

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
SECURITIES AND REAL ESTATE DIVISION

In the Matter of the Proposed Amendment
of Rule SDiv 2014 (Agent Bonding) and
Rule SDiv 2030 (Cheap Stock), Relating
to Minnesota Statutes, Chapter 80A
(Regulation of Securities)

STATEMENT OF NEED
AND REASONABLENESS

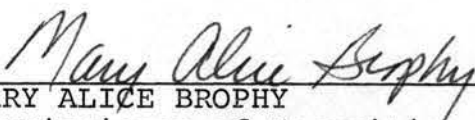
Notice is hereby given that, pursuant to her authority under Minn. Stat. Section 80A.25 (1980), the Commissioner of Securities and Real Estate intends to amend Rule SDiv 2014 (Agent Bonding) and Rule SDiv 2030 (Cheap Stock), relating to the Minnesota Securities Act (Minn. Stat. ch. 80A). The Commissioner desires that the proposed rules be amended without a public hearing in accordance with Minn. Stat. Section 15.0412, subd. 4h (1980). The statutory authority to amend these rules is either necessary or appropriate in the public interest or for the protection of investors. Furthermore, the Commissioner has determined that the proposal is consistent with the policy and provisions of Chapter 80A. The need for and reasonableness of the proposed amendments is as follows:

SDiv 2014 (Agent Bonding) The requirement that securities agents post a surety bond with the Commissioner at the time of the issuance or renewal of their license has been eliminated in order for Minnesota to conform to the standardized application employed by the Central Registration Depository (CRD), a central computerized licensing service which is designed to allow agents, and eventually broker-dealers, to become licensed simultaneously in every jurisdiction in which they intend to do business. The CRD was developed by the National Association of Securities Dealers (NASD) and state regulatory agencies. Minnesota will participate in the system beginning in 1982.

S Div 2030 (Cheap Stock)

S Div 2030(a) was amended effective February 23, 1981 as part of a comprehensive revision of the rules relating to the Minnesota Securities Act, Chapter 80A. The intent of that change was to allow an increase in the amount of "cheap stock" which may be issued by a company. "Cheap stock" is defined in S Div 2030(b) and (c). The rule amended as of February 23, 1981, has proven to be generally difficult for practitioners to interpret and apply, the calculation involved is difficult and confusing, and the rule could be read to include a dilution factor not intended by the agency when the amendment was proposed.

This proposed revision retains the intent and substance of the February 23, 1981 revision but is drafted to resemble the original language of the rule, which included a chart that was helpful to practitioners. In addition this proposal more clearly sets forth the substance of the rule and should be more easily understood and interpreted by issuers, attorneys and the general public.



MARY ALICE BROPHY
Commissioner of Securities and Real Estate