

enactment of section 19(c) of the Securities Act in the Small Business Investment Incentive Act of 1980.<sup>2</sup> Section 19(c) authorizes the Commission to cooperate with any association of state securities regulators which can assist in carrying out the declared policy and purpose of section 19(c). The policy of that section is that there should be greater federal and state cooperation in securities matters, including: (1) Maximum effectiveness of regulation; (2) maximum uniformity in federal and state standards; (3) minimum interference with the business of capital formation; and (4) a substantial reduction in costs and paperwork to diminish the burdens of raising investment capital, particularly by small business, and a reduction in the costs of the administration of the government programs involved. In order to establish methods to accomplish these goals, the Commission is required to conduct an annual conference. The 1995 meeting will be the twelfth such conference.

## II. 1995 Conference

The Commission and the North American Securities Administrators Association, Inc. ("NASAA")<sup>3</sup> are planning the 1995 Conference on Federal-State Securities Regulation (the "Conference") to be held March 27, 1995 in Washington, DC. At the Conference, representatives from the Commission and NASAA will form into working groups in the areas of corporation finance, market regulation, investment management, and enforcement, to discuss methods of enhancing cooperation in securities matters in order to improve the efficiency and effectiveness of federal and state securities regulation. Generally, attendance will be limited to representatives of the Commission and NASAA in an effort to promote frank discussion. However, each working group in its discretion may invite certain self-regulatory organizations to attend and participate in certain sessions.

Representatives of the Commission and NASAA currently are formulating an agenda for the Conference. As part of that process the public, securities associations, self-regulatory organizations, agencies, and private organizations are invited to participate through the submission of written comments on the issues set forth below. In addition, comment is requested on

other appropriate subjects sought to be included in the Conference agenda. All comments will be considered by the Conference attendees.

### III. Tentative Agenda and Request for Comments

The tentative agenda for the Conference consists of the following topics in the areas of corporation finance, investment management, market regulation and oversight, and enforcement.

#### (1) Corporation Finance Issues

##### a. Forward-looking Information

On October 13, 1994, the Commission issued a concept release<sup>4</sup> regarding disclosure of forward-looking information and the effectiveness of the safe harbor provisions for that type of disclosure.<sup>5</sup> The concept release requests comment from the public on various alternatives to the safe harbor provisions that have been proposed by several people. In addition, the Commission will hold public hearings in Washington, DC and in San Francisco, California on February 13 and 16, 1995, respectively, concerning these issues. The conference participants will discuss and consider the issues regarding the use of forward-looking information in disclosure documents and the Commission's safe harbor provisions.

##### b. Uniform Limited Offering Exemption

Congress specifically acknowledged the need for a uniform limited offering exemption in enacting section 19(c) of the Securities Act and authorized the Commission to cooperate with NASAA in its development. The Commission working with the states toward this goal, developed Rule 505 of Regulation D, the federal exemption for certain limited offerings, while NASAA crafted the complementary Uniform Limited Offering Exemption ("ULOE").

ULOE provides the framework for a uniform exemption from state registration for certain issues of securities which would be exempt from federal registration by virtue of Regulation D. To date, more than half the states have adopted some form of ULOE. Both the Commission and NASAA continue to make a concerted effort toward its universal adoption. The conferees will discuss the continued usefulness of ULOE, as well as possible steps to encourage its adoption by the

remaining states. Further, consideration will be given to whether there are alternative exemptive methods which might be suitable for coordination among the states and the federal system, either within or outside of the ULOE framework.

##### c. Small Business Initiative

On July 30, 1992, the Commission adopted a number of rulemaking changes, often described as the Small Business Initiative, which were designed to streamline and simplify the Commission's regulatory system applicable to the public sale of securities by small businesses, and to provide new opportunities for investors, consistent with the Commission's obligations to protect such investors.<sup>6</sup> Among other things, the ceiling for the Regulation A exemption was raised from \$1,500,000 to \$5,000,000, and issuers contemplating a Regulation A offering were, for the first time, permitted to use a written document to "test the waters" for investor interest prior to assuming the expense of an offering.

The participants will discuss the impact of these changes, and the need for any additional exemptive relief in the small business area. The participants will also review their experience with amended Regulation A and the use of "test the waters" documents.

Public comment is invited on the efficacy of the Small Business Initiative as a whole. Comment is also sought with respect to any other exemptions that might be developed to enhance the ability of small issuers to raise capital, while protecting legitimate interests of investors.

##### d. Disclosure Policy and Standards

The Commission regularly reviews and revises its policies with regard to the most appropriate methods of ensuring the disclosure of material information to the public. Coordination of this effort with the states has been extremely helpful. Commenters are invited to discuss areas, and particularly whether or not there are particular industries, where federal-state cooperation in addressing disclosure standards could be of special significance as well as any ways in which federal-state cooperation could be improved. Comment is also sought on the application of plain language principles to disclosure documents that are becoming increasingly lengthy and complex.

<sup>6</sup> Securities Act Release No. 6949 (July 30, 1992) (57 FR 36442).

<sup>2</sup> Pub. L. 96-477, 94 Stat. 2275 (October 21, 1980).

<sup>3</sup> NASAA is an association of securities administrators from each of the 50 states, the District of Columbia, Puerto Rico, Mexico and twelve Canadian Provinces and Territories.

<sup>4</sup> Securities Act Release No. 7101 (October 13, 1994) (59 FR 52723).

<sup>5</sup> See Securities Act Rule 175, 17 CFR 230.175; Securities Exchange Act Rule 3b-6, 17 CFR 240.3b-6.