

sec news digest

U.S. SECURITIES EXCHANGE COMMISSION
RECEIVED

Issue 76-58
(SEC Docket, Vol. 9, No. 4 - April 6)

March 24, 1976

MAR 25 1976

RULES AND RELATED MATTERS

LIBRARY

SEC ADOPTS REPLACEMENT COST RULES

The SEC today announced the adoption of a new rule which will require large companies to disclose information about the impact of changing costs on their businesses.

The rule, an amendment to Regulation S-X which sets forth the form and content of financial statements filed with the Commission, provides that all registrants with inventories and gross plant aggregating more than \$100 million and amounting to more than 10% of their total assets must disclose, either in a footnote or in a separate section of the financial statements, the current cost of replacing inventories and productive capacity and the amount of cost of sales and depreciation if they had been computed on the basis of replacement costs. The rule is applicable to annual financial statements covering periods beginning after December 25, 1975, and thus will require the disclosures in 1976 statements.

While the Commission noted that it was not requiring a change in the face of the basic financial statements which are prepared on the basis of historical costs, it did recognize that the new rule would require companies subject to it to produce on a supplemental basis significantly different data than are currently available.

These data, based on current replacement costs, may represent the first step toward a revised system of accounting based on current values. The Commission specifically stated that it did not intend to require fundamental changes in basic financial statements beyond requiring the disclosures set forth in the rule, since it believed that any such change should be initiated by the Financial Accounting Standards Board which is currently studying the conceptual framework of financial statements. The data required based on current replacement cost should provide useful input to the Board as it considers this matter.

Because the required data will require many estimates and subjective judgments, the Commission rules will permit them to be labeled "unaudited" even though they must be part of the financial statements filed with the Commission. The rule also calls for disclosure of the methods of preparing the data and the presentation of such additional information as management believes necessary to communicate the meaning of the data to investors.

The Commission issued the new rule for comment in August 1975 and received over 350 letters of comment, most of which urged delay. In rejecting these arguments, the Commission said that the data are presently needed by investors and that it was not necessary to develop detailed procedural techniques for implementing the rules prior to adoption. It noted that the rules would encourage experimentation with varying techniques and it found this a beneficial result when the data were supplemented by disclosure of the methods used in their preparation.

In recognition of the imprecision and subjectivity of the required data, the Commission proposed a "safe harbor" rule which would provide registrants with some protection from liabilities where the data were prepared with care and good faith and where the basis of calculation was set forth."

In addition, the Commission indicated that it would soon appoint an advisory committee to work with the staff in assisting registrants with the problems of implementation as the year progresses.

At the same time as the new rule was adopted, the staff issued Staff Accounting Bulletin No. 7 which provided a number of interpretations of the rule, based on comments received on the proposal and on pilot studies observed by the staff.
(Rel. 33-5695, 33-5696 and SAB-7)

DECISIONS IN ADMINISTRATIVE PROCEEDINGS

REAL ESTATE PARTNERSHIPS' APPLICATIONS FOR EXEMPTION FROM EXCHANGE ACT DISCLOSURE REQUIREMENTS DENIED

The applications of four real estate partnerships (Multi Benefit Realty Fund, Multi Benefit Realty Fund II, California Realty Fund and Grubb & Ellis Realty Fund II, all of Oakland, California) for exemptions from the Securities Exchange Act's registration and reporting requirements have been denied. The Commission held that the issuers' size (aggregate gross assets of some \$183 million) and the substantial public investor interest in them (5,600 limited partners) preclude it from granting the requested exemptions.

After noting that its 1972 Real Estate Advisory Committee had concluded that "The Commission should continue to regulate real estate securities pursuant to the 1933 and 1934 Acts' disclosure approach, intensifying disclosure and increasing policing and reporting standards," the Commission said: "Nothing brought to our attention in this case tends to suggest that a departure from the carefully considered view would be in the public interest. Nor do we discern any support for applicants' position in the recent history of real estate finance." (Rel. 34-12195)

J. L. SCHIFFMAN & CO. INC., ROBERT SCHIFFMAN AND IRVING BRENNER SUSPENDED

The Commission has suspended the registration of J. L. Schiffman & Co., Inc. of Jersey City, New Jersey for 30 days and has suspended Robert Schiffman and Irving Brenner from association with any broker or dealer for a period of 30 days.

