

REFERENCE TITLE: exempt transactions; securities registration

State of Arizona  
House of Representatives  
Fifty-second Legislature  
Second Regular Session  
2016

## **HB 2303**

Introduced by  
Representatives Weninger: Allen J, Brophy McGee, Carter, Leach, Norgaard,  
Senators Farnsworth D, Lesko

AN ACT

AMENDING SECTION 44-1844, ARIZONA REVISED STATUTES; RELATING TO SECURITIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 44-1844, Arizona Revised Statutes, is amended to  
3 read:  
4 44-1844. Exempt transactions  
5 A. Except as provided in subsections B and C of this section, sections  
6 44-1841 and 44-1842, section 44-1843.02, subsections B and C and sections  
7 44-3321 and 44-3325 do not apply to any of the following classes of  
8 transactions:  
9 1. Transactions by an issuer not involving any public offering.  
10 2. The sale of securities by an executor, administrator, guardian or  
11 conservator or by a bank the business of which is supervised and regulated by  
12 an agency of this state or of the United States, as trustee under a will or  
13 trust agreement, or by a receiver or trustee in insolvency or bankruptcy  
14 approved by a court of competent jurisdiction of this state or the United  
15 States.  
16 3. The sale in good faith and not for the purpose of avoiding the  
17 provisions of this chapter by a pledgee of securities pledged for a bona fide  
18 debt.  
19 4. The sale in good faith and not for the purpose of avoiding the  
20 provisions of this chapter of securities by the bona fide owner of such  
21 securities, other than an issuer or underwriter, in an isolated transaction,  
22 in which the securities are sold either directly or through a dealer as agent  
23 for the owner but where the sales are not made in the course of repeated or  
24 successive transactions of similar character by the owner and are not made  
25 directly or indirectly for the benefit of the issuer or an underwriter of the  
26 securities.  
27 5. The distribution by a corporation of capital stock or other  
28 securities to its stockholders or other security holders as a stock dividend  
29 or other distribution out of retained earnings.  
30 6. Any transaction or series of transactions incident to a statutory  
31 or judicially approved reorganization, merger, triangular merger,  
32 consolidation, or sale of assets, incident to a vote by securities holders  
33 pursuant to the articles of incorporation, the applicable corporate statute  
34 or other controlling statute, a partnership agreement or the controlling  
35 agreement among securities holders.  
36 7. The exchange of securities by an issuer with its existing security  
37 holders exclusively, where no commission or remuneration is paid or given,  
38 directly or indirectly, for soliciting the exchange, if such exchange has  
39 been duly authorized and has been approved by the holders of not less than a  
40 majority of the outstanding securities of each class affected by the  
41 exchange.  
42 8. An offer or sale of securities to a bank, a savings institution, a  
43 trust company, an insurance company, an investment company as defined in the  
44 investment company act of 1940, a pension or profit sharing trust or other

1 financial institution or institutional buyer or a dealer whether the  
2 purchaser is acting for itself or in a fiduciary capacity.

3 9. The issuance and delivery of securities in exchange for other  
4 securities of the same issuer pursuant to a right of conversion entitling the  
5 holder of the securities surrendered in exchange to make such conversion.

6 10. The issuance and delivery of securities of a corporation, LIMITED  
7 LIABILITY COMPANY OR LIMITED PARTNERSHIP to the original incorporators,  
8 ORGANIZERS OR GENERAL PARTNERS, not exceeding ten in number, where the  
9 securities are not acquired by the incorporators, ORGANIZERS OR GENERAL  
10 PARTNERS for the purpose of sale to others and are not directly or indirectly  
11 sold to a third party within twenty-four months unless an incorporator,  
12 ORGANIZER OR GENERAL PARTNER experiences a bona fide change of financial  
13 circumstances within such time period, providing original incorporators,  
14 ORGANIZERS OR GENERAL PARTNERS are notified of their right pursuant to title  
15 10 OR 29 to review the financial books and records of the corporation,  
16 LIMITED LIABILITY COMPANY OR LIMITED PARTNERSHIP at reasonable times.

