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**FUNDAMENTALS  
OF  
SECURITIES REGULATION**

**Fifth Edition**

**2009 Supplement**

**LOUIS LOSS  
JOEL SELIGMAN  
TROY PAREDES**



**Wolters Kluwer**  
Law & Business

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# Fundamentals of Securities Regulation, Fifth Edition

by *Louis Loss, Joel Seligman and  
Troy Paredes*

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*Fundamentals of Securities Regulation* is a concise one-volume treatise that provides essential information covering a wide array of topics concerning securities law. This compendium reviews the most significant aspects of securities regulation.

The Fifth Edition of *Fundamentals of Securities Regulation* incorporates the statutory changes provided by the Sarbanes-Oxley Act, officially codified as The Public Company Accounting Reform and Corporate Responsibility, including the creation of the new Public Company Accounting Oversight Board and new Section 15D, which addresses Securities Analysts and Research Reports. The Sarbanes-Oxley Act also has led to substantial changes in the federal securities rules and regulations.

## **2009 Cumulative Supplement Highlights**

New legislative, regulatory, and case law developments are analyzed in the 2009 Cumulative Supplement.

Highlights include:

- SEC's announcement of the creation of a new Office of Interactive Disclosure (Chapter 1, §F.2).



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- SEC's adoption of Form S-11 amendments to permit historical incorporation by reference (Chapter 2, §D.1).
- SEC's adoption of amendments to the eligibility requirements for Forms S-3 and F-3 for private offerings (Chapter 2, §D.1).
- SEC adoption of rule amendments terminating the requirement that foreign private issuers using IFRS as issued by the IASB reconcile their financial statements to U.S. GAAP and the SEC's steps for implementing mutual recognition (Chapter 2, §E.2.a).
- SEC's adoption of new rules permitting termination of a foreign private issuer's registration of a class of securities under §12(g) of the Exchange Act and the duty to file reports under the Exchange Act (Chapter 2, §E.2.b).
- SEC's adoption of a number of regulatory changes intended to relieve the regulatory burden on smaller reporting companies and to afford smaller companies regulatory simplification (Chapter 3, §C.5.a).
- SEC's adoption of amendments in 2008 to require, among other things, the electronic filing of Form D and to amend Form D itself in various respects. (Chapter 3, §C.6.b.(v)).
- SEC's addition of Rules 12h-1(f) and (g) to exempt (1) stock options under written compensation stock option plans that are not required to file periodic reports under the 1934 Act and (2) stock options that are issued under written compensation plans when the issuer has an equity security underlying the stock options that is registered under §15(d) (Chapter 6, §A.4.c).
- SEC's adoption of amendments to Rule 14a-8(i)(8) and future proposals to amend the rule in light of the Second Circuit's decision in *American Fed. of State, County & Mun. Employees v. American Int'l Group, Inc.* (Chapter 6, §C.2.c).

- Adoption of final rules by the SEC and Federal Reserve Board to implement the broker exceptions for banks relating to third-party networking arrangements, trust and fiduciary activities, sweep activities, and custody and safekeeping activities (Chapter 8, §A.3.d).
- An overview of LRN-Rand Center for Corporate Ethics, Law and Governance study, which was published to provide the SEC with a factual description of the current state of the investment advisor and brokerage industries for the SEC's evaluation of the legal and regulatory environment concerning investment professionals (Chapter 8, §C.2.b.(iv)).
- Discussion of the United States Supreme Court decision *Stoneridge Inv. Partners, LLC v. Scientific-Atlanta, Inc.* (Chapter 11, §C.4.a; §D.1.c).

This cumulative supplement contains an updated Table of Cases.

**10/08**

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## PREFACE

Recent publication of a Fourth Edition of *Securities Regulation* began with a new coauthor, Troy Paredes. Troy also will be the coauthor of *Fundamentals of Securities Regulation*, beginning with the 2007 Annual Supplement. For me there is an extraordinary significance to this continuity. Louis Loss started Yale Law School in 1934, the year the Securities and Exchange Commission itself began. He started a 15 year career at the Commission in 1937. His career and scholarship stretch back to the very dawn of modern securities regulation. When I began work with Louis as coauthor in 1984, I was very much his junior and benefited immensely from the chance to learn from the master in the field. He remarked to me more than once that our interest in codification and in treatise scholarship had begun at roughly the same point in our lives. Now, decades later, I am the senior coauthor and joined by an extraordinary new scholar in securities regulation who also started at approximately the same age as I did. Troy Paredes, who graduated from the Yale Law School like Louis, has already begun to make his mark as a securities and corporate scholar with significant articles such as *Blinded by the Light: Information Overload and Its Consequences for Securities Regulation*, 81 *Washington University Law Quarterly* 417 (2003); *A Systems Approach to Corporate Governance Reform: Why Importing U.S. Corporate Law Isn't the Answer*, 45 *William & Mary Law Review* 1055 (2004); and *On the Decision to Regulate Hedge Funds: The SEC's Regulatory Philosophy, Style, and Mission*, 2006 *University of Illinois Law Review* (forthcoming).

