



State of Utah
DEPARTMENT OF COMMERCE
DIVISION OF SECURITIES
Protecting Investors; Promoting Commerce

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September 9, 1998

Martin Gaspar
5830 Las Virgenes Rd., #457
Calabasas, CA 91302

Re: Internet Stock & Securities Exchange

File # B00083915

Dear Mr. Gaspar:

This letter is in response to your inquiry, received January 21, 1997, regarding Internet Stock & Securities Exchange ("ISSE"). You have requested a No-Action Letter regarding a five phase plan for operating an Internet based stock listing service and brokerage. Your business plan emphasizes that you will comply with all state and federal regulatory requirements as you implement each phase of your plan. The Division assumes that these requirements will include, but are not limited to, any requirements of the Securities and Exchange Commission related to the licensing of exchanges.

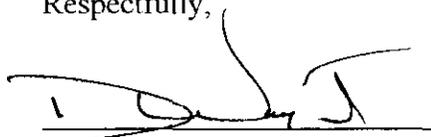
Based on the facts presented in your business plan, the Staff of the Utah Division of Securities ("Division") will not recommend any enforcement or administrative action should the transaction proceed as outlined in your business plan. To avoid unnecessary restatement or summarization of the facts set forth in your business plan, the Division's response is attached to a photocopy of an executive summary of your business plan.

This response does not purport to express any legal conclusions regarding the applicability of statutory or regulatory provisions of federal or state securities laws to the questions presented. It merely expresses the opinion of the Division Staff on enforcement or other administrative actions.

As this recommendation is based upon the representations made to the Division, any different facts or conditions of a material nature might require a different conclusion. Furthermore, this No-Action Letter relates only to the transaction described above and will have no value for

future similar transactions and does not absolve any party involved from complying with the anti-fraud provisions contained in § 61-1-1 of the Act.

Respectfully,

A handwritten signature in black ink, appearing to read 'D. Wayment', written over a horizontal line.

David H.T. Wayment
Senior Staff Attorney

Executive Summary

An Internet based Stock & Securities Exchange (ISSE) is proposed which would allow companies who are registered to sell stock to the public with the Utah Division of Securities (The Division) and the U.S. Securities and Exchange Commission (SEC), but not exchange-listed elsewhere, to gain greater public exposure and liquidity for their stock. The ISSE is the ideal place to list Internet IPO stocks once these are permitted in Utah. Other firms are also in the process of setting up Internet stock exchanges, most notably Wit Capital Corporation® (www.witcap.com) which is a spin-off of Spring Street Brewery®, the company which did the first Internet Initial Public Offering (IPO) of company stock.

The ISSE system would have five phases. **Phase I** will be just a listing service for Utah companies registered with the Utah Division of Securities to sell securities to the public, for use by Utah buyers and sellers only, essentially an electronic bulletin board service. The company would use the DBA (Doing Business As) name of "Internet Stock & Securities Listings" during the Phase I (and Phase II) period so as to not misrepresent the company as an exchange. Company information *only* would be listed in Phase I to avoid having to license the service as a broker - dealer. The listed information would include the company name, address, telephone number, e-mail address and web address. In this form the listing service would essentially be a publicly accessible listing of all companies who are currently registered in Utah to offer stock to the Utah public. No share price or volume information would be listed in Phase I.

Phase II would add additional listing organizations and listing information to the service. The ISSE would become a licensed broker - dealer before commencing Phase II operations, to remove any uncertainty about licensing during Phase II and to prepare for actual order crossing in Phase III. Companies, licensed brokers, and individuals who are residents of Utah and are registered with the ISSE could list a stock's ISSE ticker, bid and ask price, volume, the date & time the price was listed, the address, telephone number, e-mail address, and web address of whom to contact to make a trade and the prospectus in electronic form.

Phase III would add crossing of buys and sells on the exchange of direct Internet trade requests from customers, but would still allow external brokers and other registered resellers to access the system. The exchange model in use today involves a few large exchanges being serviced by a large number of brokers, who in turn sell to main street America. The ISSE model of the future is just the opposite of this: a large number of Internet based exchanges selling directly to customers over the Internet with little intervention by brokers. In addition to processing conventional paper stock certificates through a transfer agent, Phase III would make use of digital stock certificates which are secured with private encryption keys, allowing a seller to "deliver" his or her digital certificates to the exchange in a Web form or e-mail message, and a buyer to take possession of the digital certificate electronically. Utah was the first state to pass a law accepting digital electronic signatures. Electronic digital stock certificates will not only save trees but reduce exchange costs and improve the speed and accuracy of trades. Phase III would still be limited to Utah companies registered to sell stock to the public with the Division for Utah buyers and sellers.

The company would introduce an underwriting service in Phase III which would, for a fee, assist Utah companies in preparing Internet IPO offerings for the ISSE or other Internet exchanges with traditional underwriting functions such as due diligence, valuation determination, deal structure and prospectus preparation. Wit Capital Corporation® has stated an intent to offer a similar underwriting service.

Phase IV would take the system nationwide allowing the listing of non-Utah U.S. companies registered with the SEC and would be open to any U.S. buyers or sellers. Phase IV would be dependant upon approval from the SEC and the Utah Division of Securities. **Phase V** would take the system international, allowing international companies and international buyers & sellers to use the system. Phase V would be

subject to Utah & U.S. regulatory approval to commence. Phase V would also add other securities, such as bonds, options, and commodities to the exchange as regulations permit.