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# sec news digest

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Issue 77-240

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## RULES AND RELATED MATTERS

### U.S. SECURITIES AND

### ACCOUNTING SERIES RELEASE REGARDING INDEPENDENCE OF ACCOUNTANTS EXCHANGE COMMISSION

The SEC issued an Accounting Series Release which provides current information on interpretations, guidelines and determinations pursuant to rules of the Commission regarding the independence of accountants who audit and report on financial statements filed or to be filed with the Commission.

FOR FURTHER INFORMATION CONTACT: Robert R. Love at (202) 755-1773 or Edward A. Cheramy at (202) 376-8020. (Rel. 33-5887)

### PROPOSED RULEMAKING REGARDING INDEPENDENCE OF ACCOUNTANTS

The SEC has proposed amendments to its rules to provide definitive guidelines regarding the impact of situations involving litigation on the independence of accountants with respect to their examination of financial statements filed or to be filed with the Commission. All interested persons are invited to submit comments in triplicate on or before January 31, 1978 to George A. Fitzsimmons, Secretary, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549. Reference should be made to File No. S7-733. All comments will be available for public inspection.

FOR FURTHER INFORMATION CONTACT: Robert R. Love at (202) 755-1773 or Edward A. Cheramy at (202) 376-8020. (Rel. 33-5888)

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## NOTICE OF COMMISSION MEETINGS

Following is a schedule of Commission meetings which will be conducted pursuant to provisions of the Government in the Sunshine Act. In general, the Commission expects to follow a schedule of holding closed meetings on Tuesdays, and open meetings on Thursday mornings. Meetings on Wednesday, and if necessary on Thursday afternoons, will be either open or closed according to the requirements of agenda items under consideration. The Commission will not normally meet on Mondays or Fridays.

Visitors are welcome at all open meetings, insofar as seating is available.

Meetings will be held in the Commission Meeting Room on the eighth floor of the Commission's headquarters building at 500 North Capitol Street, Washington, D.C. All visitors are required to sign in and obtain passes at the Reception Desk in the lobby. Persons wishing to photograph or tape record Commission meetings must obtain permission in advance from the Secretary of the Commission.

### CLOSED MEETING - TUESDAY, DECEMBER 20, 1977 - 10 A.M.

The subject matter of the December 20 closed meeting will be: Formal orders of investigation; Subpoena enforcement actions; Referral of investigative files to Federal, State or Self Regulatory authorities; Institution of injunctive actions; Settlement of administrative proceedings; Institution of administrative proceeding of an enforcement nature; Other litigation matters; Opinion.

### OPEN MEETING - THURSDAY, DECEMBER 22, 1977 - 10 A.M.

The subject matter of the December 22 open meeting will be:

(1) Consideration of application by Aubrey D. O'Connor for permission to again become associated with a registered broker-dealer.

(2) Consideration of application of Bruce W. Zimmerman to be associated with a registered broker-dealer in a non-supervisory, non-proprietary capacity not limited to the offer and sale of retail of redeemable securities issued by investment companies registered with the Commission under the Investment Company Act of 1940.

(3) Consideration of delegation of authority to the Director of the Division of Investment Management to issue notices and orders, pursuant to Section 3(a)(2) of the Securities Act of 1933, exempting interests in certain stock bonus, pension, profit-sharing, and annuity plans from that Act's registration provisions.

(4) Consideration of proposed report to the Small Business Administration as required by Section 308(g)(2)(H) - (J) of the Small Business Investment Act of 1958, as amended.

(5) Consideration of the extent to which Commission documents are required to be published in the Federal Register and suggestions for reducing the Commission's cost of such publications.

(6) Consideration of an agreement proposed by the National Association of Securities Dealers, Inc. concerning its administration of the Municipal Securities Rulemaking Board's Financial and Operations Principal Examinations for persons associated with nonmember (SECO) broker-dealers.

(7) Request by L.G.S. Securities, Inc. for an exemption from Rule 15b10-9 under the Securities Exchange Act of 1934 (the self-underwriting rule for SECO broker-dealers).

(8) Proposal to solicit comments on whether the Commission should rely on accounting standards for oil and gas producing companies recently promulgated by the Financial Accounting Standards Board and announcement of public hearings by the Commission on this matter.

(9) Consideration of the Commission's previously adopted lease accounting and disclosure rules regarding companies which may be in violation of loan covenants as a result of capitalizing leases.

FOR FURTHER INFORMATION CONTACT: Sue E. Auerbach at (202) 376-8097 or Lawrence A. Horn at (202) 755-1286.

