
MEMORANDUM

DATE: March 2, 2006

TO: Senator Don Betzold, Chair
Minnesota Senate Judiciary Committee

FROM: Thomas G. Lovett IV, Co-Chair
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RE: MSBA Task Force on Uniform Securities Act; S.F. No. 2319

The Minnesota State Bar Association Task Force on the Uniform Securities Act ("Committee") was formed in November 2003 at the request of the Executive Council of the Business Law Section of the MSBA to review the proposed Uniform Securities Act. The Committee and its Subcommittees included a number of lawyers in private practice as well as representatives from the Minnesota Department of Commerce and industry representatives. The Committee formed Subcommittees to study the following areas of the Act:

- Broker-Dealers, Agents, Investment Advisers, Investment Adviser Representatives, and Federal Covered Investment Advisers
- Fraud and Enforcement
- Registration
- Exemptions from Registration of Securities
- Administration

The Subcommittees and the full Committee met on a number of occasions beginning in November of 2003, studied the Uniform Act and recommended changes to the Uniform Act to reflect existing provisions in Minnesota law that the Committee believed were important. These changes were either reflected in S.F. No. 2319 as introduced on April 9, 2005, or are being introduced today.

Key non-technical Minnesota changes to Uniform Act include the following:

1. The Act would continue the current Minnesota exemption from registration for sales to accredited investors.
2. The Act would continue and simplify the current Minnesota small corporate offering registration (SCOR) but retain the "bad boy" disqualifications.
3. The Act would create a new limited safe harbor exemption from registration as broker-dealers for individuals who act as "finders" for issuers selling securities if those individuals are not subject to "bad boy" disqualifications, limit their activities to introduction of investors, and provide a notice filing to the State.
4. The Act would continue the current Minnesota exemptions from registration for offerings by cooperatives.
5. The Act would continue the current Minnesota practice of not requiring registration of investment adviser representatives.

Significantly, the Act would eliminate merit review of registered securities offerings, but would strengthen and enhance the enforcement authority of the Minnesota Department of Commerce.

The Act has a proposed effective date of August 1, 2007. The Committee believes this time frame is appropriate to enable the Department of Commerce to propose and adopt the new regulations necessary to implement the Act.

Based upon its review, the Committee recommends passage of the Uniform Act, as amended.

Senator Don Betzold

March 2, 2006

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The Committee Task Force Members included:

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SUMMARY

Uniform Securities Act

Background

The Uniform Law Commissioners have turned to the subject of securities regulation four times in their history. The first act was the Uniform Sales of Securities Act of 1930, which predates the first major federal effort in 1933. The dating of this first act seems appropriate in light of the events of 1929. Recognizing the need for state uniformity, the Uniform Law Commissioners had begun their work eight years earlier, in 1922. There were not many enactments, however.

A second Uniform Securities Act was promulgated by the Uniform Law Commissioners in 1956 to replace the 1930 Act. It was enacted in 37 jurisdictions. The first revision of this mainstay of state securities regulation occurred in 1985; amendments were added to the 1985 Act in 1988, but the revision was enacted in only six states. The Uniform Law Commissioners have now promulgated a fourth Act which replaces both the 1956 and 1985 Acts. It is a carefully balanced result of four years of intensive consideration and drafting, and reflects consensus support from most representatives of the broad array of government and private sector interests that participated in the process. This summary describes the 2002 Uniform Securities Act.

Federal and State Law

Initially it is necessary to recognize that there are two concurrent securities regulatory regimes: one at the federal level and the other at the state level. Federal regulation of securities began effectively with Congress' enactment of the Securities Act of 1933 and the Securities Exchange Act of 1934, which created the Securities and Exchange Commission (SEC). These two Acts, plus the Investment Company and the Investment Adviser Acts enacted in 1940, all of them much amended over the years since their original enactment, are still the core federal law on securities regulation. But there are more federal statutes relevant to securities regulation: Section 103 of the 2002 Act lists a total of 13. From 1956 through 2002, drafters of the successive versions of the Uniform Securities Act have had to deal with the relationship with federal law. Coordinating federal and state regulation has been a substantial objective of the drafters of the new 2002 Uniform Act.

The failure of the 1985 Act to gain many enactments was rooted in the duplication of regulation problem, the role of merit regulation at the state level, and many states' reluctance to address the subject when there was such controversy about its provisions. In 1996, Congress partially resolved this problem in the National Securities Markets Improvements Act of 1996 (NSMIA) and the Securities Litigation Uniform Standards Act of 1998. In NSMIA Congress preempted significant parts of state power to duplicate federal regulation. For example, it prohibits a state from subjecting an offering of "federal covered securities" to merit review and other registration requirements. A principal effort of the 2002 Uniform Act is to reconcile, and to achieve better coordination of, federal and state securities regulation.

State Role in Securities Regulation

The states have an important role in securities regulation. There is fraudulent activity at a level that eludes federal law protection, even when federal law applies. And by no means is every security sold a "federal covered security." Many schemes to defraud investors involve locally generated pyramid schemes, misrepresentation, and scam sales. Without state regulation

accompanied by civil and criminal enforcement of the law in state courts, there would be little hope of redress for many victimized investors. State enforcement is also available when there are fraudulent schemes involving federal covered securities. In effect, Congress and the SEC have acknowledged that the federal level is unable to cope with all the enforcement that needs to be done.

The 2002 Uniform Act is an effort to give states regulatory and enforcement authority that minimizes duplication of regulatory resources and that blends with federal regulation and enforcement in a more efficient system for investor protection. Uniformity of law among the states is essential for this to happen, but it needs to be a uniform law that coordinates with federal law.

Elements of Securities Regulation

Securities regulation exists to prevent fraudulent sales of securities to investors. The purpose is achieved by three methods. First, initial public offerings of securities by issuers and control persons must be registered. Second, broker-dealers and their agents, and investment advisers and their representatives, must be registered. Third, fraud in securities transactions must be prohibited and enforcement powers given to an appropriate regulatory agency. These powers include the ability to make rules and regulations, issue stop-orders, bring criminal prosecutions and pursue civil actions in court. The 2002 Uniform Act brings all of this up-to-date with expansion of enforcement authority at the state level.

Registration and Filing for Securities Offerings

There are three methods for dealing with public offerings of securities under the new Act: notice filing, registration by coordination, and registration by qualification.

Notice filing is for certain "federal covered securities". These are securities which by reason of federal preemption are no longer registered at the state level. They include securities that are, or on completion of the offering will be, listed on the New York or American Stock Exchanges, on NASDAQ, or on other exchanges that the SEC approves; or are securities issued by SEC registered investment companies (most of which are the mutual funds); or are securities issued under specified exemptions in the Securities Act of 1933. Public offerings of listed securities and mutual funds, of course, will be registered with the SEC. The notice filing under the 2002 Uniform Act is for federal covered securities other than listed securities, and includes a consent to service of process, payment of a filing fee, and, depending on the state securities administrator's requirements, can include copies of material filed with the SEC as part of registration there. The intent of both NSMIA and the 2002 Uniform Act is to remain essentially revenue neutral as to the states. The Act provides a platform for eventually effectuating one-stop filing whereby documents filed with the SEC can be electronically filed with states within which offerings are to be made.

Offerings of securities that are not federal covered securities must be registered at the state level unless exempt, by means of either coordination or qualification. The provision in the 1956 Act for registration by notification has been eliminated in the 2002 Act, both because it has rarely been used in recent years and because most securities to which it was applicable are now preempted federal covered securities.

Coordination registration at the state level is available for securities that, even though not federal covered securities, are registered with the SEC. These would include securities that do not meet the listing standards of exchanges, which have been going through a process of upgrading. The new Act's registration by coordination provision is little changed from the 1956 Act, which originated it. The objective of the coordination is the simultaneous registration of the offering at the SEC and in the states where the offering is to be made. In order to facilitate the coordination registration process, the state securities administrators association has implemented a system for coordinated review of such an offering by the states in which the offering is to be made. The new Act provides support for that effort. The new Act continues to permit "merit" regulation, which for the limited number of SEC registered issues to which it would apply remains, to that extent, inconsistent with the disclosure basis for SEC registration. A provision of the new Act does require that to the extent practicable any merit standards should be published so as to provide notice. It is hoped that such standards would be uniform among those states imposing such

regulation. A number of states do not apply merit regulation.

Qualification registration at the state level applies to all other offerings being made within a state, for which an exemption is not available. These can include intra-state offerings and offerings that are within exemptions from SEC registration because of their relatively small size. This provision in the new Act, including the required information content of the state registration (which is applicable also to issues being registered by coordination), is little changed from the 1956 Act, except for modernizing language.

The 2002 Act, like the 1956 Act, contains a number of exemptions from the general requirement that all securities offerings must be registered. Some exemptions are for securities, such as government (both U.S. and foreign) and municipal securities, and some are for transactions in securities, such as unsolicited brokerage and limited offering transactions.

Relevant to transaction exemptions is the definition of "institutional investor" in the new Act. It seeks both to make uniform the varied definitions in current state laws and to be consistent under federal law. With respect to securities exemptions, authority is given to the state securities administrator to limit the availability of the exemption for nonprofit organizations securities if debt obligations are being publicly offered. A number of states have been confronted with problems, sometimes of fraud and sometimes simply of inadequate disclosure, in the sale of church bonds.

It is important to recognize that all of these exemptions are only from the registration of securities. They do not free broker-dealers, investment advisers, agents, or investment adviser representatives from the separate registration requirements applicable to them under the Act. In addition, the antifraud provisions of the Act continue to apply to anyone engaging in an exempted transaction or in a transaction involving an exempted security.

Registration of Securities Professionals

The second method of securities regulation is the registration, and continued oversight, of broker-dealers and investment advisers, and the individuals who are agents of broker-dealers or issuers or who are investment adviser representatives, all defined terms in the Act. Here again there is a necessary interaction of federal and state law. The 2002 Act systematizes and reorganizes the provisions dealing with these securities professionals and coordinates them to the extent feasible with federal regulation.

In NSMIA, Congress limited, in certain respects, the state regulation of broker-dealers. In practice most broker-dealers are required under the Securities Exchange Act to be registered with the National Association of Securities Dealers (NASD) and are regulated by both that self-regulatory organization and by the SEC. Nevertheless, under NSMIA and the 2002 Act they are still subject to registration with, and antifraud enforcement by, the states. The individuals who are agents of broker-dealers are also required to be dually registered, and agents of issuers are in general required by the Act to be registered in the states. The new uniform Act clarifies these federal-state interrelationships and promotes an efficient coordination of the duality of registration and regulation in the public interest to the benefit of both the regulators and the regulated.

NSMIA took a somewhat different tack with respect to investment advisers and the individuals who are investment adviser representatives. For investment advisers Congress exercised its constitutional preemptive power to allocate regulatory authority between the SEC and the states. State registration of large investment advisers (those having assets under management in excess of \$25 million) was preempted and is exclusively with the SEC. However, under the Act and as permitted by NSMIA notice filings by such "federal covered investment advisers", who must be registered with the SEC, are to be made at the state level, along with payment of filing fees and consents to service of process. Smaller investment advisers (those having assets under management of less than \$25 million) are left to exclusive state registration and regulation. The new Uniform Act provides for the notification by larger advisers and the registration of smaller advisers.

The individuals who are investment adviser representatives of both federal covered investment advisers and the investment advisers subject to state registration must be registered with the

states in which they do business, unless exempted. There is no system for federal registration of investment adviser representatives, but the NASD is cooperating with the national association of state securities regulators in the creation of a centralized filing system for such representatives. The new Act supports such a system.

There are certain clarifying exclusions from the definitions of broker-dealer, agent, investment adviser, and investment adviser representative and certain exemptions from their registration in the 2002 Uniform Act, which are in general consistent with the federal statutes and with the 1956 Act.

Enforcement

The third method of securities regulation, of course, is enforcement, against anyone for fraudulent practices in securities transactions and against issuers and securities professionals for failure to comply with the registration regimes applicable to them. The new Uniform Act continues the enforcement powers of the state securities regulators contained in the 1956 Act with some enhancements. Enforcement includes civil and criminal actions in the courts and administrative proceedings. The new Act authorizes the state securities administrator to issue, under appropriate procedures, cease and desist orders for violations of the Act, and authorizes courts to enforce such orders. Also contained in the Act are authority for conduct of investigations and issuance of subpoenas and provision of assistance to securities regulators in other jurisdictions. The Act also includes civil liability provisions for defrauded persons to obtain damages or rescission that are substantially the same as in the 1956 Act, except that the statute of limitations is lengthened to be the same as the federal statute of limitations for securities fraud liability.

Fraud in connection with securities is a broadly defined term under both federal and state securities law, and the 2002 Act preserves that breadth. In fact, the applicability of the anti-fraud provisions has been expanded by having moved some exclusions from definitions in the 1956 Act to exemptions from registration in the 2002 Act. The antifraud provisions in the Act apply within the state equally to state registered entities and persons, to federal covered investment advisers, and to anyone in connection with transactions in any securities, including federal covered securities.

The definition of "security" largely determines the scope of the Act. The new Act tracks the definition of "security" in federal law, with some additional explicit language to make clear that the Act applies to uncertificated as well as certificated securities, to interests in limited partnerships and limited liability companies, and to investments in viatical settlements of insurance contracts, as to which there has been evidence of abuses. The Act also codifies a generally accepted definition of an "investment contract", a term included in the federal and state definition of "security", for the assistance of state courts. Following federal law, interests in pension plans subject to ERISA are excluded from the definition of "security", as are insurance contracts which are also regulated under other law.

The new Act, as did the 1956 Act, leaves open for resolution state by state whether variable annuity contracts issued by insurance companies should be excluded from the definition of "security". Variable annuities, which operate like and compete with mutual fund investments, are securities under federal law. Because the separate accounts of insurance companies that issue variable annuities would likely be registered with the SEC as investment companies, they would under NSMIA be federal covered securities not subject to state registration. Including them within the definition of security would have the effect of making their sale subject to the notice filing and antifraud provisions of the 2002 Uniform Act and require agent registration for their sellers.

While not strictly related to enforcement, it is worth noting that the 2002 Uniform Act contains a new provision that would authorize the state securities administrator to develop and implement programs for investor education, with particular emphasis on the prevention and detection of securities fraud. The new Act also creates a Securities Investor Education and Training Fund to support such a program, the funding of which is left to state by state determination. These initiatives are in recognition that financial literacy is increasingly important as participation in the country's equity markets has significantly broadened.

Coordination and Uniformity

In NSMIA, Congress declared that its policy is to increase Federal and State cooperation in securities matters. To implement this, it instructed the SEC, at its discretion, to cooperate, coordinate and share information with state securities regulators so as to maximize effectiveness of securities regulation, maximize uniformity in federal and state regulatory standards, and minimize interference with the business of capital formation, including sharing of information regarding registration or exemption of securities issues and development and maintenance of uniform securities forms and procedures. Congress made it explicit that the policy it enunciated was not intended to be preemptive of state law.

The 2002 Uniform Securities Act responds to this federal initiative by containing a provision that contains a reciprocal instruction, in substantially the same language, from the state legislature to its securities administrator. Thus, upon enactment of the 2002 Act, both the federal and state regulators would have the same marching instructions from their respective legislatures to make securities regulation as efficient, effective and coordinated as practicable in the public interest and for the protection of investors. For this to happen both federal/state coordination and uniformity among the states must be the objectives. The 2002 Uniform Act provides a platform for these to occur at the state level.

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Why States Should Adopt the...

Uniform Securities Act (2002)

The states have a significant role in securities regulation. Fraudulent activity often occurs at a level that eludes the applicability of federal law and, even when federal law applies, eludes the capacity of federal enforcement. Without state regulation accompanied by civil and criminal enforcement of the law in state courts, there would be no hope of redress for many victimized investors.

The Uniform Securities Act (2002) is important new legislation designed to coordinate federal and state securities regulation. It will give states regulatory and enforcement authority that avoids duplication of regulatory effort and blends with federal regulation and enforcement in a more efficient system for investor protection. To that end, the new act provides the following:

- **Registration of securities.** Three forms of securities registration - notice, coordination and qualification - clarify and simplify the process for both the regulators and the industry. The requirements give investors assurance that the marketplace will be fair, the playing field level, and the estimations of value based on real information.
- **Regulation of broker-dealers, investment advisors, their agents and representatives.** Investment professionals must register in states where they do business. Federal covered investment advisors have notice filing obligations, whereas other investment professionals are subject to more comprehensive registrations. For the most part, securities administrators are authorized to establish these requirements by rule or order.
- **Expanded enforcement powers.** Enforcement provisions are more comprehensive and include civil and criminal actions against those who perpetrate frauds through appropriate courts of law and through administrative actions such as cease and desist orders.
- **Investigatory and subpoena powers.** Securities administrators will have the power to conduct investigations, backed by subpoena powers and with the contempt powers of a court with jurisdiction.
- **Criminal penalties set by states.** The USA 2002 provides that a state sets its own criminal penalties for violations, including for basic anti-fraud provisions. Persons violating the act are subject to civil liability against any injured party. Damages and equitable relief are generally equivalent to those available in actions under federal law.
- **Investor education.** The act creates an optional fund to support investor education programs highlighting the need to help investors protect themselves against fraud.
- **Electronic filing facilitation.** The act facilitates the electronic filing of documents and the movement toward a more technologically effective system of capital formation and securities regulation.

UNIFORMITY

The Uniform Securities Act (2002) provides enforcement at every level to maximize effectiveness. Its provisions will provide a stronger securities regulatory framework and protections for investors. At the same time, the effort to eliminate duplication of regulation relieves the marketplace of a significant burden, keeping American securities markets the best in the world.

1.1 A bill for an act

1.2 relating to securities; enacting and modifying the 2002 Uniform Securities Act of
 1.3 the National Conference of Commissioners on Uniform State Laws; prescribing
 1.4 criminal penalties; amending Minnesota Statutes 2004, sections 60A.077,
 1.5 subdivision 9; 82.23; 82.43, subdivision 7; 144A.01, subdivision 4; 245A.02,
 1.6 subdivision 5a; 302A.011, subdivision 26; 302A.251, subdivision 4; 308A.505;
 1.7 308B.465, subdivision 2; 322B.03, subdivision 43; 322B.663, subdivision 4;
 1.8 356A.06, subdivision 6; proposing coding for new law in Minnesota Statutes,
 1.9 chapter 80A; repealing Minnesota Statutes 2004, sections 80A.01; 80A.02;
 1.10 80A.03; 80A.04; 80A.041; 80A.05; 80A.06; 80A.07; 80A.08; 80A.09; 80A.10;
 1.11 80A.11; 80A.115; 80A.12; 80A.122; 80A.125; 80A.13; 80A.14; 80A.15;
 1.12 80A.16; 80A.17; 80A.18; 80A.19; 80A.22; 80A.23; 80A.24; 80A.25; 80A.26;
 1.13 80A.27; 80A.28; 80A.29; 80A.30; 80A.31.

