SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SECURITIES ACT OF 1933
Rel. No. 5608/August 21, 1975

SECURITIES EXCHANGE ACT OF 1934
Rel. No. 11608/August 21, 1975

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935
Rel. No. 19137/August 21, 1975

Notice of Proposed Amendments to Regulation S-X to Require Disclosure of Certain Replacement Cost Data in Notes to Financial Statements (S7-579)

In January 1974 in Accounting Series Release No. 151, the Commission called attention to the problems caused by inflation in the interpretation and use of financial statements prepared on the basis of the historical monetary cost data currently required by generally accepted accounting principles. At that time the Commission urged supplemental disclosure of data showing the magnitude of "inventory profits" which it defined in the release as the difference between the historical cost of goods sold and the current replacement cost of such goods at the time of sale. The Commission has observed very little response to this specific suggestion in communications between registrants and investors, nor has it seen any significant evidence of systematic attempts to quantify the effect of changing current costs on the economics of a registrant's business, despite the fact that prices and the rate of inflation increased substantially in 1974.

While the current general rate of inflation has been reduced from 1974 levels, it still persists at a rate substantially above historical norms for the United States. In addition, the general rate of inflation does not reflect the impact of price changes on a particular company. The impact of such price changes may be substantially greater or less than that indicated by an average or general rate of inflation encompassing all price changes in an economy since it is characteristic of an inflationary economy that specific price relationships realign rapidly and unevenly relative to the general rate of inflation.

In the light of the current rate of inflation and price changes, therefore, the Commission has concluded that it is necessary to propose amendments to its Regulation S-X which would require registrants to disclose in the footnotes to financial statements the current cost at the end of the reporting period of replacing inventories and productive capacity as well as the cost of sales and depreciation, depletion, or amortization expense computed on the basis of replacement cost during the reporting period. The Commission believes that these data will make it possible for investors to obtain a better understanding of the current costs of operating the business which cannot be obtained from historical cost financial statements taken alone and that such an understanding is necessary in order to make informed investment decisions. Under current conditions, the Commission is not prepared to conclude that the basic accounting model needs to be changed to reflect replacement cost or other current value data in lieu of historical cost data in the financial statements. In addition, it notes that this is one of the matters being investigated by the Financial Accounting Standards Board in connection with the Board's inquiry into the conceptual framework for financial statements. The Commission believes that such a fundamental change in the basic accounting model should only be made, if at all, after such a study. At the same time, it believes that the absence of any current cost or value information is a significant shortcoming for users of financial data about business activities, and it feels that these proposed requirements for supplemental information will materially assist financial statement users in the interim.

The Commission also notes that in Securities Act Release No. 5427 issued in 1973 it proposed footnote disclosure of cost of sales on a replacement cost basis with the primary objective of obtaining some measure of comparability among companies using different historical cost methods of computing cost of sales. No final rules encompassing those proposals have yet been adopted. Although the principal focus of the rules proposed herein is to provide current economic data, an additional benefit will be to provide information which will assist investors in comparing companies which use alternative methods for cost of sales and depreciation permitted under current generally accepted accounting principles.

While the Commission's objective in proposing these rules is to improve investment decision making, it believes the data will also be useful to managers for internal purposes and to macro-economic decision makers who have responsibility for determining economic policies which affect business activities.

In addition, the Commission has noted the development of proposals to permit business entities to calculate depreciation for tax purposes on the basis of current replacement cost.[1] Such an approach would reflect in the calculation of taxable income the current value of capital consumed. The development of regular replacement cost data on a systematic basis for reporting to investors will enable the makers of tax policy to determine explicitly the effect of present taxes on economic capital and to estimate the impact of alternatives. It would also assist corporations in creating a data base which may ultimately be used for tax reporting purposes.

Finally, analysis of the data provided in supplemental footnote disclosure and the experience gained by registrants in preparing the data should assist the Financial Accounting Standards Board in making determinations concerning changes in the framework for financial reporting.

In proposing these rules, the Commission is fully aware that there will be many problems of implementation and that the cost of developing the required information may be significant.

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1 See, for example, the report of the Committee of Inquiry into Inflation and Taxation, chaired by Professor Russell Mathews and appointed by the Prime Minister of Australia in 1974.

