

California Department of  
Financial Protection and Innovation

# Commissioner's Report on the Offer or Sale of Securities by Permit under Corporations Code Section 25113 for 2024

**PROTECTING CONSUMERS**  
FOSTERING TRUST & INNOVATION

**DFPI**   
DEPARTMENT OF FINANCIAL  
PROTECTION & INNOVATION



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## **DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION LEADERSHIP**

**Tomiquia Moss, Secretary**

Business, Consumer Services and Housing Agency

**KC Mohseni, Commissioner**

Department of Financial Protection and Innovation

**Colleen Monahan, Deputy Commissioner**

Legal Division, Department of Financial Protection and Innovation

**Cecilia Rubalcava, Assistant Chief Counsel**

Legal Division, Department of Financial Protection and Innovation



As the Secretary of the California Business, Consumer Services and Housing Agency, I commend the California Department of Financial Protection and Innovation (DFPI) and its dedicated employees for their steadfast commitment to investor protection. The following 2024 Annual Report on the Offer or Sale of Securities by Permit presents the yearly trends in permit issuances, investor suitability standards, and enforcement actions, while also highlighting examination findings of permitholders.

The Securities Regulation Program is responsible for administering the Corporate Securities Law of 1968 through protecting investors from fraud and deceptive practices while fostering capital-raising initiatives that create economic opportunities for small businesses and entrepreneurs. This approach creates a balance between promoting responsible innovation through transparent disclosures and supporting economic growth.

This report demonstrates the important work of the Securities Regulation program in promoting sustainable economic growth through innovation and transparency. By qualifying securities offerings through the permit process, the DFPI facilitates investment to innovative businesses that help job creation and community development.

As we look to the future, the DFPI remains committed to upholding its mission of investor protection through creating efficient and accessible markets. Under the securities regulatory framework, the qualification of the offer and sale of securities is based on the merit principles that securities offerings be fair, just, and equitable. Accordingly, the DFPI will continue to uphold these principles in their merit review of securities transactions to safeguard investors and foment economic growth.

I am proud to support the Securities Regulation Program of the DFPI in their efforts to foster innovation while protecting investors. Together we can fulfill our mission to create a fair and dynamic marketplace for all Californians.

**Tomiquia Moss, Secretary**

Business, Consumer Services and Housing Agency



*October 2025*

Dear Partners:

At the Department of Financial Protection and Innovation (DFPI) we continue our mission to advance a regulatory framework that encourages economic development and responsible innovation in California, while balancing the need for consumer and investor protections.

In our last report covering 2023, we identified our work in securities oversight as a key priority, and as part of that effort, we began to expand our knowledge base to effectively regulate emerging and complex securities products to continue adapting to the dynamic securities landscape. We also began to conduct robust engagement with stakeholders and to increase our efforts to develop educational materials and programs for prospective investors to support economic mobility. We continue in these efforts.

During 2024, we saw an uptick in fairness hearings. [Corporations Code section 25142](#) allows companies interested in issuing securities in a merger or conducting an exchange of outstanding securities to seek a “fairness” hearing as part of its application for qualification of the offer and sale of securities. Through this process, applicants may seek an exemption from federal registration as provided by section 3(a)(10) of the Securities Act of 1933 through a state-law hearing on the fairness of the terms and conditions of the proposed issuance or exchange of securities. We invite companies to take advantage of the cost-effective, expedient process.

I hope you find our report informative. Please do not hesitate to contact our Assistant Chief Counsel and manager of the Securities Program, Cecilia Rubalcava Percival at [Cecilia.Rubalcava@dfpi.ca.gov](mailto:Cecilia.Rubalcava@dfpi.ca.gov) with questions or concerns. This report can also be found on the DFPI website at [dfpi.ca.gov](https://dfpi.ca.gov).

