

September 13, 1973

To Our Clients

A recent meeting with the Staff of the SEC to discuss standby underwriting commitments in connection with redemption of convertibles is reported to have resulted in the Staff taking the position that:

(1) The Salomon Brothers letter (which indicated that the Staff no longer agreed that § 3(a)(9) exempted the reoffering by the underwriters) will not be withdrawn -- it continues to be the Staff position.

(2) Form S-16 is available for registration of the reoffering.

(3) Form S-16 will no longer be precleared for standbys, but arrangements can be made for effectiveness 48 hours after filing.

(4) Solicitation of conversions is not permissible when Form S-16 is used; solicitation can be made only when S-1 or S-7 is issued.

(5) Rule 10b-6 is applicable to standbys -- the Staff position continues to be that the convertible is a right to acquire the underlying security and 10b-6 is applicable to both the convertible and the underlying security.

(6) Rule 10b-7 permits stabilization of the convertible and the underlying security during the call period.

(7) The SEC will grant, on an ad hoc basis, 10b-8 type exemptions for layoffs by underwriters. A general 10b-8 provision is being considered.

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