

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



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## NEW RULES AND RULE PROPOSALS

**SEC PROPOSES RULES TO IMPLEMENT NEW CONTRACTUAL PLAN PROVISION.** The SEC today announced that it has under consideration proposed rules and forms under the Investment Company Act of 1940 ("Act") designed to implement the provisions of the Act (Sections 27(d) through (h)), effective June 14, 1971, relating to periodic payment plan certificates (commonly referred to as "contractual plans") which were added by the Investment Company Amendments Act of 1970 ("1970 Act").

The 1970 Act provides a purchaser of a contractual plan for mutual funds or variable annuities two separate refund rights. Under the first right, a "45 day" right of refund, the purchaser is entitled to receive all of the sales and other charges he has paid plus the value of his account, within 45 days of the mailing of a notice of that right. Such notice must be mailed within 60 days after the issuance of his certificate. Under the second right, until the expiration of 18 months after the issuance of the plan certificate the purchaser is entitled to a refund of that portion of the sales load paid on the plan which exceeds 15 percent of his gross payments plus the value of his account. The 1970 Act also permits plan sponsors, as an alternative to charging the typical front-end load, to elect to charge a "spread load" not exceeding 20 percent of any payment or an average of not more than 16 percent of the first 48 monthly payments or their equivalent. Plans sold subject to spread load would not receive the 18 month refund right.

Proposed Rule 27d-1 establishes reserve requirements in order for underwriters and depositors of contractual plans to carry out their obligations to make refunds. Proposed Rules 27e-1 and 27f-1 provide the method, form and contents of the notices required to inform certificate holders of their rights under Sections 27(d) and 27(f) of the Act. Proposed Rule 27g-1 requires that the Notice of Election to be governed by the spread load provisions of the Act shall be filed as an exhibit to the company's registration statement under the Securities Act of 1933. Proposed Rule 27h-1 would permit the payment of a spread load on that portion of an initial payment which equals two minimum monthly payments.

Amended Rules 27a-1, 27a-2, 27a-3 and 27c-1 would extend certain existing exemptions for variable annuities to corresponding provisions of Section 27(h) dealing with spread load payments and, during the annuity payout period, to the 18 month refund right provided by Section 27(d).

In view of the length of the release, printing and mailing of copies for distribution to the Commission's mailing list will be somewhat delayed. Therefore, the Association of Mutual Fund Plan Sponsors, the American Life Convention and the Life Insurance Association of America have undertaken to distribute copies to their memberships. The release will also appear in the Federal Register within the next few days.

All interested persons are invited to submit their views and comments on the proposed rules and forms in writing to the Division of Corporate Regulation, Securities and Exchange Commission, Washington, D. C. 20549 on or before May 28, 1971. All such communications will be available for public inspection. (Release IC-6493)

## COURT ENFORCEMENT ACTION

**PLANT INDUSTRIES, KATZ ENJOINED.** The SEC New York Regional Office has announced that the Federal court in New York permanently enjoined Plant Industries, Inc., and Hyman Katz from violating the anti-fraud provisions of the Federal securities laws. The defendants consented to the entry of the order without admitting or denying the allegations in the complaint. (LR-4991)

## HOLDING COMPANY ACT RELEASE

**E. I. DUPONT DE NEMOURS.** The SEC has issued an order under the Investment Company Act giving interested persons until May 24 to request a hearing upon an application of E. I. du Pont de Nemours and Company, Wilmington, Del., for an order exempting from certain provisions of the Act the proposed grant of an exclusive license under a U. S. Patent Application (and foreign counterparts) to Block Engineering, Inc. in exchange for a royalty of 5% of the "net selling price." Christiana Securities Company, a registered closed-end investment company, owns some 28.5% of the outstanding common stock of duPont, which in turn owns some 33% of the outstanding common stock of Block. (Release IC-6492)

## SECURITIES ACT REGISTRATIONS

**\*STARRETT BROTHERS AND EKEN TO SELL STOCK.** Starrett Brothers and Eken, Incorporated, 301 East 57th St., New York 10022, filed a registration statement with the SEC on April 23 seeking registration of 200,000 shares of common stock, to be offered for public sale (\*\*at \$25 per share maximum). The offering is to be made through underwriters headed by New York Securities Co., Inc., One New York Plaza, New York 10004.

The company is primarily engaged in the development and construction of multiunit housing under programs sponsored by governmental agencies to assist in meeting low and moderate income housing needs. Of the net proceeds of its stock sale, \$1,300,000 will be used to retire bank loans which had been incurred to supply working capital for construction and rehabilitation activities and the balance for other corporate purposes. In addition to indebtedness, the company has outstanding 899,037 common shares, of which Robert S. Olnick, board chairman, owns 18% and Henry Benach, president, 17%. (File 2-40150)

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**CONNECTICUT GENERAL MORTGAGE PROPOSES OFFERING.** Connecticut General Mortgage and Realty Investments (the "Trust"), 117 Park Ave., West Springfield, Mass. 01089, filed a registration statement with the SEC on April 23 seeking registration of \$75 million of convertible subordinated debentures, due 1996, to be offered for public sale through underwriters headed by Lazard Freres & Co., 44 Wall St., New York 10005.

