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FOR RELEASE December 1, 1971

NEW RULES AND RULE PROPOSALS

RULE CHANGES PROPOSED REGARDING INVESTMENT COMPANY ADVERTISING AND USE OF SUMMARY PROSPECTUS BY INVESTMENT COMPANIES. The SEC today invited the submission of views and comments not later than January 30, 1972 upon proposed changes in the rules regarding advertising and the use of summary prospectuses by investment companies. The proposed changes under the Securities Act of 1933 would take the form of amendments to Rule 134, a new Rule 135A, an amendment to Rule 434A, and an addition to Form S-5.

A proposed amendment to Rule 134, the so-called "tombstone" rule, would permit the inclusion in tombstone advertisements for investment companies of a general description of an investment company, its method of operation and the services it offers. This proposal is in response to the complaint that a tombstone advertisement accomplishes little, because many persons do not even know what an investment company is.

A second proposed amendment to Rule 134 would permit the combination of an advertisement dealing with products not constituting securities with a tombstone advertisement for investment company securities. In order to prevent, for example, an advertiser from touting his expertise as an investment adviser and thereby "selling" the particular security, this proposal would limit references to the other products to those which "do not relate directly to the desirability of owning or purchasing a security." The proposal would also require that the tombstone aspect of the advertisement be placed in a separate and enclosed area.

A proposed new Rule 135A would permit generic or institutional advertising by underwriters of particular funds, sponsors of no-load funds and others provided certain disclosure requirements were complied with. Such advertisements could generally include explanatory information relating to investment companies and an explanation of the different types of such companies. Under the proposed rule, if the advertiser specialized in the sale of one mutual fund or complex of funds during the last calendar year to the extent of more than 30% of his fund sales, he must make specified disclosures relating to this specialization.

An amendment to Rule 434A would permit the use by registered open-end investment companies of a summary prospectus. An addition to the Instructions to Form S-5, the form used for registration under the Securities Act of 1933 for securities of all open-end investment companies registered under the Investment Company Act of 1940, would spell out the circumstances under which such companies could use a summary prospectus and state what information would be required in it. The Commission would reserve the authority to require the inclusion of additional information where "necessary or appropriate for the protection of investors." (Rel. 33-5213)

COMMISSION AMENDS INVESTMENT COMPANY ACT RULE 27f-1 AND FORM N-27D-1. The Commission today announced that it has amended Rule 27f-1 under the Investment Company Act of 1940. Public Law 92-165, enacted on November 23, 1971, amends Section 27(f) of the Act to exempt from the notice and refund requirements of that subsection periodic payment plans under which the amount of sales load deducted from any payment does not exceed 9 percent of the payment. The amendment of Rule 27f-1 conforms the requirements of the rule to those of the amended subsection.

The Commission also announced the adoption of certain technical amendments to Form N-27D-1 and the withdrawal of proposed Forms N-27F-2 and N-27F-3, originally proposed (Rel. IC-6493) on April 29, 1971.

Printing and mailing of copies of the release 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. (Rel. IC-6848)

SEC PROPOSES FORM CHANGES FOR DISCLOSURE OF INVESTMENT COMPANIES POLICIES. The SEC today announced that it has under consideration proposed amendments to registration Forms N-8B-1, N-8B-3, N-8B-4, N-5 and quarterly report Form N-1Q which are prescribed for use by investment companies registered under the Investment Company Act of 1940. The purpose of the proposed amendments is to implement the recommendation the SEC made in its Institutional Investor Study Report that investment companies disclose with greater specificity their policies on involvement in the affairs of their portfolio companies. Since the printing of this release may be delayed somewhat, the Investment Company Institute has agreed to make copies of it available to registered investment companies and to other interested persons.

All interested persons are invited to submit their views and comments with respect to the proposed amendments, in writing to Secretary, Securities and Exchange Commission, Washington, D. C. 20549, on or before December 31, 1971. (Rel. IC-6853)

COURT ENFORCEMENT ACTION

TRUSTEE APPOINTED FOR ABERDEEN SECURITIES CO. The Washington Regional Office and the Securities Investor Protection Corporation (SIPC) announced that on November 22 the Federal court for the District of Delaware appointed Claude P. Hudson as trustee of Aberdeen Securities Co., Inc., a Wilmington, Del. broker-dealer. Such action was taken upon determination by SIPC that Aberdeen Securities was in danger of failing to meet its obligations to its customers. (LR-5233)