**KC Mohseni, Commissioner**



## Introduction

Under California law, securities that are offered or sold in California must be qualified by the Department of Financial Protection and Innovation (DFPI) or exempt from qualification.<sup>1</sup> Before a prospective issuer offers or sells securities to investors, it must submit an application for qualification to the DFPI for review and receive a permit from the department. Securities that are exempt under state law are not required to be qualified by the DFPI, provided that issuers comply with the specific conditions and requirements of the applicable exemption.<sup>2</sup> Furthermore, certain security offerings are not subject to the state qualification requirements due to federal preemption under the National Securities Markets Improvement Act (NSMIA) although states may require notice filings and a notice filing fee.<sup>3</sup>

In accordance with Corporations Code section 25113, subdivision (d), this report summarizes data for the previous calendar year and contains the following information:

- The general categories of investments for which permits were approved.
- The experience and net worth requirements of the issuers or sponsors.
- The least stringent and most stringent investor suitability standards.
- The total amount sought to be raised per category.
- Total dollar amount of money sought to be raised per category of activity.
- Enforcement actions taken against permitholders.
- Any other information deemed relevant.

In addition, this report includes information related to the breadth of securities exemption notices filed in California. We also provide an overview of our strategic vision, with an emphasis on streamlining processes and fostering responsible investment opportunities to empower Californians and fuel economic growth and capital raising for California businesses.

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<sup>1</sup> See Corporate Securities Law of 1968 (Corp. Code, § 25000 *et seq.*; Cal. Code Regs., tit. 10, § 260.140 *et seq.*).

