



# KANSAS

OFFICE OF THE SECURITIES COMMISSIONER

KATHLEEN SEBELIUS, GOVERNOR  
CHRIS BIGGS, COMMISSIONER

January 23, 2006

Chris Watkins, Esq.  
Shughart Thomson & Kilroy  
Twelve Wyandotte Plaza  
120 W. 12<sup>th</sup> Street  
Kansas City, MO 64105

RE: Interpretive Opinion No. 06-004  
IBT, Inc.  
File No. 2006X0000009

Synopsis: Securities distributed through a "Stock Investment Program" are exempt from registration under K.S.A. 2005 Supp. 17-12a202(21) when a corporation forms a limited liability company to purchase stock of the corporation and ownership of the LLC units is restricted to employees of the corporation.

Dear Mr. Watkins,

You have requested an opinion as to whether the securities sold through the IBT employee Stock Investment Program (SIP) are exempt from the registration requirements of the Kansas Uniform Securities Act (KUSA). I incorporate by reference the facts as represented in your letter and materials dated December 5, 2005.

According to your letter, IBT SIP, LLC has been formed to purchase stock of IBT, Inc. The LLC is managed by the CEO of the corporation and the corporation is paying the organizational costs, development costs, and management expenses associated with the LLC. Employees of IBT, Inc. with two or more years of service will be given the opportunity to purchase membership units in the LLC in amounts limited to a percentage of each employee's compensation. Employees will authorize the corporation to withhold part of their salary and bonuses during the year to cover the purchase price. As a benefit to its employees, IBT, Inc. will fund a bonus program that will match a portion of each employee's capital contribution to the LLC. Once purchased by an employee, LLC units are not freely transferable.

Based on the present law and the facts expressed in your letter, staff for the Office of the Securities Commissioner concludes that the proposed SIP is exempt from registration pursuant to K.S.A. 2005 Supp. 17-12a202(21). The plan is designed to benefit the employees of IBT, Inc.

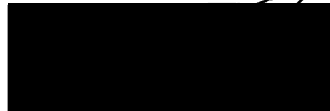
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by giving them an ownership stake in the corporation through the purchase of LLC units, so the SIP is a "similar employees' benefit plan." Furthermore, despite the indirect nature of the stock purchase, staff concludes that the issuer (i.e., the LLC) and the employer (IBT, Inc.) are interrelated to such an extent that the plan to benefit IBT employees was "established by the issuer" in conjunction with the corporation.

Unlike the former Kansas Securities Act, a transactional exemption under KUSA provides relief solely from the securities registration requirements. To avoid registration of the individuals who represent the issuer in the offer and sale of LLC units, the issuer's agents must qualify for an exemption under K.S.A. 2005 Supp. 17-12a402. Your letter did not seek an opinion with respect to agent registration, but I note that subsection (b)(3) of 17-12a402 creates an exemption if the agents of the issuer receive no compensation for the transactions.

This opinion is based on the written representations provided by you, and it does not extend to any other fact situation. Furthermore, any variance from the facts expressed in your letter could result in a different conclusion. This opinion is intended solely as an expression of enforcement policy, and its legal conclusions are not binding on any court, legal tribunal, or any other person.

Sincerely,

A black rectangular redaction box covering the signature of Rick A. Fleming.

Rick A. Fleming  
General Counsel

RF:arm