1.14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.15 **ARTICLE 1**

UNIFORM SECURITIES ACT GENERAL PROVISIONS

1.17 **Section 1. [80A.40] SECTION 101; SHORT TITLE.**

1.18 This chapter may be cited as the Uniform Securities Act (2002).

1.19 **Sec. 2. [80A.41] SECTION 102; DEFINITIONS.**

1.20 In this chapter, unless the context otherwise requires:

1.21 (1) "Administrator" means the commissioner of commerce.

1.22 (2) "Agent" means an individual, other than a broker-dealer, who represents a
 1.23 broker-dealer in effecting or attempting to effect purchases or sales of securities or
 1.24 represents an issuer in effecting or attempting to effect purchases or sales of the issuer's
 1.25 securities. But a partner, officer, or director of a broker-dealer or issuer, or an individual
 1.26 having a similar status or performing similar functions is an agent only if the individual

2.1 otherwise comes within the term. The term does not include an individual excluded by
2.2 rule adopted or order issued under this chapter.

2.3 (3) "Bank" means:

2.4 (A) a banking institution organized under the laws of the United States;

2.5 (B) a member bank of the Federal Reserve System;

2.6 (C) any other banking institution, whether incorporated or not, doing business
2.7 under the laws of a state or of the United States, a substantial portion of the business
2.8 of which consists of receiving deposits or exercising fiduciary powers similar to those
2.9 permitted to be exercised by national banks under the authority of the Comptroller of the
2.10 Currency pursuant to Section 1 of Public Law 87-722 (12 U.S.C. Section 92a), and which
2.11 is supervised and examined by a state or federal agency having supervision over banks,
2.12 and which is not operated for the purpose of evading this chapter; and

2.13 (D) a receiver, conservator, or other liquidating agent of any institution or firm
2.14 included in subparagraph (A), (B), or (C).

2.15 (4) "Broker-dealer" means a person engaged in the business of effecting transactions
2.16 in securities for the account of others or for the person's own account. The term does
2.17 not include:

2.18 (A) an agent;

2.19 (B) an issuer;

2.20 (C) a depository institution; provided such activities are conducted in accordance
2.21 with such rules as may be adopted by the administrator;

2.22 (D) an international banking institution; or

2.23 (E) a person excluded by rule adopted or order issued under this chapter.

2.24 (5) "Depository institution" means:

2.25 (A) a bank; or

2.26 (B) a savings institution, trust company, credit union, or similar institution that
2.27 is organized or chartered under the laws of a state or of the United States, authorized
2.28 to receive deposits, and supervised and examined by an official or agency of a state or
2.29 the United States if its deposits or share accounts are insured to the maximum amount
2.30 authorized by statute by the Federal Deposit Insurance Corporation, the National Credit
2.31 Union Share Insurance Fund, or a successor authorized by federal law. The term does
2.32 not include:

2.33 (i) an insurance company or other organization primarily engaged in the business
2.34 of insurance;

2.35 (ii) a Morris Plan bank; or

3.1 (iii) an industrial loan company that is not an "insured depository institution" as
3.2 defined in section 3(c)(2) of the Federal Deposit Insurance Act, United States Code, title
3.3 12, section 1813(c)(2), or any successor federal statute.

3.4 (6) "Federal covered investment adviser" means a person registered under the
3.5 Investment Advisers Act of 1940.

3.6 (7) "Federal covered security" means a security that is, or upon completion of a
3.7 transaction will be, a covered security under Section 18(b) of the Securities Act of 1933
3.8 (15 U.S.C. Section 77r(b)) or rules or regulations adopted pursuant to that provision.

3.9 (8) "Filing" means the receipt under this chapter of a record by the administrator or
3.10 a designee of the administrator.

3.11 (9) "Fraud," "deceit," and "defraud" are not limited to common law deceit.

3.12 (10) "Guaranteed" means guaranteed as to payment of all principal and all interest.

3.13 (11) "Institutional investor" means any of the following, whether acting for itself or
3.14 for others in a fiduciary capacity:

3.15 (A) a depository institution or international banking institution;

3.16 (B) an insurance company;

3.17 (C) a separate account of an insurance company;

3.18 (D) an investment company as defined in the Investment Company Act of 1940;

3.19 (E) a broker-dealer registered under the Securities Exchange Act of 1934;

3.20 (F) an employee pension, profit-sharing, or benefit plan if the plan has total assets
3.21 in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as
3.22 defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer
3.23 registered under the Securities Exchange Act of 1934, an investment adviser registered
3.24 or exempt from registration under the Investment Advisers Act of 1940, an investment
3.25 adviser registered under this chapter, a depository institution, or an insurance company;

3.26 (G) a plan established and maintained by a state, a political subdivision of a state, or
3.27 an agency or instrumentality of a state or a political subdivision of a state for the benefit
3.28 of its employees, if the plan has total assets in excess of \$10,000,000 or its investment
3.29 decisions are made by a duly designated public official or by a named fiduciary, as
3.30 defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer
3.31 registered under the Securities Exchange Act of 1934, an investment adviser registered
3.32 or exempt from registration under the Investment Advisers Act of 1940, an investment
3.33 adviser registered under this chapter, a depository institution, or an insurance company;

3.34 (H) a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository
3.35 institution, and its participants are exclusively plans of the types identified in subparagraph

4.1 (F) or (G), regardless of the size of their assets, except a trust that includes as participants
4.2 self-directed individual retirement accounts or similar self-directed plans;

4.3 (I) an organization described in Section 501(c)(3) of the Internal Revenue Code (26
4.4 U.S.C. Section 501(c)(3)), corporation, Massachusetts trust or similar business trust,
4.5 limited liability company, or partnership, not formed for the specific purpose of acquiring
4.6 the securities offered, with total assets in excess of \$10,000,000;

4.7 (J) a small business investment company licensed by the Small Business
4.8 Administration under Section 301(c) of the Small Business Investment Act of 1958 (15
4.9 U.S.C. Section 681(c)) with total assets in excess of \$10,000,000;

4.10 (K) a private business development company as defined in Section 202(a)(22) of
4.11 the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets
4.12 in excess of \$10,000,000;

4.13 (L) a federal covered investment adviser acting for its own account;

4.14 (M) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule
4.15 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A);

4.16 (N) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted
4.17 under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6);

4.18 (O) any other person, other than an individual, of institutional character with total
4.19 assets in excess of \$10,000,000 not organized for the specific purpose of evading this
4.20 chapter; or

4.21 (P) any other person specified by rule adopted or order issued under this chapter;

4.22 (12) "Insurance company" means a company organized as an insurance company
4.23 whose primary business is writing insurance or reinsuring risks underwritten by insurance
4.24 companies and which is subject to supervision by the insurance commissioner or a similar
4.25 official or agency of a state.

4.26 (13) "Insured" means insured as to payment of all principal and all interest.

4.27 (14) "International banking institution" means an international financial institution
4.28 of which the United States is a member and whose securities are exempt from registration
4.29 under the Securities Act of 1933.

4.30 (15) "Investment adviser" means a person that, for compensation, engages in the
4.31 business of advising others, either directly or through publications or writings, as to the
4.32 value of securities or the advisability of investing in, purchasing, or selling securities or
4.33 that, for compensation and as a part of a regular business, issues or promulgates analyses
4.34 or reports concerning securities. The term includes a financial planner or other person
4.35 that, as an integral component of other financially related services, provides investment

5.1 advice to others for compensation as part of a business or that holds itself out as providing
5.2 investment advice to others for compensation. The term does not include:

(A) an investment adviser representative;

5.4 (B) a lawyer, accountant, engineer, or teacher whose performance of investment
5.5 advice is solely incidental to the practice of the person's profession;

5.6 (C) a broker-dealer or its agents whose performance of investment advice is solely
5.7 incidental to the conduct of business as a broker-dealer and that does not receive special
5.8 compensation for the investment advice;

5.9 (D) a publisher of a bona fide newspaper, news magazine, or business or financial
5.10 publication of general and regular circulation;

5.11 (E) a federal covered investment adviser;

5.12 (F) a bank or savings institution;

5.13 (G) any other person that is excluded by the Investment Advisers Act of 1940 from
5.14 the definition of investment adviser; or

5.15 (H) any other person excluded by rule adopted or order issued under this chapter.

5.16 (16) "Investment adviser representative" means an individual employed by or
5.17 associated with an investment adviser or federal covered investment adviser and who
5.18 makes any recommendations or otherwise gives investment advice regarding securities,
5.19 manages accounts or portfolios of clients, determines which recommendation or advice
5.20 regarding securities should be given, provides investment advice or holds herself or
5.21 himself out as providing investment advice, receives compensation to solicit, offer, or
5.22 negotiate for the sale of or for selling investment advice, or supervises employees who
5.23 perform any of the foregoing. The term does not include an individual who:

(A) performs only clerical or ministerial acts;

5.25 (B) is an agent whose performance of investment advice is solely incidental to
5.26 the individual acting as an agent and who does not receive special compensation for
5.27 investment advisory services;

5.28 (C) is employed by or associated with a federal covered investment adviser, unless
5.29 the individual has a "place of business" in this state as that term is defined by rule adopted
5.30 under Section 203A of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-3a)
5.31 and is

5.32 (i) an "investment adviser representative" as that term is defined by rule adopted
5.33 under Section 203A of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-3a); or

5.34 (ii) not a "supervised person" as that term is defined in Section 202(a)(25) of the
5.35 Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(25)); or

5.36 (D) is excluded by rule adopted or order issued under this chapter.

6.1 (17) "Issuer" means a person that issues or proposes to issue a security, subject to
6.2 the following:

6.3 (A) The issuer of a voting trust certificate, collateral trust certificate, certificate of
6.4 deposit for a security, or share in an investment company without a board of directors or
6.5 individuals performing similar functions is the person performing the acts and assuming
6.6 the duties of depositor or manager pursuant to the trust or other agreement or instrument
6.7 under which the security is issued.

6.8 (B) The issuer of an equipment trust certificate or similar security serving the same
6.9 purpose is the person by which the property is or will be used or to which the property
6.10 or equipment is or will be leased or conditionally sold or that is otherwise contractually
6.11 responsible for assuring payment of the certificate.

6.12 (C) The issuer of a fractional undivided interest in an oil, gas, or other mineral lease
6.13 or in payments out of production under a lease, right, or royalty is the owner of an interest
6.14 in the lease or in payments out of production under a lease, right, or royalty, whether
6.15 whole or fractional, that creates fractional interests for the purpose of sale.

6.16 (18) "Nonissuer transaction" or "nonissuer distribution" means a transaction or
6.17 distribution not directly or indirectly for the benefit of the issuer.

6.18 (19) "Offer to purchase" includes an attempt or offer to obtain, or solicitation of an
6.19 offer to sell, a security or interest in a security for value. The term does not include a
6.20 tender offer that is subject to Section 14(d) of the Securities Exchange Act of 1934 (15
6.21 U.S.C. Section 78n(d)).

6.22 (20) "Person" means an individual; corporation; business trust; estate; trust;
6.23 partnership; limited liability company; association; joint venture; government;
6.24 governmental subdivision, agency, or instrumentality; public corporation; or any other
6.25 legal or commercial entity.

6.26 (21) "Place of business" of a broker-dealer, an investment adviser, or a federal
6.27 covered investment adviser means:

6.28 (A) an office at which the broker-dealer, investment adviser, or federal covered
6.29 investment adviser regularly provides brokerage or investment advice or solicits, meets
6.30 with, or otherwise communicates with customers or clients; or

6.31 (B) any other location that is held out to the general public as a location at which
6.32 the broker-dealer, investment adviser, or federal covered investment adviser provides
6.33 brokerage or investment advice or solicits, meets with, or otherwise communicates with
6.34 customers or clients.

6.35 (22) "Predecessor Act" means Minnesota Statutes 2002, sections 80A.01 to 80A.31.

7.1 (23) "Price amendment" means the amendment to a registration statement filed under
7.2 the Securities Act of 1933 or, if an amendment is not filed, the prospectus or prospectus
7.3 supplement filed under the Securities Act of 1933 that includes a statement of the offering
7.4 price, underwriting and selling discounts or commissions, amount of proceeds, conversion
7.5 rates, call prices, and other matters dependent upon the offering price.

7.6 (24) "Principal place of business" of a broker-dealer or an investment adviser means
7.7 the executive office of the broker-dealer or investment adviser from which the officers,
7.8 partners, or managers of the broker-dealer or investment adviser direct, control, and
7.9 coordinate the activities of the broker-dealer or investment adviser.

7.10 (24a) "Purchaser" does not include:

7.11 (A) any relative, spouse, or relative of the spouse of a purchaser who has the same
7.12 principal residence as the purchaser;

7.13 (B) any trust or estate in which a purchaser and any of the persons related to him as
7.14 specified in Regulation D, Rule 501(e)(1)(i) or (e)(1)(ii) collectively have more than 50
7.15 percent of the beneficial interest (excluding contingent interests);

7.16 (C) any corporation or other organization of which a purchaser and any of the
7.17 persons related to the purchaser as specified in Regulation D, Rule 501(e)(1)(i) or
7.18 (e)(1)(ii) collectively are beneficial owners of more than 50 percent of the equity securities
7.19 (excluding directors' qualifying shares) or equity interests; and

7.20 (D) any accredited investor as defined by Regulation D, Rule 501(3).

7.21 A corporation, partnership, or other entity must be counted as one purchaser. If,
7.22 however, that entity is organized for the specific purpose of acquiring the securities offered
7.23 and is not an accredited investor, then each beneficial owner of equity securities or equity
7.24 interests in the entity shall count as a separate purchaser for all provisions of Regulation
7.25 D, except to the extent provided in Regulation D, Rule 501(e)(1).

7.26 A noncontributory employee benefit plan within the meaning of Title I of the
7.27 Employee Retirement Income Security Act of 1974 shall be counted as one purchaser
7.28 where the trustee makes all investment decisions for the plan.

7.29 (25) "Record," except in the phrases "of record," "official record," and "public
7.30 record," means information that is inscribed on a tangible medium or that is stored in an
7.31 electronic or other medium and is retrievable in perceivable form.

7.32 (26) "Sale" includes every contract of sale, contract to sell, or disposition of, a
7.33 security or interest in a security for value, and "offer to sell" includes every attempt or
7.34 offer to dispose of, or solicitation of an offer to purchase, a security or interest in a
7.35 security for value.

8.1 (A) A security given or delivered with, or as a bonus on account of, any purchase of
8.2 securities or any other thing is considered to constitute part of the subject of the purchase
8.3 and to have been offered and sold for value.

8.4 (B) A gift of assessable stock is considered to involve an offer and sale.

8.5 (C) A sale or offer of a warrant or right to purchase or subscribe to another security
8.6 of the same or another issuer and a sale or offer of a security that gives the holder a present
8.7 or future right or privilege to convert the security into another security of the same or
8.8 another issuer, are each considered to include an offer of the other security.

8.9 (27) "Securities and Exchange Commission" means the United States Securities and
8.10 Exchange Commission.

8.11 (28) "Security" means a note; stock; treasury stock; security future; bond; debenture;
8.12 evidence of indebtedness; certificate of interest or participation in a profit-sharing
8.13 agreement; collateral trust certificate; preorganization certificate or subscription;
8.14 transferable share; investment contract; voting trust certificate; certificate of deposit for a
8.15 security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle,
8.16 option, or privilege on a security, certificate of deposit, or group or index of securities,
8.17 including an interest therein or based on the value thereof; put, call, straddle, option, or
8.18 privilege entered into on a national securities exchange relating to foreign currency; or,
8.19 in general, an interest or instrument commonly known as a "security"; or a certificate of
8.20 interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or
8.21 warrant or right to subscribe to or purchase, any of the foregoing. The term:

8.22 (A) includes both a certificated and an uncertificated security;

8.23 (B) does not include an insurance or endowment policy or annuity contract under
8.24 which an insurance company promises to pay a fixed or variable sum of money either in a
8.25 lump sum or periodically for life or other specified period;

8.26 (C) does not include an interest in a contributory or noncontributory pension or
8.27 welfare plan subject to the Employee Retirement Income Security Act of 1974;

8.28 (D) includes as an "investment contract" an investment in a common enterprise with
8.29 the expectation of profits to be derived primarily from the efforts of a person other than
8.30 the investor and a "common enterprise" means an enterprise in which the fortunes of the
8.31 investor are interwoven with those of either the person offering the investment, a third
8.32 party, or other investors;

8.33 (E) includes as an "investment contract," among other contracts, an interest in
8.34 a limited partnership and a limited liability company and an investment in a viatical
8.35 settlement or similar agreement; and

9.1 (F) does not include any equity interest of a closely held corporation or other entity
9.2 with not more than 35 holders of the equity interest of such entity offered or sold pursuant
9.3 to a transaction in which 100 percent of the equity interest of such entity is sold as a means
9.4 to effect the sale of the business of the entity if the transaction has been negotiated on
9.5 behalf of all purchasers and if all purchasers have access to inside information regarding
9.6 the entity before consummating the transaction.

9.7 (29) "Self-regulatory organization" means a national securities exchange registered
9.8 under the Securities Exchange Act of 1934, a national securities association of
9.9 broker-dealers registered under the Securities Exchange Act of 1934, a clearing agency
9.10 registered under the Securities Exchange Act of 1934, or the Municipal Securities
9.11 Rulemaking Board established under the Securities Exchange Act of 1934.

9.12 (30) "Sign" means, with present intent to authenticate or adopt a record:

9.13 (A) to execute or adopt a tangible symbol; or

9.14 (B) to attach or logically associate with the record an electronic symbol, sound,
9.15 or process.

9.16 (31) "State" means a state of the United States, the District of Columbia, Puerto
9.17 Rico, the United States Virgin Islands, or any territory or insular possession subject to the
9.18 jurisdiction of the United States.

9.19 (32) "Associated with" with respect to a person means any partner, officer, director,
9.20 or manager of such person or any person occupying a similar status or performing
9.21 similar functions or any person directly or indirectly controlling, controlled by, or in
9.22 common control with, such person, but does not include a person whose primary duties
9.23 are ministerial or clerical.

9.24 **Sec. 3. [80A.42] SECTION 103; REFERENCES TO FEDERAL STATUTES.**

9.25 "Securities Act of 1933" (15 U.S.C. Section 77a et seq.), "Securities Exchange
9.26 Act of 1934" (15 U.S.C. Section 78a et seq.), "Public Utility Holding Company Act of
9.27 1935" (15 U.S.C. Section 79 et seq.), "Investment Company Act of 1940" (15 U.S.C.
9.28 Section 80a-1 et seq.), "Investment Advisers Act of 1940" (15 U.S.C. Section 80b-1 et
9.29 seq.), "Employee Retirement Income Security Act of 1974" (29 U.S.C. Section 1001 et
9.30 seq.), "National Housing Act" (12 U.S.C. Section 1701 et seq.), "Commodity Exchange
9.31 Act" (7 U.S.C. Section 1 et seq.), "Internal Revenue Code" (26 U.S.C. Section 1 et seq.),
9.32 "Securities Investor Protection Act of 1970" (15 U.S.C. Section 78aaa et seq.), "Securities
9.33 Litigation Uniform Standards Act of 1998" (112 Stat. 3227), "Small Business Investment
9.34 Act of 1958" (15 U.S.C. Section 661 et seq.), and "Electronic Signatures in Global and
9.35 National Commerce Act" (15 U.S.C. Section 7001 et seq.) mean those statutes and the

10.1 rules and regulations adopted under those statutes, as in effect on the date of enactment of
10.2 this chapter, or as later amended.

