dog Co-op, Inc. (USDC, Boise, Idaho).

**DELISTING GRANTED.** The SEC has issued orders under the Securities Exchange Act granting applications of the American Stock Exchange to strike from listing and registration the common stocks of Bourjois, Inc., and Pacific Asbestos Corporation, effective at the opening of business on December 5. The applications state that Bourjois does not meet the Exchange's standards in respect of share distribution and Pacific Asbestos does not meet such standards in respect to earnings.

**SIXTH EMPIRE FUND PROPOSES OFFERING.** Sixth Empire Fund, Inc., 719 Liberty Ave., Pittsburgh, Pa. 15222, filed a registration statement (File 2-25748) with the SEC on November 28 seeking registration of 700,000 shares of capital stock. The stock is to be offered in exchange for securities of the general character of those listed in the prospectus, at the rate of one Fund share for each \$20 of market value of securities received by the Fund after deducting a maximum sales charge of 4%. Federated Investors, Inc., will serve as dealer manager.

Organized under Maryland law in November 1966, the investment objective of the Fund is "to seek long-term growth of capital and of income." Federated Research Corp., which owns the Fund's only outstanding share of stock, is its investment adviser. John F. Donahue is president of the Fund and the dealer manager; he is also chairman of the investment adviser.

**SIX STOCK PLANS FILED.** Form S-8 registration statements have been filed with the SEC by the following companies, seeking registration of securities for offering under employee and/or officer stock plans:

California Computer Products, Inc., 305 N. Muller Ave., Anaheim, Calif. (File 2-25737) (45,277 shares)  
 Chicago Bridge & Iron Company, 901 W. 22nd St., Oak Brook, Ill. 60521 (File 2-25742) (600,000 shares)  
 Pet Incorporated, 1401 Arcade Bldg., St. Louis, Mo. (File 2-25743) (140,000 shares)  
 Mohawk Data Sciences Corp., Harter St., Herkimer, N. Y. 13350 (File 2-25745) (120,000 shares)  
 The Superior Oil Company, First City National Bank Bldg., Houston, Tex. 77001 (File 2-25746) (7,300 shares)  
 Sundstrand Corporation, 2531 Eleventh St., Rockford, Ill. (File 2-25747) (147,166 shares)

**CARMAX FUND PROPOSES OFFERING.** Carmax Fund, Inc., 1043 W. Main St., Olney, Ill., filed a registration statement (File 2-25744) with the SEC on November 25 seeking registration of 200 participating units in its 1967 Gas and Oil Exploration and Development Program. The units are to be offered for public sale at \$2,500 per unit through the Fund which will receive \$125 per unit as selling expenses.

Organized under Illinois law in October 1966, the Fund is a wholly-owned subsidiary of Carmax Industries Inc., the program manager. Carmax Industries was formed under Nevada law in September 1966. W. T. Dahl is president of the Fund.

**CLYDE ENDICOTT, REDIGO OIL ENJOINED.** The SEC Fort Worth Regional Office announced November 17 (LR-3616) the entry of a Federal court order preliminarily enjoining Clyde Endicott, individually and d/b/a Raven Oil Co. and Redigo Oil Co., Redigo Oil Co., Inc., Raven Oil Co., Inc., Kenneth E. Endicott, and Billy Eugene Dillon from further violations of the registration and anti-fraud provisions of the Federal securities laws in the sale of interests in oil and gas leases located in Chautauqua County, Kans.

**QUEBEC HYDRO-ELECTRIC PROPOSES DEBENTURE OFFERING.** The Quebec Hydro-Electric Commission today filed a registration statement (File 2-25750) with the SEC seeking registration of \$50,000,000 of debentures, Series AY, due 1993. The debentures, which are to be guaranteed unconditionally as to principal, premium, if any, and interest by the Province of Quebec, are to be offered for public sale through underwriters headed by The First Boston Corp., 20 Exchange Pl., New York 10005, and three other firms. The interest rate, public offering price, and underwriting terms are to be supplied by amendment. The Quebec Commission will apply the net proceeds of its debenture sale toward its construction program. Its projected capital expenditures for the 5-year period ending December 31, 1970, will amount to about \$1.45 billion.

**SECURITIES ACT REGISTRATIONS.** Effective November 28: Dalto Electronics Corp., 2-25553 (40 days); Horace Mann Life Insurance Co., 2-25552 (Feb 24); Meredith Publishing Co., 2-25698; Omark Industries, Inc., 2-25705; The Wurlitzer Co., 2-25667.  
 Effective November 29: Dana Corp., 2-25682 (Jan 9).

**NOTE TO DEALERS.** 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.