**SEC Bad Actor Rules Adopted 9/23/13 in SEC Release 33-9414**

The New SEC Rules were adopted 9/23/13, in SEC Release 33-9414, which prohibit an issuer from doing a Reg D 506 offering (both 506 (b) and 506(c)) if there are any “Bad Actors” in the principals or owners (officers, directors, managers, 10% owners, key employees) with any of the prohibited items in their background.

A Bad Actor Questionnaire must be completed for each of the Issuer’s principals customized with proper titles and roles (which titles and roles are tied to the statutory requirements). Each principal would sign and further complete his or her own history of other offerings.

Below is the link to the SEC Release, and the SEC’s summary of the 147 Page Release. The Release prohibits an issuer from conducting a Reg D 506 Offering, if any “Bad Actors” are affiliated with the issuer.

<http://www.sec.gov/rules/final/2013/33-9414.pdf>

**SECURITIES AND EXCHANGE COMMISSION**

**17 CFR Parts 200, 230, and 239**

**Release No. 33-9414; File No. S7-21-11**

**RIN 3235-AK97**

**Disqualification of Felons and Other “Bad Actors” from Rule 506 Offerings**

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Final rule.

**SUMMARY:** We are adopting amendments to our rules to implement Section 926 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 926 requires us to adopt rules that disqualify securities offerings involving certain “felons and other ‘bad actors’” from reliance on Rule 506 of Regulation D. The rules must be “substantially similar” to Rule 262 under the Securities Act, which contains the disqualification provisions of Regulation A under the Securities Act, and must also cover matters enumerated in Section 926 of the Dodd-Frank Act (including certain state regulatory orders and bars).

**DATES:** Effective Date: September 23, 2013.