The sanctions were based on findings that J. L. Schiffman & Co., Inc., Schiffman and Brenner wilfully aided and abetted violations of the Investment Company Act's affiliated transaction provision.

Schiffman & Co., Schiffman and Brenner consented to the findings and sanctions in the order without admitting or denying the charges against him. (Rel. 34-12204)

EDMOND L. BROWN AND ORVILLE G. ALLEN BARRED

The Commission has announced the settlement of administrative proceedings against Edmond L. Brown and Orville G. Allen both of Dallas, Texas by the issuance of findings and an order. For the purpose of settling the proceeding, Brown and Orville without admitting or denying the allegations of the order for public proceedings, have consented to findings that they aided and abetted violations of the antifraud provisions of the securities laws. In addition, Brown and Allen consented to an order barring each from association with any broker or dealer in any capacity other than as a supervised employee in a non-supervisory capacity, and barring each from association with any broker or dealer except their present employer unless such broker dealer meets certain qualifications; provided, however, that after two years each may apply to become associated with any broker or dealer in any capacity. (Rel. 34-12208)

HOLDING COMPANY ACT RELEASES

THE SOUTHERN COMPANY

An order has been issued authorizing The Southern Company, a registered holding company, to issue and sell \$125 million of intermediate term notes to a group of institutions and to make capital contributions to its operating subsidiaries. (Rel. 35-19439 - Mar. 23)

PENNSYLVANIA POWER COMPANY

A notice has been issued giving interested persons until April 16 to request a hearing on a proposal of Pennsylvania Power Company, subsidiary of Ohio Edison Company, to finance the construction of certain pollution control facilities through arrangements with a Pennsylvania industrial development authority. (Rel. 35-19440 - Mar. 23)

TRADING SUSPENSIONS

ADDITIONAL ACTION ON ONE TRADING SUSPENSION

The SEC has announced the suspension of exchange and over-the-counter trading in the securities of Canadian Javelin Ltd. for the further ten-day period March 24 - April 2, inclusive.

SELF-REGULATORY ORGANIZATIONS

NOTICE OF PROCEEDING TO CONSIDER DISAPPROVAL OF PROPOSED RULE CHANGE

The Commission announced the institution of proceedings, pursuant to Section 19(b)(2) of the Securities Exchange Act, to determine whether a proposed rule change (SR-NYSE-76-5), filed with the Commission by the New York Stock Exchange, Inc. and captioned the "Public Limit Order Protection Rule", should be disapproved. (Rel. 34-12249)

APPROVAL OF PROPOSED RULE CHANGE

The Commission has issued an order approving a proposed rule change filed by the New York Stock Exchange, Inc. (SR-NYSE-76-2) to conform its off-board trading restrictions on members to the substantive provisions of Rule 19c-1 under the Securities Exchange Act of 1934. (Rel. 34-12242)

The Commission has issued an order approving a proposed rule change (SR-NYSE-76-19) filed by the New York Stock Exchange, Inc. (NYSE), governing the ability of members of the NYSE to effect agency transactions in rights and bonds otherwise than on the NYSE. (Rel. 34-12244)

The Commission has issued an order approving a proposed rule change filed by the American Stock Exchange, Inc. (SR-AMEX-76-10) to conform its off-board trading restrictions on members to the substantive provisions of Rule 19c-1 under the Securities Exchange Act of 1934. (Rel. 34-12243)

The Commission has issued an order approving a proposed rule change filed by the Pacific Stock Exchange, Inc. (SR-PSE-76-10) to conform its off-board trading restrictions on members to the substantive provisions of Rule 19c-1 under the Securities Exchange Act of 1934. (Rel. 34-12245)

The Commission has issued an order approving a proposed rule change filed by the Midwest Stock Exchange, Inc. (SR-MSE-76-5) to conform its off-board trading restrictions on members to the substantive provisions of Rule 19c-1 under the Securities Exchange Act of 1934. (Rel. 34-12246)

The Commission has issued an order approving a proposed rule change filed by the Chicago Board Options Exchange, Inc. (SR-CBOE-76-5) to conform its off-board trading restrictions on members to the substantive provisions of Rule 19c-1 under the Securities Exchange Act of 1934. (Rel. 34-12247)

The Commission has issued an order approving a proposed rule change filed by the Boston Stock Exchange (SR-BSE-76-4) to conform its off-board trading restrictions on members to the substantive provisions of Rule 19c-1 under the Securities Exchange Act of 1934. (Rel. 34-12248)

SECURITIES ACT REGISTRATIONS

(S-5) FIDELITY MUNICIPAL BOND FUND, LTD.

