For RELEASE January 10, 1972

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

SECURITIES ACT OF 1933
Release No. 5224

ADOPTION OF RULE 237

The Securities and Exchange Commission has adopted a new rule, designated Rule 237 under Section 3(b) of the Securities Act of 1933. That section authorizes the Commission to exempt from the registration provisions of the Act limited amounts of securities where the Commission finds such registration is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering. The proposed rule is being adopted in connection with Rule 144 and certain other related proposals.

Rule 237 exempts from registration outstanding securities held by persons, other than the issuer, control persons or brokers or dealers, if the following conditions are met:

The issuer is a domestic issuer and has been actively engaged in business as a going concern for at least five years;

The securities have been beneficially owned and paid for by the seller for at least five years and are bona fide sold in negotiated transactions otherwise than through a broker or dealer.

The amount of securities of the issuer, its predecessors, and all of its affiliates which can be sold during any period of one year cannot exceed the lesser of the gross proceeds from the sale of one percent of the securities of the class outstanding or $50,000 in aggregate gross proceeds. If during such year the person selling the securities has sold securities under any other exemption under Section 3(b) ofthe Act or under Rule 144, the amount sold must be deducted from the amount sold under Rule 237. In computing such amounts sales by certain family members and related interests must be taken into consideration.

Any person intending to sell securities under Rule 237 is required to file a notice, on a form prescribed therefor, with the appropriate Regional Office of the Commission 10 business days before the sale. A copy of the notice would have to be sent or given to the issuer at the same time.

The purpose of the rule is to provide a means whereby persons who have held securities for five years or more may dispose of them otherwise than in the trading market without requiring the purchasers to take them under the limitations of a private placement. While the rule provides an exemption from registration under the Act, it does not provide an exemption from the anti-fraud provisions of the securities acts.

The following are the principal changes which have been made in the provisions of the rule as published for comment in Securities Act Release No. 5187:

Manner of sale. Paragraph (a)(4) of the rule requires that the securities be bona fide sold in negotiated transactions otherwise than through a broker or dealer. This was implicit in this provision, but it was deemed preferable to expressly so state.

Amount of securities exempted. Paragraph (b) of the rule places certain quantity limitations on the number of shares or other securities of the issuer, its predecessors, and all of its affiliates which may be sold under the rule during any one-year period. The language covering predecessors and affiliates of the issuer is similar to that used in Regulation A and was added to the proposed rule in order to prevent possible evasions of the rule.

Notice provisions. Item 9 of the Notice requires a statement of the approximate total number of shares or other units (or if debt securities, the aggregate face amount) of the class, of which the securities to be sold are a part, outstanding as shown by a recent published report of the issuer or by a letter from the issuer setting forth the number outstanding as of a recent date. Compliance with the provision in the proposed rule that such information be stated as of a specified date within 10 days prior to the date of filing of the notice would have been difficult, particularly for persons desiring to sell securities of issuers which have not published such information.

Definition of Terms. The definition of "person" has been changed to conform with that used in Rule 144.

The text of the proposed rule and form follows:

Rule 237. Exemption of Certain Securities Owned for Five Years.

(a) Securities exempted. Subject to the terms and conditions of this rule, securities sold by any person, other than the issuer of the securities, an affiliate of such issuer or a broker or dealer, shall be exempt from registration under the Act, provided all of the following conditions are met:

(1) The issuer is incorporated or organized under the laws of the United States or any State or Territory or the District of Columbia and has its principal business operations in the United States.

(2) The issuer has been actively engaged in business as a going concern during a period of at least the last five years.

(3) The securities sold have been beneficially owned by the person for a period of at least five years prior to the sale and, if the securities were purchased, the full purchase price or other consideration shall have been paid or given at least five years prior to the sale. Giving the person from whom the securities were purchased a promissory note or other obligation to pay the purchase price shall not be deemed to be payment of the purchase price until the note or other obligation has been discharged by payment in full.

(4) The securities are bona fide sold in negotiated transactions otherwise than through a broker or dealer.

