

MEMO# 2329

November 15, 1990

CALIFORNIA ISSUES AMENDED PROPOSED FINAL ANTI-APARTHEID DISCLOSURE REGULATIONS

November 15, 1990 TO: SEC RULES COMMITTEE NO. 60-90 STATE LIAISON COMMITTEE NO. 28-90 CLOSED-END FUND COMMITTEE NO. 25-90 UNIT INVESTMENT TRUST COMMITTEE NO. 50-90 RE: CALIFORNIA ISSUES AMENDED PROPOSED FINAL ANTI-APARTHEID DISCLOSURE REGULATIONS _____ The office of the California Secretary of State has issued amended proposed final regulations relating to Proposition 105, which requires each corporation issuing securities in California to include disclosure in its prospectus of "whether or not" it (or any affiliated corporation) does business in South Africa, or with any person or group located there. A copy of the amended proposed final regulations is attached. As you know, on December 18, 1989, the office of the California Secretary of State issued emergency regulations relating to the proposition, effective January 1, 1990. Proposed final regulations were subsequently published on June 29, 1990. The amended proposed final regulations incorporate comments received on both the emergency regulations and the proposed final regulations. The amended proposed final regulations are very similar to the emergency regulations and the proposed final regulations. The amended proposed final regulations require each corporation selling securities in California to file a notice that attaches photocopies of the required prospectus disclosure, as well as the cover page of the prospectus. The amended proposed regulations also describe the notice form. A corporation is considered to be "doing business ... with any person or group located in South Africa" when the corporation to a "substantial extent" is either selling goods or services (including financial services) to, or buying goods or services (including financial services) from, a person or group located in South Africa. "Substantial extent" has been defined as sales or purchases or both amounting to a combined total of \$10,000 or more in the current fiscal year. The amended proposed final regulations further provide that a mutual fund which provides for the election of a majority of directors by investors in the fund (beginning with the first election held after the first public investors are admitted) will not be considered a "subsidiary corporation" of its sponsoring organization. Written comments are due on the amended proposed final regulations are due December 11, 1990 and should be sent to Margery E. Knapp, Staff Counsel, 1230 J Street-Room 100, Sacramento, California 95814. We will keep you informed of developments. Patricia Louie Assistant General Counsel Attachment

should not be considered a substitute for, legal advice.