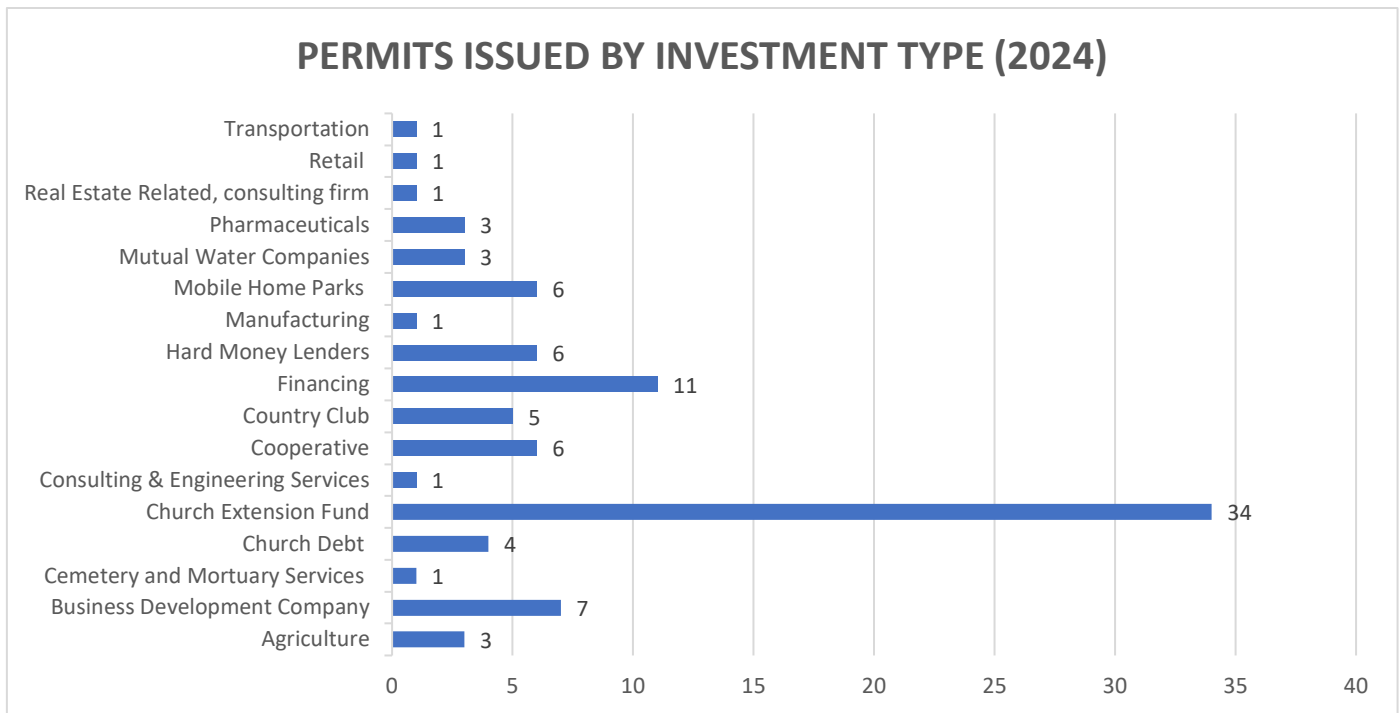
<sup>2</sup> *Id.*

<sup>3</sup> <https://www.congress.gov/104/plaws/publ290/PLAW-104publ290.pdf>

# 2024 PERMIT SUMMARY UNDER CORPORATIONS CODE SECTION 25113

## General Categories of Investment

In 2024, DFPI issued 94 permits under Corporations Code section 25113 in investment categories that include agriculture, business development companies, cemetery and mortuary services, church debt, church extension funds, consulting and engineering services, cooperatives,<sup>4</sup> country club, financing,<sup>5</sup> hard money lenders,<sup>6</sup> manufacturing, mobile home parks, mutual water companies, pharmaceuticals, real estate related (consulting firm), retail, and transportation. While the majority of permits issued by the DFPI were issued to Church Extension Funds, permits issued to finance companies were the second largest category.



## Investor Suitability Standards

To support the protection of investors and the integrity of financial markets, the Commissioner has broad discretion to set standards for the offer and sale of securities.<sup>7</sup> The Commissioner may require investors to meet specific qualifications or investor suitability standards related to experience, level of financial responsibility, tax status, or any other criteria the Commissioner deems necessary to mitigate risk to the investor.<sup>8</sup> These investor suitability standards are imposed,

<sup>4</sup> Cooperatives include hardware retailers, grocers, and professional services providers.

<sup>5</sup> Financing includes non-profit 501(c)(3) and for-profit companies financing through debt.

<sup>6</sup> Hard money lenders include mortgage pools and fractional interest investments.

<sup>7</sup> See Corp. Code, § 25000 *et seq.*, Cal. Code Regs., tit. 10, § 260.140 *et seq.*

<sup>8</sup> Cal. Code Regs., tit.10, § 260.140.01.

when deemed necessary, during legal review and will depend on the inherent risks of a securities offering. In determining the appropriate suitability standard, the DFPI will evaluate the issuer's financial condition, liquidity of investment product, transferability of security, market conditions, and risks, among other factors.

As reflected in the table below, both the least stringent and most stringent standards varied by category of investment in 2024. For some investment categories, the Investor Suitability standard imposed was limited to California residents.<sup>9</sup> In many cases, however, the Commissioner restricted the offer and sale of the securities to persons at a minimum gross income and minimum net worth or limited the percentage of net worth a person could invest.

### Suitability Standards by Offering Category

Type of Investment	Least Stringent Standard	Most Stringent Standard
Agricultural	Specified persons & businesses in the agricultural industry residing or doing business in CA	\$150,000 net worth or \$75,000 net worth and \$50,000 gross income
Business Development Company	Existing shareholders only	\$500,000 min net worth, or \$350,000 min net worth and \$65,000 gross income (with investment not to exceed 10% of the investor's net worth)
Cemetery and Mortuary Services	Congregants of the Jewish faith	Congregants of the Jewish faith
Church Debt	Church Members	Church Members
Church Extension Fund	Church Members & Friends of the church	Church Members
Consulting	Employees of the issuer only	Employees of the issuer only
Cooperative	Members	\$150,000 net worth or \$75,000 net worth and \$50,000 gross income
Country Club	\$200,000 gross income (with investment not to exceed 10% of the investor's net worth)	\$1,000,000 net worth (with investment not to exceed 10% of the investor's net worth)
Financing	\$250,000 net worth and \$65,000 gross income (with investment not to exceed 10% of the investor's net worth)	\$500,000 net worth and \$100,000 gross income (with investment not to exceed 10% of the investor's net worth)
Hard Money Lenders	Annual gross income of \$100,000	\$250,000 net worth and \$65,000 gross income or \$500,000 net worth (with investment not to exceed 10% of the investor's net worth)
Manufacturing	Employees & service providers only	Employees & service providers only
Mobile Home Parks	Park residents only	Park residents only
Mutual Water Companies	Owners of appurtenant land	Owners of appurtenant land
Pharmaceuticals	None	Employees of the issuer only
Real Estate	Employees of the issuer only	Employees of the issuer only
Retail	None	Approved prospective retailers only
Transportation	Employees of the issuer only	Employees of the issuer only