Guidelines for implementation of the rules proposed herewith accompany the proposal. The Commission welcomes comments on these guidelines as well as on the rules, and it urges registrants to use the relatively long comment period to experiment in the application of the rules and guidelines to their particular circumstances and to report the results of these experiments to the Commission. The Commission is particularly interested in receiving information about specific problems in implementing the proposals, receiving suggestions about the least costly means of developing the required data, and obtaining specific data with respect to the cost of implementation supported by exhibits showing how such costs were estimated.

The Commission wishes to emphasize that it recognizes that the data proposed to be required herein will require the use of a substantial number of estimates and judgments in its preparation. The objectivity which exists when data are developed by accumulating the results of many specific transactions will not exist in this case. Data preparers will generally have to make use of estimating and sampling techniques in developing specific indices (or making use of specific indices now available) that cover certain specific types of goods and services, judge the appropriateness of grouping certain assets together for revaluation, determine the frequency with which indices should be updated, and the like. Due to the lack of definitive standards at this time, the resulting computations will inevitably result in greater subjectivity than is the case with traditional accounting information. The Commission believes that, as experience is gained, greater objectivity can be achieved and more specific computational guidelines can be developed. However, it also believes that the resulting data at present will be sufficiently specific and of great utility to investors and that it is not appropriate to wait for great computational refinement before presenting such information to financial statement users.

In this connection, comments are specifically solicited concerning whether the note containing these data should be labelled “unaudited,” at least initially. Such an approach may communicate to investors the lack of objective standards and precision inherent in the data. It may also reduce the cost of presenting the data by reducing the procedures which would have to be followed by independent public accountants if the footnote data were not so labelled. On the other hand, it may reduce the reliability of the information in an area where the accountant’s judgment may be particularly needed.

The Commission also specifically solicits comments on the desirability of initially requiring these data only from those companies which exceed a particular size criterion as well as comments on what appropriate size criterion might be used. The proposed requirement might apply, for example, only to companies whose total sales or total assets exceed $50 million. In this fashion, large companies with more sophisticated accounting systems and more extensive stockholder groups would initially present these data, and the rule could be extended to smaller registrants after more experience is gained in its implementation.

PROPOSED RULE

Rule 3-16. General Notes to Financial Statements.
(See Release No. AS-4.)

(w) Current replacement cost information.

(1) The current replacement cost of inventories at each fiscal year end for which a balance sheet is presented shall be stated. If current replacement cost exceeds net realizable value at that date, that fact shall be stated and the amount of the excess disclosed.

(2) For the two most recent fiscal years, state the approximate amount which cost of sales would have been if it had been calculated by estimating the current replacement cost of goods and services sold at the times when the sales were made.

(3) State the estimated current cost of replacing the productive capacity together with the current net replacement cost represented by the depreciable, depletable and amortizable assets on hand at the end of each fiscal year for which a balance sheet is presented.

(4) For the two most recent fiscal years, state the approximate amount of depreciation, depletion and amortization which would have been accrued if it were estimated on the basis of average current replacement cost of productive capacity. For purposes of this calculation, economic lives or salvage values currently used in calculating historical cost depreciation, depletion or amortization shall generally be used. For assets being depreciated, depleted or amortized on a time expired basis, the straight-line method shall be used in making this calculation. For assets depreciated, depleted or amortized on any other basis (such as use), that basis shall be used for this calculation.

(5) Describe the methods used in determining the amounts disclosed in items (1) through (4) above. Describe what consideration, if any, was given in determining the answers to items (1) and (2) to the related effects on direct labor costs, repairs and maintenance, utility and other indirect costs as a result of the assumed replacement of productive capacity. Where the economic lives or salvage values currently used in historical cost financial statements are not used in (4) above, an explanation of other bases used and the reasons therefor shall be disclosed. If depreciation, depletion or amortization expense is a component of inventory costs or cost of sales, indicate that fact and cross-reference the answer for this item in item (2) in order to avoid potential duplication in the use of these data.

(6) Furnish any additional information--such as the historical customary relationships between cost changes and changes in selling prices, the difficulty and related costs (including financing) which might be experienced in replacing productive capacity--necessary to prevent the above information from giving misleading implications.

GUIDELINES FOR THE IMPLEMENTATION OF PROPOSED RULE 3-16(w)

Introduction

Although it is relatively easy to set forth the broad concepts underlying the determination of replacement cost computation for inventories, cost of sales, depreciable, depletable and amortizable assets, and depreciation, depletion and amortization expense, it is recognized that no simple rules can be devised that would cover the application of such concepts in all situations which may arise. Accordingly, the following guidelines are offered as further clarification of replacement cost concepts as used herein and as an aid to judgments required during implementation of such concepts. These guidelines are not intended to be either rigorous or exhaustive.