17 11. A nonissuer transaction in an outstanding security, including the  
18 sale by a dealer, including an underwriter no longer acting as an underwriter  
19 in respect to the securities involved, of securities sold and distributed to  
20 the public, but not including securities constituting an unsold allotment to  
21 or subscription by the dealer as a participant in the distribution of the  
22 securities by the issuer or by or through an underwriter, if the class of  
23 security has been outstanding in the hands of the public for not less than  
24 ninety days preceding the date of the transaction and a recognized manual of  
25 securities designated by the commission by rule or order at the time of sale  
26 contains the names of the issuer's officers and directors, a statement of  
27 financial condition of the issuer as of a date within eighteen months of the  
28 date of the sale and a statement of income or operations for each of the two  
29 fiscal years next before the date of the statement of financial condition or  
30 for the period from the commencement of the issuer's existence to the date of  
31 the statement of financial condition if the period is less than two years.

32 12. The sale by a dealer, including an underwriter no longer acting as  
33 an underwriter in respect to the securities involved, of securities of an  
34 issue sold and distributed to the public, but not including securities  
35 constituting an unsold allotment to or subscription by the dealer as a  
36 participant in the distribution of the securities by the issuer or by or  
37 through an underwriter, if securities of such issue have been registered by  
38 description under sections 44-1871 through 44-1875 or registered by  
39 qualification under sections 44-1891 through 44-1902.

40 13. The sale of commodity investment contracts traded on a commodities  
41 exchange recognized by the commission at the time of sale.

42 14. The sale or issuance of any investment contract or other security  
43 in connection with an employee's pension, profit sharing, stock purchase,  
44 stock bonus, savings, thrift, stock option or other similar employee benefit

1 plan that meets the requirements for qualification under the United States  
2 internal revenue code.

3 15. Transactions within the exclusive jurisdiction of the commodity  
4 futures trading commission as granted under the commodity exchange act.

5 16. Transactions involving the purchase of one or more precious metals  
6 THAT require, and under which the purchaser receives, within seven calendar  
7 days after the payment in good funds of any portion of the purchase price,  
8 physical delivery of the quantity of the precious metals purchased by such  
9 payment. For the purposes of this paragraph, physical delivery is deemed to  
10 have occurred if, within such seven day period, the quantity of precious  
11 metals purchased by such payment is delivered, whether in specifically  
12 segregated or fungible bulk form, into the possession of a depository other  
13 than the seller which is a financial institution, a depository the warehouse  
14 receipts of which are recognized for delivery purposes for any commodity on a  
15 contract market designated by the commodity futures trading commission or a  
16 storage facility licensed or regulated by the United States or any agency of  
17 the United States and such depository or other person that qualifies as a  
18 depository issues and the purchaser receives a certificate, document of  
19 title, confirmation or other instrument evidencing that such quantity of  
20 precious metals has been delivered to the depository and is being and will  
21 continue to be held by the depository on the purchaser's behalf, free and  
22 clear of all liens and encumbrances, other than liens of the purchaser, tax  
23 liens, liens agreed to by the purchaser, or liens of the depository for fees  
24 and expenses, that have previously been disclosed to the purchaser. For the  
25 purposes of this paragraph, "financial institution" means a bank, savings  
26 institution or trust company organized under, or supervised pursuant to, the  
27 laws of the United States or of this state.

28 17. Transactions involving a commodity investment contract solely  
29 between persons engaged in producing, processing, using commercially or  
30 handling as merchants each commodity subject to the contract or any  
31 by-product.

32 18. A nonissuer transaction in an outstanding security, including the  
33 sale by a dealer, including an underwriter no longer acting as an underwriter  
34 in respect to the securities involved, of securities sold and distributed to  
35 the public, but not including securities constituting an unsold allotment to  
36 or subscription by the dealer as a participant in the distribution of the  
37 securities by the issuer or by or through an underwriter if both of the  
38 following apply:

39 (a) The class of security has been outstanding in the hands of the  
40 public for not less than ninety days preceding the date of the transaction.

41 (b) The securities are listed on an automated quotation system of a  
42 national securities association registered under the securities exchange act  
43 of 1934.

1           19. Transactions involving the sale of securities to persons who are  
2 not residents of this state and are not present in this state if all of the  
3 following conditions are met:

4           (a) The securities being offered are not blind pool offerings.

5           (b) At least ten days before the offering date:

6           (i) The issuer certifies that the securities being offered will be  
7 offered and sold in compliance with the securities act of 1933 and the laws  
8 and regulations of those states in which the offers and sales will be made.

