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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FOR RELEASE August 21, 1959

SEC ORDER CHALLENGES DISCLOSURES IN TWO RELATED FILINGS

The SEC today announced the institution of proceedings under the Securities Act of 1933 which challenge the accuracy and adequacy of disclosures in registration statements filed by the following companies, both of 513 International Trade Mart, New Orleans, La.; and it has ordered a consolidated hearing to commence September 2, 1959, on the question whether stop orders should be issued suspending their effectiveness:

American Investors Snydicate, Inc. ("American")
Oil, Gas & Minerals, Inc. ("O G & M")

O G & M was organized in March 1958 and owns certain interests in oil properties in the Leeville Field, Lafourche Parish, La. It also owns the south side of the 3000 block of St. Charles Avenue, between 7th and 8th Streets, in New Orleans, which it has leased to American. The latter was organized in February 1959 and proposes to construct an apartment-hotel and related facilities on the St. Charles Ave. property. The principal promoters of both companies are James A. and Joseph D. Lindsay.

In its registration statement, O G & M proposed the public offering of 250,000 shares of common stock at $2 per share, plus an additional 10,000 shares to be sold by a selling stockholder. The offering was to be made on a best efforts basis by Lindsay Securities Corporation, which was owned by the Lindsays, for which a 15% selling commission was to be paid. Net proceeds would be used to retire a $125,000 loan on the St. Charles Ave. property and for certain other purposes, $250,000 being "not allocated."

American's registration statement proposed the public offering of 600,000 shares of common stock and 200,000 shares of 6% preferred, in units consisting of 1 preferred and 3 common shares and at $12 per unit. This offering also was to be made on a best efforts basis by Lindsay Securities, for which a selling commission of $1.80 per unit was to be paid. Net proceeds were to be devoted in large part ($2,000,000) to the construction of the apartment-hotel.

The Commission asserts with respect to each company that its prospectus fails to include "an introductory statement . . . summarizing in a clear, concise and understandable fashion a description of the speculative features of the registrant's business and securities. ." Concerning O G & M, for example, the order states that there was failure to point out that the company has operated at a loss since its inception and that there is no earned surplus available for dividends; that its stock was recently offered at $1 and the book value of the assets is about 67¢ per share as compared with an arbitrarily determined proposed $2 offering price of the new shares; and that there are restrictions on resale of O G & M stock which require a first offer to the corporation or other shareholders to sell at a price not to exceed book value per share.

With respect to American, there was an asserted failure to disclose the inexperience of management in the construction or management of apartment-hotels; that there is no assurance that the building will be constructed and that, if it is constructed, no substantial revenues can be expected until after January 1961, and the company currently has fixed expenses of $30,000 per annum rental plus taxes and other expense items; that if all the preferred shares are sold, net earnings of $108,000 per annum after taxes will be required to pay the annual dividend requirement and that there is no

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STOP ORDER SUSPENDS CENTRAL OILS STOCK REGISTRATION

In a decision announced today (Release 33-4131), the Securities and Exchange Commission suspended a registration statement filed by Central Oils Incorporated, of Seattle, Washington, which proposed the public offering of 3,000,000 shares of common stock.

The Commission found that Central's registration statement and prospectus contains misleading statements of material facts and omits material facts required to be stated therein concerning (among other things) the intended use of the proceeds of the proposed offering and the description of Central's properties (including a geological report with respect thereto), and does not make plainly evident the speculative features of the business and securities of Central. In a stipulation filed in the proceeding, Central stipulated that such deficiencies existed and consented to the issuance of a stop order.

Central was organized in September 1956 to explore for oil and gas. It has outstanding 1,001,380 shares of stock. The promoters, A. R. Morris and H. C. Evans, were minority stockholders in Northwestern Oils, Inc., which formerly held oil and gas leases on the land now under lease to Central in Oregon, and on which Northwestern had drilled a well to a depth of 3,360 feet. Morris and Evans obtained the oil and gas leases after that company's operations ceased and its leases terminated, and assigned them to Central in return for a net of 800,000 shares. Central has conducted no drilling operations to date.

