United States Government Accountability Office

GAO

Report to Congressional Committees

July 2012

SECURITIES REGULATION

Factors That May Affect Trends in Regulation A Offerings

GAO-12-839

July 2012

SECURITIES REGULATION

Factors That May Affect Trends in Regulation A Offerings

Why GAO Did This Study

Businesses seeking to use public offerings of securities to raise capital must comply with federal and state securities laws. Businesses must register offerings with SEC unless they qualify for an exemption. Regulation A exempts a securities offering that does not exceed $5 million from SEC registration if certain requirements are met. However, businesses still must file an offering statement that includes an offering circular and financial statements with SEC, and SEC staff review filings for consistency with applicable rules and accounting standards. In addition, Regulation A does not exempt offerings from states' registration requirements, which are also intended to protect investors. Concerned about the decline in the number of public offerings, the JOBS Act requires SEC to amend Regulation A (or to adopt a new regulation) to raise the threshold for use of that registration exemption from $5 million to $50 million, and requires GAO to study the impact of state securities laws on Regulation A offerings. This report examines (1) trends in Regulation A filings, (2) how states register Regulation A filings, and, (3) factors affecting the number of Regulation A filings and how the number of filings may change in the future. GAO analyzed SEC data related to financial regulatory filings, reviewed published research, and interviewed academics, SEC staff, state securities regulators, and small businesses. SEC and NASAA provided technical comments on a draft copy of this report, which GAO incorporated as appropriate. In its letter, NASAA concurred with our finding that multiple factors have influenced the use of Regulation A.

View GAO-12-839. For more information, contact A. Nicole Clowers at (202) 512-8678 or clowersa@gao.gov

What GAO Found

The number of Regulation A offerings filed and qualified (that is, cleared) by the Securities and Exchange Commission (SEC) has declined significantly after peaking in fiscal years 1997 and 1998, respectively. In particular, offerings filed since 1997 decreased from 116 in 1997 to 19 in 2011. Similarly, the number of qualified offerings dropped from 57 in 1998 to 1 in 2011. Securities attorneys GAO interviewed suggested that the decrease in filings after 1997 could be attributed to a number of factors, including the increased attractiveness of Regulation D. The National Securities Markets Improvement Act of 1996 preempted state registration requirements for other categories of securities including certain Regulation D offerings, which are also exempt from SEC registration. In contrast, Regulation A offerings are generally subject to state securities laws and must go through a federal filing and review process. In recent years, businesses have used Regulation D and registered public offerings to a greater extent than Regulation A.

States' methods for registering and reviewing securities vary. One method used by states is "registration by qualification," which is similar to registering securities with SEC, as issuers are required to submit certain documents to the responsible state securities agency for review and approval. All states conduct disclosure reviews of the Regulation A offerings, meaning that they ensure that all material information is disclosed in the offering. According to the North American Securities Administrators Association (NASAA) officials, most states additionally conduct a merit review—an analysis of the fairness of the offering to investors—although some states use stricter standards in their merit reviews than others. NASAA officials have encouraged states to take steps to streamline their requirements and make them more uniform, including adopting a standard form for registering securities. NASAA plans to work with states to determine what changes in their registration methods will be needed in light of the Jumpstart Our Business Startups Act (JOBS Act).

Multiple factors appear to have influenced the use of Regulation A and views vary on whether raising the offering threshold will increase its use. The factors included the type of investors businesses sought to attract, the process of filing the offering with SEC, state securities laws, and the cost-effectiveness of Regulation A relative to other SEC exemptions. For example, identifying and addressing individual state's securities registration requirements can be both costly and time-consuming for small businesses, according to research, an organization that advocates for small businesses, and securities attorneys that GAO interviewed. Additionally, another SEC exemption is viewed by securities attorneys that GAO met with as more cost-effective for small businesses. For example, through certain Regulation D filings small businesses can raise equity capital without registering securities in individual states, as long as other requirements are met. State securities administrators, a small business advocate, and securities attorneys with whom GAO met had mixed views on whether the higher maximum offering amount ($50 million) under the JOBS Act would lead to increased use of Regulation A. For example, some thought that the higher threshold could encourage greater use of Regulation A, while others told us that many of the factors that have deterred its use in the past likely will continue to make other options more attractive.

Contents

Abbreviations

Corporation Finance	SEC Division of Corporation Finance
FINRA	Financial Industry Regulatory Authority
JOBS Act	Jumpstart Our Business Startups Act
NASAA	North American Securities Administrators Association
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

July 3, 2012

The Honorable Tim Johnson
Chairman
The Honorable Richard C. Shelby
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Spencer T. Bachus
Chairman
The Honorable Barney Frank
Ranking Member
Committee on Financial Services
House of Representatives

Small businesses rely on capital to start and expand their businesses. Some small businesses often satisfy capital needs by asking friends and family members, or by seeking bank loans. Small businesses that exceed these resources, or have additional capital needs, may seek to sell shares of ownership or securities convertible into shares of ownership, in the business to raise needed cash to be used in operations. One of the major sources of equity capital is the public offering of securities.

The Securities Act of 1933 (Securities Act) requires companies that are publicly offering securities for investment to register the offering of the securities with the Securities and Exchange Commission (SEC) and provide investors with all material information necessary to make an investment decision.[1] The Securities Act contains some exemptions from registration and authorizes SEC to provide by rule for additional exemptions. In particular, SEC Regulation A exempts from registration securities offerings if the total offering price does not exceed $5 million and if certain other requirements are met.[2] SEC has stated that Regulation A is an effective tool for developing companies that may not be able to raise sufficient funds to justify the significant costs of

[1] 15 U.S.C. §§ 77a et seq.

[2] 17 C.F.R. §§ 230.251 through 230.263.

registration.[3] Although Regulation A offerings are not subject to the SEC review process for registered offerings, these offerings must go through a federal filing and review process.

In addition, Regulation A offerings are generally subject to registration requirements under state securities laws, known as blue sky laws.[4] Unless federal law specifically preempts a securities offering from state regulation, issuers must meet the specific regulatory requirements for each state in which they want to make an offering.

In an effort to increase small business public offerings, the Jumpstart Our Business Startups Act (JOBS Act) requires SEC to amend Regulation A (or to adopt a new regulation) to raise the ceiling for use of that registration exemption from $5 million to $50 million, among other things.[5] However, questions remain about whether state blue sky laws could serve as an impediment to greater use of Regulation A. Section 402 of the JOBS Act requires us to review the impact of state blue sky laws on Regulation A offerings. This report examines (1) trends in Regulation A filings, (2) how states register Regulation A filings, and (3) what factors have affected the number of Regulation A filings and how the number of filings may change in the future.

