

the expected sale in the state. It is reviewed by the Department of Banking and Finance. Disclosure, rather like a prospectus is given to a potential buyer. It gives material information about the history, potential for conflicts, insiders, how they are going to be treated, and the experience for the security. That is one. The second kind of registration is the broker-dealer, and here is also a preregistration on a yearly basis of the people who will be broker-dealers, that is to say the person who buys and sells on behalf of a client who wants to buy and sell stock. They have ethical standards. They are tested. They pay a fee, and they share a registration in this state with every other state where they buy and sell stocks on behalf of clients. So we have sort of a linked registration system with other states. Third, we have an agent or a stockbroker registration or license. This is for a person who works for a broker-dealer. There is preregistration. There is a test. There is a centralized nationwide application method with computer linkage so we know who has a good track record, who doesn't have a good track record in other states. Each state assesses a fee, registers these people, and is given the disciplinary action in other states. When one applies for a transaction exemption from securities regulation, one is getting an exemption from all three of those. The security is not registered, the broker-dealership is unnecessary, and the agent is unnecessary, and this bill concerns four of those transaction exemptions. The first one we just talked about, the accredited investor. The accredited investor is not an agent. The accredited investor is not a broker-dealer, and that individual buys and sells without having to be one of those two kinds of regulated people. That one we've explained earlier today. A second one that is in the bill is the small buyer's offering. This is in subdivision (9) of the transaction exemptions, and it says that a security that has originally ten and now fifteen buyers and that's it, basically family corporations, is not a registered security. Buying and selling them does not make you a broker-dealer or an agent. So we move from ten to fifteen the number of people who can be in the small offering to make it a transaction exemption and therefore exempt from these three kinds of standards. The third kind of transaction exemption is a Reg D, or a limited offering. This is in subdivision (16) and this is where there is no public offering of the stock. It is a limited offering exception. It parallels federal language under Regulation D under the federal government. It has the same terms. Generally speaking, these are for more sophisticated purchasers. There are interstate filings of some of these