Based upon the stipulated facts, the Commission found that the registration statement was "materially deficient" in that the prospectus fails adequately to disclose that the greater part of the area on which the leases are located is covered with or underlain with some form of igneous rock formations and that Northwestern encountered such formations from 1,000 to 2,400 feet; fails to disclose that the presence of such formations is such an unfavorable factor as largely to preclude surface determination of geologic structural features underlying the igneous formations; fails to disclose the risks involved in drilling for oil and gas in the area; omits to set forth known geological data indicating the relative unlikelihood of oil and gas being found in commercial quantities; and fails to point out that the location of the proposed test well is in an area hundreds of miles from commercial production and was chosen without benefit of any appreciable amount of favorable scientific information. The prospectus also fails to disclose certain additional pertinent facts with respect to five test wells which have been drilled in the general area, determined to be dry holes and abandoned.

The geologist's report included in the prospectus strongly recommended exploratory drilling on the properties and indicated that such recommendation is based on observation of geological conditions of the surface and a study of samples taken from the well drilled by Northwestern, which were said to be very encouraging. This report was found by the Commission to be materially misleading for various reasons, including the failure to state that what might be considered favorable structural conditions determined from surface surveying are not indicative of favorable structural conditions in the sedimentary rock that might be found under the basalt cap. The drilled samples also "afforded very little basis for encouragement," the Commission stated.

As to the use of proceeds, the prospectus states that Central's primary objective is to drill a test well, which may consist of a new well or a deepening of the well drilled by Northwestern; and it notes that the management reserved the right to change the application of proceeds and priority thereof "as circumstances may prescribe or require." However, the Commission commented, the prospectus does not set forth the time when or the circumstances under which the management might make such change nor does it provide any indication concerning the nature of any such change; and it further fails to state the order of priority in which the proceeds would be used if only part of the proposed stock offering were sold.

Other deficiencies found by the Commission included the following: failure to disclose that the promoters hold oil and gas leases in areas contiguous to Central's leases and will benefit from successful exploration of Central's properties; failure to disclose the terms of an agreement for escrow of shares owed by officers and directors; and a failure to disclose material information concerning the principal occupations during the last five years of officers, directors and promoters, or to disclose adequately their remuneration, including compensation proposed to be paid during the next year.

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likelihood of such earnings until the building is completed and substantially rented; that the $1 per share offering price for the common has been arbitrarily set, since there is no market for stock, the company's operations have not been profitable, its book value per share as of June 15, 1959, was 20¢, the company recently sold 100,000 shares to the public at 50¢ per share, and the promoters acquired 62,000 at 10¢ per share; and that the officers and directors to the two companies and the underwriter are the same, with a clear statement of the reason for dividing this real estate operation between the two companies.

The Commission also questions the accuracy and adequacy of various other informational disclosures contained in the prospectus of each of the issuing companies, including as to each the information with respect to the intended use of the proceeds of the stock sale; the company's business and leases; and the failure to disclose material facts with respect to the proposed apartment-hotel and the financial condition of the lessee company.

HERA EXPLORATION STOCK OFFERING SUSPENDED

The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Hera Exploration Company, 115 Seventh Avenue, Renton, Washington.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding $300,000 in amount. In a notification filed on April 29, 1958, Hera proposed the public offering of 620,000 common shares at 15¢ per share pursuant to such an exemption. The Commission asserts in its suspension order that it has reasonable cause to believe that a Regulation A exemption is not available to Hera because of the pendency of an action for a Federal Court order enjoining Clinton Mining & Milling Co., an affiliate, and William H. Pillatos, an officer, promoter and principal stockholder, from engaging in certain conduct or practices in connection with the sale of securities; that certain terms and conditions of Regulation A have not been complied with, including the failure to use an offering circular in connection with the offering of Hera stock and the use of certain sales literature which was not filed with the Commission; that Hera's offering circular contains false and misleading representations of material facts; and that the offering was made and would be made in violation of Section 17 (the anti-fraud) provision of the Securities Act. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

The false and misleading statements charged by the Commission pertain to the failure to disclose Hera's relationship with Clinton Mining; the failure to disclose all material transactions between Hera and Clinton Mining; the failure to disclose all material transactions of directors, officers and controlling persons with Hera and with Clinton Mining; the failure to disclose adequately the results of work on Hera's properties; and the quotation ". . It is estimated that 50,000 tons of one reserves containing about 2 1/2 percent copper is available . .," in view of the fact that Hera stated that no body of commercial ore is known to exist on its property.