<sup>9</sup> Cal. Code Regs., tit. 10, § 260.001, subd. (e).

## Standards for Issuers or Sponsors

### Experience Requirements

The securities permit application requires an issuer to explain the business experience. The DFPI evaluates the issuer's explanation along with other information provided in the application. There is no experience requirement that applies to all issuers. However, regulations promulgated by the DFPI set experience standards for issuers or sponsors in a real estate program<sup>10</sup> and oil and gas offerings.<sup>11</sup>

In a real estate offering, the general partner of the sponsor must have at least two years of real estate experience or other experience relevant to acquiring and managing the types of properties sought by the program.<sup>12</sup> Additionally, any affiliate providing services to the program must have no less than four years of experience or otherwise demonstrate knowledge and experience to render the proposed services.<sup>13</sup>

In an oil and gas offering, the general partner or its chief operating officers must have at least three years of relevant oil and gas experience needed to successfully manage operations.<sup>14</sup> Additionally, the general partner or any affiliate providing services to the program must have at least four years of relevant experience in the services being rendered or otherwise demonstrate sufficient knowledge and experience to perform the proposed services.<sup>15</sup>

### Net Worth Requirements

Corporations Code section 25113, subdivision (d), mandates that DFPI report on the "minimum, maximum, and average net worth required of those persons to whom permits are issued for each category." The DFPI, however, generally does not require specific net worth or minimum capital requirements for the issuer or sponsor unless required to do so by rule. As such, regulations governing Real Estate Investment Trusts (REIT),<sup>16</sup> real estate programs,<sup>17</sup> and oil and gas interests<sup>18</sup> specify net worth requirements.

While the DFPI does not impose specific net worth, other than what is expressly stated for Real Estate Investment Trusts, real estate programs, and oil and gas interests, the DFPI captures the range of net worth for permitholders in each category of investments, as well as the average net worth of all permitholders for the type of investment. The following table presents such data.

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<sup>10</sup> Cal. Code Regs., tit. 10, § 260.140.111.1.

<sup>11</sup> Cal. Code Regs., tit. 10, § 260.140.122.1.

<sup>12</sup> Cal. Code Regs., tit. 10, § 260.140.111.1.

<sup>13</sup> *Id.*

<sup>14</sup> Cal. Code Regs., tit. 10, § 260.140.122.1.

<sup>15</sup> *Id.*

<sup>16</sup> Cal. Code Regs., tit. 10, § 260.140.91.

<sup>17</sup> Cal. Code Regs., tit.10, § 260.111.2.

<sup>18</sup> Cal. Code Regs., tit.10, § 260.140.122.2.