9           (ii) The issuer files as a notice filing one copy of any offering  
10 materials that may be required by the SEC or the laws and rules of those  
11 states in which the offers and sales will be made.

12           (iii) The issuer submits a filing fee of two hundred dollars.

13           (c) Within ten working days of completion of the offering the issuer  
14 files a description of the actions taken as to compliance with the securities  
15 act of 1933 and the laws and rules of those states in which the offers and  
16 sales were made.

17           (d) The transaction complies with any rule adopted by the commission  
18 further restricting the exemption created by this paragraph to prevent any  
19 fraudulent practices.

20           20. Transactions involving offers or sales of one or more promissory  
21 notes directly secured by a first lien on a single parcel of real estate on  
22 which is located a dwelling or other residential or commercial structure and  
23 participation interest in those notes that are exempt under section 4(5) of  
24 the securities act of 1933.

25           B. Subsection A, paragraph 11 of this section does not apply to either  
26 of the following:

27           1. Sales by a dealer or salesman who is not registered in this state.

28           2. Solicited sales to or purchases from a resident of this state by a  
29 dealer who does not have, before the initial solicitation, a written new  
30 account form signed by the resident or a customer agreement signed by the  
31 resident and a previous sale or purchase of a security with the resident.

32           C. The commission may by order revoke or suspend the exemption under  
33 subsection A, paragraph 11 or 18 of this section with respect to any  
34 securities or the use of the exemption under subsection A, paragraph 11 of  
35 this section by any dealer if it finds that the further sale in this state of  
36 the securities or by the dealer would work, or tend to work, a fraud or  
37 deceit on the purchaser.

38           D. Sections 44-1841 and 44-1842, section 44-1843.02, subsections B and  
39 C and sections 44-3321 and 44-3325 do not apply to the offer or sale of a  
40 security by the issuer of the security if all of the following apply:

41           1. The issuer of the security is:

42           (a) A business entity organized under the laws of this state.

43           (b) Authorized to do business in this state.

44           (c) Doing business in this state pursuant to the securities act of  
45 1933, 17 Code of Federal Regulations section 230.147(c).

1           2. The transaction meets the requirement of the federal exemption for  
2 intrastate offerings in the securities act of 1933 (15 United States Code  
3 section 77c(a)(11)) and 17 Code of Federal Regulations section 230.147.

4           3. The aggregate offering price of the securities complies with the  
5 following:

6           (a) If the issuer has not undergone and made available to each  
7 prospective purchaser and the commission the opinion letter and applicable  
8 documentation resulting from a financial audit of its most recently completed  
9 fiscal year that complies with generally accepted accounting principles, the  
10 sum of all cash and other consideration to be received for all sales of  
11 securities in reliance on this exemption may not exceed one million dollars  
12 in a twelve-month period.

13           (b) If the issuer has undergone and made available to each prospective  
14 purchaser and the commission the opinion letter and applicable documentation  
15 resulting from a financial audit of its most recently completed fiscal year  
16 that complies with generally accepted accounting principles, the sum of all  
17 cash and other consideration to be received for all sales of securities in  
18 reliance on this exemption may not exceed two million five hundred thousand  
19 dollars in a twelve-month period.

20           (c) An offer or sale to an officer, director, partner, trustee or  
21 individual occupying similar status or performing similar functions with  
22 respect to the issuer or to a person owning ten percent or more of the  
23 outstanding shares of any class or classes of securities of the issuer ~~may~~  
24 **DOES** not count toward the monetary limitations prescribed in this paragraph.

25           4. All sales that are part of the same offering, made in reliance on  
26 this exemption, meet all of the terms and conditions of this exemption.  
27 Offers and sales that are made more than six months before the start of an  
28 offering or are made more than six months after completion of an offering may  
29 not be considered part of the offering if during those six-month periods  
30 there are no offers or sales of securities by or for the issuer that are of  
31 the same or a similar class as those offered or sold under this exemption,  
32 other than offers and sales to individuals identified in the disclosure  
33 document.

34           5. The issuer does not accept more than ten thousand dollars from any  
35 single purchaser unless the purchaser is an accredited investor as defined by  
36 the securities act of 1933, 17 Code of Federal Regulations section 230.501.