(In the injunction action referred to, pending in the U. S. District Court, Spokane, Washington, the Commission's complaint charges that the Securities Act registration requirements have been violated in the offer and sale of Clinton Mining stock.)

(NOTE TO PRESS: Copy of foregoing also released by SEC Seattle Regional Office

DISCIPLINARY ACTION DISMISSED ON ATTORNEY'S UNDERTAKING NOT TO PRACTICE BEFORE SEC

In a decision announced today (Release 33-4132), the SEC discontinued a proceeding on the question whether Sol M. Alpher, a Washington, D. C., attorney, should be denied the privilege of appearing and practicing before the Commission, on the basis of an undertaking by Alpher not to appear or practice before the Commission in the future without its approval.

In initiating the action, the Commission charged that Alpher had engaged in unethical and improper professional conduct in that he had prepared and filed a Securities Act registration statement for an issuing company which contained financial statements certified by an accountant who was not independent because he was a partner of the person controlling the issuing company, knowing that such accountant was required by law to be independent but was not in fact independent, and that, in order

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to conceal the lack of independence, he withheld from the registration statement information which would have disclosed that the certifying accountant was a partner of the person controlling the issuing company and caused the home address of the certifying accountant instead of his business address to be placed on the certificate.

In an answer to the charges, Alpher denied that he knew that the certifying accountant could not be considered independent, that he intended to conceal the relationship of the accountant with the issuing company, and that he was guilty of unethical or improper professional conduct. He further stated that he relied on others who he believed to be more familiar with accounting requirements, and that any errors or omissions were honest ones on his part. He requested dismissal of the action, stating that he would not appear or practice before the Commission without its approval.

In an earler proceeding dealing with the conduct of the two accountants in question, the Commission found that these accountants had engaged in improper and unethical professional conduct; and it denied the accounting firm and the accountant who controlled the issuing company the privilege of practicing before the Commission without its approval, and suspended for 30 days the certifying accountant, as to whom the Commission made no finding of intentional concealment. Alpher consented to the incorporation of the record of that proceeding into the record of the present proceeding.

The Commission stated that in its opinion that record substantiated the allegations of the order for this proceeding. It observed that concealment of the lack of independence of a certifying accountant would constitute unethical and improper professional conduct justifying disciplinary action. The Commission further noted, however, that although Alpher testified in the prior proceeding, he was not a party to that proceeding; and that in view of his agreement not to practice before the Commission, no hearing was held at which he would have the opportunity to present any additional facts upon which he might base his defense.

Under all the circumstances, including Alpher's agreement not to appear or practice before the Commission in the future without obtaining the consent of the Commission, the Commission concluded that it was not inconsistent with the public interest to discontinue this proceeding.

INDUSTRIAL VINYLS PROPOSES STOCK OFFERING

Industrial Vinyls, Inc., 5511 N. W. 37th Ave., Miami, Fla., on August 20, 1959 filed a registration statement (File 2-15486) with the SEC seeking registration of 200,000 shares of common stock, to be offered for public sale at $2.50 per share through an underwriting group headed by The Robinson-Humphrey Company, Inc., and Clisby & Company, who will receive a commission of 30¢ per share.

The company's principal activity is the custom extrusion of thermoplastic materials, primarily vinyls, for its customers. It now has outstanding 200,000 shares of common stock, held in equal amounts by George W. Cornell, president, and W. Elder Cornell, Jr., executive vice president. Net proceeds of the sale of additional stock will be used as follows: About $300,000 for the purchase of machinery and equipment to expand the company's facilities for blending, extruding and molding thermoplastics; $35,000 to reduce current bank borrowings; and the balance for working capital and other general corporate purposes.