OVER

SECURITIES ACT REGISTRATIONS

MONITOR LABS, INCORPORATED, 10451 Roselle St., San Diego, Calif. 92121, filed a registration statement on November 24 seeking registration of 200,000 shares of common stock, to be offered for public sale (at \$12 per share maximum) through underwriters headed by Hugh Johnson & Co., Inc., Rand Bldg., Buffalo, N. Y. 14203. The company manufactures and markets automated air quality monitors, calibrators and associated data acquisition equipment for measurement of, among other things, ambient air pollution. Of the net proceeds of its stock sale, some \$500,000 will be used for new product development and the balance for working capital and other corporate purposes. Also included in this statement is an offer of the company to repurchase a total of 539,172 shares (sold from January 1970 to September 1971) at a total price of \$631,205 plus 6% interest from the date of purchase. (File 2-42445)

AUTOMATED PROCESSES, INC., 35 Central Dr., Farmingdale, N. Y. 11735, filed a registration statement on November 24 seeking registration of 100,000 shares of common stock, to be offered for public sale at \$7.50 per share by Amos Treat Associates, Inc., 79 Wall St., New York 10004. The company is engaged in the design, manufacture and marketing of professional audio electronic equipment. Of the net proceeds of its stock sale, \$209,000 will be used to repay the company's 12-1/2% notes, due 1972, including interest, and to repay its 6% convertible subordinated debentures, due 1974. (File 2-42446)

KNOGO CORPORATION, 112 State St., Westbury, L. I., N. Y. 11590, filed a registration statement on November 24 seeking registration of 300,000 shares of common stock, to be offered for public sale at \$7 per share through J. H. Kern & Co., 40 Wall St., New York 10005. The company is engaged in the manufacture and distribution of an electronic system designed to detect unauthorized movement of articles tagged with the company's wafers, used primarily to deter and detect shoplifting. Of the net proceeds of its stock sale, \$350,000 will be used to purchase components for, and to manufacture and assemble, Knogo Detection Systems and the balance for working capital and other corporate purposes. (File 2-42447)

MUNICIPAL INVESTMENT TRUST FUND, FIRST MONTHLY PAYMENT SERIES (the Fund), Merrill Lynch, Pierce, Fenner & Smith Inc., 70 Pine St., Bache & Co. Inc., 100 Gold St., and Walston & Co., Inc., 77 Water St., all of New York, filed a registration statement on November 24 seeking registration of \$78,750,000 of units of the Fund. The Fund was created by a trust agreement under which Merrill Lynch, Bache, and Walston act as sponsors United States Trust Company of New York as trustee and Standard & Poor's Corporation as evaluator. The Fund's objectives are tax exempt income and conservation of capital through an investment in tax exempt bond portfolio of interest-bearing obligations rated "BBB" or better by Standard & Poor's Corporation or "Baa" or better by Moody's Investors Service issued by or on behalf of states, counties, territories or municipalities of the U.S. and authorities and political subdivisions thereof, the interest on which is, in the opinion of recognized bond counsel exempt from all Federal income tax under existing law. (File 2-42448)

BARR LABORATORIES, INC., 265 Livingston St., Northvale, N. J. 07647, filed a registration statement on November 26 seeking registration of 150,000 shares of common stock, to be offered for public sale at \$4 per share by A. J. Carno Co., Inc., 42 Broadway, New York. The company is engaged in manufacturing and marketing prescription and over-the-counter pharmaceutical products. Of the net proceeds of its stock sale, \$140,000 will be used for independent testing of the company's proposed products in connection with applications to appropriate regulatory authorities to obtain rights to market such products and the balance for working capital and other corporate purposes. (File 2-42449)

EARL SCHEIB, INC., 8737 Wilshire Blvd., Beverly Hills, Calif. 90211, filed a registration statement on November 26 seeking registration of 200,000 shares of common stock, of which 100,000 are to be offered for public sale by the company and 100,000 (being outstanding shares) by the holders thereof. The offering is to be made (at \$29 per share maximum) by Allen & Co., Inc., 30 Broad St., New York 10004, and Sutro & Co. Inc., 460 Montgomery St., San Francisco, Calif. 94104. The company is engaged in the operation of a chain of automobile paint shops. Net proceeds of its stock sale will be used to finance the acquisition or leasing of additional real property for new auto paint shop locations, for additional construction and equipping of company owned auto paint shops and for other corporate purposes. (File 2-42450)

SECURITIES ACT REGISTRATIONS. Effective November 26: General Medical Corp., 2-42301. Effective November 29: Compumatrix International Management Corp., 2-38098 (90 days); Interserv Financial Association, Ltd., 2-38548 (90 days); Organic Food Corp., 2-41331 (90 days); Travelodge International Inc., 2-41136; Zion Investment Associates, Inc., 2-40064 (90 days).

NOTE TO DEALERS. The period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

*As estimated for purposes of computing the registration fee.

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