To examine trends in Regulation A filings, we analyzed SEC data for trends on the number of filings and the number of filings SEC determined to be qualified (i.e., cleared by SEC) from 1992 through 2011. We compared the number of qualified Regulation A offerings to the number of Regulation D filings (containing three additional Securities Act registration

[3]SEC Release No. 33-6924 (Mar. 11, 1992). 57 Fed. Reg. 9768, 9770 (Mar. 20, 1992).

[4]The origin of the term “blue sky laws” is subject to a number of different theories. The most widely held theory attributes it to Justice McKenna’s description of a state securities law in Hall v. Geiger-Jones Co., 242 U.S. 539, 550 (1917): “The name that is given to the law indicates the evil at which it is aimed; that is . . . speculative schemes which have no more basis than so many feet of blue sky . . .” However, a newspaper article written by the author of the original Kansas law states that the term actually refers to a fraudulent rainmaking scheme in which the investment promoter “promises rain but delivers blue sky.” See Rick Fleming, “100 Years of Securities Law: Examining a Foundation Laid in the Kansas Blue Sky,” 50, no. 3 *Washburn Law Journal* (Spring 2011).

[5]Pub. L. No. 112-106, § 401,126 Stat. 306, 323 (2012) amending section 3(b) of the Securities Act, 15 U.S.C. § 77c(b). In addition, section 401 of the JOBS Act added a new section 3(b)(5) to the Securities Act, 15 U.S.C. § 77c(b)(5), which requires SEC to consider upward adjustments to the new $50 million ceiling every 2 years.

exemptions for certain securities offerings) and registered offerings of up to $5 million from 2008 through 2011 to illustrate differences in businesses' use of other securities offering options. We assessed the reliability of SEC's data on Regulation A, Regulation D, and registered offerings by interviewing agency officials and reviewing documentation related to SEC's Electronic Data Gathering, Analysis, and Retrieval system. We determined the data reliable for our purposes. We also reviewed SEC's policies and procedures for qualifying small businesses' filings for exemption through Regulation A.

To describe how states register Regulation A filings, we reviewed published research and North American Securities Administrators Association (NASAA) documentation of state registration methods. We interviewed NASAA officials to discuss states' registration methods and Regulation A filings, and state securities administrators from seven states to discuss their registration methods. We interviewed a non probability sample of state administrators' offices based on geographic diversity, recent experience with Regulation A, and referrals from NASAA. Specifically, we interviewed staff from the state securities administrators of the following: Arkansas, Delaware, Florida, Ohio, Texas, Virginia, and Washington. We also interviewed a non probability sample of three small businesses from different industries that had issued Regulation A offerings in multiple states from 2010 through May 2012 to provide a diversity of perspectives.

To identify factors that may have affected the number of Regulation A filings and how the number of filings may change in the future, we reviewed published research and reports on blue sky laws, Regulation A and Regulation D usage over time, and small businesses' access to equity capital. We also reviewed the JOBS Act, the Securities Exchange Act of 1934, the Securities Act, and Regulations A and D. In addition, we interviewed SEC officials and state securities administrators and representatives from the states and small businesses mentioned above. We also interviewed attorneys who have assisted small businesses with obtaining Regulation A exemptions, academics, and organizations that advocate on behalf of small businesses. We identified and judgmentally selected these attorneys, academics, and organizations based on referrals from the American Bar Association and NASAA, testimonies before Congress, and evidence of having a view on blue sky laws. Based on these interviews, we identified the most frequently identified factors affecting the use of Regulation A.

We conducted this performance audit from April to July 2012 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Businesses can raise capital in the regulated securities markets through the public offering of securities, which is an offering of stock to the general public. For a small business, this could take the form of a registered public offering—an offering and sale of securities to the general public. Unless subject to a specific exemption, the Securities Act requires a business selling its securities to file a registration statement with SEC that includes a prospectus that discloses, among other things, the business's operations, financial condition, security offering, risk factors, and management. Businesses that qualify as smaller reporting companies under SEC rules can file using disclosure requirements scaled for small businesses.[6] The Securities Act requires that information provided to investors in connection with the offer or sale of the business's securities include material information necessary to make an investment decision.

SEC's Division of Corporation Finance (Corporation Finance) reviews registration statements for compliance with disclosure and accounting requirements. Corporation Finance does not evaluate the accuracy of disclosure, the merits of any transaction, or determine whether an investment is appropriate for any investor. According to SEC, this review process is not a guarantee that the disclosure is complete and accurate—responsibility for complete and accurate disclosure lies with the business and others involved in the preparation of a business's filings. Through the course of its review, Corporation Finance may issue comments to a company to elicit compliance with applicable disclosure requirements. In response to those comments, a business may revise its financial statements or amend its disclosure to provide additional information. According to SEC, this comment process is designed to provide investors

[6]A smaller reporting company is generally one whose outstanding publicly held stock was worth no more than $75 million at the end of the second quarter of its last fiscal year.

with better disclosure necessary to make informed investment decisions, thus enhancing investor protection, facilitating capital formation, and enhancing the efficiency of the capital markets. When a business has resolved all comments from Corporation Finance on a Securities Act registration statement, the business may request that SEC declare the registration statement effective so that it can proceed with the transaction. A business cannot sell its securities until SEC declares the registration statement effective.

SEC Forum on Small Business Capital Formation

The Small Business Investment Incentive Act of 1980 requires SEC to conduct an annual forum on small business capital formation.[7] In 2011, SEC held its 30th forum. According to the resulting report on the forum, a major purpose of the forum is to provide a platform to highlight perceived unnecessary impediments to small business capital formation and address whether they can be eliminated or reduced.[8] Each forum seeks to develop recommendations for government and private action to improve the environment for small business capital formation, consistent with other public policy goals, including investor protection. The report made a number of recommendations, including a few related to Regulation A, such as raising the ceiling to $50 million and preempting Regulation A offerings from state blue sky law registration requirements.

Offerings under Regulation A

Regulation A represents an exercise by SEC of its authority under section 3(b) of the Securities Act to exempt offerings of securities from registration if it finds that registration "is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering…."[9] SEC has previously stated that the primary purpose in adopting Regulation A was to provide a simple and relatively inexpensive procedure for small business use in raising limited amounts of needed capital.[10] A business

[7]Pub. L. No. 96-477, § 503, 94 Stat. 2275, 2292 (1980), 15 U.S.C. § 80c-1.

