

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



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## RULES AND RULE PROPOSALS

**INVESTMENT COMPANY ACCOUNTING DISCUSSED.** The SEC today announced its views on accounting for and auditing of investment securities by registered investment companies (Release IC-6295). It states that when questions exist whether purchases or sales of securities have been consummated, an opinion of legal counsel should be obtained by the company. Such opinion should be examined by the company's independent accountant for audit purposes. At the audit date securities held by the company should be substantiated by inspection or confirmation.

Valuation of securities is required by the Investment Co. Act of 1940. The release sets out standards to be used as guidelines in making such valuations. Where market values are not readily available, the board of directors must value the securities in "good faith." The procedures used and information considered by the board should be documented and made available to the independent accountant for audit purposes. The release recognizes that in some situations the independent accountant may not be in a position to form an opinion as to the fairness of the specific values determined by the board of directors. It makes clear, however, that the independent accountant is required to satisfy himself that the procedures used by the directors and information available to them are adequate for the purpose of determining value. The accountant's opinion should clearly state these conclusions.

The release also discusses the requirement for disclosure of affiliations and states that where necessary the company should obtain an opinion of legal counsel. Attached to the release is a copy of a letter to the American Institute of Certified Public Accountants containing standard language for an accountant's report when a qualified opinion is appropriate in the circumstances specified in the letter.

**SHORT-FORM REGISTRATION ADOPTED.** The SEC today announced the adoption of a new Form S-16 (Rel. 33-5119) for the registration of certain types of offerings under the Securities Act by companies which are now eligible to use Form S-7. The new short form may be used for registering securities to be sold in the following types of offerings by such companies:

Securities which are to be offered by persons other than the registrant in the regular way on a national securities exchange, if securities of the same class are registered on the same or another such exchange.

Securities to be offered by an issuer to holders of convertible securities of an affiliate of the issuer which are convertible into securities of the issuer, where no commission or other remuneration is paid or payable by anyone for soliciting such conversion.

Securities to be issued upon the exercise of outstanding publicly-held warrants where no commission or other remuneration is paid for soliciting the exercise of the warrants.

## HOLDING COMPANY ACT RELEASES

**TWO CAROLINA BANKS SEEK ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-16942) giving interested persons until January 20 to request a hearing upon an application filed by North Carolina National Bank (Charlotte) and Bankers Trust of South Carolina (Columbia). The two banks have entered into an agreement with Duke Power Company, related to the latter's agreements with various manufacturers to supply to Duke Power dual-fuel combustion turbines and related facilities ("equipment") having an aggregate installed cost to Duke Power of about \$65,500,000. Duke Power proposes to transfer all such equipment to the two banks, as "owners." The owners will lease the equipment back to Duke Power under separate net leases each having a basic term of about 26 years with an option to Duke Power to renew each such lease for three successive extended terms of three years each. Each owner (bank) will acquire the equipment transferred to it for its own account, and will obtain all required funds by issuing certificates of interest to DPC Equipment Inc. The latter is a Delaware corporation organized by Goldman, Sachs & Co., a NYSE firm; it will obtain the funds by issuing self-liquidating, fixed interest-bearing notes to institutional lenders in the aggregate principal amount of \$65,500,000. The two banks seek an order declaring that neither will become "an electric utility company" within the meaning of Section 2(a)(3) of the Holding Company Act by reason of the foregoing transactions.

## INVESTMENT COMPANY ACT RELEASES

**PAN-AMERICAN SULPHUR SEEKS ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-6302) scheduling a hearing for January 13, 1971, upon application filed by Pan American Sulphur Co., Houston, Tex. Pan-American seeks an order pursuant to Section 3(b)(2) that it is not an investment company or an exemption under Section 6(c) from all provisions of the Act. In the alternative, Pan-American seeks an exemption from certain provisions of the Act with respect to a proposed secured loan to the Susquehanna Corporation of Alexandria, Va.

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