NEWS

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BUSINESSES USE NEW SHORT FORM
TO RAISE $236 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 $236 million in capital through initial public offerings the first 18 months it was available, according to a Commission staff report released today.

The report, "Form S-18: A Monitoring Report on the First 18 Months of Its Use," was prepared by the Commission's Directorate of Economic and Policy Analysis. It found that the new form has largely displaced the traditional, Form S-1 for the registration of smaller initial public 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, the second to be done on use of Form S-18, 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 from the time it became available through September 1980 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 the 18-month period, six Form S-18 registrations became effective for every comparable Form S-1 registration that became effective.

Other findings of the Report include:

- Some 43 percent of the Form S-18 issuers are high-technology firms. The remaining issuers are nearly equally divided among other manufacturers, services and the wholesale-retail trade sectors of the economy.
- Regional underwriting firms managed 93 percent of the offerings and co-managed an additional 2 percent with national underwriting firms.

- Issuers normally take advantage of the Form S-18 regional filing option. Some 85 percent of the effective registrations were filed in a regional office.
- The total time in registration for Form S-18 initial public offerings averaged 55 days, versus 89 days for comparable S-1 registrations.
- About half of the issuers which effectively registered common stock using Form S-18 (45 of 92) were "start-up" firms, i.e., firms which generated less than $50,000 in revenue in their most recent fiscal year. The remaining 47 "operating" firms had revenues exceeding $50,000. The typical (median) Form S-18 issuer in the 18-month period has $273,000 in assets and $54,000 in annual revenues.

Copies of the report are available upon request from the Office of Consumer Affairs and Information Services, U.S. Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549. Comments on the report are invited and should be directed to Jeffry L. Davis, Acting Director, Directorate of Economic and Policy Analysis.

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