General guidelines

There appear to be various points of view concerning how the effects of inflation on a business entity should be measured. Some suggest that the best approach is to adjust all data prepared on a historical monetary unit basis by some index reflecting the composite effect of price changes throughout the economy so as to reflect historical costs on the basis of purchasing power units. Others believe that the impact of inflation on a particular entity cannot be determined without considering the specific price changes experienced by that entity in an inflationary economic environment which is typically characterized by wide dispersion in price movements. There are also those who believe that both effects should be considered by analyzing changes in specific prices affecting the firm in terms of the proportion which result from general changes in purchasing power and the proportion which results from other factors.

In proposing limited supplemental disclosure of replacement costs, the Commission is requiring the presentation of data which reflect the impact of specific price changes on the firm. In so doing, the Commission is not reaching the conclusion that data reflecting historical costs on the basis of general purchasing power units would not be useful, nor is it suggesting that these data would not be valuable in analyzing specific price changes. At the present time, however, the Commission is not proposing to require the presentation of data on a general purchasing power basis.

The basic objective of the Commission in proposing to require replacement cost data is to give investors information about the current economics of business operations rather than the value of business assets. The disclosures proposed do not represent a current value approach, although presumably assets measured by current cost will more closely approximate current value than will historical cost data. Accordingly, the proposal does not require disclosures related to assets other than inventories and certain depreciable, depletable or amortizable assets which represent the operating assets of a business. It does not propose supplemental disclosures in regard to monetary assets or liabilities, investments held for monetary gain rather than operating use, or goodwill. Similarly, if assets not essential to operations (e.g., an abandoned plant or excess land) are included in fixed assets, such assets, if significant, should be set forth separately on the balance sheet and no supplemental replacement cost data need be reported in accordance with the proposed rules. Such nonessential assets have also been characterized as severable assets which may be disposed of without impairing the firm's operating objectives and commitments. Such assets are generally not depreciated, depleted or amortized and are carried on the financial statements at the lower of cost or net realizable value. In cases where net realizable value is materially above cost and the intention to dispose of the assets exists, additional disclosure of the net realizable value would ordinarily be desirable.

In addition, the release does not propose to require revised financial statements even on a supplemental basis, nor does it require the specific disclosure of the effect on net income of applying replacement cost methods. Accordingly, although "holding gains and losses" are implicit in asset balances computed on a replacement cost basis, this release does not attempt to deal with the issue of whether or not such amounts should be recognized in the statement of operations. It is noted that the issue of what constitutes appropriate treatment of gains and losses currently is a cause for great debate, which is part of the study of the conceptual framework for financial statements now being undertaken by the Financial Accounting Standards Board. The disclosure of selected asset balances and expense items indicating the impact of price changes on these elements of the entity will serve as highly useful information until these issues are resolved and more comprehensive reporting procedures are developed.

The definition of replacement cost

For purposes of this release, replacement cost is the lowest amount that would have to be paid in the normal course of business to obtain an asset of equivalent operating of productive capability. In the case of depreciable, depletable or amortizable assets, gross and net replacement cost should be distinguished. Gross replacement cost is the total estimated current cost of replacing total productive capacity at the end of the year while net replacement cost is the gross replacement cost adjusted for the already expired service potential of such assets. Similarly, reproduction cost, which is the cost to replace an existing asset in identical form but at current price levels, should be distinguished. Frequently replacement cost and reproduction cost are considered interchangeable. When there is no change in technology (affecting the output of the asset) or materials (affecting the input costs of the asset), both methods should provide the same results. When such changes have occurred, however, replacement cost is a more accurate representation of asset value since it gives recognition to both functional and technological obsolescence. This distinction will be discussed further below.

One of the objectives inherent in the replacement cost approach is to measure the cost of maintaining the operating capability or productive capacity of the entity. Accordingly, it is the current cost associated with retaining the existing potential of the entity for providing goods and/or services. The concept does not necessarily imply that assets used up in operations will be or would have to be replaced with other identical assets.