10.3 **Sec. 4. [80A.43] SECTION 104; REFERENCES TO FEDERAL AGENCIES.**

10.4 A reference in this chapter to an agency or department of the United States is also a
10.5 reference to a successor agency or department.

10.6 **Sec. 5. [80A.44] SECTION 105; ELECTRONIC RECORDS AND SIGNATURES.**

10.7 This chapter modifies, limits, and supersedes the federal Electronic Signatures in
10.8 Global and National Commerce Act, but does not modify, limit, or supersede Section
10.9 101(c) of that act (15 U.S.C. Section 7001(c)) or authorize electronic delivery of any of
10.10 the notices described in Section 103(b) of that act (15 U.S.C. Section 7003(b)). This
10.11 chapter authorizes the filing of records and signatures, when specified by provisions of
10.12 this chapter or by a rule adopted or order issued under this chapter, in a manner consistent
10.13 with Section 104(a) of that act (15 U.S.C. Section 7004(a)).

10.14 **EXEMPTIONS FROM REGISTRATION OF SECURITIES**

10.15 **Sec. 6. [80A.45] SECTION 201; EXEMPT SECURITIES.**

10.16 The following securities are exempt from the requirements of sections 80A.49
10.17 through 80A.54 and 80A.71:

10.18 (1) a security, including a revenue obligation or a separate security as defined in
10.19 Rule 131 (17 C.F.R. 230.131) adopted under the Securities Act of 1933, issued, insured,
10.20 or guaranteed by the United States; by a state; by a political subdivision of a state;
10.21 by a public authority, agency, or instrumentality of one or more states; by a political
10.22 subdivision of one or more states or by a person controlled or supervised by and acting
10.23 as an instrumentality of the United States under authority granted by Congress; or a
10.24 certificate of deposit for any of the foregoing;

10.25 (2) a security issued, insured, or guaranteed by a foreign government with which the
10.26 United States maintains diplomatic relations, or any of its political subdivisions, if the
10.27 security is recognized as a valid obligation by the issuer, insurer, or guarantor;

10.28 (3) a security issued by and representing or that will represent an interest in or a
10.29 direct obligation of, or be guaranteed by:

10.30 (A) an international banking institution;

10.31 (B) a banking institution organized under the laws of the United States; a member
10.32 bank of the Federal Reserve System; or a depository institution a substantial portion of
10.33 the business of which consists or will consist of receiving deposits or share accounts
10.34 that are insured to the maximum amount authorized by statute by the Federal Deposit

11.1 Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor
11.2 authorized by federal law or exercising fiduciary powers that are similar to those permitted
11.3 for national banks under the authority of the Comptroller of Currency pursuant to Section
11.4 1 of Public Law 87-722 (12 U.S.C. Section 92a); or
11.5 (C) any other depository institution, unless by rule or order the administrator
11.6 proceeds under section 80A.48;
11.7 (4) a security issued by and representing an interest in, or a debt of, or insured or
11.8 guaranteed by, an insurance company authorized to do business in this state;
11.9 (5) a security issued or guaranteed by a railroad, other common carrier, public utility,
11.10 or public utility holding company that is:
11.11 (A) regulated in respect to its rates and charges by the United States or a state;
11.12 (B) regulated in respect to the issuance or guarantee of the security by the United
11.13 states, a state, Canada, or a Canadian province or territory; or
11.14 (C) a public utility holding company registered under the Public Utility Holding
11.15 Company Act of 1935 or a subsidiary of such a registered holding company within the
11.16 meaning of that act;
11.17 (6) a federal covered security specified in Section 18(b)(1) of the Securities Act of
11.18 1933 (15 U.S.C. Section 77r(b)(1)) or by rule adopted under that provision or a security
11.19 listed or approved for listing on another securities market specified by rule under this
11.20 chapter; a put or a call option contract; a warrant; a subscription right on or with respect
11.21 to such securities; or an option or similar derivative security on a security or an index of
11.22 securities or foreign currencies issued by a clearing agency registered under the Securities
11.23 Exchange Act of 1934 and listed or designated for trading on a national securities
11.24 exchange, a facility of a national securities exchange, or a facility of a national securities
11.25 association registered under the Securities Exchange Act of 1934 or an offer or sale, of the
11.26 underlying security in connection with the offer, sale, or exercise of an option or other
11.27 security that was exempt when the option or other security was written or issued; or an
11.28 option or a derivative security designated by the Securities and Exchange Commission
11.29 under Section 9(b) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78i(b));
11.30 (7) a security issued by a person organized and operated exclusively for religious,
11.31 educational, benevolent, fraternal, charitable, social, athletic, or reformatory purposes,
11.32 or as a chamber of commerce, and not for pecuniary profit, no part of the net earnings
11.33 of which inures to the benefit of a private stockholder or other person, or a security of a
11.34 company that is excluded from the definition of an investment company under Section
11.35 3(c)(10)(B) of the Investment Company Act of 1940 (15 U.S.C. Section 80a-3(c)(10)(B));
11.36 except that with respect to the offer or sale, an issuer of such a note, bond, debenture, or

12.1 other evidence of indebtedness is required to file a notice specifying the material terms of
12.2 the proposed offer or sale and copies of any proposed sales and advertising literature to be
12.3 used together with the fee required by section 80A.65 and provided that this exemption
12.4 shall be effective if the administrator does not disallow the exemption in writing within 15
12.5 days following the date of the notice filing.

12.6 **Sec. 7. [80A.46] SECTION 202; EXEMPT TRANSACTIONS.**

12.7 The following transactions are exempt from the requirements of sections 80A.49
12.8 through 80A.54 and 80A.71:

12.9 (1) isolated nonissuer transactions, consisting of sale to not more than ten purchasers
12.10 in Minnesota during any period of 12 consecutive months, whether effected by or through
12.11 a broker-dealer or not;

12.12 (2) a nonissuer transaction by or through a broker-dealer registered, or exempt from
12.13 registration under this chapter, and a resale transaction by a sponsor of a unit investment
12.14 trust registered under the Investment Company Act of 1940, in a security of a class that
12.15 has been outstanding in the hands of the public for at least 90 days, if, at the date of
12.16 the transaction:

12.17 (A) the issuer of the security is engaged in business, the issuer is not in the
12.18 organizational stage or in bankruptcy or receivership, and the issuer is not a blank check,
12.19 blind pool, or shell company that has no specific business plan or purpose or has indicated
12.20 that its primary business plan is to engage in a merger or combination of the business with,
12.21 or an acquisition of, an unidentified person;

12.22 (B) the security is sold at a price reasonably related to its current market price;

12.23 (C) the security does not constitute the whole or part of an unsold allotment to, or
12.24 a subscription or participation by, the broker-dealer as an underwriter of the security
12.25 or a redistribution;

12.26 (D) a nationally recognized securities manual or its electronic equivalent designated
12.27 by rule adopted or order issued under this chapter or a record filed with the Securities and
12.28 Exchange Commission that is publicly available contains:

12.29 (i) a description of the business and operations of the issuer;

12.30 (ii) the names of the issuer's executive officers and the names of the issuer's
12.31 directors, if any;

12.32 (iii) an audited balance sheet of the issuer as of a date within 18 months before the
12.33 date of the transaction or, in the case of a reorganization or merger when the parties to
12.34 the reorganization or merger each had an audited balance sheet, a pro forma balance
12.35 sheet for the combined organization; and

13.1 (iv) an audited income statement for each of the issuer's two immediately previous
13.2 fiscal years or for the period of existence of the issuer, whichever is shorter, or, in the case
13.3 of a reorganization or merger when each party to the reorganization or merger had audited
13.4 income statements, a pro forma income statement; and

13.5 (E) any one of the following requirements is met:

13.6 (i) the issuer of the security has a class of equity securities listed on a national
13.7 securities exchange registered under Section 6 of the Securities Exchange Act of 1934
13.8 or designated for trading on the National Association of Securities Dealers Automated
13.9 Quotation System;

13.10 (ii) the issuer of the security is a unit investment trust registered under the Investment
13.11 Company Act of 1940;

13.12 (iii) the issuer of the security, including its predecessors, has been engaged in
13.13 continuous business for at least three years; or

13.14 (iv) the issuer of the security has total assets of at least \$2,000,000 based on an
13.15 audited balance sheet as of a date within 18 months before the date of the transaction or, in
13.16 the case of a reorganization or merger when the parties to the reorganization or merger
13.17 each had such an audited balance sheet, a pro forma balance sheet for the combined
13.18 organization;

13.19 (3) a nonissuer transaction by or through a broker-dealer registered or exempt from
13.20 registration under this chapter in a security of a foreign issuer that is a margin security
13.21 defined in regulations or rules adopted by the Board of Governors of the Federal Reserve
13.22 System;

13.23 (4) a nonissuer transaction by or through a broker-dealer registered or exempt
13.24 from registration under this chapter in an outstanding security if the guarantor of the
13.25 security files reports with the Securities and Exchange Commission under the reporting
13.26 requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.
13.27 Sections 78m or 78o(d));

13.28 (5) a nonissuer transaction by or through a broker-dealer registered or exempt from
13.29 registration under this chapter in a security that:

13.30 (A) is rated at the time of the transaction by a nationally recognized statistical rating
13.31 organization in one of its four highest rating categories; or

13.32 (B) has a fixed maturity or a fixed interest or dividend, if:

13.33 (i) a default has not occurred during the current fiscal year or within the three
13.34 previous fiscal years or during the existence of the issuer and any predecessor if less than
13.35 three fiscal years, in the payment of principal, interest, or dividends on the security; and

14.1 (ii) the issuer is engaged in business, is not in the organizational stage or in
14.2 bankruptcy or receivership, and is not and has not been within the previous 12 months a
14.3 blank check, blind pool, or shell company that has no specific business plan or purpose or
14.4 has indicated that its primary business plan is to engage in a merger or combination of the
14.5 business with, or an acquisition of, an unidentified person;

14.6 (6) a nonissuer transaction by or through a broker-dealer registered or exempt from
14.7 registration under this chapter effecting an unsolicited order or offer to purchase;

14.8 (7) a nonissuer transaction executed by a bona fide pledgee without the purpose
14.9 of evading this chapter;

14.10 (8) a nonissuer transaction by a federal covered investment adviser with investments
14.11 under management in excess of \$100,000,000 acting in the exercise of discretionary
14.12 authority in a signed record for the account of others;

14.13 (9) a transaction in a security, whether or not the security or transaction is otherwise
14.14 exempt, in exchange for one or more bona fide outstanding securities, claims, or property
14.15 interests, or partly in such exchange and partly for cash, if the terms and conditions of
14.16 the issuance and exchange or the delivery and exchange and the fairness of the terms and
14.17 conditions have been approved by the administrator after a hearing;

14.18 (10) a transaction between the issuer or other person on whose behalf the offering is
14.19 made and an underwriter, or among underwriters;

14.20 (11) a transaction in a note, bond, debenture, or other evidence of indebtedness
14.21 secured by a mortgage or other security agreement if:

14.22 (A) the note, bond, debenture, or other evidence of indebtedness is offered and sold
14.23 with the mortgage or other security agreement as a unit;

14.24 (B) a general solicitation or general advertisement of the transaction is not made; and

14.25 (C) a commission or other remuneration is not paid or given, directly or indirectly, to
14.26 a person not registered under this chapter as a broker-dealer or as an agent;

14.27 (12) a transaction by an executor, administrator of an estate, sheriff, marshal,
14.28 receiver, trustee in bankruptcy, guardian, or conservator;

14.29 (13) a sale or offer to sell to:

14.30 (A) an institutional investor;

14.31 (B) an accredited investor as that term is defined in Regulation D, Rule 501(a);

14.32 (C) a federal covered investment adviser; or

14.33 (D) any other person exempted by rule adopted or order issued under this chapter;

14.34 (14) a sale or an offer to sell securities by an issuer, if the transaction is part of
14.35 a single issue in which:

15.1 (A) not more than 35 purchasers are present in this state during any 12 consecutive
15.2 months, other than those designated in paragraph (13);

15.3 (B) a general solicitation or general advertising is not made in connection with
15.4 the offer to sell or sale of the securities;

15.5 (C) a commission or other remuneration is not paid or given, directly or indirectly, to
15.6 a person other than a broker-dealer registered under this chapter or an agent registered
15.7 under this chapter for soliciting a prospective purchaser in this state; and

15.8 (D) the issuer reasonably believes that all the purchasers in this state, other than
15.9 those designated in paragraph (13), are purchasing for investment;

15.10 (15) a transaction under an offer to existing security holders of the issuer, including
15.11 persons that at the date of the transaction are holders of convertible securities, options, or
15.12 warrants, if a commission or other remuneration, other than a standby commission, is not
15.13 paid or given, directly or indirectly, for soliciting a security holder in this state;

15.14 (16) an offer to sell, but not a sale, of a security not exempt from registration under
15.15 the Securities Act of 1933 if:

15.16 (A) a registration or offering statement or similar record as required under the
15.17 Securities Act of 1933 has been filed, but is not effective, or the offer is made in compliance
15.18 with Rule 165 adopted under the Securities Act of 1933 (17 C.F.R. 230.165); and

15.19 (B) a stop order of which the offeror is aware has not been issued against the offeror
15.20 by the administrator or the Securities and Exchange Commission, and an audit, inspection,
15.21 or proceeding that is public and that may culminate in a stop order is not known by the
15.22 offeror to be pending;

15.23 (17) an offer to sell, but not a sale, of a security exempt from registration under the
15.24 Securities Act of 1933 if:

15.25 (A) a registration statement has been filed under this chapter, but is not effective;

15.26 (B) a solicitation of interest is provided in a record to offerees in compliance with a
15.27 rule adopted by the administrator under this chapter; and

15.28 (c) a stop order of which the offeror is aware has not been issued by the administrator
15.29 under this chapter and an audit, inspection, or proceeding that may culminate in a stop
15.30 order is not known by the offeror to be pending;

15.31 (18) a transaction involving the distribution of the securities of an issuer to the
15.32 security holders of another person in connection with a merger, consolidation, exchange
15.33 of securities, sale of assets, or other reorganization to which the issuer, or its parent or
15.34 subsidiary and the other person, or its parent or subsidiary, are parties;

15.35 (19) a rescission offer, sale, or purchase under section 80A.77;

16.1 (20) an offer or sale of a security to a person not a resident of this state and not
16.2 present in this state if the offer or sale does not constitute a violation of the laws of the
16.3 state or foreign jurisdiction in which the offeree or purchaser is present and is not part of
16.4 an unlawful plan or scheme to evade this chapter;

16.5 (21) employees' stock purchase, savings, option, profit-sharing, pension, or
16.6 similar employees' benefit plan, including any securities, plan interests, and guarantees
16.7 issued under a compensatory benefit plan or compensation contract, contained in a
16.8 record, established by the issuer, its parents, its majority-owned subsidiaries, or the
16.9 majority-owned subsidiaries of the issuer's parent for the participation of their employees
16.10 including offers or sales of such securities to:

16.11 (A) directors; general partners; trustees, if the issuer is a business trust; officers;
16.12 consultants; and advisors;

16.13 (B) family members who acquire such securities from those persons through gifts or
16.14 domestic relations orders;

16.15 (C) former employees, directors, general partners, trustees, officers, consultants, and
16.16 advisors if those individuals were employed by or providing services to the issuer when
16.17 the securities were offered; and

16.18 (D) insurance agents who are exclusive insurance agents of the issuer, or the issuer's
16.19 subsidiaries or parents, or who derive more than 50 percent of their annual income from
16.20 those organizations;

16.21 (22) a transaction involving:

16.22 (A) a stock dividend or equivalent equity distribution, whether the corporation or
16.23 other business organization distributing the dividend or equivalent equity distribution is
16.24 the issuer or not, if nothing of value is given by stockholders or other equity holders for
16.25 the dividend or equivalent equity distribution other than the surrender of a right to a cash
16.26 or property dividend if each stockholder or other equity holder may elect to take the
16.27 dividend or equivalent equity distribution in cash, property, or stock;

16.28 (B) an act incident to a judicially approved reorganization in which a security is
16.29 issued in exchange for one or more outstanding securities, claims, or property interests, or
16.30 partly in such exchange and partly for cash; or

16.31 (C) the solicitation of tenders of securities by an offeror in a tender offer in
16.32 compliance with Rule 162 adopted under the Securities Act of 1933 (17 C.F.R. 230.162);

16.33 (23) a nonissuer transaction in an outstanding security by or through a broker-dealer
16.34 registered or exempt from registration under this chapter, if the issuer is a reporting
16.35 issuer in a foreign jurisdiction designated by this paragraph or by rule adopted or order
16.36 issued under this chapter; has been subject to continuous reporting requirements in the

17.1 foreign jurisdiction for not less than 180 days before the transaction; and the security is
17.2 listed on the foreign jurisdiction's securities exchange that has been designated by this
17.3 paragraph or by rule adopted or order issued under this chapter, or is a security of the same
17.4 issuer that is of senior or substantially equal rank to the listed security or is a warrant or
17.5 right to purchase or subscribe to any of the foregoing. For purposes of this paragraph,
17.6 Canada, together with its provinces and territories, is a designated foreign jurisdiction
17.7 and The Toronto Stock Exchange, Inc., is a designated securities exchange. After an
17.8 administrative hearing in compliance with chapter 14, the administrator, by rule adopted
17.9 or order issued under this chapter, may revoke the designation of a securities exchange
17.10 under this paragraph, if the administrator finds that revocation is necessary or appropriate
17.11 in the public interest and for the protection of investors;

17.12 (24) any transaction effected by or through a Canadian broker-dealer exempted from
17.13 broker-dealer registration pursuant to section 80A.56(b)(3); or

17.14 (25)(A) the offer and sale by a cooperative organized under chapter 308A, or
17.15 under the laws of another state, of its securities when the securities are offered and sold
17.16 only to its members, or when the purchase of the securities is necessary or incidental to
17.17 establishing membership in the cooperative, or when the securities are issued as patronage
17.18 dividends. This paragraph applies to a cooperative organized under the laws of another
17.19 state only if the cooperative has filed with the administrator a consent to service of process
17.20 under section 80A.88 and has, not less than ten days before the issuance or delivery,
17.21 furnished the administrator with a written general description of the transaction and any
17.22 other information that the administrator requires by rule or otherwise;

17.23 (B) the offer and sale by a cooperative organized under chapter 308B of its securities
17.24 when the securities are offered and sold to its existing members or when the purchase of the
17.25 securities is necessary or incidental to establishing patron membership in the cooperative,
17.26 or when such securities are issued as patronage dividends. The administrator has the
17.27 power to define "patron membership" for purposes of this paragraph. This paragraph
17.28 applies to securities, other than securities issued as patronage dividends, only when:

17.29 (i) the issuer, before the completion of the sale of the securities, provides each
17.30 offeree or purchaser disclosure materials that, to the extent material to an understanding of
17.31 the issuer, its business, and the securities being offered, substantially meet the disclosure
17.32 conditions and limitations found in rule 502(b) of Regulation D promulgated by the
17.33 Securities and Exchange Commission, Code of Federal Regulations, title 17, section
17.34 230.502; and

17.35 (ii) within 15 days after the completion of the first sale in each offering completed in
17.36 reliance upon this exemption, the cooperative has filed with the administrator a consent to

18.1 service of process under section 80A.88 (or has previously filed such a consent), and has
18.2 furnished the administrator with a written general description of the transaction and any
18.3 other information that the administrator requires by rule or otherwise; and

18.4 (C) a cooperative may, at or about the same time as offers or sales are being
18.5 completed in reliance upon the exemptions from registration found in this subpart and as
18.6 part of a common plan of financing, offer or sell its securities in reliance upon any other
18.7 exemption from registration available under this chapter. The offer or sale of securities in
18.8 reliance upon the exemptions found in this subpart will not be considered or deemed a part
18.9 of or be integrated with any offer or sale of securities conducted by the cooperative in
18.10 reliance upon any other exemption from registration available under this chapter, nor will
18.11 offers or sales of securities by the cooperative in reliance upon any other exemption from
18.12 registration available under this chapter be considered or deemed a part of or be integrated
18.13 with any offer or sale conducted by the cooperative in reliance upon this paragraph.