POWELL RIVER CO. FILES FOR EXCHANGE OFFER

Powell River Company Limited, 1204 Standard Building, Vancouver, B. C., Canada, filed a registration statement (File 2-15488) on August 20, 1959, with the SEC seeking registration of 4,500,000 Ordinary Shares. Powell River proposes to offer these shares (and additional shares in Canada), as constituted following a two-for-one subdivision of the shares in September 1959, to holders of, and in exchange for, outstanding Class "A" and Class "B" shares of MacMillan & Bloedel Limited, on the basis of seven shares of Powell River stock for three shares of MacMillan & Bloedel stock, whether Class "A" or Class "B".

Powell River has entered into an agreement in and for the United States with White, Weld & Co., Wood, Gundy & Co., Inc., and Greenshields & Co. (N.Y.) Inc. (the U. S. Dealer Managers) and in and for Canada with Wood, Gundy & Company Limited and Greenshields & Co., Inc. (the Canadian Dealer Managers) whereby such companies have agreed to use their best efforts to solicit acceptances of the exchange offer.

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On consummation of the exchange, the name of Powell River is to be changed to "MacMillan, Bloedel and Powell River Limited." The board of directors of Powell River is to be increased and the vacancies filled by the directors in such manner that the Board shall contain equal representation of Powell River and MacMillan & Bloedel with the Hon. J. V. Clyne appointed as an additional Director and Chairman with a casting vote. Upon consummation of the exchange the present shareholders of MacMillan & Bloedel will hold a majority of the shares of Powell River. The plan has been approved by the Board of Directors of MacMillan & Bloedel and by the Board of Directors and the shareholders of Powell River. All the directors and principal shareholders of MacMillan & Bloedel have advised that they propose to accept the exchange offer.

DRAKE ASSOCIATES FILES FOR OFFERING

Drake Associates, 60 East 42nd St. New York, filed a registration statement (File 2-15490) with the SEC on August 20, 1959, seeking registration of $5,905,000 Limited Partnership Interests (590½ units) in Drake Associates. The latter is a partnership organized in August 1959 for the purpose of purchasing for investment the fee title to the Hotel Drake at 56th and Park Avenue, New York, including land, building, furniture, furnishings and equipment. The general partners are Peter I. Feinberg, Samuel Sockol, Louis Adler, Marvin Greenspan and Alfred Kaplan. Partnership interests are to be offered in units of $10,000.

Associates will not operate the Hotel. The premises will be net leased to Zeckendorf Hotels Corporation which will erect in accordance with its lease obligations an addition to the hotel, which plans provide for a 16 story structure containing 176 guest rooms, plus six meeting rooms and offices, stores and hotel facilities on the first two floors.

The property is to be acquired from Webb & Knapp, Inc., for $9,000,000, payable $4,500,000 in cash and $4,500,000 by taking title subject to an existing Consolidated Mortgage in that amount. In addition the purchaser is required to make a loan of $1,000,000 to Zeckendorf Hotels Corporation, which loan is to be satisfied by the construction of the addition. Messrs. Feinberg, Sockol, Adler and Greenspan have entered into a contract for the purchase of the property, and have agreed to assign the contract to Associates for $950,000 in subordinated partnership interests. These partners will also receive $500,000 and it is estimated that the costs and expenses to be borne by them will aggregate at least $500,000. The limited partnership interests will be offered through Domax Securities Corporation and Peter I. Feinberg Securities Corp. as agents of Associates. The general partner will contribute $85,000 in cash to the capital of the partnership; and an original limited partner has agreed to make a capital contribution of $10,000 prior to the public offering. Messrs. Feinberg, Sockol, Adler and Greenspan have deposited $350,000 under the purchase contract and are required to deposit an additional $50,000 on September 15th and each month thereafter until the closing. The $6,000,000 to be received from the general partners' cash contributions and from the sale of limited partnership interests will be applied to the acquisition of title to the Hotel Drake, including the reimbursement of deposits and the various payments incident to the purchase. The capital of the partnership will consist of $85,000 in general partnership interests, $5,915,000 in limited partnership interests and $950,000 in subordinated general and limited partnership interests.

