



IKE (INVEST KANSAS EXEMPTION)

Office of the Kansas Securities
Commissioner

REGULATION OF SECURITIES

- ◉ The Office of the Kansas Securities Commissioner (KSC) regulates securities offerings and persons who sell securities in Kansas and has been doing so since 1911 when the Kansas Legislature enacted the first securities law in the United States.
- ◉ Before that, many Kansans were victims of fraudulent speculative schemes that were described back then as having “no more substance than so many cubic feet of Kansas blue sky” . The Kansas law served as a nationwide model for other states and since then, all state securities laws have been referred to as “Blue Sky” laws. Many of the modern versions of Blue Sky Laws, including the current laws in Kansas, are based on a Uniform Securities Act that was developed in 2002 by the National Conference of Commissioners on Uniform State Laws.

REGULATION (CONTINUED)

- ◉ Federal securities laws were not enacted until more than 20 years after the first Blue Sky Laws and include the Securities Act of 1933 and the Securities Exchange Act of 1934. Those federal laws are administered and enforced by the Securities and Exchange Commission (the SEC).
- ◉ Small or local securities offerings are regulated primarily at the state level, but entrepreneurs and their professional advisers must also be aware of exemption requirements and anti-fraud provisions under the federal laws.

CAPITAL FORMATION

- ⦿ Our Mission Statement includes fostering capital formation.
- ⦿ We want to make it *easier* for Kansas business owners to raise capital in accordance with the Kansas Uniform Securities Act (KUSA).

ISSUES TO CONSIDER

- ⦿ It is important to comply with state and federal securities laws.
- ⦿ There are various types of securities to consider when raising capital, but most development stage and growth companies issue equity securities, such as common and preferred stock or LLC interests rather than debt securities.
- ⦿ You also need to consider the legal and accounting requirements before offering securities to any investors (even family and friends).

ISSUES (CONTINUED)

- ④ You should consider the following before selling part of your company to investors:
 - The cost of equity capital can be expensive and issuance of debt may not be feasible.
 - The regulatory requirements for securities offerings are complex.
 - New investors will be “looking over your shoulder” as you manage “their” company.
 - Accountability and access to high quality information will become even more important with serious consequences for errors.

ISSUES (CONTINUED)

- Many entrepreneurs have discovered that complying with complicated state and federal laws is not the most challenging aspect of conducting a securities offering—the process of finding appropriate investors and selling to them is very hard work!
- Officers must ordinarily offer and sell securities of small companies themselves because broker-dealers are rarely interested in underwriting small offerings, and no compensation can be paid for offering & selling unless the individual is registered as an agent.
- Before spending the time and money, entrepreneurs should carefully determine whether securities of their company are reasonably marketable.

SECURITIES REGISTRATION

- ⦿ Public offerings involve advertising or other methods of general solicitation to attract investors and must ordinarily be registered before any offers or sales of securities.
- ⦿ If you want to avoid the complexities and documentation requirements of registration, then you must carefully comply with the conditions for an *exemption* from registration.

INVEST KANSAS EXEMPTION (IKE)

- ⦿ IKE is a new exemption that became effective in August 2011 to help reduce the regulatory hurdles for small businesses and organizations based in Kansas.
- ⦿ This exemption is intended to save entrepreneurs, especially in rural Kansas, thousands of dollars and the substantial time it takes to register an offering with the KSC.
- ⦿ The exemption is specified under Kansas Administrative Regulation 81-5-21 which was adopted by the Commissioner based on authority provided by K.S.A. 17-12a203.

IKE REQUIREMENTS

- ⦿ The issuer must be based in Kansas and organized under Kansas law by registration with the Kansas Secretary of State;
- ⦿ All offers and sales must occur within Kansas to Kansas residents, and any resales within 9 months after the offering must be limited to Kansas residents;
- ⦿ The aggregate offering is limited to \$1,000,000 less the amount of other securities sold within the previous 12 months;

IKE REQUIREMENTS (CONTINUED)

- ◉ The investment amount per investor is limited to \$5,000 unless they qualify as an “Accredited Investor” as defined under Regulation D, Rule 501;
- ◉ The issuer must comply with SEC Rule 147 for an intrastate offering;
- ◉ Proceeds must be deposited in a bank or depository institution authorized to do business in Kansas; and
- ◉ Form IKE must be filed with the KSC before use of any general solicitation or the 25th sale in Kansas, whichever occurs first.

IKE REQUIREMENTS (CONTINUED)

- Other conditions are specified by K.A.R. 81-5-21 which should be reviewed carefully. Persons considering an IKE offering are encouraged to confer with KSC staff.
- No specific form of disclosure document is required. However, exempt offerings are still subject to the anti-fraud provisions of state and federal laws. Therefore, complete and accurate information should be provided to investors.

OTHER EXEMPTIONS

- Other exemptions from registration with limitations on the number of securities transactions or types of investors are available under KUSA and Regulations and can be explained further by KSC staff. The KUSA and Regulations are available on the KSC website.

SUCCESS WITH IKE: MINNEOLA'S HOMETOWN MARKET



IN THE NEWS...



California residents Fadi Zoghzogluy (left) and Ervin Ting (right) visit The Hometown Market deli while visiting Minneola. "These wings remind me of wings back home. Before leaving, we'll definitely come back," Zoghzogluy said. NANCY CALDERON/DAILY GLOBE

AP: New grocery store in Minneola a community effort

3/26/2012

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MINNEOLA (AP) — A round trip to the grocery store has become about 40 miles shorter for people in the southwestern Kansas town of Minneola, now that the town's only market has reopened.

It was a community effort by residents of the Clark County town of about 740, dozens of whom bought ownership shares at \$50 apiece and donated their time and skills to renovate and revive The Hometown Market.

"We had a gentleman who worked five to six days a week for four months with no pay," Minneola Mayor Carol Sibley told The Dodge City Daily Globe. "It has truly been an amazing process. We've had children from 2 years old to my dad, who is 96, volunteer."

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New Kansas grocery store a community effort

Posted: March 25, 2012 - 12:20pm

By The Associated Press

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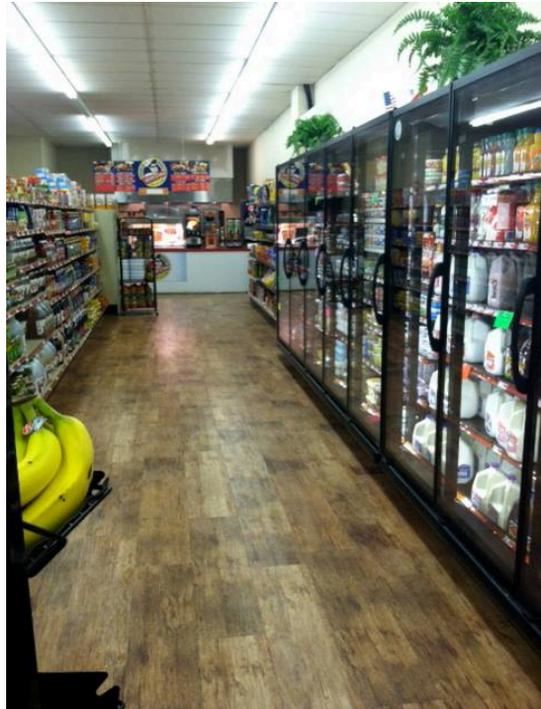
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