

The New California Finder Law Requirements

- The finder must be a natural person, not an entity.
- The transaction must take place in California.
- The size of the transaction for which the finder is engaged must not exceed \$15 million in the aggregate.
- The finder must not: (a) participate in negotiating any of the terms of the transaction, (b) advise any party regarding the value of the securities or the advisability of purchasing or selling in the securities, (c) conduct any due diligence for any party to the transaction, (d) sell any securities that are owned directly or indirectly by the finder, (e) receive possession or custody of any funds in the transaction, (f) participate in the transaction unless it is qualified by permit or exempt from qualification under California law, (g) make any disclosure to any potential purchaser of securities other than: (i) the name, address and contact information of the issuer; (ii) the name, type, price, and aggregate amount of the securities offered; (iii) the issuer's industry, location and years in business.
- The finder must file, in advance of taking any finder's fees, a statement of information with the finder's name and address, together with a \$300 filing fee, with the California Bureau of Business Oversight, and thereafter file annual renewal statements with a \$275 filing fee and representations that the finder has complied with the exemption conditions.
- The finder must obtain a written agreement signed by the finder, the issuer and the person introduced by the finder, disclosing: (a) the type and amount of compensation that has been or will be paid to the finder, (b) that the finder is not providing advice to the issuer or any person introduced to the issuer as to the value of the securities or advisability of purchasing or selling them, (c) whether the finder is also an owner of the securities being sold, (d) any conflict of interest in connection with the finder's activities, (e) that the parties have the right to pursue any available remedies for breach of the agreement, and (f) a representation by the investor that the

investor is an “accredited investor” as defined in SEC Regulation D and consents to the payment of the finder’s fee.

- The finder must preserve copies of the notice, the written agreement and all other records relating to the transaction for a period of five years.

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