37           6. Unless waived by written consent of the director, not less than ten  
38 days before the commencement of an offering of securities, pursuant to this  
39 exemption, the issuer submits all of the following to the commission:

40           (a) A notice filing on a form prescribed by the commission.

41           (b) A copy of the disclosure document to be provided to prospective  
42 purchasers pursuant to paragraph 16 of this subsection.

43           (c) A copy of the escrow agreement entered into pursuant to paragraph  
44 7 of this subsection.

1 (d) Any other documents or information the commission may require to  
2 administer and enforce this exemption.

3 7. All cash and other consideration paid for securities sold pursuant  
4 to an offering pursuant to this exemption are directed to and deposited into  
5 a single escrow account maintained by a bank, credit union or other  
6 depository financial institution in this state that is authorized to do  
7 business in this state and that maintains deposit or share insurance on its  
8 deposits or shares. The escrow agent for the escrow account shall maintain  
9 the records necessary to obtain pass-through insurance for the escrowed  
10 funds. The commission may request information from the financial institution  
11 necessary to ensure compliance with this paragraph. Any information received  
12 by the commission is confidential and not subject to disclosure, unless the  
13 director authorizes the disclosure of the information as not contrary to the  
14 public interest. The bank, regulated trust company or corporate fiduciary,  
15 savings bank, savings and loan association or credit union in which the  
16 investor monies are deposited is only responsible to act at the direction of  
17 the party establishing the escrow agreement and does not have any duty or  
18 liability, contractual or otherwise, to any investor or other person.

19 8. Offers made pursuant to this exemption state a target offering  
20 amount and an offering deadline. The offering deadline may not be less than  
21 twenty-one days and not more than one year from the date the offer is made.

22 9. The sum of all cash and other consideration received and held in  
23 escrow, as required by paragraph 7 of this subsection, may not be less than  
24 eighty percent of the target offering amount on expiration of the offering  
25 deadline or the early closing of the offering, pursuant to paragraph 11 of  
26 this subsection, and if this requirement is not met the transaction is void  
27 and the escrow agent shall return all funds deposited into the escrow account  
28 to the purchasers.

29 10. A purchaser is permitted to cancel the purchaser's commitment to  
30 invest at any time before forty-eight hours before expiration of the offering  
31 deadline if notice of cancellation is delivered electronically or physically  
32 in writing to the individual or addresses identified in the disclosure  
33 document. If a purchaser is given notice of an early closing, pursuant to  
34 paragraph 11 of this subsection, the purchaser may cancel the commitment  
35 within seventy-two hours of delivery of the notice.

36 11. If an issuer closes an offering before the offering deadline, the  
37 issuer delivers notice of the closing to each purchaser pursuant to the  
38 notice provisions set forth in the disclosure document prescribed by  
39 paragraph 16 of this subsection and posts the notice conspicuously on each  
40 internet website on which the offer was posted, at least five days before the  
41 early closing.

42 12. Before or as a result of the offering, the issuer is not any of  
43 the following:

44 (a) An investment company, as defined by the investment company act of  
45 1940 (15 United States Code section ~~80a-3(e)~~ 80a-3(a)).

1 (b) An entity that would be an investment company but for the  
2 exclusions provided in the Investment Company Act of 1940 (15 United States  
3 Code section 80a-3(c)).

4 (c) Subject to the reporting requirements of the securities exchange  
5 act of 1934 (15 United States Code section 78o(d)).

6 (d) A company that has not yet defined its business operations, that  
7 does not have a business plan or a stated investment goal for the funds being  
8 raised or that plans to engage in a merger or acquisition with an unspecified  
9 business entity.

10 13. The issuer informs all prospective purchasers of securities that  
11 the securities have not been registered under federal or state securities  
12 laws and that the securities are subject to limitations on resale. The  
13 issuer shall display the following notice on the cover page of the disclosure  
14 document in a conspicuous manner in at least twelve-point boldface type:

15 In making an investment decision, investors shall rely on their  
16 own examination of the issuer and the terms of the offering,  
17 including the merits and risks involved. These securities have  
18 not been recommended by any federal or state securities  
19 commission or division or regulatory authority. Furthermore,  
20 the foregoing authorities have not confirmed the accuracy or  
21 determined the adequacy of this document. Any representation to  
22 the contrary is a criminal offense. These securities are  
23 subject to restrictions on transferability and resale and may  
24 not be transferred or resold, except as permitted by 17 Code of  
25 Federal Regulations section 230.147(e) and the applicable state  
26 securities laws, pursuant to registration or exemption  
27 therefrom. Investors shall be aware that they will be required  
28 to bear the financial risks of this investment for an indefinite  
29 period of time.