HOOKER CHEMICAL PROPOSES DEBENTURE OFFERING

Hooker Chemical Corporation, Niagara Falls, N. Y., today filed a registration statement (File 2-15492) with the SEC seeking registration of $25,000,000 of Convertible Subordinated Debentures due September 15, 1984. The company proposes to offer the debentures for subscription by holders of its common stock of record September 15, 1959, on the basis of $100 principal amount of debentures for each 30 shares then held. The interest rate, subscription price and underwriting terms are to be supplied by amendment. Smith Barney & Co. is listed as the principal underwriter.

Net proceeds of the sale of the debentures will be added to the general funds of the company and will be available for general corporate purposes. These funds, including retained earnings and depreciation allowances, will be used for the financing of the company's expansion program, for additional working capital and for such other corporate purposes as the management may determine. The company presently anticipates that its capital expenditures during the years 1959-1963 will approximate $100,000,000; and it is indicated that the proceeds of the present financing, together with retained earnings and depreciation allowances, will be sufficient to meet the cost of the program

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COMBINED METALS EXEMPTED FROM REGISTRATION AND REPORTING

The SEC has issued an order (Release 40-2906) granting an application of Combined Metals, Inc., Salt Lake City investment company, for exemption from the reporting requirements of the Investment Company Act and from the necessity of filing a registration statement thereunder. The company's only asset consists of 2,000 shares of preference stock of Combined Metals Reduction Company, on which it has received no dividends since 1952.

GEORGIA POWER FILES BOND FINANCING PROPOSAL

Georgia Power Company, Atlanta, Ga., has applied to the SEC for an order authorizing its issuance and sale of $18,000,000 of First Mortgage Bonds, Series due September 1, 1989, at competitive bidding and the Commission has issued an order (Release 35-14045) giving interested persons until September 4, 1959, to request a hearing thereon. The company contemplates expenditures of about $49,511,000 during 1959 for property additions and improvements. Net proceeds of the sale of the bonds, together with cash on hand derived from internal sources and from common stock financing undertaken in February 1959, will be used to finance this program.

CERTAIN-TEED PRODUCTS FILES STOCK PLAN

Certain-Teed Products Corporation, 120 East Lancaster Ave., Ardmore, Pa., filed a registration statement (File 2-15489) with the SEC on August 20, 1959, seeking registration of 75,000 shares of its common stock, to be issued upon the exericse of options granted to officers and key employees of the company pursuant to its Incentive Plan for Officers and Key Employees.

TECHNICAL MATERIEL CORP. PROPOSES STOCK OFFERING

The Technical Materiel Corporation, 700 Fenimore Road, Mamaroneck, N. Y., filed a registration statement (File 2-15491) with the SEC on August 20, 1959, seeking registration of 85,000 shares of common stock. The company proposes to offer 80,000 shares for public sale through underwriters and 5,000 shares to employees. The public offering price and underwriting terms, as well as the price to employees, are to be supplied by amendment. Kidder, Peabody & Co., Inc. is listed as the principal underwriter.

The company designs, manufactures and sells components and complete syatems of high frequency radio communications. It has outstanding 465,000 shares of common stock (in addition to certain indebtedness), of which 405,000 shares are held by Ray H. dePasquale, president, and 60,000 shares by William J. Galione, executive vice-president. Net proceeds of the sale of additional stock will be added to the company's working capital to carry additional inventories and accounts receivable which the company believes will be required because of its expected increase in business volume.

DELISTING OF TWO RAIL STOCKS PROPOSED BY NYSE

The SEC has issued orders (Release 34-6049) giving interested persons until September 2, 1959 to request a hearing upon applications of the New York Stock Exchange to delist the preferred and common stock of Cleveland, Cincinnati, Chicago and St. Louis Railway Company and the common stock of Pittsburgh, Ft. Wayne & Chicago Railway Company, most of the outstanding shares of which companies is held, respectively, by New York Central Railroad Company and Pennsylvania Railroad Company.

UNLISTED TRADING IN GLEN ALDEN SOUGHT

The SEC has issued an order (Release 34-6049) giving interested persons until September 2, 1959, to request a hearing upon a Philadelphia-Baltimore Stock Exchange application for unlisted trading privileges in the common stock of Glen Alden Corporation, which is listed and registered on the New York Stock Exchange.

