

MEMO# 3560

March 4, 1992

LEGISLATION INTRODUCED IN FLORIDA TO REQUIRE PROSPECTUS DISCLOSURE OF "DOING BUSINESS IN CUBA"

March 4, 1992 TO: SEC RULES COMMITTEE NO. 10-92 STATE LIAISON COMMITTEE NO. 7-92
FLORIDA MEMBERS FLORIDA ASSOCIATE MEMBERS RE: LEGISLATION INTRODUCED IN
FLORIDA TO REQUIRE PROSPECTUS DISCLOSURE OF "DOING BUSINESS IN CUBA"

A bill has been introduced in the Florida Senate and House which would require all issuers of securities to disclose in their prospectuses whether they conduct business with the government of Cuba or any person or affiliate located in Cuba. In addition to the disclosure requirement, the legislation also provides a private right of action for rescission, damages or a fine for failure to include this disclosure in a prospectus. The rationale for the proposed legislation is that although U.S. corporations currently are not able to do business with Cuba, their foreign subsidiaries may legally do so and that the business activities of a subsidiary with the government of Cuba are not currently required to be disclosed to investors. The sponsors of the legislation believe that in order for a Florida investor to make an informed investment decision, information with respect to an issuer's business activities with the government of Cuba must be included in the prospectus. The Institute is seeking amendments to the proposed legislation to reduce the burden such disclosure would place on investment companies. Attached is a copy of Senate Bill 2024 (which is identical to the companion house measure, House Bill 1771). Also attached is a copy of the Institute's letter to local counsel outlining our concerns with the proposed legislation. We will keep you advised of developments.
Patricia Louie Assistant General Counsel Attachments