18.14 **Sec. 8. [80A.47] SECTION 203; ADDITIONAL EXEMPTIONS AND WAIVERS.**

18.15 A rule adopted or order issued under this chapter may exempt a security, transaction,
18.16 or offer; a rule under this chapter may exempt a class of securities, transactions, or offers
18.17 from any or all of the requirements of sections 80A.49 through 80A.54 and 80A.71; and
18.18 an order under this chapter may waive, in whole or in part, any or all of the conditions for
18.19 an exemption or offer under sections 80A.45 and 80A.46.

18.20 **Sec. 9. [80A.48] SECTION 204; DENIAL, SUSPENSION, REVOCATION,**
18.21 **CONDITION, OR LIMITATION OF EXEMPTIONS.**

18.22 (a) Enforcement related powers. Except with respect to a federal covered security
18.23 or a transaction involving a federal covered security, an order under this chapter may
18.24 deny, suspend application of, condition, limit, or revoke an exemption created under
18.25 section 80A.45(3)(C), (7) or (8) or 80A.46 or an exemption or waiver created under
18.26 section 80A.47 with respect to a specific security, transaction, or offer. An order under this
18.27 section may be issued only pursuant to the procedures in section 80A.54(d) or 80A.81
18.28 and only prospectively.

18.29 (b) Knowledge of order required. A person does not violate sections 80A.49,
18.30 80A.51 through 80A.54, 80A.71, or 80A.77 by an offer to sell, offer to purchase, sale, or
18.31 purchase effected after the entry of an order issued under this section if the person did not
18.32 know, and in the exercise of reasonable care could not have known, of the order.

18.33 **REGISTRATION OF SECURITIES AND NOTICE FILING OF**
18.34 **FEDERAL COVERED SECURITIES**

19.1 Sec. 10. **[80A.49] SECTION 301; SECURITIES REGISTRATION**
19.2 **REQUIREMENT.**

19.3 It is unlawful for a person to offer or sell a security in this state unless:

- 19.4 (1) the security is a federal covered security;
19.5 (2) the security, transaction, or offer is exempted from registration under sections
19.6 80A.45 through 80A.47; or
19.7 (3) the security is registered under this chapter.

19.8 Sec. 11. **[80A.50] SECTION 302; FEDERAL COVERED SECURITIES; SMALL**
19.9 **CORPORATE OFFERING REGISTRATION.**

19.10 (a) Federal covered securities.

19.11 (1) Required filing of records. With respect to a federal covered security, as defined
19.12 in Section 18(b)(2) of the Securities Act of 1933 (15 U.S.C. Section 77r(b)(2)), that is not
19.13 otherwise exempt under sections 80A.45 through 80A.47, a rule adopted or order issued
19.14 under this chapter may require the filing of any or all of the following records:

19.15 (A) before the initial offer of a federal covered security in this state, all records
19.16 that are part of a federal registration statement filed with the Securities and Exchange
19.17 Commission under the Securities Act of 1933 and a consent to service of process
19.18 complying with section 80A.88 signed by the issuer;

19.19 (B) after the initial offer of the federal covered security in this state, all records that
19.20 are part of an amendment to a federal registration statement filed with the Securities and
19.21 Exchange Commission under the Securities Act of 1933; and

19.22 (C) to the extent necessary or appropriate to compute fees, a report of the value of
19.23 the federal covered securities sold or offered to persons present in this state, if the sales
19.24 data are not included in records filed with the Securities and Exchange Commission.

19.25 (2) Notice filing effectiveness and renewal. A notice filing under subsection (a) is
19.26 effective for one year commencing on the later of the notice filing or the effectiveness of
19.27 the offering filed with the Securities and Exchange Commission. On or before expiration,
19.28 the issuer may renew a notice filing by filing a copy of those records filed by the issuer
19.29 with the Securities and Exchange Commission that are required by rule or order under
19.30 this chapter to be filed. A previously filed consent to service of process complying with
19.31 section 80A.88 may be incorporated by reference in a renewal. A renewed notice filing
19.32 becomes effective upon the expiration of the filing being renewed.

19.33 (3) Notice filings for federal covered securities under section 18(b)(4)(D). With
19.34 respect to a security that is a federal covered security under Section 18(b)(4)(D) of the
19.35 Securities Act of 1933 (15 U.S.C. Section 77r(b)(4)(D)), a rule under this chapter may

20.1 require a notice filing by or on behalf of an issuer to include a copy of Form D, including
20.2 the Appendix, as promulgated by the Securities and Exchange Commission, and a consent
20.3 to service of process complying with section 80A.88 signed by the issuer not later than 15
20.4 days after the first sale of the federal covered security in this state.

20.5 (4) Stop orders. Except with respect to a federal security under Section 18(b)(1)
20.6 of the Securities Act of 1933 (15 U.S.C. Section 77r(b)(1)), if the administrator finds
20.7 that there is a failure to comply with a notice or fee requirement of this section, the
20.8 administrator may issue a stop order suspending the offer and sale of a federal covered
20.9 security in this state. If the deficiency is corrected, the stop order is void as of the time of
20.10 its issuance and no penalty may be imposed by the administrator.

20.11 (b) Small corporation offering registration.

20.12 (1) Registration required. A security meeting the conditions set forth in this section
20.13 may be registered as set forth in this section.

20.14 (2) Availability. Registration under this section is available only to the issuer of
20.15 securities and not to an affiliate of the issuer or to any other person for resale of the issuer's
20.16 securities. The issuer must be organized under the laws of one of the states or possessions
20.17 of the United States. The securities offered must be exempt from registration under the
20.18 Securities Act of 1933 pursuant to Rule 504 of Regulation D (15 U.S.C. section 77c).

20.19 (3) Disqualification. Registration under this section is not available to any of the
20.20 following issuers:

20.21 (A) an issuer subject to the reporting requirements of section 13 or 15(d) of the
20.22 Securities Exchange Act of 1934;

20.23 (B) an investment company;

20.24 (C) a development stage company that either has no specific business plan or
20.25 purpose or has indicated that its business plan is to engage in a merger or acquisition with
20.26 an unidentified company or companies or other entity or person;

20.27 (D) an issuer if the issuer or any of its predecessors, officers, directors, governors,
20.28 partners, ten percent stock or equity holders, promoters, or any selling agents of the
20.29 securities to be offered, or any officer, director, governor, or partner of the selling agent:

20.30 (i) has filed a registration statement that is the subject of a currently effective
20.31 registration stop order entered under a federal or state securities law within five years
20.32 before the filing of the small corporate offering registration application;

20.33 (ii) has been convicted within five years before the filing of the small corporate
20.34 offering registration application of a felony or misdemeanor in connection with the
20.35 offer, purchase, or sale of a security or a felony involving fraud or deceit, including, but

21.1 not limited to, forgery, embezzlement, obtaining money under false pretenses, larceny,
21.2 or conspiracy to defraud;

21.3 (iii) is currently subject to a state administrative enforcement order or judgment
21.4 entered by a state securities administrator or the Securities and Exchange Commission
21.5 within five years before the filing of the small corporate offering registration application,
21.6 or is subject to a federal or state administrative enforcement order or judgment in which
21.7 fraud or deceit, including, but not limited to, making untrue statements of material facts or
21.8 omitting to state material facts, was found and the order or judgment was entered within
21.9 five years before the filing of the small corporate offering registration application;

21.10 (iv) is currently subject to an order, judgment, or decree of a court of competent
21.11 jurisdiction temporarily restraining or enjoining, or is subject to an order, judgment, or
21.12 decree of a court of competent jurisdiction permanently restraining or enjoining the party
21.13 from engaging in or continuing any conduct or practice in connection with the purchase
21.14 or sale of any security or involving the making of a false filing with a state or with the
21.15 Securities and Exchange Commission entered within five years before the filing of the
21.16 small corporate offering registration application; or

21.17 (v) is subject to a state's administrative enforcement order, or judgment that
21.18 prohibits, denies, or revokes the use of an exemption for registration in connection with
21.19 the offer, purchase, or sale of securities,

21.20 (I) except that clauses (i) to (iv) do not apply if the person subject to the
21.21 disqualification is duly licensed or registered to conduct securities-related business in the
21.22 state in which the administrative order or judgment was entered against the person or if
21.23 the dealer employing the party is licensed or registered in this state and the form BD filed
21.24 in this state discloses the order, conviction, judgment, or decree relating to the person, and

21.25 (II) except that the disqualification under this subdivision is automatically
21.26 waived if the state securities administrator or federal agency that created the basis for
21.27 disqualification determines upon a showing of good cause that it is not necessary under
21.28 the circumstances to deny the registration.

21.29 **(4) Filing and effectiveness of registration statement.** A small corporate offering
21.30 registration statement must be filed with the administrator. If no stop order is in effect
21.31 and no proceeding is pending under section 80A.54, such registration statement shall
21.32 become effective automatically at the close of business on the 20th day after filing of the
21.33 registration statement or the last amendment of the registration statement or at such earlier
21.34 time as the administrator may designate by rule or order.

21.35 **(5) Contents of registration statement.** A small corporate offering registration
21.36 statement under this section shall be on Form U-7, including exhibits required by

22.1 the instructions thereto, as adopted by the North American Securities Administrators
 22.2 Association, or such alternative form as may be designated by the administrator by rule or
 22.3 order and must include:

22.4 (A) a consent to service of process complying with section 80A.88;

22.5 (B) a statement of the type and amount of securities to be offered and the amount of
 22.6 securities to be offered in this state;

22.7 (C) a specimen or copy of the security being registered, unless the security is
 22.8 uncertificated, a copy of the issuer's articles of incorporation and bylaws or their
 22.9 substantial equivalents in effect, and a copy of any indenture or other instrument covering
 22.10 the security to be registered;

22.11 (D) a signed or conformed copy of an opinion of counsel concerning the legality
 22.12 of the securities being registered which states whether the securities, when sold, will be
 22.13 validly issued, fully paid, and nonassessable and, if debt securities, binding obligations
 22.14 of the issuer;

22.15 (E) the states (i) in which the securities are proposed to be offered; (ii) in which a
 22.16 registration statement or similar filing has been made in connection with the offering
 22.17 including information as to effectiveness of each such filing; and (iii) in which a stop
 22.18 order or similar proceeding has been entered or in which proceedings or actions seeking
 22.19 such an order are pending;

22.20 (F) a copy of the offering document proposed to be delivered to offerees; and

22.21 (G) a copy of any other pamphlet, circular, form letter, advertisement, or other sales
 22.22 literature intended as of the effective date to be used in connection with the offering and
 22.23 any solicitation of interest used in compliance with section 80A.46(17)(B).

22.24 (6) Copy to purchaser. A copy of the offering document as filed with the
 22.25 administrator must be delivered to each person purchasing the securities prior to sale
 22.26 of the securities to such person.

22.27 **Sec. 12. [80A.51] SECTION 303; SECURITIES REGISTRATION BY**
 22.28 **COORDINATION.**

22.29 (a) Registration permitted. A security for which a registration statement has been
 22.30 filed under the Securities Act of 1933 in connection with the same offering may be
 22.31 registered by coordination under this section.

22.32 (b) Required records. A registration statement and accompanying records under
 22.33 this section must contain or be accompanied by the following records in addition to the
 22.34 information specified in section 80A.53 and a consent to service of process complying
 22.35 with section 80A.88:

23.1 (1) a copy of the latest form of prospectus filed under the Securities Act of 1933;
23.2 (2) a copy of the articles of incorporation and bylaws or their substantial equivalents
23.3 currently in effect; a copy of any agreement with or among underwriters; a copy of any
23.4 indenture or other instrument governing the issuance of the security to be registered;
23.5 and a specimen, copy, or description of the security that is required by rule adopted or
23.6 order issued under this chapter;

23.7 (3) copies of any other information or any other records filed by the issuer under the
23.8 Securities Act of 1933 requested by the administrator; and

23.9 (4) an undertaking to forward each amendment to the federal prospectus, other than
23.10 an amendment that delays the effective date of the registration statement, promptly after
23.11 it is filed with the Securities and Exchange Commission.

23.12 (c) Conditions for effectiveness of registration statement. A registration statement
23.13 under this section becomes effective simultaneously with or subsequent to the federal
23.14 registration statement when all of the following conditions are satisfied:

23.15 (1) a stop order under subsection (d) or section 80A.54 or issued by the Securities
23.16 and Exchange Commission is not in effect and a proceeding is not pending against the
23.17 issuer under section 80A.54; and

23.18 (2) the registration statement has been on file for at least 20 days or a shorter period
23.19 provided by rule adopted or order issued under this chapter.

23.20 (d) Notice of federal registration statement effectiveness. The registrant shall
23.21 promptly notify the administrator in a record of the date when the federal registration
23.22 statement becomes effective and the content of any price amendment and shall promptly
23.23 file a record containing the price amendment. If the notice is not timely received, the
23.24 administrator may issue a stop order, without prior notice or hearing, retroactively denying
23.25 effectiveness to the registration statement or suspending its effectiveness until compliance
23.26 with this section. The administrator shall promptly notify the registrant of an order by
23.27 telegram, telephone, or electronic means and promptly confirm this notice by a record. If
23.28 the registrant subsequently complies with the notice requirement of this section, the stop
23.29 order is void as of the date of its issuance.

23.30 (e) Effectiveness of registration statement. If the federal registration statement
23.31 becomes effective before each of the conditions in this section is satisfied or is waived
23.32 by the administrator, the registration statement is automatically effective under this
23.33 chapter when all the conditions are satisfied or waived. If the registrant notifies the
23.34 administrator of the date when the federal registration statement is expected to become
23.35 effective, the administrator shall promptly notify the registrant by telegram, telephone, or
23.36 electronic means and promptly confirm this notice by a record, indicating whether all the

24.1 conditions are satisfied or waived and whether the administrator intends the institution of a
24.2 proceeding under section 80A.54. The notice by the administrator does not preclude the
24.3 institution of such a proceeding.

24.4 **Sec. 13. [80A.52] SECTION 304; SECURITIES REGISTRATION BY**
24.5 **QUALIFICATION.**

24.6 **(a) Registration permitted.** A security may be registered by qualification under
24.7 this section.