In theory, replacement cost is applied on an item-for-item, transaction-by-transaction basis. In practice specific indices are frequently applied to various asset groupings during the accounting period such that replacement cost and specific price level indexing methods become variants of one another. At present there is no generally available set of indices which appear useful to all entities or various operating segments of the entity. In determining replacement costs, the use of available public indices (e.g., wholesale price indices) is encouraged whenever possible since it will simplify implementation and will enhance the objectivity of the information. Data preparers will have to exercise judgment in determining whether such indices are an appropriate measure of the impact of price changes on the entity. In other cases data preparers will have to generate indices internally and will have to exercise judgment in grouping assets appropriately; in determining whether price changes for one, a few, or all assets in the group will be used to update the indices; and in deciding how frequently indices will have to be updated. A brief description of the assumptions and methods used is required under the proposed rule.

Replacement cost methods require the use of a number of estimates. Although in many cases these estimates may be statistically derived and thus objectively verifiable to some degree within the entity, the current lack of detailed standards will call for considerable judgment by data preparers. Until more experience is gained more detailed standards are not warranted and flexibility in dealing with implementation problems is encouraged along with a general description of the method used. Accordingly, it is recognized that the lack of detailed objective standards from outside the firm will frequently mean that replacement cost data will not be fully comparable between firms. Nevertheless, it is expected that replacement cost data will enhance comparability when compared with the variations that exist in current generally accepted accounting principles for inventories and depreciation which vary widely and lack detailed objective criteria for application. Although flexibility is encouraged, criteria adopted by the entity should be consistently applied. Any subsequent change in criteria should be disclosed when the impact of such a change is significant. In this way users of the information will be able to more accurately appraise the major impacts of price changes on the operations of a particular entity over time.

Occasionally entities engage in projects with relatively fixed terms. Examples of such projects are long-term construction contracts or contract research and development programs. Frequently assets associated with such projects have no utility apart from that project and are thus related to only the one particular production cycle contemplated under the particular project. Where this is the case the going concern or continuity of operations assumption implicit in the replacement cost method is not applicable. Accordingly, it is believed that in the usual case such assets are most appropriately valued on a historical cost basis.

Certain regulated companies have argued that any change in accounting valuation methods is inappropriate to such companies since their rate base is determined on some other basis. However, information about the impact of price changes on such companies should be provided since it appears relevant in appraising the rate-making process and in assessing the results and future prospects of such companies.

In the case of entities whose operations are denominated in foreign currencies, replacement cost calculations should be made on the basis of current costs in those currencies. In translating those data for purposes of the disclosures required under this rule, the exchange rate at the balance sheet date should be used for asset balances while the rates during the period should be used for computing expenses recognized during that period.

Some specific problems which may be encountered in the application of replacement cost concepts to the four specific disclosures proposed to be required by this release are discussed below.

Inventory

The amount shown for inventories in the footnote disclosure proposed to be required by this release is the replacement cost determined at each date for which a balance sheet is presented. Such data will not be changed in subsequent periods. For example, replacement cost of year-end 1974 inventory will be based on 1974 year-end prices and not revised in the following year when the statements are presented again on a comparative basis.

For purchased inventories, replacement cost should be based on current buying prices having regard to normal order quantities and supply conditions. When it is difficult or impractical to determine current buying prices on an item-by-item basis, it is frequently possible to approximate replacement costs through the application of specific price indices to the original or previously adjusted costs. Similar calculations are currently made in computing dollar-value LIFO inventory adjustments. For work in process and finished goods inventories, reference may be made to current reproduction costs for the particular inventories. This usually requires the maintenance of some form of a standard cost system. Standard costs realistically set and regularly updated to reflect current input costs, rates and operating conditions ordinarily constitute a reasonable approximation of replacement costs. This procedure will typically require a revaluation of depreciable, depletable or amortizable assets on a replacement cost basis. Standard cost systems based on the historical cost of productive facilities will generally not provide the appropriate data without adjustment.

As previously noted, considerable judgment will be needed in selecting and/or developing appropriate indices; in placing some, all, or none of the assets to be indexed into groups with relatively homogeneous cost characteristics; and in establishing the frequency (and method, if internally derived) of updating indices. The establishment of indices ordinarily will require the use of statistical techniques. During the period, indices for raw materials can be revised regularly (usually monthly or quarterly depending on the volatility of price changes) based on a sample of major input categories. For work in process and finished goods it is possible to regularly update standard cost formulae for a single product which is representative of a large product group and, in this manner, index the standard cost formulae for the entire product group. Periodic testing of the estimates and assumptions used in such approaches will facilitate increased accuracy in the selection and development of indices. Such approaches have been used in practice and it appears that the key to the development of increasingly useful information to management and shareholders is the refinement of indices through experience over time.

