OPENING STATEMENT
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U.S. SECURITIES AND EXCHANGE COMMISSION

OPEN MEETING
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Today we are considering three releases designed to address abuses in roll-ups. Roll-ups are transactions in which several limited partnerships are "rolled-up" into a single new entity, or in which a single limited partnership is transformed into a new partnership or company. These transactions theoretically offer investors the chance to vote on an alternate structure that replaces an illiquid partnership with a liquid traded security.

Unfortunately, the general partners who have sponsored many roll-ups have put their own financial interests ahead of those of the limited partners. In some cases, roll-up sponsors have provided disclosure documents that may be inadequate for investors. We have also heard protests about strong-arm tactics used to obtain votes in favor of roll-ups, tactics that have included paying brokers only for "yes" votes, and denying limited partners access to lists of other investors. Conflict of interest, not fiduciary duty, seems to have been the order of the day for the promoters of some of these transactions.

The Commission does not have the authority to decide whether a proposed roll-up of a limited partnership is good or bad, fair or unfair. That decision is left to the individual investor. In fact, the fiduciary duties of loyalty and care owed to investors

by general partners are created and enforced entirely by state law. The Commission's role is to ensure that investors considering a proposed transaction or investment have the information they need. That includes providing information on the specifics of a transaction that may lead to lawsuits by investors against unscrupulous promoters. In some cases these lawsuits would appear richly deserved.

We are very concerned by reports that roll-up documents are not comprehensible. Indeed, Rule 421 requires that all information in all prospectuses, for roll-ups and for other transactions, must be "presented in a clear, concise and understandable fashion." Rule 503 requires that, at the outset of a prospectus, there must be a summary of the principal risk factors in the transaction or investment.

It should be understood that the Commission will not hesitate to investigate violations of the federal securities laws and the rights of investors as part of roll-ups. We have a number of investigations of roll-ups under way, looking into abuses such as obstructing access to investor lists, using improper solicitation tactics, and failing to provide adequate disclosure of conflicts of interest or other critical aspects of the transaction. We have also worked with the NASD to put in place new rules against solicitation programs that pay brokers only if they obtain a "yes" vote from their customers. The

election and solicitation process should be neutral, not a set of loaded dice. In fact, the comment period for the NASD's rule change to abolish the "yes only" solicitation closes tomorrow. We strongly hope to see immediate NASD final action.

Congress as well as the Commission is concerned about the abuses in roll-ups. Representatives Dingell, Markey, Rinaldo and others have introduced a bill in the House that would, among other things, require the Commission to improve roll-up disclosure. The releases we have before us today would, in several respects, go further than the proposed legislation. For example, the proposed roll-up rules would require a separate supplement for each partnership involved in the roll-up. This should help prevent promoters from making it difficult for an investor in a specific partnership to answer the question "what will this transaction do to me?"

Today's proposed new rules, like the current rules, would require that the prospectus begin with a "clear, concise, understandable" summary of the document. This should help investors understand the transaction, both its costs and benefits, without the need to read the whole prospectus. We simply will not tolerate attempts to bury important information deep inside unreadable documents.

The proposed rules would require that sponsors give

investors a minimum of sixty calendar days, or the maximum provided by state law, to consider the roll-up. This should ensure that investors have adequate time to consider these complex transactions. If adopted, short-fuse roll-up solicitations will be unlawful, which should help prevent any atmosphere of coercion in the review of the proposal.

In addition to proposed rules regarding roll-up disclosure, we also have before us today a special interpretive release interpreting our present disclosure requirements as they apply to roll-ups and to initial sales of limited partnership interests. This release would spell out what we expect to see in roll-up and limited partnership documents: clear, concise summaries; prominent disclosure of important risks and conflicts; and plain English throughout the document. Indeed, the interpretive release provides that the staff will not even attempt to read a roll-up document that is not readable. For the future, roll-up documents that are difficult to comprehend and do not begin with a clear, concise, understandable summary will be governed by a simple rule -- "return to sender." If approved, this interpretive release will go into effect immediately, and the days of the impenetrable roll-up document should be at an end.

The Commission's review of the proxy rules has demonstrated that many of the problems in partnership roll-ups are also problems in corporate transactions. The third proposal before us

today would provide that communications between investors would no longer be subject to the filing and other requirements of the proxy rules, so long as the person making the communication has no interest in the matter to be voted on other than as an investor. Thus, a limited partner opposed to a proposed roll-up transaction could, without making any filing with the Commission or anyone else, send letters to other limited partners urging them to vote against the roll-up.

The staff also proposes changes in the rules concerning the availability of investor lists in order to make it easier for investors to exchange information with each other. Thus, in a roll-up, the general partner could no longer simply agree to mail an opposing limited partner's proxy materials. Instead, the general partner would have to provide the limited partner a copy of the partnership list itself. Moreover, the list would have to include not only the name and address of each limited partner, but also the size of each limited partners' interest and information about the true beneficial owner of the interest.

The proposals for roll-up and proxy reform that we consider today will not be a panacea for every unfairness in roll-up and other transactions. They should, however, ensure that the average investor, facing a proposed roll-up, receives an adequate, understandable document. The proxy proposal is an important step in ensuring that, in roll-ups and other

extraordinary transactions, and in ordinary proxy solicitations, investors can communicate with one another and exercise their voting rights. Promoters seeking to enrich themselves through patently unfair roll-ups with cram-down features should expect that we will crawl over their disclosures and exercise all of our authority to prevent violations of federal law.