

## Appendix I-1

### CONDENSED LIST OF RECOMMENDATIONS

|   | <u>Page(s)</u> |
|---|----------------|
| <u>Chapter III</u>  |                |
| 1. Deny acceleration to registration statements where the prospectus is unnecessarily long, complex or verbose.   | 80             |
| 2. Require a “guide” to the text of any prospectus where the text exceeds 10 pages in length.   | 84-88          |
| 3. Require a statement of source and application of funds in the prospectus (and also in Forms 10 and 10-K; see Chapter X) and establish standards for such statements.   | 90-91          |
| 4. Improve disclosures in Form S-1 as to the experience and background of top management.   | 93-95          |
| 5. Make Form S-7 available to a larger group of issuers.  | 96-98          |
| 6. Adopt a “short form” prospectus for (1) certain secondary offerings of securities of reporting companies on exchanges; (2) offerings of stock of reporting companies to be issued on exercise of publicly held warrants; and (c) offerings of securities of reporting companies issuable on conversion of publicly held securities of an affiliated corporation. | 98-103         |
| 7. Adopt Rule 157 under the '33 Act relating to the reasonable investigation required to be made by a broker under Section 11 who acts as underwriter in the distribution of securities in secondary offerings where the “short form” prospectus is permitted to be used.   | 100-101        |
| 8. Consider techniques for condensing financial statements of large and complex corporations. (The same recommendation is made in slightly different context in Chapter VII and in Chapter XI).   | 81             |
| 9. Improve requirements for financial reporting by life insurance companies; urge prompt completion of AICPA committee’s work on this subject.  | 91-93          |
| <u>Chapter IV</u>   |                |
| 10. Adopt proposed Rule 15(c)2-8 imposing certain requirements as to dissemination of the preliminary and final prospectus by broker-dealers participating in a registered public offering.   | 116-118        |

|   | <u>Page(s)</u> |
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| 11. Revise Rule 460 to require delivery of the preliminary prospectus to investors prior to the effective date in the first public offerings as a condition of acceleration.  | 113-116        |
| 12. Revise Rule 174 to eliminate post-offering prospectus delivery in registered offerings by reporting companies. (Rule 174 would be redesignated Rule 194 under the structure proposed in Appendix VI-2).   | 121-122        |
| <u>Chapter V</u>  |                |
| 13. Do not apply the “gun jumping” doctrine to disclosure of material events in accordance with timely disclosure policies of the self-regulatory organizations, provided that it is purely factual and free from predictions, conclusions or opinions.       | 132-133        |
| 14. Amend Rule 135 to permit limited announcements of forthcoming registered public offerings.  | 134            |
| 15. Clarify the time when ’33 Act restrictions on publication activities of broker-dealers begin.   | 139-140        |
| 16. Adopt a rule specifying that publication restrictions do not apply to non-participants who are truly independent of the broker-dealer firms participating in a registered public offering of securities of a reporting company.                           | 140-141        |
| 17. Adopt a rule to the effect that if an issuer meets the standards for Form S-7, expressions of opinion about its common stock are permissible when a registration statement relating only to non-convertible senior securities is pending, and vice versa. | 142-143        |
| 18. Adopt a rule permitting a participant in a distribution to include the securities being underwritten in a regularly published broad list of recommended securities.   | 143-145        |
| 19. Permit factual, follow-up reporting on previously recommended securities at any time.   | 145-146        |
| 20. Permit pre-filing distribution under appropriate conditions of market letters or industry surveys fully prepared and delivered to printers before the securities firm reaches an understanding that it will participate in the underwriting.              | 147-148        |

|   | <u>Page(s)</u> |
|---|----------------|
| 21. Permit a broker to publish recommendations as to a security the subject of a shelf-registration up to the time he receives an order to sell.  | 148            |
| <br><u>Chapter VI</u>   |                |
| 22. Adopt proposed Article 5 of the General Rules and Regulations under the '33 Act, containing the following new rules relating to underwriters and non-public offerings under Sections 2(11) and 4(2) of the '33 Act: |                |
| (a) Rule 160, specifying those persons not deemed to "control" an issuer.   |                |
| (b) Rule 161, defining a "restricted security."   |                |
| (c) Rule 162, defining a "distribution" for purposes of Section 2(11).  |                |
| (d) Rule 163, defining certain terms in Section 2(11) to mean that a person who disposes of a "restricted security" in a "distribution" is an "underwriter."  |                |
| (e) Rule 164, specifying those issuers whose securities may be sold without registration in certain types of secondary offerings excepted from the definition of "distribution."  |                |
| (f) Rules 180 and 181 relating to transactions not involving any public offering.   | 182-215        |
| 23. Review the operation of Rule 162 after a suitable period of experience to determine whether the quantity limitations should be increased, reduced, or eliminated.   | 244-245        |
| 24. Consider the possibility of a trading volume test for OTC securities permitted to be resold under the exception to "distribution" in Rule 162(b) after the NASDAQ system goes into operation.                       | 194            |
| 25. Amend Rule 154.   | 220-226        |
| 26. Rescind Rule 155.   | 236-238        |
| 27. Adopt a definitional rule specifying those persons who are deemed not to "control" the issuer.  | 245-247        |