In June 2008, Troy Paredes was confirmed as a Commissioner of the Securities and Exchange Commission. This is a richly deserved recognition of his outstanding scholarship. I look

## PREFACE

forward to working with him after he returns from his service at the SEC. Until then, *Fundamentals* and its Annual Supplements will continue on schedule.

Troy Paredes worked on *Fundamentals* and its Annual Supplements while a Professor of Law at Washington University School of Law before being sworn in and taking office as a Commissioner of the SEC. The views expressed in *Fundamentals* and its Annual Supplements reflect the views of Troy Paredes, Joel Seligman, and the late Louis Loss and do not necessarily reflect those of the SEC or other Commissioners.

Let me acknowledge my gratitude to Lynne Hasman, who is responsible for the typing of this Annual Supplement, and to Beth Cross-Wilhelm for her cite checking.

This Annual Supplement speaks generally as of June 1, 2008, although there are occasional references to later materials.

JS

August 2008

# CONTENTS

*Preface*

*xix*

## CHAPTER 1

### BACKGROUND OF THE SEC STATUTES

A.	Of Bubbles and Giants	1
B.	State Regulation of Securities	1
1.	The Uniform Securities Acts	1
2.	New York and California	9
3.	Selective Federal Preemption: The National Securities Markets Improvement Act of 1996	10
a.	Securities Offerings and Reporting	10
D.	A Telescopic Preview of the SEC Statutes	10
4.	Public Utility Holding Company Act of 1935	10
6.	Investment Company Act of 1940	11
a.	The <i>Investment Company</i> Concept	11
(ii)	Unit Investment Trusts	11
c.	Registration and Regulatory Provisions	12
(v)	Adequate and Feasible Capital Structures	12
(vi)	Financial Statements and Accounting	12
F.	The Securities and Exchange Commission	20
2.	The Commission's Staff	20

## CONTENTS

### CHAPTER 2

#### FEDERAL REGULATION OF THE DISTRIBUTION OF SECURITIES

A.	Distribution Techniques	23
2.	Firm Commitment	23
5.	Shelf Registration	23
6.	Auctions	30
7.	Securities Underwriting in General	32
B.	The Basic Prohibitions of §5	33
1.	The Statutory Pattern	33
3.	The Jurisdictional Base of §5	41
4.	The Prefiling Period	42
b.	“Beating the Gun”	42
5.	The Waiting Period	55
c.	The <i>Tombstone Ad</i> [§2(a)(10)(b), Rule 134]	55
d.	The Preliminary Prospectus [§10(a), Rule 430]	57
e.	The Summary Prospectus [§10(b), Rule 431]	57
(ii)	Investment Companies	57
f.	Free Writing Prospectus and Electronic Road Shows [Rules 164 and 433]	58
6.	The Posteffective Period	66
f.	The Dealer’s Exemption	66
h.	Electronic Delivery of Prospectus	67
i.	Registration of Underlying Securities in Asset Backed Securities Transactions	76
C.	The Registration Procedure: A Study in Administrative Technique	77
1.	The Statutory Pattern	77
2.	The Preeffective Period	77
b.	The Price Amendment or Rule 430A	77
c.	Acceleration	78
d.	The Base Prospectus and Rule 430B	78
6.	Electronic Filing	80

## CONTENTS

D. Contents of the Registration Statement and Prospectus (Herein of the SEC's Accounting Role)	81
1. Integration of the Disclosure Provisions of the 1933 and 1934 Acts	81
2. Regulation S-K (Nonfinancial Data)	82
a. Commission Policy on Forward Looking Statements [Item 10(b); Sec. Act §27A; Sec. Ex. Act §21E]	82
c. Item 103: Legal Proceedings	84
d. Item 303: Management's Discussion and Analysis of Financial Condition and Results of Operations	85
e. Item 304: Disagreements with Accountants on Accounting and Financial Disclosure	85
f. Item 402: Executive Compensation	86
g. Plain English and Differential Disclosure	110
3. Financial Statements—The SEC and Accounting (Herein of Regulation S-X)	111
b. The Commission and Accounting Standard Setting	111
c. The Commission and Auditing	111
d. The Sarbanes-Oxley Act	112
E. International Offerings	122
2. Offerings from a Foreign Country into the United States	122
a. The Foreign Integrated Disclosure System	122
b. Exchange Act Disclosure Provisions	125
3. Offerings from the United States into a Foreign Country [Regulation S]	126