[8]Securities and Exchange Commission, "2011 SEC Government-Business Forum on Small Business Capital Formation: Final Report" (Washington, D.C.: March 2012).

[9]15 U.S.C. § 77c(b).

[10]GAO, *Small Business: Efforts to Facilitate Equity Capital Formation*, GAO/GGD-00-190 (Washington, D.C.: September 2000).

that relies on Regulation A must (1) file for SEC staff review an offering statement that includes an offering circular and financial statements, and (2) provide the offering circular to investors. The offering statement also includes a notification and exhibits. The offering circular is expected to include, among other things, information on the company; officers, directors and key personnel; risk factors; use of proceeds; and plan for distributing the securities.

SEC staff review the initial offering statement (for example, to determine if it complies with disclosure requirements) and determines if the offering is qualified (i.e., cleared by SEC).[11] We discuss the review process in more detail later in this report. Like securities sold in registered offerings, Regulation A securities can be offered publicly and are freely tradable in the secondary market. In addition, Regulation A securities can be sold to both accredited and nonaccredited investors. Accredited investors include, among others, individuals whose net worth is more than $1 million (not including the value of their primary residence) or whose individual income exceeds at least $200,000 for the most recent 2 years and certain institutional investors, such as insurance companies, banks, and corporations with assets exceeding $5 million.[12] Conversely, nonaccredited investors include any investor that does not meet the definition for an accredited investor.

Although Regulation A offerings are generally subject to state blue sky laws, state exemptions for certain offerings might apply to a Regulation A issuer. The Uniform Securities Acts of 1956 and 2002, which form the basis for many blue sky laws, provide a series of exemptions from state-level registration for certain types of securities or transactions.[13] For example, one exemption applies to sales to institutional investors, federally covered investment advisors, and other purchasers exempted by a state rule. Furthermore, the JOBS Act preempts state registration requirements for offerings under the new version of Regulation A if the

[11]According to SEC staff, Corporation Finance may review subsequent offering statements by the same business.

[12]See 17 C.F.R. § 230.501(a).

[13]For the text of the 1956 Act with amendments through 1986, see http://www.nasaa.org/wp-content/uploads/2011/08/UniformSecuritesAct1956withcomments.pdf. For the 2002 Act, with commentary, see http://www.law.upenn.edu/bll/archives/ulc/securities/2002final.pdf.

securities are sold on a national securities exchange or to "qualified purchasers" as defined by SEC.[14]

Offerings under Regulation D

Regulation D is designed to (1) eliminate any unnecessary restrictions that SEC rules place on small business issuers and (2) achieve uniformity between state and federal exemptions to facilitate capital formation consistent with protecting investors.[15] Regulation D contains three separate but interrelated exemptive rules—Rules 504, 505, and 506—that allow some businesses to offer and sell their securities without having to register the securities with SEC.[16] As the following illustrates, the exemptions differ in relation to the size of the offerings to which they apply or the number and type of investors to which offerings may be made.

- Rule 504 has a maximum offering amount of $1 million in any 12-month period and generally does not limit the number or type of investors.
- Rule 505 has a maximum offering amount of $5 million in any 12-month period, and the sales are limited to 35 nonaccredited investors and an unlimited number of accredited investors.
- Rule 506 has no dollar limitation and offerings can be sold to up to 35 nonaccredited, sophisticated investors and an unlimited number of accredited investors.[17]

[14]15 U.S.C. § 77r. According to SEC staff, Regulation A offerings currently are not generally sold on national exchanges because current Regulation A may not be used by companies with SEC reporting obligations and all companies whose securities are listed on national exchanges have SEC reporting obligations. Moreover, the SEC has not yet defined a qualified purchaser for the purpose of section 18 of the Securities Act. Therefore it is unclear whether or to what extent these preemption provisions will remove new Regulation A offerings from blue sky registration requirements.

[15]GAO/GGD-00-190.

[16]17 C.F.R. §§ 230.500-230.508.

[17]A sophisticated investor is a purchaser that has enough knowledge and experience in finance and business matters to evaluate the risks and merits of the prospective investment or one that the issuer reasonably believes the purchaser comes within this description. 17 C.F.R. § 230.506(b)(2)(ii).

While businesses do not have to register Regulation D offerings with SEC, they must notify SEC of initial sales in the offering. SEC does not comment on or approve these notifications. Businesses that make offerings under Rules 504 or 505 must register them at the state level if required in the state in which they are made, while offerings made under Rule 506 are preempted from state registration by the National Securities Markets Improvement Act of 1996.[18]

Blue Sky Laws

In addition to federal securities laws, state securities laws are designed to protect investors against fraudulent sales practices and activities. While these laws can vary from state to state, they require securities issuers (including businesses making small offerings) to register their offerings with the state before the offerings can be sold in that state unless state registration for the offering has been preempted by federal law or a state registration exemption applies. According to state securities administrators with whom we met, blue sky laws are beneficial because they provide an additional layer of protection for potential investors. Moreover, for states that have the statutory authority to assess the merit of an offering, the state can assess the extent to which the offering is fair to potential investors, and require the business to address the state's concerns before the offering is registered.

