



SECURITIES AND EXCHANGE COMMISSION

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Businesses Use New Short Form To Raise \$45 Million in Capital

A new, short form registration statement, adopted on an experimental basis in an effort to facilitate access to the securities markets by smaller companies, was used to raise some \$45 million in capital through initial public offerings the first eight months it was effective, according to a Commission staff report released today.

The monitoring report on use of Form S-18, prepared by the Commission's Directorate of Economic and Policy Research, found that the new form has largely displaced the traditional, Form S-1 for the registration of smaller initial offerings of common stock.

Form S-18 was adopted by the Commission in April 1979 as one of a series of initiatives designed to facilitate capital formation by smaller businesses. The Commission's efforts in this area result from the 1977 recommendations of the Advisory Committee on Corporate Disclosure, as well as from the extensive hearings which the Commission held to examine problems experienced by small businesses as a result of the Federal securities laws.

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The report released today is responsive to another of the Advisory Committee's recommendations and to a commitment the Commission made at the time it adopted Form S-18, to monitor closely the use of the new registration form. The report examines the record of Form S-18 use during 1979 and compares key aspects with a sample of Form S-1 issuers.

Form S-18 provides an alternative to Form S-1 for many smaller issuers and may be used to register up to \$5 million in securities during a 12-month period. It differs from Form S-1 in requiring less burdensome disclosure at registration and during the registrant's first year of reporting to the Commission. In addition, issuers are provided with the option of filing at either the appropriate Regional Office or at the Commission's Headquarters Office. These differences led nearly all issuers with an opportunity to use Form S-18 to do so. In 1979, 41 Form S-18's were filed with the Commission. Of these, 27 became effective during the year. The 23 Form S-18's involving initial public offerings of common stock had an aggregate value of nearly \$45 million.

Other findings of the Report include:

- More than half (13) of the Form S-18 initial public offerings of common stock were offerings for small, high technology companies.
- Available registration cost data provide some evidence that Form S-18 has resulted in expense reductions; specifically, the average registration

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costs (e.g., printing and engraving expense) associated with Form S-18 initial public offerings of common stock are roughly 15 percent less than the comparable Form S-1 average registration costs.

- Issuers who took advantage of the Form S-18 Regional Office filing option experienced shorter processing times in comparison with those issuers who elected to file at the Commission's Headquarters Office. Much more substantial, however, is the difference in processing time between Form S-18's and comparable Form S-1's. The average time for S-1's was 106 days, while that for S-18's was only 42 days.
- All of the Form S-18 initial public offerings of common stock were managed by regional, rather than national, broker-dealers.
- Distribution expenses for Form S-18 initial public offerings of common stock and comparable Form S-1 offerings were quite similar. The slightly higher rate of expenses incurred by the Form S-18 offerings may be due to their smaller issue sizes and to their more frequent use of "best efforts" distributions.
- In the aftermarket, Form S-18 initial public offerings of common stock, on average, have out-performed the general market, but have not performed quite as well as comparable Form S-1 initial public offerings.

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Although the number of market-makers in Form S-18 initial public offerings has tended to lag behind that for comparable Form S-1 issues, three months after the effective date the average number of market-makers per issue is only slightly greater for the Form S-1 issues.

Research support for the Monitoring Report was made available pursuant to a joint project of the Securities and Exchange Commission and the Department of Commerce's Experimental Technology Incentives Program. Copies of the report are available upon request from the Publications Section, U.S. Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C., 20549. Comments or questions should be directed to Steven E. Levy, Director, Directorate of Economic and Policy Research (same mailing address as above, telephone 202-272-2850).

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