24.8 **(b) Required records.** A registration statement under this section must contain
24.9 the information or records specified in section 80A.53, a consent to service of process
24.10 complying with section 80A.88, and, if required by rule adopted under this chapter, the
24.11 following information or records:

24.12 **(1) with respect to the issuer and any significant subsidiary, its name, address, and**
24.13 **form of organization; the state or foreign jurisdiction and date of its organization; the**
24.14 **general character and location of its business; a description of its physical properties**
24.15 **and equipment; and a statement of the general competitive conditions in the industry or**
24.16 **business in which it is or will be engaged;**

24.17 **(2) with respect to each director and officer of the issuer, and other person having a**
24.18 **similar status or performing similar functions, the person's name, address, and principal**
24.19 **occupation for the previous five years; the amount of securities of the issuer held by**
24.20 **the person as of the 30th day before the filing of the registration statement; the amount**
24.21 **of the securities covered by the registration statement to which the person has indicated**
24.22 **an intention to subscribe; and a description of any material interest of the person in any**
24.23 **material transaction with the issuer or a significant subsidiary effected within the previous**
24.24 **three years or proposed to be effected;**

24.25 **(3) with respect to persons covered by paragraph (2), the aggregate sum of the**
24.26 **remuneration paid to those persons during the previous 12 months and estimated to be**
24.27 **paid during the next 12 months, directly or indirectly, by the issuer, and all predecessors,**
24.28 **parents, subsidiaries, and affiliates of the issuer;**

24.29 **(4) with respect to a person owning of record or owning beneficially, if known, ten**
24.30 **percent or more of the outstanding shares of any class of equity security of the issuer, the**
24.31 **information specified in paragraph (2) other than the person's occupation;**

24.32 **(5) with respect to a promoter, if the issuer was organized within the previous three**
24.33 **years, the information or records specified in paragraph (2), any amount paid to the**
24.34 **promoter within that period or intended to be paid to the promoter, and the consideration**
24.35 **for the payment;**

25.1 (6) with respect to a person on whose behalf any part of the offering is to be made
25.2 in a nonissuer distribution, the person's name and address; the amount of securities of
25.3 the issuer held by the person as of the date of the filing of the registration statement; a
25.4 description of any material interest of the person in any material transaction with the issuer
25.5 or any significant subsidiary effected within the previous three years or proposed to be
25.6 effected, and a statement of the reasons for making the offering;

25.7 (7) the capitalization and long-term debt, on both a current and pro forma basis,
25.8 of the issuer and any significant subsidiary, including a description of each security
25.9 outstanding or being registered or otherwise offered, and a statement of the amount and
25.10 kind of consideration, whether in the form of cash, physical assets, services, patents,
25.11 goodwill, or anything else of value, for which the issuer or any subsidiary has issued its
25.12 securities within the previous two years or is obligated to issue its securities;

25.13 (8) the kind and amount of securities to be offered; the proposed offering price or the
25.14 method by which it is to be computed; any variation at which a proportion of the offering is
25.15 to be made to a person or class of persons other than the underwriters, with a specification
25.16 of the person or class; the basis on which the offering is to be made if otherwise than for
25.17 cash; the estimated aggregate underwriting and selling discounts or commissions and
25.18 finders' fees, including separately cash, securities, contracts, or anything else of value to
25.19 accrue to the underwriters or finders in connection with the offering or, if the selling
25.20 discounts or commissions are variable, the basis of determining them and their maximum
25.21 and minimum amounts; the estimated amounts of other selling expenses, including legal,
25.22 engineering, and accounting charges; the name and address of each underwriter and each
25.23 recipient of a finder's fee; a copy of any underwriting or selling group agreement under
25.24 which the distribution is to be made or the proposed form of any such agreement whose
25.25 terms have not yet been determined; and a description of the plan of distribution of any
25.26 securities that are to be offered otherwise than through an underwriter;

25.27 (9) the estimated monetary proceeds to be received by the issuer from the offering;
25.28 the purposes for which the proceeds are to be used by the issuer; the estimated amount to
25.29 be used for each purpose; the order or priority in which the proceeds will be used for the
25.30 purposes stated; the amounts of any funds to be raised from other sources to achieve the
25.31 purposes stated; the sources of the funds; and, if a part of the proceeds is to be used to
25.32 acquire property, including goodwill, otherwise than in the ordinary course of business,
25.33 the names and addresses of the vendors, the purchase price, the names of any persons that
25.34 have received commissions in connection with the acquisition, and the amounts of the
25.35 commissions and other expenses in connection with the acquisition, including the cost of
25.36 borrowing money to finance the acquisition;

26.1 (10) a description of any stock options or other security options outstanding, or to
26.2 be created in connection with the offering, and the amount of those options held or to be
26.3 held by each person required to be named in paragraph (2), (4), (5), (6), or (8) and by any
26.4 person that holds or will hold ten percent or more in the aggregate of those options;

26.5 (11) the dates of, parties to, and general effect concisely stated of each managerial
26.6 or other material contract made or to be made otherwise than in the ordinary course of
26.7 business to be performed in whole or in part at or after the filing of the registration
26.8 statement or that was made within the previous two years, and a copy of the contract;

26.9 (12) a description of any pending litigation, action, or proceeding to which the issuer
26.10 is a party and that materially affects its business or assets, and any litigation, action, or
26.11 proceeding known to be contemplated by governmental authorities;

26.12 (13) a copy of any prospectus, pamphlet, circular, form letter, advertisement, or other
26.13 sales literature intended as of the effective date to be used in connection with the offering
26.14 and any solicitation of interest used in compliance with section 80A.46(17)(B);

26.15 (14) a specimen or copy of the security being registered, unless the security
26.16 is uncertificated; a copy of the issuer's articles of incorporation and bylaws or their
26.17 substantial equivalents, in effect; and a copy of any indenture or other instrument covering
26.18 the security to be registered;

26.19 (15) a signed or conformed copy of an opinion of counsel concerning the legality of
26.20 the security being registered, with an English translation if it is in a language other than
26.21 English, which states whether the security when sold will be validly issued, fully paid, and
26.22 nonassessable and, if a debt security, a binding obligation of the issuer;

26.23 (16) a signed or conformed copy of a consent of any accountant, engineer, appraiser,
26.24 or other person whose profession gives authority for a statement made by the person, if the
26.25 person is named as having prepared or certified a report or valuation, other than an official
26.26 record, that is public, which is used in connection with the registration statement;

26.27 (17) a balance sheet of the issuer as of a date within four months before the filing of
26.28 the registration statement; a statement of income and a statement of cash flows for each of
26.29 the three fiscal years preceding the date of the balance sheet and for any period between
26.30 the close of the immediately previous fiscal year and the date of the balance sheet, or for
26.31 the period of the issuer's and any predecessor's existence if less than three years; and, if
26.32 any part of the proceeds of the offering is to be applied to the purchase of a business, the
26.33 financial statements that would be required if that business were the registrant; and

26.34 (18) any additional information or records required by rule adopted or order issued
26.35 under this chapter.

27.1 (c) Conditions for effectiveness of registration statement. A registration statement
27.2 under this section becomes effective 30 days, or any shorter period provided by rule
27.3 adopted or order issued under this chapter, after the date the registration statement or the
27.4 last amendment other than a price amendment is filed, if:

27.5 (1) a stop order is not in effect and a proceeding is not pending under section 80A.54;

27.6 (2) the administrator has not issued an order under section 80A.54 delaying
27.7 effectiveness; and

27.8 (3) the applicant or registrant has not requested that effectiveness be delayed.

27.9 (d) Delay of effectiveness of registration statement. The administrator may
27.10 delay effectiveness once for not more than 90 days if the administrator determines the
27.11 registration statement is not complete in all material respects and promptly notifies
27.12 the applicant or registrant of that determination. The administrator may also delay
27.13 effectiveness for a further period of not more than 30 days if the administrator determines
27.14 that the delay is necessary or appropriate.

27.15 (e) Prospectus distribution may be required. A rule adopted or order issued
27.16 under this chapter may require as a condition of registration under this section that a
27.17 prospectus containing a specified part of the information or record specified in subsection
27.18 (b) be sent or given to each person to which an offer is made, before or concurrently,
27.19 with the earliest of:

27.20 (1) the first offer made in a record to the person otherwise than by means of a public
27.21 advertisement, by or for the account of the issuer or another person on whose behalf the
27.22 offering is being made or by an underwriter or broker-dealer that is offering part of an
27.23 unsold allotment or subscription taken by the person as a participant in the distribution;

27.24 (2) the confirmation of a sale made by or for the account of the person;

27.25 (3) payment pursuant to such a sale; or

27.26 (4) delivery of the security pursuant to such a sale.

27.27 **Sec. 14. [80A.53] SECTION 305; SECURITIES REGISTRATION FILINGS.**

27.28 (a) Who may file. A registration statement may be filed by the issuer, a person on
27.29 whose behalf the offering is to be made, or a broker-dealer registered under this chapter.

27.30 (b) Status of offering. A registration statement filed under section 80A.51 or
27.31 80A.52 must specify:

27.32 (1) the amount of securities to be offered in this state;

27.33 (2) the states in which a registration statement or similar record in connection with
27.34 the offering has been or is to be filed; and

28.1 (3) any adverse order, judgment, or decree issued in connection with the offering by
28.2 a state securities regulator, the Securities and Exchange Commission, or a court.

28.3 (c) Incorporation by reference. A record filed under this chapter or the predecessor
28.4 act within five years preceding the filing of a registration statement may be incorporated
28.5 by reference in the registration statement to the extent that the record is currently accurate.

28.6 (d) Nonissuer distribution. In the case of a nonissuer distribution, information
28.7 or a record may not be required under subsection (i) or section 80A.52, unless it is
28.8 known to the person filing the registration statement or to the person on whose behalf
28.9 the distribution is to be made or unless it can be furnished by those persons without
28.10 unreasonable effort or expense.

28.11 (e) Escrow and impoundment. A rule adopted or order issued under this chapter
28.12 may require as a condition of registration that a security issued within the previous five
28.13 years or to be issued to a promoter for a consideration substantially less than the public
28.14 offering price or to a person for a consideration other than cash be deposited in escrow; and
28.15 that the proceeds from the sale of the registered security in this state be impounded until
28.16 the issuer receives a specified amount from the sale of the security either in this state or
28.17 elsewhere. The conditions of any escrow or impoundment required under this subsection
28.18 may be established by rule adopted or order issued under this chapter, but the administrator
28.19 may not reject a depository institution solely because of its location in another state.

28.20 (f) Form of subscription. A rule adopted or order issued under this chapter may
28.21 require as a condition of registration that a security registered under this chapter be sold
28.22 only on a specified form of subscription or sale contract and that a signed or conformed
28.23 copy of each contract be filed under this chapter or preserved for a period specified by
28.24 the rule or order, which may not be longer than five years.

28.25 (g) Effective period. Except while a stop order is in effect under section 80A.54, a
28.26 registration statement is effective for one year after its effective date, or for any longer
28.27 period designated in an order under this chapter during which the security is being offered
28.28 or distributed in a nonexempted transaction by or for the account of the issuer or other
28.29 person on whose behalf the offering is being made or by an underwriter or broker-dealer
28.30 that is still offering part of an unsold allotment or subscription taken as a participant in
28.31 the distribution. For the purposes of a nonissuer transaction, all outstanding securities of
28.32 the same class identified in the registration statement as a security registered under this
28.33 chapter are considered to be registered while the registration statement is effective. If any
28.34 securities of the same class are outstanding, a registration statement may not be withdrawn
28.35 until one year after its effective date. A registration statement may be withdrawn only
28.36 with the approval of the administrator.

29.1 (h) Periodic reports. While a registration statement is effective, a rule adopted or
29.2 order issued under this chapter may require the person that filed the registration statement
29.3 to file reports, not more often than quarterly, to keep the information or other record in the
29.4 registration statement reasonably current and to disclose the progress of the offering.

29.5 (i) Posteffective amendments. A registration statement may be amended after its
29.6 effective date. The posteffective amendment becomes effective when the administrator
29.7 so orders. If a posteffective amendment is made to increase the number of securities
29.8 specified to be offered or sold, the person filing the amendment shall pay a registration
29.9 fee. A posteffective amendment relates back to the date of the offering of the additional
29.10 securities being registered if, within one year after the date of the sale, the amendment is
29.11 filed and the additional registration fee is paid.

29.12 Sec. 15. [80A.54] SECTION 306; DENIAL, SUSPENSION, AND REVOCATION
29.13 OF SECURITIES REGISTRATION.

29.14 (a) Stop orders. The administrator may issue a stop order denying effectiveness to,
29.15 or suspending or revoking the effectiveness of, a registration statement if the administrator
29.16 finds that the order is in the public interest and that:

29.17 (1) the registration statement as of its effective date or before the effective date in the
29.18 case of an order denying effectiveness, an amendment under section 80A.53(j) as of its
29.19 effective date, or a report under section 80A.53(i), is incomplete in a material respect or
29.20 contains a statement that, in the light of the circumstances under which it was made, was
29.21 false or misleading with respect to a material fact;

29.22 (2) this chapter or a rule adopted or order issued under this chapter or a condition
29.23 imposed under this chapter has been willfully violated, in connection with the offering, by:

29.24 (A) the person filing the registration statement, if the person is directly or indirectly
29.25 controlled by or acting for the issuer;

29.26 (B) the issuer;

29.27 (C) a partner, officer, or director of the issuer or a person having a similar status
29.28 or performing similar functions;

29.29 (D) a promoter of the issuer;

29.30 (E) a person directly or indirectly controlling or controlled by the issuer; or

29.31 (F) an underwriter;

29.32 (3) the security registered or sought to be registered is the subject of a permanent or
29.33 temporary injunction of a court of competent jurisdiction or an administrative stop order
29.34 or similar order issued under any federal, foreign, or state law other than this chapter
29.35 applicable to the offering, but the administrator may not institute a proceeding against an

30.1 effective registration statement under this paragraph more than one year after the date of
30.2 the order or injunction on which it is based, and the administrator may not issue an order
30.3 under this paragraph on the basis of an order or injunction issued under the securities act
30.4 of another state unless the order or injunction was based on conduct that would constitute,
30.5 as of the date of the order, a ground for a stop order under this section;

30.6 (4) the issuer's enterprise or method of business includes or would include activities
30.7 that are unlawful where performed;

30.8 (5) with respect to a security sought to be registered under section 80A.51, there has
30.9 been a failure to comply with the undertaking required by section 80A.51(b)(4); or

30.10 (6) the applicant or registrant has not paid the filing fee, but the administrator shall
30.11 void the order if the deficiency is corrected.

30.12 (b) Institution of stop order. The administrator may not institute a stop order
30.13 proceeding against an effective registration statement on the basis of conduct or a
30.14 transaction known to the administrator when the registration statement became effective
30.15 unless the proceeding is instituted within 30 days after the registration statement became
30.16 effective.

30.17 (c) Summary process. The administrator may summarily revoke, deny, postpone,
30.18 or suspend the effectiveness of a registration statement pending final determination of
30.19 an administrative proceeding. Upon the issuance of the order, the administrator shall
30.20 promptly notify each person specified in subsection (d) that the order has been issued;
30.21 the reasons for the revocation, denial, postponement, or suspension; and that within 15
30.22 days after the receipt of a request in a record from the person the matter will be scheduled
30.23 for a hearing. If a hearing is not requested and none is ordered by the administrator,
30.24 within 30 days after the date of service of the order, the order becomes final. If a hearing
30.25 is requested or ordered, the administrator, after notice of and opportunity for hearing for
30.26 each person subject to the order, may modify or vacate the order or extend the order
30.27 until final determination.

30.28 (d) Procedural requirements for stop order. A stop order may not be issued
30.29 under this section without:

30.30 (1) appropriate notice to the applicant or registrant, the issuer, and the person on
30.31 whose behalf the securities are to be or have been offered;

30.32 (2) an opportunity for hearing; and

30.33 (3) findings of fact and conclusions of law in a record in accordance with chapter 14.

30.34 (e) Modification or vacation of stop order. The administrator may modify or
30.35 vacate a stop order issued under this section if the administrator finds that the conditions

31.1 that caused its issuance have changed or that it is necessary or appropriate in the public
 31.2 interest or for the protection of investors.

31.3 **Sec. 16. [80A.55] SECTION 307; WAIVER AND MODIFICATION.**

31.4 The administrator may waive or modify, in whole or in part, any or all of the
 31.5 requirements of sections 80A.50, 80A.51, and 80A.52(b) or the requirement of any
 31.6 information or record in a registration statement or in a periodic report filed pursuant to
 31.7 section 80A.53(i).

31.8 **BROKER-DEALERS, AGENTS, INVESTMENT ADVISERS,**
 31.9 **INVESTMENT ADVISER REPRESENTATIVES, AND FEDERAL**
 31.10 **COVERED INVESTMENT ADVISERS**

31.11 **Sec. 17. [80A.56] SECTION 401; BROKER-DEALER REGISTRATION**
 31.12 **REQUIREMENT AND EXEMPTIONS.**

31.13 (a) Registration requirement. It is unlawful for a person to transact business in this
 31.14 state as a broker-dealer unless the person is registered under this chapter as a broker-dealer
 31.15 or is exempt from registration as a broker-dealer under subsection (b) or (d).

31.16 (b) Exemptions from registration. The following persons are exempt from the
 31.17 registration requirement of subsection (a):

31.18 (1) a broker-dealer without a place of business in this state if its only transactions
 31.19 effected in the state are with:

31.20 (A) the issuer of the securities involved in the transactions;

31.21 (B) a broker-dealer registered under this chapter or not required to be registered as a
 31.22 broker-dealer under this chapter;

31.23 (C) an institutional investor;

31.24 (D) a nonaffiliated federal covered investment adviser with investments under
 31.25 management in excess of \$100,000,000 acting for the account of others pursuant to
 31.26 discretionary authority in a signed record;

31.27 (E) a bona fide preexisting customer whose principal place of residence is not in
 31.28 this state and the person is registered as a broker-dealer under the Securities Exchange
 31.29 Act of 1934 or not required to be registered under the Securities Exchange Act of 1934
 31.30 and is registered under the securities act of the state in which the customer maintains a
 31.31 principal place of residence;

31.32 (F) a bona fide preexisting customer whose principal place of residence is in this
 31.33 state but was not present in this state when the customer relationship was established, if:

31.34 (i) the broker-dealer is registered under the Securities Exchange Act of 1934 or not
 31.35 required to be registered under the Securities Exchange Act of 1934 and is registered

32.1 under the securities laws of the state in which the customer relationship was established
32.2 and where the customer had maintained a principal place of residence; and

32.3 (ii) within 45 days after the customer's first transaction in this state, the person files
32.4 an application for registration as a broker-dealer in this state and a further transaction is not
32.5 effected more than 75 days after the date on which the application is filed, or, if earlier, the
32.6 date on which the administrator notifies the person that the administrator has denied the
32.7 application for registration or has stayed the pendency of the application for good cause;

32.8 (G) not more than three customers in this state during the previous 12 months,
32.9 in addition to those customers specified in subparagraphs (A) through (F) and under
32.10 subparagraph (H), if the broker-dealer is registered under the Securities Exchange Act of
32.11 1934 or not required to be registered under the Securities Exchange Act of 1934 and is
32.12 registered under the securities act of the state in which the broker-dealer has its principal
32.13 place of business; and

32.14 (H) any other person exempted by rule adopted or order issued under this chapter;
32.15 and

32.16 (2) a person that deals solely in United States government securities and is supervised
32.17 as a dealer in government securities by the Board of Governors of the Federal Reserve
32.18 System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation,
32.19 or the Office of Thrift Supervision; and

32.20 (3) a broker-dealer that is registered in Canada and who has no office or other
32.21 physical presence in this state if the broker-dealer complies with the following conditions:

32.22 (A) the broker-dealer is registered with or is a member of a self-regulatory
32.23 organization in Canada, a stock exchange in Canada, or the Bureau des services financiers;

32.24 (B) the broker-dealer maintains in good standing its provincial or territorial
32.25 registration and its registration with or membership in a self-regulatory organization in
32.26 Canada, a stock exchange in Canada, or the Bureau des services financiers; and

32.27 (C) the broker-dealer effects or attempts to effect transactions in securities:

32.28 (i) with or for a person from Canada who is temporarily present in this state, with
32.29 whom the broker-dealer had a bona fide broker-dealer-client relationship before the person
32.30 entered the United States; or

32.31 (ii) with or for a person from Canada who is present in this state, whose transactions
32.32 are in a Canadian self-directed tax advantaged retirement account of which the person is
32.33 the holder or contributor.

32.34 (c) Limits on employment or association. It is unlawful for a broker-dealer, or
32.35 for an issuer engaged in offering, offering to purchase, purchasing, or selling securities in
32.36 this state, directly or indirectly, to employ or associate with an individual to engage in an

33.1 activity related to securities transactions in this state if the registration of the individual is
33.2 suspended or revoked or the individual is barred from employment or association with a
33.3 broker-dealer, an issuer, an investment adviser, or a federal covered investment adviser by
33.4 an order of the administrator under this chapter, the Securities and Exchange Commission,
33.5 or a self-regulatory organization. A broker-dealer or issuer does not violate this subsection
33.6 if the broker-dealer or issuer did not know and in the exercise of reasonable care could not
33.7 have known, of the suspension, revocation, or bar. Upon request from a broker-dealer or
33.8 issuer and for good cause, an order under this chapter may modify or waive, in whole or in
33.9 part, the application of the prohibitions of this subsection to the broker-dealer.

