Overview

Thecasesolutions.com

• Introduction to Securities
• Securities Act of 1933
• Securities Exchange Act of 1934
• Blue Sky Laws
The SEC is the Securities Exchange Commission
- Federal agency to enforce security laws
- Cannot bring criminal action
  - Refers criminal action to the Justice Department

What is a Security?
- transaction when buyer invests in a common enterprise
- buyer expects to earn profit primarily by the efforts of others
Examples of Securities

- Stocks
- Bonds
- More obscure text book examples
  - agricultural investment
  - investment in an athlete
Securities Act of 1933

The 1933 Act requires that before offering or selling securities, the issuer must register the securities with the SEC unless the securities qualify for an exemption

- does not consider quality of offering
- means the company has released all required information

Thecasesolutions.com
Exempt Securities

Why would a security be exempt from registration?

• inherently low risk
• regulation by other statutes
• not really investments

Examples of Exempt Securities

• Government Securities
  Federal or state
• Bank Securities
• Short-term notes
  Public or private
• Nonprofit bonds
• Insurance policies
  As a contract to a person (not regulated)
Examples of Exempt Securities

- Government Securities (federal or state)
- Bank Securities
- Short-term notes (within 9 months)
- Nonprofit issues
- Insurance policies and annuity contracts (other regulations)

Thecasesolutions.com
Exempt Transactions

Section 4(2) of the 1933 Act exempts from registration “transactions by an issuer not involving any public offering.” (Private offering)

- Exempt securities stay exempt throughout their life but exempt transactions do necessarily stay exempt for subsequent sales.

Intrastate Offering Exemption
- Under SEC Rule 147, an issuer is not required to register securities that are offered and sold only to residents of the state in which the issuer is incorporated and does business.