The Trust's principal emphasis is on long-term real property investments, including mortgage loans, often with land purchase-leaseback or other equity participations, and equity investments made independently of mortgage loans. Congen Realty Advisory Company, a wholly-owned subsidiary of Connecticut General Insurance Corporation, is investment adviser. Net proceeds will be used to meet maturities of commercial paper to provide short-term financing of the Trust's investments and the balance to fulfill mortgage and other real estate investment commitments. In addition to indebtedness, the Trust has outstanding 4,282,149 shares of beneficial interest. James H. Terrey is chairman of the Trust and senior vice president of Connecticut General Life and Bruce P. Hayden is president of the Trust and vice president of Connecticut General Life. (File 2-40151)

**\*NATIONAL SYSTEMS CORP. TO SELL STOCK.** National Systems Corporation, 4361 Birch St., Newport Beach, Calif. 92663, filed a registration statement with the SEC on April 23 seeking registration of 200,000 shares of common stock, to be offered for public sale (\*\*at \$18 per share maximum) through underwriters headed by Dean Witter & Co. Inc., 632 S. Spring St., Los Angeles, Calif. 90014.

The company offers vocationally oriented home study and resident education courses through subsidiaries. Net proceeds of its stock sale will be applied to general corporate purposes, including the expansion of existing operations and the acquisition of businesses. In addition to indebtedness, the company has outstanding 1,244,774 common shares, of which management officials as a group own 14.3%. John J. McNaughton is president. (File 2-40152)

**HERMES FUND PROPOSES OFFERING.** Hermes Fund (the "Partnership"), 2001 U. S. National Bank Bldg., San Diego, Calif. 92101, filed a registration statement with the SEC on April 23 seeking registration of \$10 million of limited partnership interests, to be offered for public sale at \$10,000 per unit. A non-diversified, closed-end investment company, the Partnership was organized for the purpose of making venture capital investments on a basis designed to provide certain tax advantages to its limited partners. Sheltered Venture Advisers ("SVA") is the general partner. Kevin P. Monaghan, William E. Shahan, II, and Norman L. Jones are members of the SVA partnership. (File 2-40153)

**\*MCDONNELL DOUGLAS PROPOSES FINANCING.** McDonnell Douglas Corporation, P. O. Box 516, St. Louis, Mo. 63166, filed a registration statement with the SEC on April 23 seeking registration of \$50 million of notes, due May 1977, to be offered for public sale through underwriters headed by Lehman Brothers, 1 William St., New York 10004.

The company is engaged in the design, development and production of commercial and military jet aircraft, missile systems, manned and unmanned spacecraft, and launch vehicles for space flight, and also provides data processing and consulting services. Net proceeds of its financing will be used to meet increased cash requirements resulting primarily from the build-up of DC-10 work in process inventory as production work on the aircraft accelerates. (File 2-40154)

**MERRILL LYNCH FILES FOR OFFERING AND SECONDARY.** Merrill Lynch, Pierce, Fenner & Smith Incorporated, 70 Pine St., New York 10005, filed a registration statement with the SEC on April 23 seeking registration of 4,000,000 shares of common stock, of which 2,000,000 are to be offered for public sale by the company and 2,000,000 (being outstanding shares) by the holders thereof. The offering is to be made (\*\*at \$35 per share maximum) through Merrill Lynch's employee registered representatives.

The company is engaged in the securities industry. Net proceeds of its stock sale will be added to the company's general funds and used for working capital purposes. In addition to preferred stock, it has outstanding 29,413,248 common shares. Donald T. Regen is board chairman and Ned B. Ball president. (File 2-40156)

**SECURITIES ACT REGISTRATIONS.** Effective April 27: Knight Newspapers, Inc., 2-39767. Effective April 28: American Micro-Systems, Inc., 2-40051; BancOhio Corp., 2-39569 and 2-39526; Braniff Airways, Inc., 2-39875; Burk-Hall Co., 2-39086 (90 days); Carolina Power & Light Co., 2-39997; Central Telephone & Utilities Corp., 2-39917; Corning Glass Works, 2-40049; Cotter & Co., 2-39697; First Union, Inc., 2-39781; Florida Power & Light Co., 2-39785; Anderson Jacobson, Inc., 2-38824 (40 days); Kayser-Roth Corp., 2-39922; Levitz Furniture Corp., 2-39919; Lucky Stores, Inc., 2-39926; McCormick 1971 Oil & Gas Program, 2-39019 (90 days); Municipal Investment Trust Fund Series 1H, 2-39972; Retail Credit Co., 2-39687 and 2-39822; San Diego Gas & Electric Co., 2-39990; Van Schaack & Co., 2-39077 (90 days); Wynn Oil Co., 2-39661.

\* This is a reporting company and further information with respect to its business and operations is available in the Commission's Public Reference files.

\*\* As estimated for purposes of computing the registration fee.

1/ Pending distribution of this Release by the Commission to the appropriate mailing lists, interested persons should consult the Federal Register for full details of the application.