35 Congress St., Boston, Mass. 02109 - 100,000 shares of limited partnership interest, to be offered for sale at their net asset value. The Fund is a newly-organized Nebraska limited partnership which will operate as an open-end diversified management investment company and will seek to obtain as high a level of interest income which is exempt from Federal income tax as is consistent with the preservation of capital. (File 2-55725 - Mar. 17)

(S-1) ALLERGAN PHARMACEUTICALS

2525 Dupont Dr., Irvine, Cal. 92713 - 600,000 shares of common stock, to be offered for sale, 300,000 by the company and 300,000 by certain selling stockholders, through an underwritten public offering headed by White Weld & Co., Inc., One Liberty Plaza, New York, N.Y. 10006. The company is engaged in the development, manufacture and sale of prescription and nonprescription pharmaceutical products in the specialty fields of ophthalmology, including products for use in conjunction with contact lenses, and dermatology. (File 2-55727 - Mar. 18)

(S-11) ADVENTIST PROPERTIES & MORTGAGE TRUST

Lemmon Bldg., 1500 East Chevy Chase Dr., Glendale, Cal. 91206 - 1,700,000 shares of beneficial interest, to be offered by the Trust through Morgan, Olmstead, Kennedy & Gardner Inc. on a best efforts basis. The Trust is a California business trust which proposes to invest in first mortgages, purchase leasebacks and equity interests in real property, primarily with respect to properties of the Seventh-day Adventist Church. (File 2-55743 - Mar. 19)

(S-7) SOUTHWESTERN ELECTRIC POWER COMPANY

428 Travis St., P.O. Box 1106, Shreveport, La. 71156 - \$45 million of first mortgage bonds, Series N, to be sold at competitive bidding. The company is an electric utility company. (File 2-55760 - Mar. 22)

(S-7) UTAH POWER & LIGHT COMPANY

1407 West North Temple St., P.O. Box 899, Salt Lake City, Utah 84110 - \$32 million of first mortgage bonds, due 2006, to be issued and sold through competitive bidding. The company is engaged in the electric utility business. (File 2-55762 - Mar. 22)

STOCK PLANS FILED

The following have filed Form S-8 registration statements with the SEC seeking registration of securities to be offered pursuant to employee stock and related plans:

Bank Building & Equipment Corporation of America, St. Louis, Mo. (File 2-55750 - Mar. 19) - 50,000 shares
GenRad, Inc., Concord, Mass. (File 2-55751 - Mar. 19) - 168,880 shares
Butler Manufacturing Company, Kansas City, Mo. (File 2-55753 - Mar. 22) - 93,066 shares
SBE, Inc., Watsonville, Cal. (File 2-55754 - Mar. 22) - 54,800 shares
Caterpillar Tractor Co., Peoria, Ill. (File 2-55756 - Mar. 22) - 25,000 shares
Tyler Corporation, Dallas, Tex. (File 2-55755 - Mar. 22) - 175,000 shares
Caterpillar Tractor Co., Peoria, Ill. (File 2-55757 - Mar. 22) - 20,000 shares
Pic 'N Pay Stores, Inc., Matthews, N.C. (File 2-55759 - Mar. 22) - 100,000 shares
Centran Corporation, Cleveland, Ohio (File 2-55761 - Mar. 22) - \$4 million of interests
The Marley Company, Mission, Kan. (File 2-55763 - Mar. 22) - 101,000 shares
Southwest Factories, Inc., Oklahoma City, Okla. (File 2-55764 - Mar. 22) - 250,000 shares

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 15¢ per page plus postage (\$2 minimum) and 30¢ per page plus postage for expedited handling (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

SEC NEWS DIGEST is published daily. Subscription rates: \$64.45/yr in U.S. first class mail; \$80.60 elsewhere.
SEC DOCKET is published weekly. Subscription rates: \$43.70/yr in U.S. first class mail, \$54.65 elsewhere. The News Digest and the Docket are for sale by the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.