Regulation A Use Has Decreased Since 1997

Trends in Regulation A Offerings

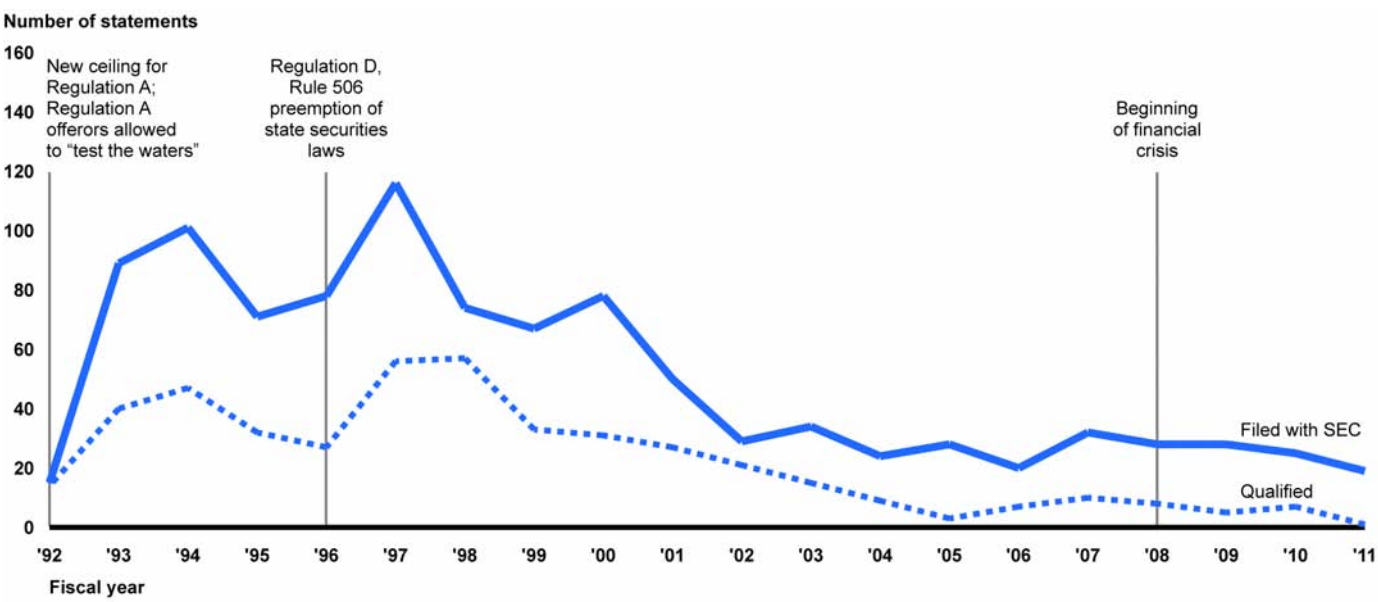
The number of Regulation A offerings filed and qualified has declined significantly after peaking in fiscal years 1997 and 1998 respectively (see fig. 1).[19] The number of initial Regulation A offerings filed increased from 15 to 116 from 1992 through 1997. Similarly, the number of Regulation A offerings qualified increased from 14 to 56 during this same time. These

[18]Pub. L. No. 104-290, 110 Stat. 3416 (1996).

[19]During the period we reviewed (fiscal years 1992-2011), businesses filed more initial offering statements for review than were qualified. Small businesses can abandon or withdraw filings before SEC completes the review process. Also, an offering could be submitted to SEC for review in one fiscal year and cleared in a different fiscal year. We discuss abandoned or withdrawn offering statements in greater detail later in this report.

increases followed SEC's adoption of rules that raised the ceiling for Regulation A offerings from $1.5 to $5 million as well as allowing Regulation A offerors to "test the waters" by soliciting investor interest in the security before incurring preparation costs for the offering statement. However, since 1997, the number of initial Regulation A offerings filed decreased significantly—from 116 in 1997 to 19 in 2011. The number of qualified offerings also dropped dramatically after 1998, decreasing from 57 in 1998 to 1 in 2011. SEC has not evaluated the causes of changes in the use of Regulation A. Securities attorneys with whom we met stated that the decrease in filings after 1997 could be attributed to a number of different factors, including the increased attractiveness of Regulation D. The National Securities Markets Improvement Act of 1996 preempted state registration requirements for certain other categories of securities offerings (including Rule 506 of Regulation D)—potentially making these other options more attractive to businesses.

Figure 1: Number of Regulation A Offerings Filed and Qualified, Fiscal Years 1992 through 2011



Source: GAO analysis of SEC data.

Note: Data on Regulation A offerings filed are based on initial offerings.

Initial qualified Regulation A offerings have varied in size and purpose and represented a wide range of business lines. Specifically, from 2002 through 2011, the maximum offering amounts for the 82 qualified Regulation A offerings ranged from $100,000 to $5 million. Over one-third of these offerings were for $5 million. According to SEC data, the businesses intended to use the proceeds for purpose such as capitalization, debt repayment, research and development, and marketing and advertising. During this period, different types of businesses filed offerings that qualified for exemption under Regulation A—for example, a software database service company, industrial design company, senior assisted living facility, and financial services company. These businesses were either corporations or limited liability corporations that were located throughout the United States. In addition, about 24 percent of the qualified Regulation A offerings were associated with start-up businesses.

Businesses have used Regulation D exemptions and registered initial public offerings to a greater extent than Regulation A in recent years. We summarize the trends for these types of offerings and provide comparison with Regulation A qualified filings in table 1.

- **Regulation D:** According to SEC data, there were over 15,500 initial Regulation D filings for up to $5 million in fiscal years 2010 and 2011. In comparison, there were 8 qualified initial Regulation A offerings during this period. According to a recent report prepared for SEC, the median Regulation D offering was $1 million from January 2009 through March 2011 and the overwhelming majority of Regulation D issuers have been issuing securities under Rule 506.[20]

- **Registered Public Offerings:** Businesses may decide to sell their securities through a registered public offering rather than seeking a Regulation A or another type of exemption—meaning that they must complete the registration process under the Securities Act. Data show that businesses more frequently opted to conduct a registered public offering than seek a Regulation A exemption. From fiscal years 2008 through 2011, the number of initial registered public offerings ranged from 536 to 195 each year, while the number of qualified initial Regulation A offerings statements ranged from 1 to 8. SEC staff said

[20]Vlad Ivanov and Scott Bauguess, "Capital Raising in the U.S.: The Significance of Unregistered Offerings Using the Regulation D Exemption," report prepared for SEC Division of Risk Strategy and Financial Innovation (Washington, D.C.: February 2012). Rule 506 filings under Regulation D are preempted from state registration by the National Securities Markets Improvement Act of 1996.

that some businesses may switch to a registered public offering instead of completing the Regulation A filing process.[21]

Table 1: Number of Qualified Regulation A Offerings and Regulation D and Registered Public Offerings Filed for under $5 Million, Fiscal Years 2008 through 2011

Type of securities offering	2008	2009	2010	2011
Regulation A	8	3	6	1
Regulation D	N/A	N/A	7,517	8,194
Registered Public Offerings	536	246	195	312

Source: GAO analysis of SEC data.

Note: Regulation D data are not available for fiscal years 2008 and 2009. Regulation D data include notices filed under Rules 504, 505, and 506 but does not include notices for pooled investment funds, those claiming only a Section 4(5) exemption, and those reporting an indefinite offering amount. All data represent initial offerings.