Obsolete or discontinued inventory items should be set forth separately and not included in replacement cost calculations. These items are not part of the continued production process and thus are not essential to the continuing of business operations.

If a company has as part of its continuing production process long-term supply contracts at a fixed price or at a price which accretes at a rate substantially below market price, the actual price paid under the contracts should be used in determining replacement costs. Where the amounts of inputs acquired under the contracts are a substantial part of the production process, the nature and term of such contracts should be disclosed.

Where the firm’s current buying price at the end of the period is based upon a supply contract of short duration and does not reflect year-end market prices, estimated current market price rather than the firm’s current contract buying price should be used.

Cost of sales

The amount shown for cost of sales should be based on current replacement costs determined during the course of the reporting period. Frequently such costs will constitute estimated average replacement costs based on indices and/or standard cost formulae used during the period. Accordingly, the same methods described in the Inventory Guidelines will be used to compute cost of sales. It should be noted, however, that more accurate estimates will typically be achieved by more frequent updating of indices and standard costs being applied.

In developing estimation techniques, the objective should be to determine the cost of replacing goods at the time sales were made. This will result in an investor being able to see the relationship between sales and cost of sales on a current basis. Computing cost of goods sold on the basis of end-of-period replacement cost of all goods sold during the period will not meet the objectives of this disclosure since it would not provide information about the relationships between sales during the reporting period and cost of sales at the time when such sales were made and thus would not indicate the impact of price changes on operations during the period. To the extent that the relationships which exist on a replacement cost basis during the period are not indicative of the relationships existing at the end of the period or which are anticipated, such facts should be disclosed.

To the extent that cost of sales in the historical financial statements includes costs of individual projects of a unique sort which do not require the acquisition of goods and services which are regularly used in the registrant’s production process, such as is the case in many research projects and in some construction projects accounted for on a percentage of completion basis, the historical cost of these projects should be used. If, however, such projects require the use of standard inputs acquired during the course of the project, current input cost data should be developed even if the end products produced are unique or unusual in nature.

<u>Depreciable, depletable or amortizable assets</u>

The amount shown for depreciable, depletable or amortizable assets at the end of the period should be based on replacement costs determined at that time. Such data should not be changed in subsequent periods when the statements are presented again on a comparative basis.

Ordinarily the current gross replacement cost along with current net replacement cost (as earlier defined) should be disclosed. Whenever such assets are revalued on the basis of their current replacement cost, it will be necessary to make an adjustment to accumulated depreciation in order to properly reflect service potential used up in prior periods expressed in terms of replacement cost at the current balance sheet date. For purposes of the disclosure required in this release this catch-up adjustment should not be included in revalued expense items called for by this release.

Certain intangible assets such as licenses, franchises and the like generally should be valued at replacement cost if they are of an essential nature to business operations. For other intangibles having unique characteristics (such as patents, trademarks and the like) historical cost may be used. Goodwill would not be included in the revaluation process due to lack of any objective criteria for evaluating it on an ongoing basis.

Other useful distinctions may be drawn. For example, specific assets may be distinguished by whether they are general purpose (e.g., standard machine tools) or special purpose (e.g., custom tools or processes). Replacement costs for general purpose tools may be determined directly (item-for-item at current replacement cost) or by reference to specific indices for an equivalent asset or group of equivalent assets. Special purpose and highly unique assets may be valued on the basis of estimated reproduction costs for the specific asset or on the basis of estimated unit costs to replace the asset with one that has an equivalent function (e.g., buildings may be classified by type and valued by a standard unit cost per square foot to replace that type of building).

Wherever possible, management should attempt to value specific assets. However, when various assets are used in an integrated or interdependent manner, it may be necessary to consider them as one item to determine their replacement cost. In such instances it is frequently possible to view such assets as an inseparable group and to value the group on the basis of the total number of units of output which can be produced by that group times the current per-unit replacement cost for the most efficient substitute available for producing such units. Such valuation may have to be adjusted for such factors as the physical size of the substitute or the utility of the increased output. It is recognized that a recurring problem will be determining what constitutes a most efficient substitute.

