

MEMO# 4041

August 21, 1992

SEC ADOPTS RULE AMENDMENTS AND PROPOSES ADDITIONAL AMENDMENTS RELATING TO SMALL BUSINESS INITIATIVES

August 21, 1992 TO: SEC RULES COMMITTEE NO. 63-92 RE: SEC ADOPTS RULE AMENDMENTS AND PROPOSES ADDITIONAL AMENDMENTS RELATING TO SMALL BUSINESS INITIATIVES _____ The Securities and Exchange Commission adopted amendments to rules under the Securities Act of 1933, the Securities Exchange Act of 1934 and the Trust Indenture Act of 1939 to facilitate capital formation of small businesses. (See Memorandum to SEC Rules Committee No. 15-92, dated March 25, 1992). The amendments became effective on August 13, 1992. In addition, the SEC has proposed additional changes to its rules to ease the reporting requirements of small business issuers. Set forth below is a brief summary of the significant aspects of the adopted and proposed amendments. Adopted Amendments Included in the changes recently adopted is an expansion of Regulation A under the Securities Act to exempt public offerings of non-reporting companies of up to \$5 million in a 12-month period and to permit the use of a simplified question-and-answer disclosure document. In addition, companies conducting a Regulation A offering will be able to "test the waters" for potential interest in the company before having to prepare the mandated offering circular. The SEC also revised Rule 504 under Regulation D under the Securities Act to permit non-reporting companies to sell up to \$1 million of securities in a 12-month period, subject to anti-fraud prohibitions. No specific disclosure document is prescribed, and there is no proscription on general solicitation. In addition, the SEC adopted an integrated registration, reporting and qualification system for a "small business issuer", which is defined as a company with revenues of less than \$25 million. Proposed Amendments The SEC has, among other things, proposed amendments to the forms and rules under the Exchange Act to ease a small business issuer's transition from a non-reporting to a reporting company and to simplify the disclosure requirements for small business issuers that engage in exempt offerings. Comments are due to the SEC on these proposals by September 29, 1992. A copy of the summary of the adopted and proposed amendments to the SEC's rules to facilitate financings by small business issuers is attached. If you are interested in obtaining a copy of the entire release, please contact the undersigned. Amy B.R. Lancellotta Associate Counsel Attachments

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