UNLISTED TRADING IN LOEW'S THEATRES STOCK GRANTED

The SEC has issued orders (Release 34-6049) granting applications for unlisted trading privileges in the common stock of Loew's Theatres, Inc., filed by the Boston, Detroit, Pacific-Coast, and Philadelphia-Baltimore Stock Exchanges, which stock is listed and registered on the New York Stock Exchange

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HEARINGS SCHEDULED ON APPLICATIONS OF TWO "VARIABLE ANNUITY" COMPANIES

The SEC has scheduled hearings for September 9 and 10, 1959, respectively, upon applications filed by The Variable Annuity Life Insurance Company of America ("Valic"), and The Equity Annuity Life Insurance Company ("Ealic"), both of Washington, D. C. for exemption from certain specified provisions of the Investment Company Act of 1940 (Release Nos. 40-2907 and 40-2908).

Valic was organized in December 1955 and Ealic in July 1956 under the Life Insurance Act of the District of Columbia; and both are engaged in the issuance and sale of "variable annuity" contracts together with term life insurance and disability insurance in combination contracts. In the March 23, 1959, decision of the U. S. Supreme Court, the variable annuity contracts were held to constitute securities within the meaning of the Investment Company Act and the Securities Act of 1933. Each of the companies, for the purpose of compliance with the Investment Company Act, proposes to change certain of its methods of operation so as to operate in the manner outlined below.

Each company proposes to issue and sell variable annuity contracts which will provide, in substance, that the purchaser will make either a single payment, or periodic payments of fixed amounts over a period of years, such period of years being hereinafter referred to as the "pay-in" period. In return for such payments the purchaser will be credited with so-called "accumulation units" representing the purchaser's pro-rata share of the assets of the company. Since the purchaser's payments are constant in amount the number of accumulation units credited to the purchaser's account will depend upon the value of a single accumulation unit at the time of each payment. Until the so-called "maturity date" which is selected by the purchaser, he has the right, at any time, to redeem the accumulation units at their then current value and terminate the contract, and in the event of death prior to the maturity date such redemption and termination are mandatory, although various settlement options are available for the payment of the proceeds to a designated beneficiary.

As to Valic, in the event of voluntary redemption prior to maturity Valic reserves the right to impose a charge not to exceed 2% of the redemption value. Prior to maturity the purchaser also has the right, subject to deferment by Valic for a period of six months, to redeem all or part of the accumulation units standing to his cerdit without terminating the contract, and upon payment to Valic of a service charge of 3% per annum, he may repay such withdrawn amount, which repayment will be used to provide accumulation units at their current value at the time of repayment, without deduction for sales and other charges discussed later.

As to Ealic, prior to maturity the purchaser also has the right to redeem all or part of the accumulation units standing to his credit without terminating the contract, and upon payment to Ealic of a stipulated service charge, he may repay such withdrawn amount, which repayment will be used to provide accumulation units at their current value at the time of repayment, without deduction for sales and other charges discussed later.

With respect to each company, at the maturity date, generally speaking, the contract holder may elect to have the accumulation units standing to his credit converted into so-called "annuity units" which also represent a proportionate interest in the assets of the company, and to receive periodically the value, as it may vary, of a specified number of such annuity units for either (i) the balance of his life, or (ii) a fixed period of years plus the balance of his life if he survives. The contract holder, in the alternative, may elect to have the value of such units paid throughout the life of the last survivor of himself or another person. The period over which each will make payments to the contract holder or his survivor is hereinafter referred to as the "pay-out" period. The number of annuity units, the proceeds of which the contract holder is entitled to receive periodically, is determined by reference to a life annuity table, and is dependent upon the sex of the contract holder, age at the maturity date and the type of pay-out elected. Annuity units may not be redeemed and the contract holder is entitled only to receive the payments during the particular pay-out period which he has elected.

With respect to each company, also the value of accumulation units and annuity units will be determined at the end of each month. The valuation will reflect the investment experience of the company's "investable assets" other than non-convertible debt securities, which will consist, in the main, of common stocks meeting the requirements of the Life Insurance Act. The valuation of these units will also reflect the deduction of a charge not to exceed 0.15% monthly (1.8% annually) of the unit value, which deduction will enure to the common stockholders of the company to cover, in part, administrative, management and other ex-

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penses, income taxes, contigency reserve liabilities, and profit. To reflect the investment experience of the investable assets their current value will be determined, to which there will be added realized gains or losses incurred, and dividend or interest income received, since the last preceding valuation, and the figure thus obtained less deductions will be expressed as a percentage of the last preceding comparable figure and applied to the last preceding unit value to obtain the current unit value.