Related to that problem is the difficulty of valuing an asset on the basis of equivalent operating or productive capability. The necessity for determining an equivalent function arises because of technological innovations that make the most efficient replacement asset one that has similar output but different rates or quality of output, or because of the lack of availability of a strictly equivalent asset. There is no ready solution to these problems and the simplest answer is that considerable judgment may be required to determine equivalent functionality. One approach that has been used is to establish a basis of equivalent outputs. For example, the current replacement cost of a particular asset owned by the entity would be half the price of the nearest equivalent asset that would be purchased as a replacement in the ordinary course of business and that has double the capacity. In other instances, management may have to look at the overall utility of a particular asset to the entity. For example, even if automobiles have been substantially technologically improved, the relevant factor may be that the entity needs one unit of transportation. In such a case no consideration should be given to technological improvements in the replacement automobile.

For purposes of this release, land is generally excluded from replacement cost considerations since in the ordinary case land is either not used up in the productive process or it is held as an investment and is not essential to continued operations. However, it should be noted that in some circumstances current values for land held by the entity may be of substantial importance in appraising the investment value of that entity. Although this situation is not directly contemplated by this release, entities are encouraged to disclose estimated current values for such land where such values vary significantly from historical cost, as well as the basis or method used for establishing the current value of such land. Entities supplying such information will ordinarily be expected to demonstrate to the staff of the Commission that such values are reasonably derived.

A special problem in applying the replacement cost concept occurs when attempting to value natural resource reserves. It is not meaningful to measure the cost of reproducing the specific mines or wells which comprise the depletable assets of a natural resource company. In this case, therefore, it will normally be necessary to estimate the cost of purchasing the existing mineral reserves owned by the company. Frequently it is possible to make such an estimate on the basis of the value of comparable reserves available in the market place with adjustments as deemed appropriate. Professional engineers are known to make such determinations. However, where in the judgment of management such values are not an appropriate reflection of current values or such values cannot be reasonably obtained, current values determined on some other basis may be used in addition to or in lieu of replacement cost methods. Where this is the case, disclosure of the methods used along with the reasons for using them and an explanation of the meaning of the resulting valuation will be required. Once again, entities supplying such information will ordinarily be expected to demonstrate to the staff of the Commission that such values are reasonably derived.

Financing leases as defined by Accounting Series Release No. 147 should be treated as capitalized for purposes of revaluing assets in accordance with this release.

As previously discussed, assets held as part of a particular project which is expected to have a relatively fixed and nonrecurring production cycle should normally be valued on the basis of historical cost.

Depreciation, depletion and amortization amounts

The disclosure of the supplemental footnote data in regard to depreciation, depletion and amortization expense should be based on the estimated current replacement costs during the period. For assets used throughout the period, the replacement cost data may be based on the average of replacement cost at the beginning and the end of the period. Approximations may be used for assets acquired during the period.

In calculating the expense amount, a straight-line method should be used, generally based on the same useful life and proportionate salvage value as that used for historical cost statements. In circumstances where assets are valued on the basis of the replacement cost of the most efficient substitute and where the useful life or proportionate salvage value of such a substitute varies significantly from the useful life or proportionate salvage value being used in historical cost statements for the asset being valued, it may be necessary to adjust such lives or salvage values to appropriately reflect the cost of replacing such an asset. The nature and reason for such an adjustment should be disclosed where its overall impact would be significant.

The straight-line method is specified to achieve comparability. In so specifying, it is recognized that any basis of measuring depreciation, depletion or amortization of a cost base is essentially a system of allocation rather than valuation. The assumptions used here provide for a systematic and rational basis for making such allocations.

Comment period and proposed effective date

Because of the significance of this proposal, comments will be received until January 31, 1976.

The proposal supersedes amendments to Rule 5-02-6 originally made in Securities Act Release No. 5427 (October 4, 1973; Securities Exchange Act Release No. 10420, Public Utility Holding Company Act Release No. 18110, Investment Company Act Release No. 8023) to the extent that such proposals have not been adopted to date.

The foregoing are proposed to be adopted pursuant to Sections 6, 7, 8, 10 and 19(a) of the Securities Act of 1933; Sections 12, 13, 15(d) and 23(a) of the Securities Exchange Act of 1934; and Sections 5(b), 14 and 20(a) of the Public Utility Holding Company Act of 1935.

All interested persons are invited to submit written comments on the proposals on or before January 31, 1976. The communications should be addressed to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and should be referenced to File No. S7-579. All comments will be available for public inspection.

By the Commission.

George A. Fitzsimmons
Secretary