

ARNHOLD AND S. BLEICHROEDER, INC. 30 BROAD STREET NEW YORK, N.Y. 10004

January 15, 1974 Mark Berman, Esq. Branch Chief, Division of Market Regulations
Securities and Exchange Commission 500 North Capitol Street Washington, D.C.
20549

Dear Mr. Berman:

Confirming our conversation last Friday, as we agreed Arnhold and S. Bleichroeder, Inc. has reinstituted the procedure whereby the two insiders described below have subordinated claims to securities used in the business of Arnhold and S. Bleichroeder, Inc. so that such insiders would not be within the definition of "customer" under Rule 15c3-3 of the Securities Exchange Act of 1934.

As I mentioned, Arnhold and S. Bleichroeder, Inc., which traces its history back to 1803, has been controlled by the Arnhold family for over 100 years. Since 1937 Arnhold and S. Bleichroeder, Inc. has conducted its business from a single office in New York City. The enclosed financial statement shows stockholders equity of over \$7,300,000 as of September 30, 1973, at which time the capital ratio was 2.29 to 1.

The subordination agreements have been given by Anna-Maria Kellen and by Arnhold, Kellen Associates. Anna-Maria Kellen, the wife of Stephen Kellen, President of Arnhold and S. Bleichroeder, Inc., is a substantial stockholder and a member of the Arnhold family. Arnhold, Kellen Associates is a limited partnership of which the three general partners (Henry Arnhold, Stephen Kellen and Frederick Brunner) are members of the Board of Directors of Arnhold and S. Bleichroeder, Inc. and the six limited partners are members of the Arnhold family.

As you know, the subordination agreements are not for the purposes of capital but are solely for the purposes of Rule 15c3-3. A copy of the agreements is enclosed.

Sincerely, Stanford S. Warshawsky Vice President

c.c. Carl Duncan, Esq. Securities and Exchange Commission 26 Federal Plaza New
York, New York 10007 (with encls.)

JUN 13 1974

Mr. Stanford S. Warshawsky Vice President Arnhold & S. Bleichroeder, Inc. 30 Broad Street New York, New York 10004

Dear Mr. Warshawsky:

This is to acknowledge your correspondence of January 15, 1974 in which you state that Arnhold and S. Bleichroeder, Inc. ("Arnhold") has entered into subordination agreements with Anna-Maria Kellen and Arnhold, Kellen Associates.

You Indicate that these subordinated lenders have subordinated claims to securities used in the business of Arnhold in order that the subordinated lenders would not be within the definition of "customers" under Rule 15c3-3. It is our understanding that the subordination agreements are not for the purposes of Rule 15c3-1 nor will they be considered part of net capital pursuant to that rule; it is intended by Arnhold that such persons not be considered customers pursuant to Rule 15c3-3.

Based on the foregoing, the Division will not consider such lenders customers pursuant to Rule 15c3-3, provided, however, that Arnhold has fully informed such subordinated lenders that SIPC protection will not be available to them in the event of the firm's liquidation. In addition, your attention is directed to the decision of the U.S. Court of Appeals (2nd Cir.) in Securities and Exchange Commission, Securities Investor Protection Corporation v. P. O. Baroff Co., Inc., decided May 29, 1973, Docket No. 73-2665 dealing with a related subject.

This position is based solely on the facts of this case which are based on the representations in your letter. Should you have further questions, please contact us.

Sincerely, Marc L. Berman, Chief Branch of Rules and Interpretations