



# Process Completeness: Strategies for Aligning Service Systems with Customers' Service Needs

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### Overview

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- Introduction to Securities
- Securities Act of 1933
- Securities Exchange Act of 1934
- Blue Sky Laws




### Thecasesolutions.com Introduction to Securities

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



### 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

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### Blue Sky Laws

In 1911, Kansas became the first state to regulate the sale of securities

It was modeled after common law that had no state-backed force so many other states of Kansas Blue Sky Laws, which were later modeled on what the SEC did

### Exemption Requirements

Exemptions that require the issuer to disclose certain information

- Regulation A
- Regulation D
- Regulation E
- Regulation S
- Regulation C
- Regulation D
- Regulation E
- Regulation S
- Regulation C

### Securities Exchange Act of 1934

The purpose of this act is to regulate the markets of the securities market

To be in compliance with section 17(b) of the act, the issuer must register the securities with the SEC

### Liability under the 1933 Act



### Safe of Restricted Securities

Rule 144 is the main rule of how to sell securities that are restricted securities

Under Rule 144, 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.

### Regulation A

Two types:

- Tier 1: An issuer may sell publicly up to \$5 million of securities in any 12-month period, with no limit on the maximum amount an investor may buy. After the offering, the issuer is not required to make ongoing reports to the SEC.
- Tier 2: An issuer may sell publicly up to \$50 million of securities in any 12-month period. Investors may not buy stock that costs more than the greater of 10% of their annual income or net worth.

### Regulation D

#### Relevant Definitions

Qualified Institutional Buyer (QIB): An institution that has a net worth of at least \$100 million.

Accredited Investor: An individual or entity that meets certain criteria for income or net worth.

Private Placement: A sale of securities to a limited number of investors.

### 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 not 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.

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### Thecasesolutions.com Exempt Securities

Why would a security be exempt from registration?

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

**EXEMPT**

### Crowdfunding

Under the Jumpstart Our Business Startups Act (JOBS), private fund investors can sell up to \$1 million of securities in any 12-month period.

### Direct Public Offering (DPO)

Individual going through "mini IPO" securities

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### Public Offerings

Initial Public Offering (IPO)

can be done in two ways: \$10 million and up

For both IPOs, the issuer must file a registration statement with the SEC.

- Registration Statement
- Prospectus
- Red Herring
- Blue Book
- Green Book
- Black Book
- Grey Book

### RE in SEC Act in COMPANYING



### Emerging Growth Company

An emerging growth company (EGC) is a company that has a market capitalization of less than \$1 billion and has not been in the public market for more than one year.

Under the JOBS Act, EGCs can benefit from certain exemptions from the SEC's registration requirements.

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12.84	+0.56%	▲	120.34	300,000
23.90	+12.3%	▲	543.23	120,000
15.89	+5.34%	▲	254.23	320,000
5.34	-7.89%	▼	321.56	430,000
7.34	+5.97%	▲	100.08	120,000
1.89	+2.13%	▲	564.23	900,000
1.45	+6.43%	▲	765.90	600,000
1.67	-11.6%	▼	120.34	380,000
1.64	+23.1%	▲	893.23	120,000
1.39	+5.56%	▲	128.98	320,000
1.8	-3.67%	▼	432.12	750,000
1.7	+11.3%	▲	765.23	150,000
1.6	+2.54%	▲	432.24	120,000

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Examples of Securities

- Stocks
- Bonds
- More obscure text book examples
  - agricultural investment
  - investment in an athlete



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#### 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)



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