Regulation A Filing Is a Multi-Step Process That Some Businesses Do Not Complete

SEC's process for reviewing filings for exemption through Regulation A includes multiple steps.[22] First, Corporation Finance staff review the offering statement, which includes financial statements that have been prepared according to generally accepted accounting principles.[23] More specifically, staff review filings to determine whether disclosures appear to be consistent with SEC rules and applicable accounting standards. Staff can then comment on the offering statement. That is, they may note deficiencies with the offering documents or ask for clarifications. According to SEC staff, deficiencies could include inadequate disclosure or incomplete financial statements. The goal of SEC staff is to provide comments on Regulation A filings within 27 calendar days of the filing date. Businesses are then given the opportunity to provide written responses and, if appropriate, amend their filing based on SEC's comments. Depending on the nature of the issue, SEC's concern, and the response from the business, agency staff may issue additional comments following their review of the response. This comment and response

[21]According to SEC staff, businesses may stop the Regulation A filing process for a variety of reasons.

[22]The Financial Industry Regulatory Authority (FINRA) may review offerings that utilize a broker-dealer in the placement of the securities. These offerings must be filed with FINRA within one business day of filing with SEC.

[23]If a business has audited financial statements they must be used.

process continues until all SEC comments are resolved, at which time SEC qualifies the filing.

The time period for SEC to complete its review process can be lengthy depending on the quality and completeness of the offering statement, the extent of SEC's comments on the offering statement, and the business's response. According to SEC data, from 2002 through 2011 it took an average of 228 days for 82 offering statements to complete the review process, starting from the date the Regulation A exemption was filed through the date SEC qualified the filing. SEC staff told us that the length of the review process depends largely on the quality of the filing initially and how quickly and thoroughly the business responds to their comments. Because of the amount of time it can take to complete SEC's review process, an issuer whom we interviewed said that they concurrently filed their Regulation A offerings with SEC and the appropriate state(s).

A business can opt not to continue seeking exemption through Regulation A at any point during SEC's review process. SEC may declare an offering statement to be "abandoned" when the business fails to amend the offering statement for a lengthy time period and fails to respond to an abandonment notice. A filing may be "withdrawn" if the business informs SEC that it no longer wants to proceed and requests the offering statement be withdrawn and the SEC consents to the withdrawal.[24] Between 1992 and May 2012, 214 of the 1,006 Regulation A filings made with SEC were abandoned or withdrawn.[25] As discussed earlier, SEC staff stated that they have received anecdotal information that some businesses abandon or withdraw from the Regulation A filing process to raise capital through different means, such as the issuance of registered public offering.

[24]The conditions governing the withdrawal or abandonment of filings are stated in Regulation A. See 17 C.F.R. § 230.259.

[25]SEC does not track the reasons for which a business abandoned or withdrew from the Regulation A filing process.

States' Methods of Registering Regulation A Securities Offerings Vary

Although states employ a limited number of methods for registering securities offerings, specific requirements and processes vary. States generally use one of two methods for registering Regulation A securities—registration by qualification or registration by coordination.[26]

- Registration by qualification is similar to a securities registration with SEC under the Securities Act. Specifically, the issuer submits required documents to the state securities agency, and the offering is subject to approval by that agency under the state's standards.

- Registration by coordination is available to issuers that have registered their offerings with SEC.[27] Under this method, issuers file copies of their SEC registration statement and any amendments with the state agency for review. A registration by coordination usually becomes effective at the state level at the time it becomes effective at the federal level. Although the content of the filing and the procedure by which it becomes effective is streamlined in this process, it is still subject to state administrator review.

While all states conduct disclosure reviews of Regulation A securities offerings, most states also conduct merit reviews.[28] Disclosure reviews follow the federal approach, requiring only full disclosure of all material information in offering statements. A merit review is an analysis of the offering using substantive standards (for example, the disparity in the price paid by promoters for their shares and the price paid by public investors). If an offering is considered unfair in certain respects, a state securities administrator will issue comments on the substance of the offering, and, as in SEC's review process, the business has an opportunity to respond to the state's comments. According to NASAA, if

[26]The Uniform Securities Act of 1956 provides for registration by notification, qualification, or coordination. Registration by "notification" is reserved for issuers with demonstrated performance and financial stability. However, according to NASAA officials, this registration method is generally no longer used.

[27]Regulation A offerings are exempt from federal registration but go through a simplified federal process. As a result, they generally are not eligible for registration by coordination. Nevertheless, one state we interviewed said that it allowed registration by coordination and NASAA officials also told us some states do permit Regulation A offerings to be registered by coordination.

[28]SEC and NASAA do not have up-to-date information on the number of merit review states. However, NASAA officials and others with whom we spoke stated that most states conduct merit reviews.

the business does not adequately address the state's concerns, the state securities administrator may refuse to declare the registration statement effective in that state.

Merit reviews have varying degrees of stringency, with some states applying stricter standards than others. For example, according to one of the state securities administrators with whom we met, the state's blue sky laws require businesses that seek to offer securities to have a consistent record of earnings for the preceding 3 fiscal years. Other states may not have the same requirements for records of earnings. According to a state securities administrator official from a merit state, that state may require proceeds from investors to be placed in escrow until a certain level of proceeds is reached. For example, where an offering provides that a certain level of securities must be sold before proceeds are released to an issuer, the state requires the issuer to place all proceeds from investors in that state in an escrow account with a depository in that state until the level is reached. The funds cannot be released without authorization from the state agency. Although state registration processes can improve investor confidence, they can be costly and time-consuming for businesses seeking to raise capital according to issuers and securities attorneys with whom we met.

Recognizing these potential costs, NASAA has developed and encouraged states' use of methods to make registration of securities, including Regulation A offerings, more streamlined for multistate offerings. For example, 44 states allow businesses to use a standard form (called the SCOR form) to register their security offering. The SCOR form was adopted by NASAA in 1996 and is designed to simplify and reduce the costs to businesses of registering their securities. SCOR offers a simplified question-and-answer registration format and becomes the main disclosure document for securities offerings at the state level. Businesses that are exempt from federal registration under Regulation A can use the SCOR form in those states that accept it.

As another means of streamlining the state registration process, some states participate in coordinated review programs—also known as regional reviews. A regional review expedites multistate registration, thereby potentially saving issuers time and money. Regional reviews are available in the New England, Mid-Atlantic, Midwest, Southwestern, Southeastern, and Western regions. Each state participating in the program agrees to apply uniform standards regarding such matters as the time frame for issuing comments and the type of comments to be issued in reviewing registration applications. According to NASAA, approximately 37 states participate in regional reviews.