Type of Investment	Minimum Net Worth	Maximum Net Worth	Average Net Worth
Agriculture	\$10,654,494.00	\$26,002,088.00	\$15,770,359.00
Business Development Company	\$11,745.00	\$4,123,696.00	\$1,337,739,000.00
Cemetery and Mortuary Services	\$120,338,760.00	\$120,338,760.00	\$120,338,760.00
Church Debt	\$4,371,502.00	\$64,803,540.00	\$20,625,582.00
Church Extension Fund	\$1,651,811.00	\$330,407,547.00	\$65,602,039.00
Consulting	\$6,333,400,000.00	\$6,333,400,000.00	\$6,333,400,000.00
Cooperatives	\$4,246,645.00	\$389,526,000.00	\$79,366,284.00
Country Club	\$2,438,009.00	\$46,022,677.00	\$27,804,882.00
Financing	\$887,231.00	\$28,534,437,000.00	\$2,641,580,874.00
Hard Money Lenders	\$932,325.00	\$26,267,706.00	\$8,206,437.83
Manufacturing	\$2,467,762,000,000.00	\$2,467,762,000,000.00	\$2,467,762,000,000.00
Mobile Home Parks	\$762,257.00	\$2,715,630.00	\$1,826,623.00
Mutual Water Companies	\$82,752.00	\$5,745,776.00	\$2,592,600.00
Pharmaceuticals	\$8,580,458,022.00	\$33,250,000,000.00	\$16,828,152,674.00
Real Estate	\$9,518,510.00	\$9,518,510.00	\$9,518,510.00
Retail	\$921,400,000.00	\$921,400,000.00	\$921,400,000.00
Transportation	\$23,602,000.00	\$23,602,000.00	\$23,602,000,000.00

### Total Amount Sought to be Raised

For the year 2024, the DFPI received permit applications for seventeen distinct categories of investments. The total offering amount sought to be raised for each category is shown below with church extension funds leading the categories for the most amount of money sought to be raised in California.

#### Total Amount Sought to be Raised by Category for 2024

Category of Investment	Amount
Church Extension Fund	\$49,595,025,000.00
Financing	\$47,760,000,000.00
Transportation	\$946,215,000.00
Manufacturing	\$778,000,000.00
Church Debt	\$720,500,000.00
Country Club	\$492,500,000.00
Cooperatives	\$261,300,000.00
Hard Money Lenders	\$252,000,000.00
Pharmaceuticals	\$162,494,696.00
Consulting	\$156,085,000.00
Cemetery and Mortuary Services	\$55,000,000.00
Business Development Company	\$40,000,000.00
Retail	\$20,030,000.00
Mobile Home Parks	\$3,645,160.00
Agriculture	\$2,400,000.00
Mutual Water Companies	\$387,000.00
Real Estate	\$56,733.60

## Yearly Trends in Permit Issuance

In 2024, the number of permits issued under Corporations Code section 25113 increased by four permits from the prior year. This equates to a year-over-year increase of approximately 4.44%. The chart below illustrates the trend of annual permits issued by DFPI for the last ten years.



## Enforcement Actions

In 2024, the DFPI issued 45 enforcement actions against 52 entities and individuals for violations related to the offer or sale of securities. The types of actions included desist and refrain orders, consent orders, requests for penalties, requests for ancillary relief, and settlement agreements. The majority of the actions also included allegations of the offer or sale of securities by means of an untrue statement of material fact. Two of these actions involved securities permit holders.

## Examinations Findings Overview

Recent examinations of permitholders identified several control deficiencies among issuers, including inadequate recordkeeping, unpermitted investment activity, noncompliance with advertisement submission requirements, and improper handling of transfer legends, to name a few. These issues raise compliance concerns under California law.

Permit lapses were a key area of concern. Some issuers failed to prevent investment activity—such as new investments, rollovers, or automated deposits—during unpermitted periods. Since

even brief lapses can result in noncompliance, issuers should implement heightened monitoring, timely reporting, and policies to pause investment activity during any lapse. Staff training and internal communication are essential in enforcing these safeguards.

Issuers must file all advertisements with the DFPI at least three days before publication; however, many recently reviewed permitholders failed to comply, releasing ads without prior submission. These ads often included rate changes, new offerings, or other material updates, suggesting weak internal controls over advertising review and DFPI filing.

Additionally, many issuers failed to include the required transfer restriction legend on investor notes, as mandated by DFPI. This disclosure is critical to investor protection and must be included in both physical and electronic confirmations.

The DFPI has shared examples of effective internal controls, drawn from compliant issuers and remediated cases, but emphasizes that each issuer is responsible for tailoring controls to its specific risks and operations.

