STATEMENT OF BASIS AND PURPOSE

Amendment to Chapter 2 of the Rules under the Colorado Securities Act
Colorado Division of Securities
August 16, 2013

Pursuant to the authority found in the Colorado Securities Act ("Act"), sections 11-51-101, et seq., C.R.S., including parts 2 and 7 of the Act, the Securities Commissioner adopts the amendment to Rule 51-2.1.1 on August 26, 2013.

The general purpose of the amendment to Rule 51-2.1.1, is to exclude business brokers from the definition of "broker-dealer" as defined in the Act at section 11-51-201(2), C.R.S. Currently, in the context of small business transactions, intermediary business brokers widely ignore securities laws and rules regarding licensing because their application in this context is so poorly understood and burdensome in relation to the economics of the underlying activities and transactions. The perception of investor protection for small business sellers and buyers under today's regulatory system is that it provides an expensive, time-consuming, after the fact remedy to redress egregious cases. Small business owners cannot afford the transaction fees that are necessary to support business broker's compliance with today's regulatory system, so either go without professional assistance or must use intermediaries who are not compliant. This proposal is intended to proactively address that reality and, as importantly, assure law-abiding intermediaries that their conduct is appropriate.

The Securities Commissioner finds that the adoption of the permanent amendment to Rule 51-2.1.1, is necessary and appropriate in the public interest, and is consistent with the purpose and provisions of the Act. The Securities Commissioner further finds that the record demonstrates the need for this rule; the rule is clearly and simply stated; proper statutory authority exists for the rule, the rule does not conflict with any other rules or statutes governing the Division of Securities; and the rule is coordinated with the federal acts and statutes and the rules and regulations promulgated thereunder to which references are made to the extent coordination with them is consistent with the purposes and provisions of the Act.

This general statement of basis and purpose is incorporated by reference in the rule adopted by the Securities Commissioner on August 26, 2013. The rule will become effective on October 15, 2013.

DATED this 26th day of August, 2013.

Fred J. Joseph
Securities Commissioner