The efficacy of the efforts to streamline the state registration process is unknown. According to several of the state securities administrators whom we interviewed, they have not participated in regional reviews or used SCOR forms for Regulation A filings because there have been so few Regulation A filings in their state. Similarly, a researcher and securities attorneys with whom we met noted that some of these methods, like SCOR, have not been widely used because of the low number of Regulation A filings in recent years.

According to officials from NASAA, changes to the states' registration processes and requirements are likely needed to coincide with the new exemption for larger offerings under the JOBS Act. NASAA staff stated that they recognize that issuers may want to conduct nationwide offerings under the larger federal exemption, which increases the need for uniform state-level registration requirements for such larger offerings. In particular, the increased ceiling amount could encourage smaller community banks as well as those businesses that do not want to limit themselves to accredited investors or investors in a single state to pursue a Regulation A filing. Officials from organizations that work to develop capital intensive businesses agreed that in order for small businesses to use the Regulation A exemption, the process to register in multiple states needed to be more streamlined and entail minimal cost and greater efficiency. NASAA plans to work with the states to promote a more uniform state-level registration process for larger offerings. In addition, NASAA plans to coordinate with SEC on new disclosure forms for larger offerings—with the goal of developing a disclosure form that can be used at the federal and state level. According to NASAA officials, the time frame for making these and other changes is unknown, as the states must wait for SEC to issue certain rules under the JOBS Act.

Multiple Factors May Have Affected Use of Regulation A and Views on Future Use Are Mixed

According to the stakeholders with whom we met, multiple factors may have influenced small businesses' decision to use Regulation A. These factors included the type of investors businesses sought to attract, the process of filing the offering with SEC, state securities laws, and the cost-effectiveness of Regulation A relative to other SEC exemptions. Views vary on whether use of Regulation A will increase, with some stakeholders stating that interest will increase as a result of the $50 million ceiling, and others stating that the requirement for issuers to register the securities at the state level will continue to deter small businesses from using the exemption.

Factors That May Have Affected Regulation A Use

Multiple factors appear to have influenced whether small businesses used Regulation A to raise equity capital, according to recent issuers and other stakeholders with whom we met. Regulation A has been attractive to small businesses because, among other things, they can sell the securities to nonaccredited investors. However, other factors, including SEC's process for qualifying Regulation A filings, the requirement for Regulation A issuers to comply with blue sky laws, and the benefits associated with Regulation D have played a role in limiting the use of Regulation A to date.

Type of Investors Sought

Small businesses that wanted nonaccredited investors to purchase their securities have opted to use Regulation A, according to recent issuers of Regulation A securities as well as other stakeholders with whom we met. One issuer stated that working with investors that supported its social mission was important, and that these investors were not necessarily accredited. Another issuer stated that the business wanted to sell its securities to specific investors with whom it had existing relationships—which also were not necessarily accredited. In both cases, the issuers explained that had they used a different SEC exemption to raise capital, such as Regulation D, they would not have been able to sell their securities to their desired investors.[29] Representatives of one issuer also noted that they wanted to offer their securities to the public, and Regulation A enabled them to do so. This company offered its securities on the internet.[30] Securities attorneys who have experience in assisting small businesses raise equity capital similarly stated that Regulation A has been attractive to businesses that desired to make their securities available to members of the businesses' local community.

SEC Process for Qualifying Regulation A Offerings

The process of filing a Regulation A offering with SEC, and working with SEC to qualify the filing, can be time-consuming and costly, according to

[29]Rules 505 and 506 of Regulation D permit issuers to sell to only 35 non-accredited investors.

[30]Prior to the JOBS Act, general solicitation or advertising was not allowed for Regulation D offerings. The JOBS Act allows the general solicitation and advertisement of a Rule 506 offering, as long as all purchasers are accredited investors.

several stakeholders with whom we met. For example, several stakeholders, (including a recent Regulation A issuer, attorneys who worked with recent issuers, and a small business advocate) described the process as detailed and time consuming; two of these stakeholders described the process as akin to filing a registered public offering. Other stakeholders noted that the process of filing a Regulation A offering is considered in the industry to be a “mini-registration.” Stakeholders also noted that because the process of receiving and addressing comments from SEC could entail multiple rounds that involved attorneys and accountants, it could be costly to the small businesses involved. Two of the Regulation A issuers with whom we met stated that SEC required them to address comments related to their financial statements, and that such comments required the issuers to work with their accountants to clarify accounting-related information, which was costly. According to SEC, its process of qualifying Regulation A offerings is designed to protect investors. SEC staff stated that in some cases the businesses that were seeking exemption through Regulation A did not fully address SEC’s comments and requests for clarification, which resulted in additional comment letters as well as informal communication.

Complying with State Securities Registration Requirements

Identifying and addressing the securities registration requirements of individual states is both costly and time-consuming for small businesses, according to research, an advocate for small businesses, and securities attorneys with whom we met. For example, one academic who has researched and written extensively about blue sky laws believes that they impose significant costs on small businesses and impair capital formation.[31] According to this researcher, the costs to issuers of addressing blue sky laws have been a significant factor in the historic underuse of Regulation A by small businesses.[32] An advocate for small businesses as well as securities attorneys with whom we met agreed with this assessment. An organization that advocates for small businesses noted that small businesses have limited resources; thus, the legal expenses associated with researching and complying with state securities laws can be a significant burden. Securities attorneys who have experience in assisting small businesses with obtaining the Regulation A

[31]Rutheford B. Campbell, Jr., “Blue Sky Laws and the Recent Congressional Preemption Failure,” 22 *Journal of Corporation Law* (Winter 1997).

[32]Rutheford B. Campbell, Jr., “Regulation A: Small Businesses’ Search for ‘Moderate Capital,’” 31, no. 1 *Delaware Journal of Corporate Law* (2006).

exemption noted that their legal fees were relatively high due to the need to research individual state's blue sky laws. For example, one attorney who works with start-up technology firms stated that his fees associated with Regulation A were high because of the need to research state laws, prepare offering documents for individual states, and address comments both from SEC and some states.