30 14. The issuer requires each purchaser to certify in writing or  
31 electronically as follows:

32 I understand and acknowledge that I am investing in a high-risk,  
33 speculative business venture. I may lose all of my investment,  
34 or under some circumstances more than my investment, and I can  
35 afford this loss. This offering has not been reviewed or  
36 approved by any state or federal securities commission or  
37 division or other regulatory authority and no such person or  
38 authority has confirmed the accuracy or determined the adequacy  
39 of any disclosure made to me relating to this offering. The  
40 securities I am acquiring in this offering are illiquid, there  
41 is no ready market for the sale of such securities, it may be  
42 difficult or impossible for me to sell or otherwise dispose of  
43 this investment, and, accordingly, I may be required to hold  
44 this investment indefinitely. I may be subject to tax on my  
45 share of the taxable income and losses of the company, whether

1 or not I have sold or otherwise disposed of my investment or  
2 received any dividends or other distributions from the company.

3 15. The issuer obtains from each prospective purchaser evidence that  
4 the prospective purchaser is a resident of this state and, if applicable, is  
5 an accredited investor. A prospective purchaser's residence shall be  
6 determined in accordance with the securities act of 1933, 17 Code of Federal  
7 Regulations section 230.147(d). An affirmative representation made by an  
8 individual that the individual is a resident of this state and proof of at  
9 least one of the following is sufficient evidence that the individual is a  
10 resident of this state:

11 (a) A valid driver license or nonoperating identification license  
12 issued pursuant to title 28.

13 (b) A current voter registration for this state.

14 (c) General property tax records showing that the individual owns and  
15 occupies property in this state as the individual's principal residence.

16 16. The issuer shall provide a disclosure document to each prospective  
17 purchaser at the time the offer of securities is made that contains all of  
18 the following:

19 (a) A description of the company, its type of entity, the address and  
20 telephone number of its principal office, its history, its business plan and  
21 the intended use of the offering proceeds, including any amounts to be paid  
22 as compensation or otherwise to any owner, executive officer, director,  
23 managing member or other person occupying a similar status with the company  
24 or performing similar functions on behalf of the issuer.

25 (b) The identity of all persons owning more than ten percent of the  
26 ownership interests of any class of securities of the company.

27 (c) The identity of the executive officers, directors, managing  
28 members and other persons occupying a similar status or performing similar  
29 functions in the name of and on behalf of the issuer, including their titles  
30 and prior experience.

31 (d) The terms and conditions of the securities being offered and of  
32 any outstanding securities of the company.

33 (e) The offering deadline and the target offering amount.

34 (f) Any conditions on which the issuer may exercise its right to close  
35 an offering before the offering deadline, including the notice that will be  
36 provided to both purchasers and potential purchasers if the offering is  
37 closed before the offering deadline and the method in which the notice will  
38 be delivered.

39 (g) Either the percentage ownership of the company represented by the  
40 offered securities or the valuation of the company implied by the price of  
41 the offered securities.

42 (h) The price per share, unit or interest of the securities being  
43 offered.

44 (i) Any restrictions on transfer of the securities being offered.

1 (j) A disclosure of any anticipated future issuance of securities that  
2 might dilute the value of securities being offered.

3 (k) The identity of any person who has been or will be retained by the  
4 issuer to assist the issuer in conducting the offering and sale of the  
5 securities, including any internet website operator. This subdivision does  
6 not apply to persons acting solely as accountants, attorneys or employees  
7 whose primary job responsibilities involve operating the business of the  
8 issuer except that the identity of any person assisting the issuer in raising  
9 capital must be disclosed.

10 (l) A description of the consideration being paid to any person  
11 identified in subdivision (k) of this paragraph, for such assistance to the  
12 issuer.

13 (m) A description of any litigation, legal proceedings or pending  
14 regulatory action involving the company or its management.

15 (n) The names and addresses, including the uniform resource locator,  
16 of each internet website that the issuer will use to offer or sell securities  
17 pursuant to this exemption.