The Valic application states that the sales load applicable to periodic payment variable annuity contracts sold to individuals is 50% of the first twelve monthly payments, or their equivalent, and 5% of the next 132 monthly payments or their equivalent. The sales load applicable to single payment variable annuity contracts is stated to be 5% of the payment. In addition to these deductions from payments a further deduction is made to cover issuance and administrative costs and premium taxes which in the case of periodic payment plans sold to individuals is equal to 2% of the first years' payments, 6% of the next 11 years' payments and 8% thereafter; in the case of single payment contracts this deduction will be 5% if the pay-out period commences immediately and 7% if it is deferred.

In its application, Ealic states that the sales load applicable to periodic payment variable annuity contracts sold to individuals is 40% of the first twelve monthly payments, or their equivalent, and 5% of the next 108 monthly payments or their equivalent. The sales load applicable to single payment variable annuity contracts is stated to be 5% of the payment. In addition to these deductions from payments a further deduction is made to cover issuance and administrative costs which in the case of periodic payment plans sold to individuals is equal to 10% of the first years payments, 7% of the next nine years payments and 8% thereafter; in the case of a single payment contract this deduction is equal to 5% of the payment.

Each company states that it is required under the Life Insurance Act to reflect in its accounts, as reserve liabilities, all liabilities to which it is subject arising out of its variable annuity contracts and life and disability insurance contracts. It is further required to maintain admitted assets equal in value to such liabilities as well as the par value of its common stock and surplus. In addition to these legally required reserve liabilities and assets, each has undertaken and represented in connection with its application, that it will establish a contingency reserve equal to 25% of its liability to variable annuity contract holders during the pay-out period, and to maintain additional admitted assets of like amount in value. Each has further undertaken and represented in connection with this application to reinsure with other insurance companies all liabilities under life and disability contracts.

Each of the companies seeks an exemption from certain provisions of that Act, as follows: Section 17(a)(3), to permit advances to general agents and sales employees (and, as to Valic, to permit loans to contract holders who may be affiliates under certain circumstances); Section 17(d) and Rule 17d-1 thereunder, to permit bonus payments or additional compensation to agents and employees based upon sales volume; Section 17(f) and Rule 17F-2 thereunder, with respect to the custody of securities and investments as may be required by Washington, D. C., or state insurance laws; Section 18(f)(1), to the extent that the sale of variable annuity contracts may be construed as the sale of an evidence of indebtedness or a security having priority over outstanding stock; Section 18(i), as to voting rights of contract holders, to the extent necessary to comply with a provision of the Life Insurance Act that, where contracts are issued to a group of employees, the employer is deemed to be the policy holder and shall be limited to one vote; Section 22(d) , to the extent necessary to permit the sale of group variable annuity contracts on a negotiated basis varying the sales load and other expense deductions from the contract holders' payments; Section 22(e), to the extent necessary to permit postponement upon contracts tendered for redemption during the pay-in period for a period of not more than 7 days after the next ensuing monthly valuation date of its accumulation units; Section 24(d), to the extent necessary to permit the sale of conventional insurance policies or contracts, either alone or in combination with variable annuity contracts, without the necessity for registration of the said conventional policies or contracts; Section 27(a), to the extent necessary to permit sales load deductions varying in certain particulars from that permitted under this provision; Section 27(c)(2), to permit the proceeds of the sale of variable annuity contracts sold on a periodic payment basis to be treated as part of general corporate assets and income, without creation of a separate custodianship or trusteeship with respect thereto; and Section 7(b), so as to provide a complete exemption for such separate trust or fund as may be deemed created by payments made by contract holders which are held for their benefit. Valic also seeks an exemption from Section 9(a) of the Act to the extent necessary to remove any disqualification resulting from the Supreme Court decision above referred to.

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