Some states' securities registration requirements deterred small businesses from registering in those states. For example, a representative of one of the Regulation A issuers with whom we met stated that the issuer was deterred from registering in a specific state because of the state's requirement for issuers to have a consistent record of earnings for the preceding three fiscal years. He stated that because the business was relatively new and had not yet become profitable—particularly during the recent financial crisis—it could not meet this requirement. According to the securities administrator for this state, the state's securities laws are intended to help ensure fair, just, and equitable offerings for investors, but other means exist to meet the state's requirements. As another example, one issuer opted to withdraw its application from a state that provided extensive comments on the business's offering. According to an official from this state's securities administrator, small businesses withdraw from the process of registering with the state, likely to avoid having to address the state's comments.

Merit review states are viewed by some stakeholders as presenting greater challenges for small businesses that want to register Regulation A securities. As previously discussed, states assess the fairness of offerings in merit reviews and require businesses to address their comments before securities can be registered. For example, we met with securities attorneys who had experience obtaining Regulation A exemptions for small businesses. Some of the attorneys stated that they advised their clients to avoid registering in merit states. The legal counsel for one recent Regulation A issuer noted that after researching merit review states and contacting the securities administrator for one of these states, it became evident that the review processes in such states would be time-consuming and burdensome to address. The counsel advised, and the issuer agreed, to avoid attempting to register in any merit states. As noted earlier, according to NASAA officials, most states perform merit reviews. Issuers with whom we met stated that they registered in 3 to 11 states.

Advantages of Exemptions under Regulation D

Another SEC exemption—Rule 506 of Regulation D—historically has been preferable to Regulation A because of its time and cost benefits and lack of offering ceiling, according to an organization that advocates on behalf of small businesses and securities attorneys with experience in working with small businesses to raise equity capital. For example, one small business advocate stated that a small business has little reason to use Regulation A, particularly if it can use Rule 506 of Regulation D, which preempts blue sky laws. That is, a business that uses Rule 506 of Regulation D can raise equity capital without having to register the security in individual states, saving the business both time and money. Securities attorneys with whom we met agreed that Rule 506 of Regulation D is a preferable method of raising capital for small businesses because it is more cost-effective. As an example, one attorney noted that technology firms have been more inclined to use Rule 506 of Regulation D over Regulation A because the legal costs were lower, and such offerings could be made more quickly. For the technology industry, there are risks associated with time; thus, these firms want to obtain capital quickly. SEC staff stated that for Regulation D, businesses are required to notify SEC of the offerings, and that SEC does not generally provide comments on the notifications.[33] Securities attorneys, staff from the offices of some state securities administrators, and other stakeholders with whom we met noted that Regulation D in general is preferable to Regulation A because the process of filing the required information with SEC is quicker and less burdensome.

According to stakeholders whom we interviewed, Rule 506 of Regulation D also has been viewed as preferable to Regulation A because it did not have a maximum offer ceiling. Staff from some of the state securities administrator's offices with whom we met stated that use of Regulation A's had been low because the maximum offering amount was too small, and Regulation A was not as cost-effective as other financing mechanisms. Some securities attorneys with whom we met similarly described the Regulation A ceiling as too low, and stated that Rule 506 of Regulation D was very attractive in comparison. Securities attorneys also noted that the legal costs associated with Regulation A offerings were greater than those associated with Regulation D offerings. In addition, we previously reported that one of the reasons given for the limited use of Regulation A was that it was rare for an issuer to attract an underwriter for

[33]SEC requires companies to file a notice of an exempt offering with SEC within 15 days after the first sale of securities in the offering.

an offering under $5 million.[34] An advocate for small businesses and securities attorneys with whom we met agreed that offerings of $5 million or less were viewed unfavorably by underwriters because they were too small in size to be profitable.

Views on Future Growth of Regulation A Filings Were Mixed

The number of small business that seek exemption through Regulation A may increase as a result of the JOBS Act's requirement for SEC to increase the maximum offering amount to $50 million, according to staff from some state securities administrators' offices, a small business advocate, and securities attorneys whom we interviewed. A small business advocate with whom we met stated the higher ceiling increase could attract those businesses for which the $5 million ceiling was too low. Moreover, this advocate noted that some small businesses may want to enter the securities market but are not yet prepared to register an offering with SEC; thus, Regulation A would be a good way for them to enter the market. The higher ceiling also could increase underwriters' interest in Regulation A, according to some stakeholders we interviewed. While investment banks are not interested in $5 million offerings, they are more likely to be interested in offerings that are closer to $50 million, according to some stakeholders.

Under the JOBS Act, future Regulation A offerings generally remain subject to state blue sky laws, which may deter future use by small businesses. As previously discussed, addressing and complying with securities registration requirements of states can be costly and time-consuming, according to several stakeholders with whom we met. Recent Regulation A issuers, a small businesses advocate, and securities attorneys we interviewed stated that researching individual state laws and registering with multiple states significantly increased the legal and accounting costs associated with Regulation A offerings. As a result, even with the increased attractiveness of the $50 million ceiling, blue sky requirements may still dampen small business' interest in Regulation A. However, some stakeholders also noted that with the increased ceiling, a Regulation A offering's transaction costs (attorney fees and accounting costs) will represent a smaller proportion of the overall offering costs.

[34] GAO/GGD-00-190. An underwriter is a brokerage firm, securities dealer, or investment banking firm that sells company securities to investors, other brokerage firms, securities dealers, and investment banking firms.

In addition, Rule 506 of Regulation D may continue to be preferable to Regulation A, according to securities attorneys, staff from some of the state securities administrator's offices, and another stakeholder whom we interviewed. Most notably, businesses that use Rule 506 of Regulation D do not to have to have the offering qualified by SEC or register in individual states, and can raise unlimited amounts of capital. Furthermore, the JOBS Act contains provisions that will allow issuers to make general solicitations and advertise offerings made under Rule 506 exclusively to accredited investors, which may further add to the appeal of Regulation D offerings.[35]

Agency Comments

We provided a draft of this report to SEC and NASAA for their review and comment. Both provided technical comments, which we incorporated as appropriate. NASAA also provided written comments, which are reprinted in appendix I. In its letter, NASAA concurred with our finding that multiple factors have affected use of Regulation A, and suggested that the primary reason for its limited use is the "mini-public offering" process that businesses must complete. Stakeholders with whom we met did not consistently cite any single factor as the primary reason for the limited use of Regulation A. As noted in the report, NASAA stated that it will be working to develop model state registration requirements for the larger Regulation A offerings allowed under the JOBS Act, and NASAA suggested that further changes to federal securities laws, particularly Regulation A, should be withheld until states implement a new system to address the JOBS Act's changes. In considering any changes, NASAA stressed the importance of balancing the needs of investors with the needs of businesses seeking to raise capital.