18 (o) The name of the individual and addresses to which purchasers may  
19 deliver cancellations pursuant to paragraph 10 of this subsection. Issuers  
20 shall provide the name of at least one individual with both an electronic and  
21 a physical address to which cancellations may be delivered.

22 (p) Current financial statements certified by the principal executive  
23 officer shall be true and complete in all material respects. If applicable,  
24 the documentation required by paragraph 3, subdivision (b) of this subsection  
25 shall also be provided.

26 (q) Any additional information material to the offering including, if  
27 appropriate, a written statement of significant factors that make the  
28 offering speculative or risky. This statement shall be concise and organized  
29 logically and shall not be limited to risks that could apply to any issuer or  
30 any offering.

31 17. The exemption is not used if an issuer or person affiliated with  
32 the issuer or offering is subject to disqualification pursuant to:

33 (a) This chapter.

34 (b) A rule or order of the commission.

35 (c) The securities act of 1933 (15 United States Code section  
36 77c(a)(11)).

37 (d) The securities act of 1933, 17 Code of Federal Regulations section  
38 230.262.

39 18. The commission may set aside disqualification if:

40 (a) On a showing of good cause and without prejudice to any other  
41 action by the commission, the commission determines that it is not necessary  
42 that an exemption be denied under the circumstances.

43 (b) The issuer establishes that it made a factual inquiry into whether  
44 any disqualification existed under this subsection but did not know and could  
45 not have known in the exercise of reasonable care that a disqualification

1 existed. The nature and scope of the requisite inquiry will vary based on  
2 the circumstances of the subject issuer and the other offering participants.

3 19. The sale is made exclusively through one or more internet websites  
4 that are operated by a dealer who is registered pursuant to article 9 of this  
5 chapter or by a person who does not receive a commission or remuneration,  
6 directly or indirectly, for the offer or sale of the security and who makes a  
7 notice filing pursuant to paragraph 6 of this subsection. Each issuer and  
8 website operator shall comply with the following:

9 (a) Before any offer or sale of securities, the issuer shall provide  
10 to the website operator evidence that the issuer is organized under the laws  
11 of this state and is authorized to do business in this state.

12 (b) The website operator shall limit website access to the offer or  
13 sale of securities only to residents of this state.

14 (c) The website operator may not be a purchaser in any offering made  
15 pursuant to this exemption.

16 (d) The website operator may not hold an interest in or be affiliated  
17 with or under common control with any issuer making an offer or sale pursuant  
18 to this exemption.

19 (e) Before and throughout the term of any offering, the website  
20 operator shall give the commission access to the internet website on which  
21 any offering is made pursuant to this exemption.

22 (f) The issuer may distribute a limited notice stating that the issuer  
23 is conducting an offering pursuant to this exemption, the name of the website  
24 operator through which the offer is being conducted and a link directing  
25 potential purchasers to the internet website of the website operator. The  
26 notice shall contain a disclaimer that states that the offering is limited to  
27 residents of this state.

28 20. The issuer makes and keeps all accounts, correspondence,  
29 memoranda, papers, books and other records that the commission prescribes by  
30 rule or order. All required records shall be:

31 (a) Preserved for three years unless the commission prescribes  
32 otherwise for particular types of ~~record~~ RECORDS, by administrative rule or  
33 order.

34 (b) Maintained within this state, or at the request of the commission  
35 be made available at any time for examination by the commission in the  
36 issuer's principal office or by production of exact copies in this state.

37 21. The issuer provides, free of charge, a quarterly report to the  
38 issuer's purchasers until no securities issued under this exemption are  
39 outstanding. The issuer may satisfy this reporting requirement by making the  
40 information available on an internet website if the information is made  
41 available within forty-five days after the end of each fiscal quarter and  
42 remains available until the succeeding quarterly report is issued. The  
43 issuer shall also provide a written copy of the report to any purchaser on  
44 request. The report shall contain all of the following:

- 1           (a) Any compensation received by each director or executive officer,
- 2 including cash compensation earned since the previous report and on an annual
- 3 basis, any bonuses, stock options or other rights to receive securities of
- 4 the issuer or any affiliate of the issuer and payments that reduce personal
- 5 living expenses such as A company vehicle, free housing, meals or club dues.
- 6           (b) An analysis by the issuer's management of the business operations
- 7 and financial condition of the issuer.