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## ADMINISTRATIVE PROCEEDINGS

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### FLOW OF CAPITAL SECURITIES, INC., OTHERS CITED

Public administrative proceedings have been ordered under the Securities Exchange Act of 1934 against Flow of Capital Securities, Inc., a registered broker-dealer and Peter Paul Smetek, Jr., its president, of Houston, Texas.

The proceedings are based on staff allegations that Flow of Capital Securities, Inc., aided and abetted by Peter Paul Smetek, Jr., filed a false and inaccurate registration Form BD with the Commission; failed to keep current and accurate books and records; failed to maintain the minimum required net capital; failed to file its required annual report under Rule 17a-5 of the Securities Exchange Act of 1934, and its report of income and expenses required by Rule 17a-10; failed to give timely notice and file supplemental reports as required by Rule 17a-11 when the firm was not in compliance with the net capital requirements; failed to file a designation of independent accountant as required by Rule 17a-5; and also failed to maintain required fidelity bond coverage.

A hearing will be scheduled by further order on the charges against the respondents. (Rel. 34-14269)

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## COMMISSION ANNOUNCEMENTS

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### CHAIRMAN WILLIAMS SPEAKS TO THE CONFERENCE BOARD

Chairman Harold M. Williams spoke before The Conference Board, in New York, N.Y. on Tuesday, December 13, 1977. The title of his address was "Inflation, Corporate Financial Reporting, and Economic Reality."

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## INVESTMENT COMPANY ACT RELEASES

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### PENN STATE TAX EXEMPT INVESTMENT TRUST, SERIES 1

A notice has been issued giving interested persons until January 6 to request a hearing on an application of Penn State Tax Exempt Investment Trust, Series 1 (and Subsequent

Series), a registered unit investment trust, for an order exempting the trust from the initial net worth requirements of Section 14(a) and from the limitations on the distributions of capital gains contained in Rule 19b-1 and exempting from Rule 22c-1 the proposed secondary market operation of the trust's sponsors. (Rel. IC-10057 - Dec. 12)

#### NPG GROWTH FUND

A notice has been issued giving interested persons until January 6 to request a hearing on an application of NPG Growth Fund, Inc. for an order that it has ceased to be an investment company. (Rel. IC-10058 - Dec. 12)

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## TRUST INDENTURE ACT RELEASES

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#### AMERICAN AIRLINES, INC.

A notice has been issued giving interested persons until January 3 to request a hearing on an application of American Airlines, Inc., pursuant to Section 310(b)(1)(ii) of the Trust Indenture Act of 1939, declaring that the trusteeship of Bankers Trust Company under an existing indenture, and an equipment trust agreement is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify Bankers Trust Company from acting as trustee under one of these indentures. (Rel. TI-498)

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## SELF-REGULATORY ORGANIZATIONS

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#### NOTICE OF PROPOSED RULE CHANGE

The following have filed proposed rule changes under Rule 19b-4: (1) Chicago Board Options Exchange, Inc. (SR-CBOE-77-27) to conform those rules to the sections of the Securities Acts Amendments of 1975 relating to comparison, clearance and settlement of options transactions. (Rel. 34-14251); (2) National Association of Securities Dealers, Inc. (SR-NASD-77-19) to conform those rules to the sections of the Securities Acts Amendments of 1975 relating to comparison, clearance and settlement of options transactions. (Rel. 34-14252); (SR-NASD-77-20) to conform those rules to the sections of the Securities Acts Amendments of 1975 relating to clearance and settlement of over-the-counter transactions between members. (Rel. 34-14253); (3) Philadelphia Stock Exchange, Inc. (SR-PHLX-77-15) to conform those rules to the sections of the Securities Acts Amendments of 1975 relating to comparison, clearance and settlement of exchange transactions. (Rel. 34-14254); (4) American Stock Exchange, Inc. (SR-Amex-77-32) to amend the Company Guide to permit issuers to utilize a short form listing application and eliminate the printing requirement for short form listing applications. (Rel. 34-14260)

Publication of the proposal is expected to be made in the Federal Register during the week of December 12.

(5) New York Stock Exchange, Inc. (SR-NYSE-77-31) to rescind NYSE Rule 357 in order to bring NYSE rules into compliance with SEC Rule 17a-4(B)(4). (Rel. 34-14259)

Publication of the proposal is expected to be made in the Federal Register during the week of December 19.