33.10 (d) Foreign transactions. A rule adopted or order issued under this chapter may
33.11 permit:

33.12 (1) a broker-dealer that is registered in Canada or other foreign jurisdiction and that
33.13 does not have a place of business in this state to effect transactions in securities with or
33.14 for, or attempt to effect the purchase or sale of any securities by:

33.15 (A) an individual from Canada or other foreign jurisdiction who is temporarily
33.16 present in this state and with whom the broker-dealer had a bona fide customer relationship
33.17 before the individual entered the United States;

33.18 (B) an individual from Canada or other foreign jurisdiction who is present in the
33.19 state and whose transactions are in a self-directed tax advantaged retirement plan of which
33.20 the individual is the holder or contributor in that foreign jurisdiction; or

33.21 (C) an individual who is present in this state, with whom the broker-dealer customer
33.22 relationship arose while the individual was temporarily or permanently resident in Canada
33.23 or the other foreign jurisdiction; and

33.24 (2) an agent who represents a broker-dealer that is exempt under this subsection to
33.25 effect transactions in securities or attempt to effect the purchase or sale of securities in this
33.26 state as permitted for a broker-dealer described in paragraph (1).

33.27 **Sec. 18. [80A.57] SECTION 402; AGENT REGISTRATION REQUIREMENT**
33.28 **AND EXEMPTIONS.**

33.29 (a) Registration requirement. It is unlawful for an individual to transact business
33.30 in the state as an agent unless the individual is registered under this chapter as an agent or
33.31 is exempt from registration as an agent under subsection (b).

33.32 (b) Exemptions from registration. The following individuals are exempt from the
33.33 registration requirement of subsection (a):

34.1 (1) an individual who represents a broker-dealer in effecting transactions in this state
34.2 limited to those described in Section 15(h)(2) of the Securities Exchange Act of 1934 (15
34.3 U.S.C. Section 78(o)(2));

34.4 (2) an individual who represents a broker-dealer that is exempt under section
34.5 80A.56(b) or (d);

34.6 (3) an individual who represents an issuer with respect to an offer or sale of the
34.7 issuer's own securities or those of the issuer's parent or any of the issuer's subsidiaries,
34.8 and who is not compensated in connection with the individual's participation by
34.9 the payment of commissions or other remuneration based, directly or indirectly, on
34.10 transactions in those securities;

34.11 (4) an individual who represents an issuer and who effects transactions in the issuer's
34.12 securities exempted by section 80A.46, other than section 80A.46(11) and (14);

34.13 (5) an individual who represents an issuer that effects transactions solely in federal
34.14 covered securities of the issuer, but an individual who effects transactions in a federal
34.15 covered security under Section 18(b)(3) or 18(b)(4)(D) of the Securities Act of 1933 (15
34.16 U.S.C. Section 77r(b)(3) or 77r(b)(4)(D)) is not exempt if the individual is compensated
34.17 in connection with the agent's participation by the payment of commissions or other
34.18 remuneration based, directly or indirectly, on transactions in those securities;

34.19 (6) an individual who represents a broker-dealer registered in this state under section
34.20 80A.56(a) or exempt from registration under section 80A.56(b) in the offer and sale
34.21 of securities for an account of a nonaffiliated federal covered investment adviser with
34.22 investments under management in excess of \$100,000,000 acting for the account of others
34.23 pursuant to discretionary authority in a signed record;

34.24 (7) an individual who represents an issuer in connection with the purchase of the
34.25 issuer's own securities;

34.26 (8) an individual who represents an issuer and who restricts participation to
34.27 performing clerical or ministerial acts;

34.28 (9) an individual who represents an issuer in effecting transactions in a security
34.29 exempted by section 80A.45;

34.30 (10) an individual who represents an issuer in effecting transactions with existing
34.31 employees, partners, or directors of the issuer if no commission or other remuneration is
34.32 paid or given directly or indirectly for soliciting any person in this state;

34.33 (11) an individual who represents one or more issuers with respect to an offer or sale
34.34 of the issuer's securities if the offer or sale of the securities is exempted by section 80A.46
34.35 and the individual complies with or satisfies each of the following conditions:

35.1 (A) the individual (i) would not be deemed disqualified pursuant to section 80A.50
35.2 (b)(3)(D)(ii) to (iv); (ii) is not employed by or associated with a broker-dealer; and
35.3 (iii) has not been the subject of (a) an action, order, or decision by any self-regulatory
35.4 organization, commodities exchange, or securities exchange resulting in a censure or
35.5 other sanction within 12 months prior to the offer or sale or (b) a denial, revocation, or
35.6 restriction of any license or membership by any self-regulatory organization, commodities
35.7 exchange, or securities exchange that has been effective at any time within 12 months
35.8 prior to the offer or sale;

35.9 (B) neither the individual nor any person associated with the individual handles
35.10 or takes possession of funds or securities;

35.11 (C) the individual files with the administrator a consent to service of process
35.12 complying with Section 611 before commencing any such representation; and

35.13 (D) the individual files with the administrator a notice that contains (i) the full legal
35.14 name, address, and phone of the individual; (ii) any other names used by the individual in
35.15 the prior five years; (iii) a statement whether the individual is, or within the last prior years
35.16 has been, licensed by or registered with any state or federal government, government
35.17 agency, or any self-regulatory organization, commodities exchange, or securities exchange
35.18 as a broker-dealer, registered representative, investment advisor, or investment advisor
35.19 representative, including, if applicable, the individual's IARD/CRD number; (iv) an
35.20 undertaking to notify the administrator in writing of a change in any of the foregoing
35.21 within five business days of such change; and (v) any additional information that may be
35.22 required by rule adopted or order issued under this chapter. This notice must be filed
35.23 before the individual commences any issuer representation. The notice is effective through
35.24 December 31 of the year following the year in which it is filed and may be renewed
35.25 annually in such manner as prescribed by the administrator; and

35.26 (12) any other individual exempted by rule adopted or order issued under this chapter.

35.27 (c) Registration effective only while employed or associated. The registration of
35.28 an agent is effective only while the agent is employed by or associated with a broker-dealer
35.29 registered under this chapter or an issuer that is offering, selling, or purchasing its
35.30 securities in this state.

35.31 (d) Limit on employment or association. It is unlawful for a broker-dealer, or an
35.32 issuer engaged in offering, selling, or purchasing securities in this state, to employ or
35.33 associate with an agent who transacts business in the state on behalf of broker-dealers or
35.34 issuers unless the agent is registered under subsection (a) or exempt from registration
35.35 under subsection (b).

36.1 (e) Limit on affiliations. An individual may not act as an agent for more than one
36.2 broker-dealer or one issuer at a time, unless the broker-dealer or the issuer for which the
36.3 agent acts are affiliated by direct or indirect common control or are authorized by rule or
36.4 order under this chapter.

36.5 **Sec. 19. [80A.58] SECTION 403; INVESTMENT ADVISER REGISTRATION**
36.6 **REQUIREMENT AND EXEMPTIONS.**

36.7 (a) Registration requirement. It is unlawful for a person to transact business in
36.8 this state as an investment adviser unless the person is registered under this chapter as
36.9 an investment adviser or is exempt from registration as an investment adviser under
36.10 subsection (b).

36.11 (b) Exemptions from registration. The following persons are exempt from the
36.12 registration requirement of subsection (a):

36.13 (1) any person whose only clients in this state are:

36.14 (A) federal covered investment advisers, investment advisers registered under this
36.15 chapter, or broker-dealers registered under this chapter;

36.16 (B) institutional investors;

36.17 (C) bona fide preexisting clients whose principal places of residence are not in this
36.18 state if the investment adviser is registered under the securities act of the state in which the
36.19 clients maintain principal places of residence; or

36.20 (D) any other client exempted by rule adopted or order issued under this chapter;

36.21 (2) a person without a place of business in this state if the person has had, during the
36.22 preceding 12 months, not more than five clients that are resident in this state in addition
36.23 to those specified under paragraph (1); or

36.24 (3) any other person exempted by rule adopted or order issued under this chapter.

36.25 (c) Limits on employment or association. It is unlawful for an investment adviser,
36.26 directly or indirectly, to employ or associate with an individual to engage in an activity
36.27 related to investment advice in this state if the registration of the individual is suspended
36.28 or revoked or the individual is barred from employment or association with an investment
36.29 adviser, federal covered investment adviser, or broker-dealer by an order under this
36.30 chapter, the Securities and Exchange Commission, or a self-regulatory organization,
36.31 unless the investment adviser did not know, and in the exercise of reasonable care could
36.32 not have known, of the suspension, revocation, or bar. Upon request from the investment
36.33 adviser and for good cause, the administrator, by order, may waive, in whole or in part, the
36.34 application of the prohibitions of this subsection to the investment adviser.

37.1 Sec. 20. **[80A.60] SECTION 405; FEDERAL COVERED INVESTMENT**
37.2 **ADVISER NOTICE FILING REQUIREMENT.**

37.3 (a) Notice filing requirement. Except with respect to a federal covered investment
37.4 adviser described in subsection (b), it is unlawful for a federal covered investment adviser
37.5 to transact business in this state as a federal covered investment adviser unless the federal
37.6 covered investment adviser complies with subsection (c).

37.7 (b) Notice filing requirement not required. The following federal covered
37.8 investment advisers are not required to comply with subsection (c):

37.9 (1) a federal covered investment adviser without a place of business in this state if
37.10 its only clients in this state are:

37.11 (A) federal covered investment advisers, investment advisers registered under this
37.12 chapter, and broker-dealers registered under this chapter;

37.13 (B) institutional investors;

37.14 (C) bona fide preexisting clients whose principal places of residence are not in
37.15 this state; or

37.16 (D) other clients specified by rule adopted or order issued under this chapter;

37.17 (2) a federal covered investment adviser without a place of business in this state if
37.18 the person has had, during the preceding 12 months, not more than five clients that are
37.19 resident in this state in addition to those specified under paragraph (1); and

37.20 (3) any other person excluded by rule adopted or order issued under this chapter.

37.21 (c) Notice filing procedure. A person acting as a federal covered investment adviser,
37.22 not excluded under subsection (b), shall file a notice, a consent to service of process
37.23 complying with section 80A.88, and such records as have been filed with the Securities
37.24 and Exchange Commission under the Investment Advisers Act of 1940 required by rule
37.25 adopted or order issued under this chapter and pay the fees specified in section 80A.65(e).

37.26 (d) Effectiveness of filing. The notice under subsection (c) becomes effective upon
37.27 its filing.

37.28 Sec. 21. **[80A.61] SECTION 406; REGISTRATION BY BROKER-DEALER,**
37.29 **AGENT, AND INVESTMENT ADVISER.**

37.30 (a) Application for initial registration. A person shall register as a broker-dealer,
37.31 agent, or investment adviser by filing an application and a consent to service of process
37.32 complying with section 80A.88, and paying the fee specified in section 80A.65 and any
37.33 reasonable fees charged by the designee of the administrator for processing the filing. The
37.34 application must contain:

37.35 (1) the information or record required for the filing of a uniform application; and

38.1 (2) upon request by the administrator, any other financial or other information or
38.2 record that the administrator determines is appropriate.

38.3 (b) Amendment. If the information or record contained in an application filed under
38.4 subsection (a) is or becomes inaccurate or incomplete in a material respect, the registrant
38.5 shall promptly file a correcting amendment.

38.6 (c) Effectiveness of registration. If an order is not in effect and a proceeding is not
38.7 pending under section 80A.67, registration becomes effective at noon on the 45th day after
38.8 a completed application is filed, unless the registration is denied. A rule adopted or order
38.9 issued under this chapter may set an earlier effective date or may defer the effective date
38.10 until noon on the 45th day after the filing of any amendment completing the application.

38.11 (d) Registration renewal. A registration is effective until midnight on December
38.12 31 of the year for which the application for registration is filed. Unless an order is in
38.13 effect under section 80A.67, a registration may be automatically renewed each year by
38.14 filing such records as are required by rule adopted or order issued under this chapter, by
38.15 paying the fee specified in section 80A.65, and by paying costs charged by the designee of
38.16 the administrator for processing the filings.

38.17 (e) Additional conditions or waivers. A rule adopted or order issued under this
38.18 chapter may impose such other conditions, not inconsistent with the National Securities
38.19 Markets Improvement Act of 1996. An order issued under this chapter may waive, in
38.20 whole or in part, specific requirements in connection with registration as are in the public
38.21 interest and for the protection of investors.

38.22 **Sec. 22. [80A.62] SECTION 407; SUCCESSION AND CHANGE IN**
38.23 **REGISTRATION OF BROKER-DEALER OR INVESTMENT ADVISER.**

38.24 (a) Succession. A broker-dealer or investment adviser may succeed to the current
38.25 registration of another broker-dealer or investment adviser or a notice filing of a federal
38.26 covered investment adviser, and a federal covered investment adviser may succeed to the
38.27 current registration of an investment adviser or notice filing of another federal covered
38.28 investment adviser, by filing as a successor an application for registration pursuant to
38.29 section 80A.56 or 80A.58 or a notice pursuant to section 80A.60 for the unexpired portion
38.30 of the current registration or notice filing.

38.31 (b) Organizational change. A broker-dealer or investment adviser that changes its
38.32 form of organization or state of incorporation or organization may continue its registration
38.33 by filing an amendment to its registration if the change does not involve a material change
38.34 in its financial condition or management. The amendment becomes effective when filed or
38.35 on a date designated by the registrant in its filing. The new organization is a successor

39.1 to the original registrant for the purposes of this chapter. If there is a material change in
39.2 financial condition or management, the broker-dealer or investment adviser shall file a
39.3 new application for registration. A predecessor registered under this chapter shall stop
39.4 conducting its securities business other than winding down transactions and shall file
39.5 for withdrawal of broker-dealer or investment adviser registration within 45 days after
39.6 filing its amendment to effect succession.

39.7 (c) Name change. A broker-dealer or investment adviser that changes its name
39.8 may continue its registration by filing an amendment to its registration. The amendment
39.9 becomes effective when filed or on a date designated by the registrant.

39.10 (d) Change of control. A change of control of a broker-dealer or investment adviser
39.11 may be made in accordance with a rule adopted or order issued under this chapter.

39.12 Sec. 23. [80A.63] SECTION 408; TERMINATION OF EMPLOYMENT
39.13 OR ASSOCIATION OF AGENT AND TRANSFER OF EMPLOYMENT OR
39.14 ASSOCIATION.

39.15 (a) Notice of termination. If an agent registered under this chapter terminates
39.16 employment by or association with a broker-dealer or issuer, or terminates activities that
39.17 require registration as an agent, the broker-dealer, or issuer shall promptly file a notice
39.18 of termination. If the registrant learns that the broker-dealer or issuer has not filed the
39.19 notice, the registrant may do so.

39.20 (b) Transfer of employment or association. If an agent registered under this
39.21 chapter terminates employment by or association with a broker-dealer registered under this
39.22 chapter and begins employment by or association with another broker-dealer registered
39.23 under this chapter, then upon the filing by or on behalf of the registrant, within 30 days
39.24 after the termination, of an application for registration that complies with the requirement
39.25 of section 80A.61(a) and payment of the filing fee required under section 80A.65, the
39.26 registration of the agent is:

39.27 (1) immediately effective as of the date of the completed filing, if the agent's Central
39.28 Registration Depository record or successor record does not contain a new or amended
39.29 disciplinary disclosure within the previous 12 months; or

39.30 (2) temporarily effective as of the date of the completed filing, if the agent's
39.31 Central Registration Depository record or successor record contains a new or amended
39.32 disciplinary disclosure within the preceding 12 months.

39.33 (c) Withdrawal of temporary registration. The administrator may withdraw a
39.34 temporary registration if there are or were grounds for discipline as specified in section
39.35 80A.67 and the administrator does so within 30 days after the filing of the application. If

40.1 the administrator does not withdraw the temporary registration within the 30 day period,
40.2 registration becomes automatically effective on the 31st day after filing.

40.3 (d) Power to prevent registration. The administrator may prevent the effectiveness
40.4 of a transfer of an agent under subsection (b)(1) or (2) based on the public interest and the
40.5 protection of investors.

40.6 (e) Termination of registration or application for registration. If the
40.7 administrator determines that a registrant or applicant for registration is no longer in
40.8 existence or has ceased to act as a broker-dealer, agent, or investment adviser, or is
40.9 the subject of an adjudication of incapacity or is subject to the control of a committee,
40.10 conservator, or guardian, or cannot reasonably be located, a rule adopted or order issued
40.11 under this chapter may require the registration be canceled or terminated or the application
40.12 denied. The administrator may reinstate a canceled or terminated registration, with or
40.13 without hearing, and may make the registration retroactive.

40.14 Sec. 24. [80A.64] SECTION 409; WITHDRAWAL OF REGISTRATION OF
40.15 BROKER-DEALER, AGENT, AND INVESTMENT ADVISER.

40.16 Withdrawal of registration by a broker-dealer, agent, or investment adviser becomes
40.17 effective 60 days after the filing of the application to withdraw or within any shorter
40.18 period as provided by rule adopted or order issued under this chapter unless a revocation
40.19 or suspension proceeding is pending when the application is filed. If a proceeding is
40.20 pending, withdrawal becomes effective when and upon such conditions as required by rule
40.21 adopted or order issued under this chapter. The administrator may institute a revocation or
40.22 suspension proceeding under section 80A.67 within one year after the withdrawal became
40.23 effective automatically and issue a revocation or suspension order as of the last date on
40.24 which registration was effective if a proceeding is not pending.

40.25 Sec. 25. [80A.65] SECTION 410; FEES AND EXPENSES.

40.26 Subdivision 1. Registration or notice filing fee. (a) There shall be a filing fee of
40.27 \$100 for every application for registration or notice filing. There shall be an additional fee
40.28 of one-tenth of one percent of the maximum aggregate offering price at which the securities
40.29 are to be offered in this state, and the maximum combined fees shall not exceed \$300.

40.30 (b) When an application for registration is withdrawn before the effective date
40.31 or a preeffective stop order is entered under section 80A.54, all but the \$100 filing fee
40.32 shall be returned. If an application to register securities is denied, the total of all fees
40.33 received shall be retained.

