

January 7, 1974

To Our Clients

Institutional Investors - Portfolio Restrictions.

Sen. 2842 would impose a penalty tax on a pension fund that violates a 5-and-10 type restriction -- invests more than 5% of its assets in any one equity security or acquires more than 10% of the equity of any company. The Bill contains provisions encouraging pension fund venture capital investments and amending the capital gains tax by providing lower rates for longer holding periods.

Limitation on Foreign Ownership.

Another bill, H.R. 12040, has been introduced to limit foreign ownership of U.S. companies. H.R. 12040 differs from the previous bill in that the limit is 10% of voting securities rather than 5% and only "defense" and "energy" companies are subject to the restriction.

Registration of Merger Consultants as Brokers.

The SEC has again taken the position that "merger consultants" who are more than mere finders must register as brokers under the 1934 Act.

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