#### APPROVAL OF PROPOSED RULE CHANGE

The Commission has approved the following rule changes: (1) American Stock Exchange, Inc. (SR-Amex-77-24) to permit a regular member of the Exchange to lease his seat to any qualified person approved by the Exchange. (Rel. 34-14255); (SR-Amex-77-29) which amends the Exchange's indemnification provision (Art. II, Sec. 5 of the Exchange Constitution) to add employee benefit plans to the list on entities covered. (Rel. 34-14258); (2) New York Stock Exchange, Inc. (SR-NYSE-77-21) to permit a regular member of the Exchange to lease his seat to any qualified person approved by the Exchange. (Rel. 34-14255)

#### WITHDRAWAL OF PROPOSED RULE CHANGE

The Chicago Board Options Exchange, Inc. has withdrawn a proposed rule change (SR-CBOE-77-20) relating to the regulation of joint accounts. The subject matter of the proposal was included in SR-CBOE-77-26 (Rel. 34-14197 - Nov. 22). (Rel. 34-14257)

## RECENT 8K FILINGS

Form 8-K is used by companies to file current reports on the following events: <sup>\*/</sup>

- Item 1. Changes in Control of Registrant.
- Item 2. Acquisition or Disposition of Assets.
- Item 3. Bankruptcy or Receivership.
- Item 4. Changes in Registrant's Certifying Accountant.
- Item 5. Other Materially Important Events.
- Item 6. Financial Statements and Exhibits.

The companies listed below have filed 8-K reports for the date indicated and/or amendments to 8-K reports previously filed, responding to the item(s) of the form specified. Copies of the reports may be purchased from the Commission's Public Reference Section (in ordering, please give the date of the report). An invoice will be included with the requested material when mailed.

COMPANY	ITEM NO.	DATE
ALDON INDUSTRIES INC	5	12/01/77
ASARCO INC	5,6	11/30/77
BASIC FOOD INDUSTRIES INC	5	11/18/77
BIO MEDICUS INC	5	09/07/77
CHOCK FULL O NUTS CORP	2,6	10/07/77
COLORADO NATIONAL BANKSHARES INC	5	11/01/77
COMPUTER MICROGRAPHICS INC	1,2	11/28/77
COMPUTER PRODUCTS INC	7	11/01/77 *
CUMMINS ENGINE CO INC	5	12/01/77
DISCOUNT FABRICS INC	5	09/30/77
DONALDSON LUFKIN & JENRETTE INC	5,6	11/23/77
FIRST COCLIDGE CCRP	5	11/08/77
FORMIGLI CCRP	5	11/03/77
GAS SERVICE CO	5	11/01/77
GERBER SCIENTIFIC INSTRUMENT CO	5,6	11/22/77
GULF STATES UTILITIES CO	5	11/01/77
INCO LTD	5,6	12/05/77
INTERSTATE UNITED CORP	1,6	11/30/77

<sup>\*/</sup> The Form 8-K was amended (Rel. 34-13156, January 13, 1977) effective for all events which occur subsequent to February 28, 1977. Those companies above which are noted with an asterisk (\*) have filed pursuant to the old Form 8-K; the captions of the item numbers under which such reports are filed are as follows:

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|---|---|
| Item 1. Changes in Control of Registrant              | Item 9. Options to Purchase Securities  |
| Item 2. Acquisition or Disposition of Assets          | Item 10. Extraordinary items, other material charges and credits and capital restatements |
| Item 3. Legal Proceedings                             | Item 11. Submission of Matters to a Vote of Security Holders                              |
| Item 4. Changes in Securities                         | Item 12. Changes in Registrant's Certifying Accountant                                    |
| Item 5. Changes in Security for Registered Securities | Item 13. Other Materially Important Events  |
| Item 6. Defaults upon Senior Securities               | Item 14. Financial Statements and Exhibits  |
| Item 7. Increase in Amount of Securities Outstanding  |   |
| Item 8. Decrease in Amount of Securities Outstanding  |   |

### NOTICE

Many requests for copies of documents referred to in the SEC News Digest have erroneously been directed to the Government Printing Office. Copies of such documents and of registration statements may be ordered from the Public Reference Section, Securities and Exchange Commission, Washington, D.C. 20549. The reproduction cost is 10c per page plus postage (7 days) (\$3.50 minimum); 20c per page plus postage for expedited service (4 days) (\$5.00 minimum) and 30c per page plus postage for priority service overnight (\$5.00 minimum). Cost estimates are given or request. All other reference material is available in the SEC Docket.

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SEC STATISTICAL BULLETIN is published monthly. Subscription rates: \$15.00/yr in U.S. first class mail; \$18.75 elsewhere.

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