## Notices of Exempt Filings in California

In the U.S. in 2024, there were 54,508 Exempt Offerings of Securities reported with the Securities and Exchange Commission by Issuers relying on Rule 504, Rule 506(b), or Rule 506(c) of Regulation D.<sup>19</sup> These include new Form D filings as well as amendments. New Form D filings comprise 32,554 or 59.7%.

For the same year, DFPI reports 16,885 filings under section 25102.1(d) of the Corporate Securities Law of 1968, which requires issuers of Exempt Offerings pursuant to section 18(b)(4)(F) of the Securities Act of 1933 to file copies of their Form D with DFPI or NASAA's Electronic Filing Depository (EFD).

The number of Regulation D Offerings by Issuer Location, as published by the Securities and Exchange Commission, for California is approximately 14.7% or 4,368 based on the issuer's principal place of business.<sup>20</sup>

## 25102(f) Filings - Limited Offering Exemption Notices

The limited offering exemption allows an issuer to be exempt from the state qualification requirements if they meet the conditions outlined in section 25102(f) of the Corporations Code. To qualify for this exemption:

1. The offering may include no more than 35 purchasers.
2. Each purchaser must either have a preexisting personal or business relationship with the issuer or its principals, or possess sufficient investment sophistication for the transaction.
3. All purchasers must acquire the securities for investment purposes only, not for resale.

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<sup>19</sup> <https://www.sec.gov/files/dera-market-stat-exe-reg-2412.pdf>

<sup>20</sup> SEC.gov | Regulation D Offerings: Number of Offerings by Issuer Location

4. No advertising or public solicitation is permitted.

Additionally, the issuer is required to file a Limited Offering Exemption Notice and pay the applicable filing fee.

In 2024, DFPI reports 13,127 exemption notices filed, a decrease from the 13,800 exemption notices reported in 2023.

### **25102(o) Filings - Employee Plan Exemption Notices**

The employee plan exemption notice commonly referred to as the EPEN under Corporations Code section 25102, subdivision (o) is an exemption for the offer or sale of securities issued by a corporation or limited liability company through a purchase plan or agreement or an option plan or agreement where the security is exempt from registration under the Securities Act of 1933 pursuant to Rule 701.

In 2024, DFPI reports 4,171 such notices, a decrease from the 4,265 section 25102(o) notices received in 2023.

## **Looking to the Future: California 2025 and Beyond**

California continues to lead the nation in innovation and economic growth. The 2023 Report outlined DFPI's strategic mission of fostering economic growth and innovation while protecting consumers and investors. To effectively respond and adapt to a dynamic financial landscape, the DFPI began expanding its knowledge and capabilities to better regulate emerging and complex securities products. Additionally, the DFPI increased its engagement with external partners and stakeholders to ensure a more informed and collaborative regulatory process.

At the 2025 NASAA Annual Fall Meeting of the North American Securities Administrators Association (NASAA), Los Angeles was selected to host the 2027 NASAA Annual Fall Meeting. In 2023, California hosted the 2023 NASAA Fall Annual Meeting in San Diego. The DFPI and its staff continue to contribute to several working groups including Corporation Finance, Corporation Finance Policy, and Direct Participation Programs. As part of our leadership, the DFPI is an active contributor and collaborator with other member jurisdictions to enhance knowledge of emerging financial products to strengthen investor protection.

As the DFPI looks to the future, we recognize that growth in the securities market may be driven by technological advancements, increased global investor participation, and the emergence of complex investment products; at the same time, high valuations and weak earnings support a cautious outlook. While uncertainties in geopolitical conflicts and economic fluctuations may present challenges, technological innovation and adaptive investment strategies may spur economic growth in California.



DEPARTMENT OF FINANCIAL  
PROTECTION & INNOVATION

**California Department of Financial Protection and Innovation**

Toll-Free: 1-866-275-2677

TTY: 1-800-735-2922

Online: [www.dfpi.ca.gov](http://www.dfpi.ca.gov)