Mr. Charles Hazelcom

Oppenheim, Appel, Dixon & Co.

One New York Plaza

New York, N.Y. 10004

Dear Mr. Hazelcom:

At the conclusion of our discussion of certain independence issues last Tuesday, you asked the staff to summarize inwriting our responses to the questions posed in your March 20, 1986 letter. The following is responsive to that request.

Items A,, B,a, and B.b.

The staff will raise no objection where a "member" (as defined in Rule 2-0l(b) of Regulation S-X) executes securities transactions in a regular cash account with a broker who is an audit client of the member's firm, provided that neither cash nor securities are left with the broker beyond a normal settlement period.

ItemB.C,

Under present policy, the staff will not object if a member maintains a self-directed IRA account with a broker-dealer audit client of his firm.

ItemB.d,

Where a mutal fund investment adviser or an affiliated broker-dealer is an audit client, the accounting firm would not be considered independent if one or more members hold investments in the related non-client mutual fund.

Under the one exception to this rule, the staff will not question the accounting firm's independence solely because members maintain IRA accounts with the mutual fund.

Item C

Ownership of a client's securities by a member of an auditing firm would cause the firm's independence with respect to that client to be impaired. Therefore, any such securities would be disposed of by sale or gift to unrelated parties.

Item D

Rule 2-01 (b) indicates that ownership by a member of securities issued by a client's parent would cause impairment of the firm's independence with respect to that client

Item E

An auditing firm member's ownership of securities issued by an entity having the same general partner as a client entity would cause impairment of the auditing firm's independence with respect to that client.

Sincerely,

Clarence M. Staubs

Assistant Chief Accountant

Oppenheim, Appel, Dixon & Co.

Certified Public Accountants

ONE NEW YORK PLAZA NEW YORK N.Y. 10004

TELEPHONE (212) 4224000

March 20, 1986

Securities and Exchange Commission

450 5th Street, N.W. Washington, D.C. 20549

Attn: Mr. Clarence Staubs Office of the Chief Accountant

Dear Mr. Staubs:

In preparation for our meeting on Tuesday, March 25, 1986, the following situations regarding accountants' independence have arisen or have been proposed:

A. Members of the firm wish to have non-discretionary cash and/or non-margin securities accounts at broker dealers that are audit clients. Ethics Ruling No. 59 of the AICPA states that independence would not be impaired if these types of accounts were not in excess of the protection afforded by the Securities Investor Protection Corporation (SIPC) and a May 8, 1985 SEC correspondence letter from

Blackstock & Co., Inc. apparently is interpreted to indicate that such accounts are permissable in light of Example 17 of Section 602.02.g of the Codification of Financial Reporting Releases.

B. Members of the firm wish to have other types of accounts at broker dealers that are audit clients as follows:

a. Cash accounts that earn interest on credit balances.

b. Regular non-interest bearing cash accounts. Note that the broker dealer holds the securities for the customers and segregates the securities in an account that is covered by the possession and control requirements for broker dealers.

c. IRA accounts at a broker dealer audit client.

d. Own shares in a mutual fund that is not an audit client. However, the fund investment advisor or an affiliate broker dealer of the investment advisor (not the parent of the investment advisor) is an audit client. Ethics Ruling No. 47 of the AICPA is the only authoritative literature we are aware of that possibly relates to these issues. It states that "if the member is a shareholder in the mutual fund, the independence of the member's firm would not be considered to be impaired with respect to the fund's investment advisor since the value of the fund is dependent upon the investment management advice of the advisor, not on his financial position."

C. OAD recently accepted as a new client a publicly held Oil & Gas Drilling Partnership. Since interests in this entity are not readily marketable would independence be impaired if a member had a direct financial interest in this new client and was not able to sell his interest? If so, how would one remedy this independence problem?

D. OAD audits a wholly owned subsidiary of a publicly held company. OAD is not the auditor of the parent. The subsidiary is insignificant to the consolidation and OAD's report is not included in the company's filing. The subsidiary represents less than 5% of the income of the parent and the investment in that subsidiary represents less than 5% of the consolidated total assets. AICPA ET Section 101.09 (101-8) permits a member to have a direct financial interest in a non-client that is related to a client if it meets the 5% materiality threshold. Could a member under

SEC rules purchase the stock of the parent company in the situation described herein?

E. OAD audits a publicly held commodity pool. The general partner of the commodity pool is also the general partner of other publicly held commodity pools. Since we are not the auditors for the general partner or for the other publicly held commodity pools, would it impair our independence for a member to invest in the other publicly held commodity pools?

Sincerely,

Charles Hazelcom