41.1 (c) Where a filing is made in connection with a federal covered security under
41.2 section 18(b)(2) of the Securities Act of 1933, there is a fee of \$100 for every initial filing.
41.3 If the filing is made in connection with redeemable securities issued by an open end
41.4 management company or unit investment trust, as defined in the Investment Company Act
41.5 of 1940, there is an additional annual fee of 1/20 of one percent of the maximum aggregate
41.6 offering price at which the securities are to be offered in this state during the notice filing
41.7 period. The fee must be paid at the time of the initial filing and thereafter in connection
41.8 with each renewal no later than July 1 of each year and must be sufficient to cover the
41.9 shares the issuer expects to sell in this state over the next 12 months. If during a current
41.10 notice filing the issuer determines it is likely to sell shares in excess of the shares for which
41.11 fees have been paid to the administrator, the issuer shall submit an amended notice filing
41.12 to the administrator under section 80A.50, together with a fee of 1/20 of one percent of the
41.13 maximum aggregate offering price of the additional shares. Shares for which a fee has
41.14 been paid, but which have not been sold at the time of expiration of the notice filing, may
41.15 not be sold unless an additional fee to cover the shares has been paid to the administrator
41.16 as provided in this section and section 80A.50. If the filing is made in connection with
41.17 redeemable securities issued by such a company or trust, there is no maximum fee for
41.18 securities filings made according to this paragraph. If the filing is made in connection
41.19 with any other federal covered security under Section 18(b)(2) of the Securities Act of
41.20 1933, there is an additional fee of one-tenth of one percent of the maximum aggregate
41.21 offering price at which the securities are to be offered in this state, and the combined fees
41.22 shall not exceed \$300. Beginning with fiscal year 2001 and continuing each fiscal year
41.23 thereafter, as of the last day of each fiscal year, the administrator shall determine the total
41.24 amount of all fees that were collected under this paragraph in connection with any filings
41.25 made for that fiscal year for securities of an open-end investment company on behalf of a
41.26 security that is a federal covered security pursuant to section 18(b)(2) of the Securities
41.27 Act of 1933. To the extent the total fees collected by the administrator in connection
41.28 with these filings exceed \$25,000,000 in a fiscal year, the administrator shall refund, on
41.29 a pro rata basis, to all persons who paid any fees for that fiscal year, the amount of fees
41.30 collected by the administrator in excess of \$25,000,000. No individual refund is required
41.31 of amounts of \$100 or less for a fiscal year.

41.32 Subd. 2. Registration application and renewal filing fee. Every applicant for an
41.33 initial or renewal registration shall pay a filing fee of \$200 in the case of a broker-dealer,
41.34 \$50 in the case of an agent, and \$100 in the case of an investment adviser. When an
41.35 application is denied or withdrawn, the filing fee shall be retained. A registered agent who
41.36 has terminated employment with one broker-dealer shall, before beginning employment

42.1 with another broker-dealer, pay a transfer fee of \$25. The fee for a filing made according
42.2 to section 80A.56 is \$100.

42.3 Subd. 3. **Amendment fee.** Any amendment to an existing registration requiring
42.4 an order of the administrator shall require payment of an amendment fee of \$25. If the
42.5 amendment increases the aggregate amount of securities to be registered, there shall be
42.6 an additional fee calculated in accordance with subdivision 1, provided the maximum
42.7 additional fees, if applicable, have not previously been paid. The administrator shall by
42.8 rule designate those amendments which require an order of the administrator.

42.9 Subd. 4. **Periodic report fee.** Every periodic report required by section 80A.53
42.10 shall be accompanied by a fee of \$100.

42.11 Subd. 5. **Exemption filing fee.** The filing of any exemption for which notice is
42.12 required to be given the administrator under section 80A.45 shall be accompanied by a
42.13 fee of \$50.

42.14 Subd. 6. **Rescission offer filing fee.** The filing of a rescission offer under section
42.15 80A.77 shall be accompanied by the fees as calculated in subdivision 1.

42.16 Subd. 7. **Written opinion request fee.** Every request for a written opinion from
42.17 the administrator shall be accompanied by a fee of \$50.

42.18 Subd. 7a. **Excess securities registration filing fee.** If securities of an issuer are sold
42.19 in this state in excess of the quantity registered, the excess securities may be registered by
42.20 paying a filing fee of \$100, and an additional fee in the amount of three times that which
42.21 is prescribed under subdivision 1, for the excess securities to be registered. There shall
42.22 be no maximum combined fees under this subdivision, notwithstanding the limitation set
42.23 forth in subdivision 1, clause (a).

42.24 Registration of the excess securities shall be effective retroactively to the date of sale.

42.25 Subd. 8. **Expense deposits.** When the administrator deems it necessary to incur any
42.26 expense in connection with any application or registration, the administrator shall have the
42.27 power to require the interested person to make an advance deposit with the administrator
42.28 in an amount estimated as sufficient to cover such expense. All such deposits shall be
42.29 covered into the state treasury and credited to the state administrator's investigation fund,
42.30 from which fund the administrator shall have power to make disbursements to pay for
42.31 expenses necessarily incurred in the investigation. Any unexpended portion shall be
42.32 refunded. On field examinations made by the administrator or an employee away from
42.33 the office of the administrator, a per diem of \$10 for each such person may be charged in
42.34 addition to actual expenses. Where additional technical, expert, or special services are
42.35 used, the actual cost of such services may be charged in addition to actual expenses.

43.1 Subd. 9. Generally. No filing for which a fee is required shall be deemed to be filed
43.2 or given any effect until the proper fee is paid. All fees and charges collected by the
43.3 administrator shall be covered into the state treasury. When any person is entitled to a
43.4 refund under this section, the administrator shall certify to the commissioner of finance
43.5 the amount of the fee to be refunded to the applicant, and the commissioner of finance
43.6 shall issue a warrant in payment thereof out of the fund to which such fee was credited in
43.7 the manner provided by law. There is hereby appropriated to the person entitled to such
43.8 refunds from the fund in the state treasury to which such fees were credited an amount to
43.9 make such refunds and payments.

43.10 **Sec. 26. [80A.66] SECTION 411; POSTREGISTRATION REQUIREMENTS.**

43.11 (a) Financial requirements. Subject to Section 15(h) of the Securities Exchange
43.12 Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act
43.13 of 1940 (15 U.S.C. Section 80b-22), a rule adopted or order issued under this chapter
43.14 may establish minimum financial requirements for broker-dealers registered or required
43.15 to be registered under this chapter and investment advisers registered or required to be
43.16 registered under this chapter.

43.17 (b) Financial reports. Subject to Section 15(h) of the Securities Exchange Act of
43.18 1934 (15 U.S.C. Section 78o(h)) or Section 222(b) of the Investment Advisers Act of 1940
43.19 (15 U.S.C. Section 80b-22), a broker-dealer registered or required to be registered under
43.20 this chapter and an investment adviser registered or required to be registered under this
43.21 chapter shall file such financial reports as are required by a rule adopted or order issued
43.22 under this chapter. If the information contained in a record filed under this subsection is or
43.23 becomes inaccurate or incomplete in a material respect, the registrant shall promptly file
43.24 a correcting amendment.

43.25 (c) Record keeping. Subject to Section 15(h) of the Securities Exchange Act of
43.26 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940
43.27 (15 U.S.C. Section 80b-22):

43.28 (1) a broker-dealer registered or required to be registered under this chapter and an
43.29 investment adviser registered or required to be registered under this chapter shall make
43.30 and maintain the accounts, correspondence, memoranda, papers, books, and other records
43.31 required by rule adopted or order issued under this chapter;

43.32 (2) broker-dealer records required to be maintained under paragraph (1) may be
43.33 maintained in any form of data storage acceptable under Section 17(a) of the Securities
43.34 Exchange Act of 1934 (15 U.S.C. Section 78q(a)) if they are readily accessible to the
43.35 administrator; and

44.1 (3) investment adviser records required to be maintained under paragraph (1)
44.2 may be maintained in any form of data storage required by rule adopted or order issued
44.3 under this chapter.

44.4 (d) Audits or inspections. The records of a broker-dealer registered or required
44.5 to be registered under this chapter and of an investment adviser registered or required to
44.6 be registered under this chapter are subject to such reasonable periodic, special, or other
44.7 audits or inspections by a representative of the administrator, within or without this state,
44.8 as the administrator considers necessary or appropriate in the public interest and for the
44.9 protection of investors. An audit or inspection may be made at any time and without prior
44.10 notice. The administrator may copy, and remove for audit or inspection copies of, all
44.11 records the administrator reasonably considers necessary or appropriate to conduct the
44.12 audit or inspection. The administrator may assess a reasonable charge for conducting an
44.13 audit or inspection under this subsection.

44.14 (e) Custody and discretionary authority bond or insurance. Subject to Section
44.15 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222
44.16 of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-22), a rule adopted or
44.17 order issued under this chapter may require a broker-dealer or investment adviser that has
44.18 custody of or discretionary authority over funds or securities of a customer or client to
44.19 obtain insurance or post a bond or other satisfactory form of security in an amount not
44.20 to exceed \$25,000. The administrator may determine the requirements of the insurance,
44.21 bond, or other satisfactory form of security. Insurance or a bond or other satisfactory form
44.22 of security may not be required of a broker-dealer registered under this chapter whose net
44.23 capital exceeds, or of an investment adviser registered under this chapter whose minimum
44.24 financial requirements exceed, the amounts required by rule or order under this chapter.
44.25 The insurance, bond, or other satisfactory form of security must permit an action by
44.26 a person to enforce any liability on the insurance, bond, or other satisfactory form of
44.27 security if instituted within the time limitations in section 80A.76(j)(2).

44.28 (f) Requirements for custody. Subject to Section 15(h) of the Securities Exchange
44.29 Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of
44.30 1940 (15 U.S.C. Section 80b-22), an agent may not have custody of funds or securities
44.31 of a customer except under the supervision of a broker-dealer and an investment adviser
44.32 representative may not have custody of funds or securities of a client except under the
44.33 supervision of an investment adviser or a federal covered investment adviser. A rule
44.34 adopted or order issued under this chapter may prohibit, limit, or impose conditions on a
44.35 broker-dealer regarding custody of funds or securities of a customer and on an investment
44.36 adviser regarding custody of securities or funds of a client.

45.1 (g) Investment adviser brochure rule. With respect to an investment adviser
45.2 registered or required to be registered under this chapter, a rule adopted or order
45.3 issued under this chapter may require that information or other record be furnished or
45.4 disseminated to clients or prospective clients in this state as necessary or appropriate in the
45.5 public interest and for the protection of investors and advisory clients.

45.6 (h) Continuing education. A rule adopted or order issued under this chapter
45.7 may require an individual registered under section 80A.57 or 80A.59 to participate in a
45.8 continuing education program approved by the Securities and Exchange Commission and
45.9 administered by a self-regulatory organization or, in the absence of such a program, a
45.10 rule adopted or order issued under this chapter may require continuing education for an
45.11 individual registered under section 80A.59.

45.12 Sec. 27. [80A.67] SECTION 412; DENIAL, REVOCATION, SUSPENSION,
45.13 WITHDRAWAL, RESTRICTION, CONDITION, OR LIMITATION OF
45.14 REGISTRATION.

45.15 (a) Disciplinary conditions-applicants. If the administrator finds that the order is
45.16 in the public interest and subsection (d) authorizes the action, an order issued under this
45.17 chapter may deny an application, or may condition or limit registration of an applicant to
45.18 be a broker-dealer, agent, or investment adviser, and, if the applicant is a broker-dealer
45.19 or investment adviser, of a partner, officer, director, or person having a similar status
45.20 or performing similar functions, or a person directly or indirectly in control of the
45.21 broker-dealer or investment adviser.

45.22 (b) Disciplinary conditions-registrants. If the administrator finds that the order is
45.23 in the public interest and subsection (d) authorizes the action an order issued under this
45.24 chapter may revoke, suspend, condition, or limit the registration of a registrant and, if the
45.25 registrant is a broker-dealer or investment adviser, of a partner, officer, director, or person
45.26 having a similar status or performing similar functions, or a person directly or indirectly in
45.27 control of the broker-dealer or investment adviser. However, the administrator may not:

45.28 (1) institute a revocation or suspension proceeding under this subsection based on an
45.29 order issued under a law of another state that is reported to the administrator or a designee
45.30 of the administrator more than one year after the date of the order on which it is based; or

45.31 (2) under subsection (d)(5)(A) or (B), issue an order on the basis of an order issued
45.32 under the securities act of another state unless the other order was based on conduct for
45.33 which subsection (d) would authorize the action had the conduct occurred in this state.

45.34 (c) Disciplinary penalties-registrants. If the administrator finds that the order is
45.35 in the public interest and subsection (d)(1) through (6), (8), (9), (10), or (12) and (13)

46.1 authorizes the action, an order under this chapter may censure, impose a bar, or impose a
46.2 civil penalty in an amount up to \$10,000 for each violation, on a registrant, and, if the
46.3 registrant is a broker-dealer or investment adviser, a partner, officer, director, person
46.4 having a similar status or performing similar functions, or a person directly or indirectly in
46.5 control, of the broker-dealer or investment adviser.

46.6 (d) Grounds for discipline. A person may be disciplined under subsections (a)
46.7 through (c) if the person:

46.8 (1) has filed an application for registration in this state under this chapter or the
46.9 predecessor act within the previous ten years, which, as of the effective date of registration
46.10 or as of any date after filing in the case of an order denying effectiveness, was incomplete
46.11 in any material respect or contained a statement that, in light of the circumstances under
46.12 which it was made, was false or misleading with respect to a material fact;

46.13 (2) willfully violated or willfully failed to comply with this chapter or the
46.14 predecessor act or a rule adopted or order issued under this chapter or the predecessor
46.15 act within the previous ten years;

46.16 (3) has been convicted of a felony or within the previous ten years has been
46.17 convicted of a misdemeanor involving a security, a commodity future or option contract,
46.18 or an aspect of a business involving securities, commodities, investments, franchises,
46.19 insurance, banking, or finance;

46.20 (4) is enjoined or restrained by a court of competent jurisdiction in an action
46.21 instituted by the administrator under this chapter or the predecessor act, a state, the
46.22 Securities and Exchange Commission, or the United States from engaging in or continuing
46.23 an act, practice, or course of business involving an aspect of a business involving
46.24 securities, commodities, investments, franchises, insurance, banking, or finance.

46.25 (5) is the subject of an order, issued after notice and opportunity for hearing by:

46.26 (A) the securities, depository institution, insurance, or other financial services
46.27 regulator of a state or by the Securities and Exchange Commission or other federal agency
46.28 denying, revoking, barring, or suspending registration as a broker-dealer, agent, investment
46.29 adviser, federal covered investment adviser, or investment adviser representative;

46.30 (B) the securities regulator of a state or the Securities and Exchange Commission
46.31 against a broker-dealer, agent, investment adviser, investment adviser representative, or
46.32 federal covered investment adviser;

46.33 (C) the Securities and Exchange Commission or a self-regulatory organization
46.34 suspending or expelling the registrant from membership in the self-regulatory organization;

46.35 (D) a court adjudicating a United States Postal Service fraud order;

47.1 (E) the insurance regulator of a state denying, suspending, or revoking registration
47.2 as an insurance agent; or

47.3 (F) a depository institution regulator suspending or barring the person from the
47.4 depository institution business;

47.5 (6) is the subject of an adjudication or determination, after notice and opportunity
47.6 for hearing, by the Securities and Exchange Commission, the Commodity Futures Trading
47.7 Commission; the Federal Trade Commission; a federal depository institution regulator,
47.8 or a depository institution, insurance, or other financial services regulator of a state that
47.9 the person willfully violated the Securities Act of 1933, the Securities Exchange Act of
47.10 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, or the
47.11 Commodity Exchange Act, the securities or commodities law of a state, or a federal or
47.12 state law under which a business involving investments, franchises, insurance, banking, or
47.13 finance is regulated;

47.14 (7) is insolvent, either because the person's liabilities exceed the person's assets
47.15 or because the person cannot meet the person's obligations as they mature, but the
47.16 administrator may not enter an order against an applicant or registrant under this paragraph
47.17 without a finding of insolvency as to the applicant or registrant;

47.18 (8) refuses to allow or otherwise impedes the administrator from conducting an audit
47.19 or inspection under section 80A.66(d) or refuses access to a registrant's office to conduct
47.20 an audit or inspection under section 80A.66(d);

47.21 (9) has failed to reasonably supervise an agent, investment adviser representative,
47.22 or other individual, if the agent, investment adviser representative, or other individual
47.23 was subject to the person's supervision and committed a violation of this chapter or the
47.24 predecessor act or a rule adopted or order issued under this chapter or the predecessor
47.25 act within the previous ten years;

47.26 (10) has not paid the proper filing fee within 30 days after having been notified by
47.27 the administrator of a deficiency, but the administrator shall vacate an order under this
47.28 paragraph when the deficiency is corrected;

47.29 (11) after notice and opportunity for a hearing, has been found within the previous
47.30 ten years:

47.31 (A) by a court of competent jurisdiction to have willfully violated the laws of a
47.32 foreign jurisdiction under which the business of securities, commodities, investment,
47.33 franchises, insurance, banking, or finance is regulated;

47.34 (B) to have been the subject of an order of a securities regulator of a foreign
47.35 jurisdiction denying, revoking, or suspending the right to engage in the business of

48.1 securities as a broker-dealer, agent, investment adviser, investment adviser representative,
48.2 or similar person; or

48.3 (C) to have been suspended or expelled from membership by or participation in
48.4 a securities exchange or securities association operating under the securities laws of a
48.5 foreign jurisdiction;

48.6 (12) is the subject of a cease and desist order issued by the Securities and Exchange
48.7 Commission or issued under the securities, commodities, investment, franchise, banking,
48.8 finance, or insurance laws of a state;

48.9 (13) has engaged in dishonest or unethical practices in the securities, commodities,
48.10 investment, franchise, banking, finance, or insurance business within the previous ten
48.11 years; or

48.12 (14) is not qualified on the basis of factors such as training, experience, and
48.13 knowledge of the securities business. However, in the case of an application by an agent
48.14 for a broker-dealer that is a member of a self-regulatory organization or by an individual
48.15 for registration as an investment adviser representative, a denial order may not be based on
48.16 this paragraph if the individual has successfully completed all examinations required by
48.17 subsection (e). The administrator may require an applicant for registration under section
48.18 80A.57 or 80A.59 who has not been registered in a state within the two years preceding
48.19 the filing of an application in this state to successfully complete an examination.

48.20 (e) Examinations. A rule adopted or order issued under this chapter may require that
48.21 an examination, including an examination developed or approved by an organization of
48.22 securities regulators, be successfully completed by a class of individuals or all individuals.
48.23 An order issued under this chapter may waive, in whole or in part, an examination as to
48.24 an individual and a rule adopted under this chapter may waive, in whole or in part, an
48.25 examination as to a class of individuals if the administrator determines that the examination
48.26 is not necessary or appropriate in the public interest and for the protection of investors.

48.27 (f) Summary process. The administrator may suspend or deny an application
48.28 summarily; restrict, condition, limit, or suspend a registration; or censure, bar, or impose a
48.29 civil penalty on a registrant before final determination of an administrative proceeding.
48.30 Upon the issuance of an order, the administrator shall promptly notify each person subject
48.31 to the order that the order has been issued, the reasons for the action, and that within 15
48.32 days after the receipt of a request in a record from the person the matter will be scheduled
48.33 for a hearing. If a hearing is not requested and none is ordered by the administrator within
48.34 30 days after the date of service of the order, the order becomes final by operation of law.
48.35 If a hearing is requested or ordered, the administrator, after notice of and opportunity for

49.1 hearing to each person subject to the order, may modify or vacate the order or extend the
 49.2 order until final determination.