|  | <u>Page(s)</u> |
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| 28. Amend Rule 251 under Regulation A to include the substance of the foregoing definitional rule relating to “control.”   | 246            |
| <br><u>Chapter VII</u>   |                |
| 29. Amend rule 133(a) to (1) require registration on new Form S-16 under the '33 Act of securities offered to the public in transactions now exempt under Rule 133(a), and (2) rescind paragraphs (b), (c), (d) and (e). | 280-293        |
| 30. Adopt proposed Form S-16 for registration of securities offered in connection with business combinations other than those resulting from voluntary exchanges of securities.  | 281            |
| 31. Adopt proposed Rule 153A relating to delivery of prospectuses when registration is accomplished on form S-16.  | 285            |
| 32. Adopt proposed Rule 169 specifying that certain persons are not deemed to be underwriters in offerings resulting in business combinations.   | 287            |
| 33. Amend Rule 135 to permit timely disclosure of proposed business combinations.  | 283            |
| 34. Amend Rule 174 to eliminate post-effective prospectus delivery requirements for securities issued in connection with business combinations. (Rule 174 would be redesignated Rule 194; see chapter VI.)               | 286-287        |
| 35. Adopt Rule 181 defining the phrase “not involving any public offering” in certain business combinations.   | 293-294        |
| <br><u>Chapter VIII</u>  |                |
| 36. Amend Rule 254 to limit integration of sales by private purchasers and control persons with sales by the issuer.   | 301-304        |
| 37. Amend Rule 254 to permit secondary offerings under Regulation A by companies with losses in the past two-year period.  | 304-306        |
| 38. Amend Rule 252 to provide fairer procedures under Regulation A.  | 308-310        |
| 39. Rescind Rule 257.  | 306-307        |
| 40. Revise in certain respects the requirements for the notification and offering circular.  | 310-311        |

|   | <u>Page(s)</u> |
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| <u>Chapter IX</u>   |                |
| 41. At the appropriate time, consider (in conjunction with the self-regulatory organizations) steps to insure that material information in reports filed with and made available by the Commission is adequately utilized by the brokerage community.   | 319-321        |
| 42. Define the obligation of a broker-dealer to obtain and take into account certain designated information about a company before submitting quotations for its securities in the “sheets.”  | 322-323        |
| <u>Chapter X</u>  |                |
| 43. Recommend to the NASD that it allocate adequate facilities and resources to a surveillance program relating to OTC securities as soon as its NASDAQ system goes into effect.  | 332            |
| 44. Revise Form 10.   | 343-351        |
| 45. Revise Form 10-K and provide for an earlier filing date which would not, however, apply to Schedule XVI. Reappraise the schedule requirements of the form.  | 351-356        |
| 46. Adopt Form 10-Q as a substitute for Forms 8-K and 9-K, to be filed quarterly, except for the report of a material acquisition or disposition of assets, which should be filed within 10 days after a written contract is executed relative to such acquisition or disposition. The proposed form includes condensed comparative financial information for the first three fiscal quarters, not required to be audited or subject to Section 18 liabilities. | 356-361        |
| 47. Amend Rules 13a-11 and 15d-11 under the '34 Act to designate companies exempt from filing Form 10-Q.  | 361-363        |
| 48. Rescind rules 13a-13 and 15d-13 under the '34 Act relating to companies required to file Form 8-K.  | 361-363        |
| 49. Adopt Form 7-Q as a substitute for Form 7-K (current report for certain companies investing in real estate).  | 363            |
| 50. Revise Form 4 to require disclosure of sales made in compliance with proposed Rule 162(b) under the '33 Act.  | 330-331        |
| 51. Consider revision of Form 12-K.   | 364            |

|  | <u>Page(s)</u> |
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| 52. Continue and expand “basic documents” file.  | 336            |
| 53. Adopt general requirements for a standard page size for all '34 Act reports by amending Rule 12b-12 under the '34 Act.                     | 335            |
| <u>Chapter XI</u>  |                |
| 54. Amend Rule 14a-3(b) to prevent misleading condensed financial presentations in annual reports to shareholders.                             | 372            |
| 55. Amend Schedule 14A to coordinate with revisions of other disclosure documents recommended by the Study.                                    | 375-376        |
| 56. Require the merger proxy statement to be divided into two separately-printed parts: a summary statement and an appendix.                   | 376-381        |
| 57. Require a summary statement at the forefront of prospectuses used in exchange offerings.   | 381            |
| <u>Chapter XII</u>   |                |
| 58. Develop new electronic data processing programs to assist in rapid discovery of reporting delinquencies and other disclosure deficiencies. | 391-392        |
| 59. Make more effective use of existing procedures to enforce the reporting requirements.  | 384-391        |
| 60. Direct more staff effort to review of '34 Act reports and registration statements.   | 392-395        |
| 61. Amend Rule 12b-25 to tighten procedures for dealing with requests for extension of time to file reports.                                   | 395-397        |