## CHAPTER 3

### COVERAGE OF THE SECURITIES ACT OF 1933: DEFINITIONS AND EXEMPTIONS

A. Definitions	127
1. <i>Security</i> [§2(a)(1)]	127

## CONTENTS

a.	Introduction	127
b.	Debt Instruments	127
(i)	Notes	127
c.	Oil, Gas, or Other Mineral Rights	128
d.	Investment Contracts	128
(i)	Elements of the <i>Howey</i> Investment Contract Test	129
(iii)	Partnerships	131
e.	Stock	131
(i)	Investment Contract Analysis	131
f.	Insurance Products	132
j.	Equipment Trust Certificates	133
k.	Guarantees	133
3.	<i>Underwriter</i> [§2(a)(11)]	133
b.	Purchasing from an Issuer	133
B.	Exempted Securities	134
1.	Exempted Securities versus Exempted Transactions	134
b.	Fraud Provisions	134
c.	Burden of Proof	134
C.	Exempted Transactions	134
1.	Integration	134
5.	<i>Small</i> Issues	136
a.	Statutory Exemptions [§3(b), 3(c), 4(6)]	136
6.	Limited Offerings	139
b.	Regulation D	139
(i)	Rule 501(a)—Accredited Investor Definition	139
(iii)	Rule 502(c)—Limitations on Manner of Offering	139
(v)	Rules 503 and 507 and Form D—Notice of Sales	139
7.	Trading Exemptions	140
a.	Transactions by Persons Other Than Issuers, Underwriters, or Dealers [§4(1)]	140
D.	Resales of Control and Restricted Securities	140
1.	Resales after Private Offerings	140
b.	First Tier Buyer's Problems	140
2.	Rule 144	141

## CONTENTS

3. Rule 144A	143
4. The Resale Problem in Other Contexts under the 1933 Act	144
b. Mergers and Similar Events [Rule 145]	144

## CHAPTER 4

### PROTECTIVE COMMITTEE REFORM: THE TRUST INDENTURE ACT OF 1939 AND SEC FUNCTIONS UNDER THE BANKRUPTCY CODE

B. The SEC's Functions in Bankruptcy Proceedings	145
2. The Commission's Present Role under Chapter 11	145
b. SEC Participation	145

## CHAPTER 6

### REGISTRATION AND POSTREGISTRATION PROVISIONS OF THE 1934 ACT

A. Registration	147
4. Exemptions	147
c. Section 12(h)	147
5. Nonstatutory Requirements of the Exchanges and the NASD	148
a. In General	148
b. Voting Rights Standards	148
B. Reporting Requirements	153
1. In Connection with Exchange Act Registration	153
a. Annual Reports	153
b. Quarterly and Current Reports	154
d. Management Report and Internal Controls	157



## CONTENTS

C. Proxies	210
1. The Problem (Herein of Costs of Solicitation)	210
2. The Statutory Provisions and General Proxy Rules	210
c. Coverage, Definitions, and Exemptions	210
4. Contested Solicitations and Security Holder Proposals	232
c. Security Holder Proposals [Rule 14a-8]	232
5. False or Misleading Statements [Rule 14a-9]	235
a. In General	235
b. Materiality	236
6. Securities Held in <i>Street Name</i> or <i>Nominee Name</i> [§14(b)]	239
D. Tender Offers	240
2. The Williams Act and Other Federal Securities Laws	240
b. Beneficial Ownership Reports [§§13(d), 13(g)]	240
(i) Group	240
c. Tender Offers [§14(d), Related Rules, and Schedules]	240
(iv) Substantive Requirements	240
E. Insider Trading	248
3. Section 16(b): From the <i>Objective</i> to the <i>Subjective</i>	248
a. In General	248
d. Derivative Securities	249
7. Definitions	249
c. <i>Beneficial Owner</i>	249
8. Exemptions	250
e. Section 16 Exemptive Rules	250
F. Sarbanes–Oxley Act Amendments	250
1. Prohibitions on Loans	250

## CHAPTER 7

### REGULATION OF THE SECURITIES MARKETS

A. Structure of the Securities Markets	251
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