Salesperson registration

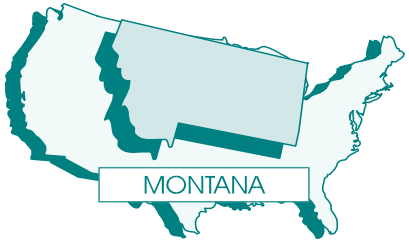
Some exemptions free a salesperson from having to register with the Securities Department. Others do not. Some exemptions can't be used if a salesperson receives any kind of commission or compensation for offering and selling the securities. Again, you should consult with an attorney before you make any offers to ensure compliance with state and federal securities laws.

Registering Your Securities

The securities registration process entails a "merit review" of your offering. You must submit the prospectus and required exhibits, which a department examiner reviews to ensure compliance with the Securities Act of Montana.

Small Company Offering Registration provides small businesses with an easier and less expensive way to register securities than traditional initial public offerings. It permits the company to make a public offering of securities and raise up to $1 million.

If you plan to offer securities in multiple states, you can request a coordinated equity review, which means states work together to review your registration application. This review can speed up the process for you and simplify it if you need to make any changes.



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Guide to Capital Formation

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Capital Formation

Raising capital to start or grow a business can be an important step toward the success of your company. One of the goals of the Securities Department in the State Auditor's Office is to encourage capital formation for Montana businesses.

Before you offer or sell securities in Montana, you must make sure you comply with all state and federal securities laws. This brochure gives a brief summary of Montana's securities laws. These laws can be complicated so you are advised to seek the advice and guidance of an attorney when planning a securities offering.*

Types of Securities

Debt securities allow you to raise money by obtaining loans from investors. **Equity securities** involve selling ownership interest in your company. The type of securities you offer depends on the needs and goals of your company. Before making any offers, you should formulate a needs analysis for your company. The analysis can be used to develop a business plan, an important step in deciding what kind of securities to offer.

*This brief overview does not include a thorough explanation of regulatory requirements for offering securities, nor does it represent legal or financial advice. You should consult with knowledgeable securities professionals and the staff of the Securities Department when planning a securities offering in Montana.

Offering and Selling Securities

All securities transactions must comply with state and federal securities laws. This means they must be registered or qualify for an exemption from registration. Anti-fraud statutes apply in all securities transactions, even if the securities are exempt. Some offerings can be filed with the Securities and Exchange Commission, which could limit the state securities department's review of the offering. Qualifying for an exemption will speed up the process because the offering will not be subject to a full merit review.

Exemptions

There are several exemptions to registering securities, which permit you to offer and sell without going through the registration process. You should give careful thought to using an exemption. In most cases, you cannot use more than one exemption, thereby possibly limiting your ability to raise capital. Certain criteria must be met to qualify for any exemption. You should consult with an attorney or investment professional about whether you qualify for an exemption.

Offers to 10 or fewer people – If you meet certain criteria, this exemption permits you to make offers to up to 10 people without having to register the security.

Offers to 25 or fewer people – Similar to the previous exemption, this one permits you to make offers to up to 25 people without having to register, so long as the offering meets certain criteria. To use this exemption, you must notify the Securities Department and receive approval **before** you make any offers.

There are other exemptions that might fit your needs. Because securities offerings can be complicated, you are advised to consult with an attorney to ensure compliance with state and federal securities laws.

Disclosure Requirements

Whether you sell registered securities or use an exemption, you must provide investors and prospective investors with full disclosure about the investment and inform them of the risks associated with the investment. It is advisable that you provide disclosure in writing, typically called a prospectus. Providing full disclosure is a requirement of state and federal anti-fraud laws.

Full disclosure includes: Description of the security, description of the issuer, names and salaries of company officers, current audited financial statements, the company's capitalization, long-term debt and other securities outstanding, and estimated net proceeds to be received in the offering and use of proceeds.