(b) Amount of securities exempted. The number of shares or other securities of the issuer, its predecessors, and all of its affiliates, sold under this rule by any person during any period of one year shall not exceed the lesser of the gross proceeds from the sale of one percent of the securities of the class outstanding or $50,000 in aggregate gross proceeds. Such amounts shall be reduced by the amount of any securities sold during such year pursuant to any other exemption under Section 3(b) of the Act and the amount of securities of the same class sold in reliance upon Rule 144.

(c) Filing of Notice. At least 10 days (Saturdays, Sundays and holidays excluded) prior to the sale of the securities there shall be filed with the Regional Office of the Commission for the region in which the issuer's principal business operations are conducted three copies of a notice on Form 237 which shall be signed by the selling security holder. A copy of such notice shall also be sent or given, at the same time, to the issuer of the securities.

(d) Definition of terms. The definitions contained in the Act and in Rule 405 thereunder shall apply to the terms in this rule. The following definition shall also apply:

Person. The term "person" when used with reference to a person who sells securities in reliance upon the exemption provided by this rule includes, in addition to such person, all of the following persons:

(a) Any relative or spouse of such person, or any relative of such spouse, anyone of whom has the same home as such person;

(b) Any trust or estate in which such person or any of the persons specified in (a) collectively own ten percent or more of the total beneficial interest or of which any of such persons serve as trustee, executor or in any similar capacity; and

(c) Any corporation or other organization (other than the issuer) in which such person or any of the persons specified in (a) are the beneficial owners collectively of ten percent or more of any class of equity securities or ten percent or more of the equity interest.

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FORM 237

NOTICE OF PROPOSED SALE OF SECURITIES PURSUANT TO RULE 237

1. Name, address and telephone number (including area code) of the issuer of the securities to be sold:

2. Name and address of the person who is selling the securities to which this notice relates:

3. Title of the class of securities to be sold:

4. Number of shares or other units to be sold (if debt securities, give the aggregate face amount):

5. Aggregate price at which the securities are proposed to be sold:

6. Date on which the securities to be sold were acquired by the person by whom they are to be sold, and if they were purchased, the date on which the full purchase price was paid:

7. State the manner in which the person selling the securities will seek to obtain buyers for the securities and indicate the class of persons to which sales of the securities will be made:

8. Furnish the following information as to all securities of the issuer sold during the past 12 months by the person who is selling the securities to which this notice relates, pursuant to Rule 144, Rule 237 or any other exemption under Section 3(b) of the Act:

Name and address of seller	Title of securities sold	Date of sale	Amount sold	Gross proceeds

Instruction. See the definition of "person" in Rule 237(d). Information is to be given not only as to sales by the person who is selling the securities to which this notice relates but also as to sales under the rules and exemptions referred to by all other persons included in that definition.

9. State the approximate total number of shares or other units (or if debt securities, the aggregate face amount) of the class, of which the securities to be sold are a part, outstanding as shown by a recent published report or statement of the issuer or by a letter from the issuer setting forth the number outstanding as of a recent date.

THE PERSON FILING THIS NOTICE HEREBY REPRESENTS BY SIGNING THIS NOTICE THAT HE DOES NOT KNOW OF ANY MATERIAL INFORMATION IN REGARD TO THE CURRENT AND PROSPECTIVE OPERATIONS OF THE ISSUER OF THE SECURITIES TO BE SOLD WHICH HAS NOT BEEN DISCLOSED TO THE BUYERS OF THE SECURITIES TO BE SOLD.

Date of Notice _____

_____
(Signature)

Instruction. The notice shall be signed by the selling security holder. At least one copy of the notice shall be manually signed. Any copies not manually signed shall bear typed or printed signatures.

Attention: Intentional misstatements or omission of facts constitute Federal Criminal Violations (See 18 U.S.C. 1001).

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The foregoing action, which was taken pursuant to the Securities Act of 1933, particularly Section 3(b) and 19(a) thereof, shall become effective April 15, 1972.

By the Commission.

Ronald F. Hunt
Secretary

GPO 922-427