We are sending copies of this report to the Chairman of the Securities and Exchange Commission, the appropriate congressional committees, and other interested parties. In addition, the report will be available at no charge on GAO's website at http://www.gao.gov.

[35]Pub. L. No. 112-106, § 201, 126 Stat. 313, 15 U.S.C. § 77d note. General solicitations refer to any form of public solicitation or general advertising in connection with an offering.

If you or your staffs have any questions about this report, please contact me at (202) 512-8678 or clowersa@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.

A. Nicole Clowers
Director, Financial Markets
and Community Investment

Appendix I: Comments from the North American Securities Administrators Association

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.
750 First Street N.E., Suite 1140
Washington, D.C. 20002
202/737-0900
Fax: 202/783-3571
www.nasaa.org

NASAA

June 26, 2012

A. Nicole Clowers, Director
Financial Markets and Community Investment
Unites States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Clowers,

Thank you for the opportunity to comment on the Government Accountability Office (GAO) draft report entitled *Securities Regulation: Factors That May Affect Trends in Regulation A Offerings* (GAO-12-839). We have also appreciated the opportunity to respond to inquiries from GAO staff and provide information needed for the completion of the report. The report addresses matters of concern to regulators, small businesses, and the investing public, and we commend the GAO staff for its thoroughness in preparing the report.

In evaluating the impact of blue sky laws on offerings conducted under Regulation A, it is important to distinguish between the current Regulation A and the newly-mandated exemption in Title IV of the JOBS Act, which is now commonly known as "Reg A+." Of course, the most obvious difference is the offering limit, which has increased from $5 million in Regulation A to $50 million in Reg A+.

Current Regulation A was adopted before the internet age and, with an offering limit of $5 million, it was not designed for nationwide offerings. To accommodate its anticipated use by small companies in localized offerings, NASAA and its members developed a regional review program in which multiple states could review these offerings in a coordinated fashion. We also developed a simplified offering document that was designed for use by small companies, and it has been accepted by the vast majority of states.

With the increased size of offerings under Reg A+ and the ability for small businesses to conduct offerings over the internet, NASAA recognizes a heightened need for uniformity in the state-level review of these offerings. As you point out in your report, we will be renewing our efforts to develop model state-level registration requirements for these larger offerings, and we will attempt to coordinate with the SEC to develop a single disclosure document that will satisfy both state and federal requirements.

NASAA concurs with your conclusion that multiple factors have influenced the use of Regulation A. In our view, a primary reason it has not been widely used is that it involves what is fundamentally a "mini-public offering." To satisfy federal as well as state requirements, the company issuing the security must disclose all material facts to investors by completing an

President: Jack E. Herstein (Nebraska)
President-Elect: A. Heath Abshure (Arkansas)
Past-President: David Massey (North Carolina)
Executive Director: Russel Iuculano

Secretary: Rick Hancox (New Brunswick)
Treasurer: Fred Joseph (Colorado)
Ombudsman: Matthew Neubert (Arizona)

Directors: Steven D. Irwin (Pennsylvania)
Melanie Senter Lubin (Maryland)
Andrea Seidt (Ohio)
Patricia D. Struck (Wisconsin)

offering document that is much like a registration statement, resulting in considerable legal and accounting costs. In many cases, companies decide to pursue full registration to avoid the $5 million offering limit or decide to pursue other less costly options, such as Rule 506, to raise the needed funds.

Considering the meteoric rise in the use of Rule 506, it should surprise no one that Regulation A is not utilized, even with its simplified review process at the federal and state level. Unlike Regulation A, Rule 506 provides a way to raise unlimited amounts of money with no substantive regulatory review at all. But, it is also no surprise that Rule 506 offerings are consistently listed in NASAA's annual list of top frauds and investor traps.

As regulators, NASAA members must carefully balance the needs of investors with the needs of the businesses who seek to raise capital. In our view, Rule 506 has clearly benefited businesses, but it has come at great cost to many investors,[1] largely because state regulators were preempted from regulating those offerings. The justification for allowing Rule 506 offerings to remain virtually unregulated is the fact that the offerings are made primarily to accredited investors. However, offerings under Reg A+ are made to retail investors, and it is critically important for these offerings to be subject to regulatory review. Policymakers must resist the urge to make Reg A+ more "competitive" with Rule 506 by lowering the standards of Reg A+.

NASAA understands that the intent of this study was to ascertain the impact of blue sky laws on the use of Regulation A. However, it is abundantly clear from the study that multiple factors come into play when an issuer evaluates its various registration options, and it is impossible to isolate the impact of blue sky laws. Furthermore, because Reg A+ is fundamentally different from the current Regulation A, and since the states will develop a new system to facilitate offerings under Reg A+, it is premature to predict the impact of blue sky laws on Reg A+. This is particularly true when the JOBS Act has created additional capital-raising options that may drive companies away from Reg A+, including crowdfunding and general solicitation under Rule 506. Any further attempts to amend or otherwise alter federal law with respect to securities offerings – and more particularly the new Reg A+ provision – should be withheld until states are given the opportunity to implement a new system to address the Reg A+ regime and we have data regarding the use of the new capital-raising strategies.

NASAA members will never satisfy the critics of regulation, but we will strive to develop modern and efficient systems that eliminate any unnecessary burdens on small businesses and other issuers. We will collaborate with our colleagues at the SEC to develop sensible and cohesive rules that strike a reasonable balance between the needs of small businesses and the investors who fund them.

Thank you, again, for your work on this study, and for the opportunity to provide our comments.

Sincerely,

Jack E Herstein

Jack Herstein
President

---

[1] See *S.E.C. v. Medical Capital Holdings, Inc., et al*, Case No. SACV 09-0818 DOC(RNBx) (C.D.Cal., filed July 126, 2009), involving an issuer that sold hundreds of millions of dollars of fraudulent securities to the public using Regulation D, Rule 506.

2

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

A. Nicole Clowers, (202) 512-8678 or clowersa@gao.gov

Staff Acknowledgments

In addition to the individual named above Andrew Pauline, Assistant Director, Elizabeth Jimenez, Wati Kadzai, Marc Molino, Lisa Moore, Barbara Roesmann, and Henry Wray made major contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (www.gao.gov). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, http://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, Twitter, and YouTube. Subscribe to our RSS Feeds or E-mail Updates. Listen to our Podcasts. Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Please Print on Recycled Paper.