49.3 (g) PROCEDURAL REQUIREMENTS. An order issued may not be issued under
 49.4 this section, except under subsection (f), without:

49.5 (1) appropriate notice to the applicant or registrant;

49.6 (2) opportunity for hearing; and

49.7 (3) findings of fact and conclusions of law in a record in accordance with chapter 14.

49.8 (h) CONTROL PERSON LIABILITY. A person that controls, directly or
 49.9 indirectly, a person not in compliance with this section may be disciplined by order of the
 49.10 administrator under subsections (a) through (c) to the same extent as the noncomplying
 49.11 person, unless the controlling person did not know, or knowingly or recklessly disregarded
 49.12 evidence, of the existence of conduct that is a ground for discipline under this section.

49.13 (i) LIMIT ON INVESTIGATION OR PROCEEDING. The administrator may
 49.14 not institute a proceeding under subsection (a), (b), or (c) based solely on material facts
 49.15 actually known by the administrator unless an investigation or the proceeding is instituted
 49.16 within one year after the administrator actually acquires knowledge of the material facts.

49.17 **FRAUD AND LIABILITIES**

49.18 **Sec. 28. [80A.68] SECTION 501; GENERAL FRAUD.**

49.19 It is unlawful for a person, in connection with the offer, sale, or purchase of a
 49.20 security, directly or indirectly:

49.21 (1) to employ a device, scheme, or artifice to defraud;

49.22 (2) to make an untrue statement of a material fact or to omit to state a material fact
 49.23 necessary in order to make a statement made, in the light of the circumstances under
 49.24 which it is made, not misleading; or

49.25 (3) to engage in an act, practice, or course of business that operates or would operate
 49.26 as a fraud or deceit upon another person.

49.27 **Sec. 29. [80A.69] SECTION 502; PROHIBITED CONDUCT IN PROVIDING**
 49.28 **INVESTMENT ADVICE.**

49.29 (a) Fraud in providing investment advice. It is unlawful for a person that advises
 49.30 others for compensation, either directly or indirectly or through publications or writings,
 49.31 as to the value of securities or the advisability of investing in, purchasing, or selling
 49.32 securities or that, for compensation and as part of a regular business, issues or promulgates
 49.33 analyses or reports relating to securities:

49.34 (1) to employ a device, scheme, or artifice to defraud another person; or

50.1 (2) to engage in an act, practice, or course of business that operates or would operate
50.2 as a fraud or deceit upon another person.

50.3 (b) Rules defining fraud. A rule adopted under this chapter may define an act,
50.4 practice, or course of business of an investment adviser or an investment adviser
50.5 representative, other than a supervised person of a federal covered investment adviser,
50.6 as fraudulent, deceptive, or manipulative, and prescribe means reasonably designed to
50.7 prevent investment advisers and investment adviser representatives, other than supervised
50.8 persons of a federal covered investment adviser, from engaging in acts, practices, and
50.9 courses of business defined as fraudulent, deceptive, or manipulative.

50.10 (c) Rules specifying contents of advisory contract. A rule adopted under this
50.11 chapter may specify the contents of an investment advisory contract entered into,
50.12 extended, or renewed by an investment adviser.

50.13 **Sec. 30. [80A.70] SECTION 503; EVIDENTIARY BURDEN.**

50.14 (a) Civil. In a civil action or administrative proceeding under this chapter, a person
50.15 claiming an exemption, exception, preemption, or exclusion has the burden to prove the
50.16 applicability of the claim.

50.17 (b) Criminal. In a criminal proceeding under this chapter, a person claiming an
50.18 exemption, exception, preemption, or exclusion has the burden of going forward with
50.19 evidence of the claim.

50.20 **Sec. 31. [80A.71] SECTION 504; FILING OF SALES AND ADVERTISING**
50.21 **LITERATURE.**

50.22 (a) Filing requirement. Except as otherwise provided in subsection (b), a rule
50.23 adopted or order issued under this chapter may require the filing of a prospectus, pamphlet,
50.24 circular, form letter, advertisement, sales literature, or other advertising record relating
50.25 to a security or investment advice, addressed or intended for distribution to prospective
50.26 investors, including clients or prospective clients of a person registered or required to be
50.27 registered as an investment adviser under this chapter.

50.28 (b) Excluded communications. This section does not apply to sales and advertising
50.29 literature specified in subsection (a) which relates to a federal covered security, a federal
50.30 covered investment adviser, or a security or transaction exempted by section 80A.45,
50.31 80A.46, or 80A.47 except as required pursuant to section 80A.45(7).

50.32 **Sec. 32. [80A.72] SECTION 505; MISLEADING FILINGS.**

51.1 It is unlawful for a person to make or cause to be made, in a record that is used in
51.2 an action or proceeding or filed under this chapter other than a contested case hearing,
51.3 a statement that, at the time and in the light of the circumstances under which it is
51.4 made, is false or misleading in a material respect, or, in connection with the statement,
51.5 to omit to state a material fact necessary to make the statement made, in the light of the
51.6 circumstances under which it was made, not false or misleading.

51.7 Sec. 33. **[80A.73] SECTION 506; MISREPRESENTATIONS CONCERNING**
51.8 **REGISTRATION OR EXEMPTION.**

51.9 The filing of an application for registration, a registration statement, a notice
51.10 filing under this chapter, the registration of a person, the notice filing by a person, or
51.11 the registration of a security under this chapter does not constitute a finding by the
51.12 administrator that a record filed under this chapter is true, complete, and not misleading.
51.13 The filing or registration or the availability of an exemption, exception, preemption, or
51.14 exclusion for a security or a transaction does not mean that the administrator has passed
51.15 upon the merits or qualifications of, or recommended or given approval to, a person,
51.16 security, or transaction. It is unlawful to make, or cause to be made, to a purchaser,
51.17 customer, client, or prospective customer or client a representation inconsistent with
51.18 this section.

51.19 Sec. 34. **[80A.74] SECTION 507; QUALIFIED IMMUNITY.**

51.20 A broker-dealer, agent, investment adviser, federal covered investment adviser, or
51.21 investment adviser representative is not liable to another broker-dealer, agent, investment
51.22 adviser, federal covered investment adviser, or investment adviser representative
51.23 for defamation relating to a statement that is contained in a record required by the
51.24 administrator, or designee of the administrator, the Securities and Exchange Commission,
51.25 or a self-regulatory organization, unless the person knew, or should have known at the
51.26 time that the statement was made, that it was false in a material respect or the person acted
51.27 in reckless disregard of the statement's truth or falsity.

51.28 Sec. 35. **[80A.75] SECTION 508; CRIMINAL PENALTIES.**

51.29 (a) Criminal penalties. A person that willfully violates this chapter, or a rule adopted
51.30 or order issued under this chapter, except section 80A.71 or the notice filing requirements
51.31 of section 80A.50 or 80A.60, or that willfully violates section 80A.72 knowing the
51.32 statement made to be false or misleading in a material respect, upon conviction, shall be
51.33 fined not more than \$10,000 or imprisoned not more than five years or both. Each of the

52.1 acts specified constitutes a separate offense and a prosecution or conviction for any such
52.2 offense does not bar prosecution or conviction for any other offense.

52.3 (b) Criminal reference not required. The attorney general with or without a
52.4 reference from the administrator, may institute criminal proceedings under this chapter.

52.5 (c) No limitation on other criminal enforcement. This chapter does not limit
52.6 the power of this state to punish a person for conduct that constitutes a crime under
52.7 other laws of this state.

52.8 Sec. 36. [80A.76] SECTION 509; CIVIL LIABILITY.

52.9 (a) Securities Litigation Uniform Standards Act. Enforcement of civil liability
52.10 under this section is subject to the Securities Litigation Uniform Standards Act of 1998.

52.11 (b) Liability of seller to purchaser. A person is liable to the purchaser if the person
52.12 sells a security in violation of section 80A.49 or, by means of an untrue statement of a
52.13 material fact or an omission to state a material fact necessary in order to make the statement
52.14 made, in light of the circumstances under which it is made, not misleading, the purchaser
52.15 not knowing the untruth or omission and the seller not sustaining the burden of proof that
52.16 the seller did not know and, in the exercise of reasonable care, could not have known of
52.17 the untruth or omission. An action under this subsection is governed by the following:

52.18 (1) The purchaser may maintain an action to recover the consideration paid for the
52.19 security, less the amount of any income received on the security, and interest from the date
52.20 of the purchase, costs, and reasonable attorneys' fees determined by the court, upon the
52.21 tender of the security, or for actual damages as provided in paragraph (3).

52.22 (2) The tender referred to in paragraph (1) may be made any time before entry
52.23 of judgment. Tender requires only notice in a record of ownership of the security and
52.24 willingness to exchange the security for the amount specified. A purchaser that no longer
52.25 owns the security may recover actual damages as provided in paragraph (3).

52.26 (3) Actual damages in an action arising under this subsection are the amount that
52.27 would be recoverable upon a tender less the value of the security when the purchaser
52.28 disposed of it, and interest from the date of the purchase, costs, and reasonable attorneys'
52.29 fees determined by the court.

52.30 (c) Liability of purchaser to seller. person is liable to the seller if the person buys a
52.31 security by means of an untrue statement of a material fact or omission to state a material
52.32 fact necessary in order to make the statement made, in light of the circumstances under
52.33 which it is made, not misleading, the seller not knowing of the untruth or omission, and
52.34 the purchaser not sustaining the burden of proof that the purchaser did not know, and in

53.1 the exercise of reasonable care, could not have known of the untruth or omission. An
53.2 action under this subsection is governed by the following:

53.3 (1) The seller may maintain an action to recover the security, and any income
53.4 received on the security, costs, and reasonable attorneys' fees determined by the court,
53.5 upon the tender of the purchase price, or for actual damages as provided in paragraph (3).

53.6 (2) The tender referred to in paragraph (1) may be made any time before entry
53.7 of judgment. Tender requires only notice in a record of the present ability to pay the
53.8 amount tendered and willingness to take delivery of the security for the amount specified.
53.9 If the purchaser no longer owns the security, the seller may recover actual damages as
53.10 provided in paragraph (3).

53.11 (3) Actual damages in an action arising under this subsection are the difference
53.12 between the price at which the security was sold and the value the security would have
53.13 had at the time of the sale in the absence of the purchaser's conduct causing liability, and
53.14 interest from the date of the sale of the security, costs, and reasonable attorneys' fees
53.15 determined by the court.

53.16 (d) Liability of unregistered broker-dealer and agent. A person acting as a
53.17 broker-dealer or agent that sells or buys a security in violation of section 80A.56(a),
53.18 80A.57(a), or 80A.73 is liable to the customer. The customer, if a purchaser, may maintain
53.19 an action for recovery of actual damages as specified in subsections (b)(1) through (3), or,
53.20 if a seller, for a remedy as specified in subsections (c)(1) through (3).

53.21 (e) Liability of unregistered investment adviser and investment adviser
53.22 representative. A person acting as an investment adviser or investment adviser
53.23 representative that provides investment advice for compensation in violation of section
53.24 80A.58(a), 80A.59(a), or 80A.73 is liable to the client. The client may maintain an action
53.25 to recover the consideration paid for the advice, interest from the date of payment, costs,
53.26 and reasonable attorneys' fees determined by the court.

53.27 (f) Liability for investment advice. A person that receives directly or indirectly
53.28 any consideration for providing investment advice to another person and that employs a
53.29 device, scheme, or artifice to defraud the other person or engages in an act, practice, or
53.30 course of business that operates or would operate as a fraud or deceit on the other person,
53.31 is liable to the other person. An action under this subsection is governed by the following:

53.32 (1) The person defrauded may maintain an action to recover the consideration
53.33 paid for the advice and the amount of any actual damages caused by the fraudulent
53.34 conduct, interest from the date of the fraudulent conduct, costs, and reasonable attorneys'
53.35 fees determined by the court, less the amount of any income received as a result of the
53.36 fraudulent conduct.

54.1 (2) This subsection does not apply to a broker-dealer or its agents if the investment
54.2 advice provided is solely incidental to transacting business as a broker-dealer and no
54.3 special compensation is received for the investment advice.

54.4 (g) Joint and several liability. The following persons are liable jointly and severally
54.5 with and to the same extent as persons liable under subsections (b) through (f):

54.6 (1) a person that directly or indirectly controls a person liable under subsections (b)
54.7 through (f), unless the controlling person sustains the burden of proof that the person did
54.8 not know, and in the exercise of reasonable care could not have known, of the existence of
54.9 conduct by reason of which the liability is alleged to exist;

54.10 (2) an individual who is a managing partner, executive officer, or director of a person
54.11 liable under subsections (b) through (f), including an individual having a similar status or
54.12 performing similar functions, unless the individual sustains the burden of proof that the
54.13 individual did not know and, in the exercise of reasonable care could have known, of the
54.14 existence of conduct by reason of which the liability is alleged to exist;

54.15 (3) an individual who is an employee of or associated with a person liable under
54.16 subsections (b) through (f) and who materially aids the conduct giving rise to the liability,
54.17 unless the individual sustains the burden of proof that the individual did not know and,
54.18 in the exercise of reasonable care could not have known, of the existence of conduct by
54.19 reason of which the liability is alleged to exist; and

54.20 (4) a person that is a broker-dealer, agent, investment adviser, or investment adviser
54.21 representative that materially aids the conduct giving rise to the liability under subsections
54.22 (b) through (f), unless the person sustains the burden of proof that the person did not know
54.23 and, in the exercise of reasonable care could not have known, of the existence of conduct
54.24 by reason of which liability is alleged to exist.

54.25 (h) Right of contribution. A person liable under this section has a right of
54.26 contribution as in cases of tort against any other person liable under this section for the
54.27 same conduct.

54.28 (i) Survival of cause of action. A cause of action under this section survives the
54.29 death of an individual who might have been a plaintiff or defendant.

54.30 (j) Statute of limitations. A person may not obtain relief:

54.31 (1) under subsection (b) for violation of section 80A.49, or under subsection (d) or
54.32 (e), unless the action is instituted within one year after the violation occurred; or

54.33 (2) under subsection (b), other than for violation of section 80A.49, or under
54.34 subsection (c) or (f), unless the action is instituted within the earlier of two years after
54.35 discovery of the facts constituting the violation or five years after the violation.

55.1 (k) No enforcement of violative contract. A person that has made, or has engaged
55.2 in the performance of, a contract in violation of this chapter or a rule adopted or order
issued under this chapter, or that has acquired a purported right under the contract with
55.4 knowledge of conduct by reason of which its making or performance was in violation of
55.5 this chapter, may not base an action on the contract.

55.6 (l) No contractual waiver. A condition, stipulation, or provision binding a person
55.7 purchasing or selling a security or receiving investment advice to waive compliance with
55.8 this chapter or a rule adopted or order issued under this chapter is void.

55.9 (m) Survival of other right or remedies. The rights and remedies provided by this
55.10 chapter are in addition to any other rights or remedies that may exist, but this chapter does
55.11 not create a cause of action not specified in this section or section 80A.66(e).

55.12 **Sec. 37. [80A.77] SECTION 510; RESCISSION OFFERS.**

55.13 A purchaser, seller, or recipient of investment advice may not maintain an action
55.14 under section 80A.76 if:

55.15 (1) the purchaser, seller, or recipient of investment advice receives in a record,
55.16 before the action is instituted:

55.17 (A) an offer stating the respect in which liability under section 80A.76 may have
55.18 arisen and fairly advising the purchaser, seller, or recipient of investment advice of
55.19 that person's rights in connection with the offer, and any financial or other information
55.20 necessary to correct all material misrepresentations or omissions in the information that
55.21 was required by this chapter to be furnished to that person at the time of this purchase,
55.22 sale, or investment advice;

55.23 (B) if the basis for relief under this section may have been a violation of section
55.24 80A.76(b), an offer to repurchase the security for cash, payable on delivery of the security,
55.25 equal to the consideration paid, and interest from the date of the purchase, less the amount
55.26 of any income received on the security, or, if the purchaser no longer owns the security, an
55.27 offer to pay the purchaser upon acceptance of the offer damages in an amount that would
55.28 be recoverable upon a tender, less the value of the security when the purchaser disposed
55.29 of it, and interest from the date of the purchase in cash equal to the damages computed
55.30 in the manner provided in this subsection.

55.31 (C) if the basis for relief under this section may have been a violation of section
55.32 80A.76(c), an offer to tender the security, on payment by the seller of an amount equal to
55.33 the purchase price paid, less income received on the security by the purchaser and interest
55.34 from the date of the sale; or if the purchaser no longer owns the security, an offer to pay
55.35 the seller upon acceptance of the offer, in cash, damages in the amount of the difference

56.1 between the price at which the security was purchased and the value the security would
 56.2 have had at the time of the purchase in the absence of the purchaser's conduct that may
 56.3 have caused liability and interest from the date of the sale.

56.4 (D) if the basis for relief under this section may have been a violation of section
 56.5 80A.76(d); and if the customer is a purchaser, an offer to pay as specified in subparagraph
 56.6 (B); or, if the customer is a seller, an offer to tender or to pay as specified in subparagraph
 56.7 (C);

56.8 (E) if the basis for relief under this section may have been a violation of section
 56.9 80A.76(e), an offer to reimburse in cash the consideration paid for the advice and interest
 56.10 from the date of payment; or

56.11 (F) if the basis for relief under this section may have been a violation of section
 56.12 80A.76(f), an offer to reimburse in cash the consideration paid for the advice, the amount
 56.13 of any actual damages that may have been caused by the conduct, and interest from the
 56.14 date of the violation causing the loss;

56.15 (2) the offer under paragraph (1) states that it must be accepted by the purchaser,
 56.16 seller, or recipient of investment advice within 30 days after the date of its receipt by the
 56.17 purchaser, seller, or recipient of investment advice or any shorter period, of not less than
 56.18 three days, that the administrator, by order, specifies;

56.19 (3) the offeror has the present ability to pay the amount offered or to tender the
 56.20 security under paragraph (1);

56.21 (4) the offer under paragraph (1) is delivered to the purchaser, seller, or recipient
 56.22 of investment advice, or sent in a manner that ensures receipt by the purchaser, seller, or
 56.23 recipient of investment advice; and

56.24 (5) the purchaser, seller, or recipient of investment advice that accepts the offer
 56.25 under paragraph (1) in a record within the period specified under paragraph (2) is paid
 56.26 in accordance with the terms of the offer.

56.27 **ADMINISTRATION AND JUDICIAL REVIEW**

56.28 **Sec. 38. [80A.78] SECTION 601; ADMINISTRATION.**

56.29 **(a) Administration.** The administrator shall administer this chapter.

56.30 **(b) Unlawful use of records or information.** It is unlawful for the administrator
 56.31 or an officer, employee, or designee of the administrator to use for personal benefit
 56.32 or the benefit of others records or other information obtained by or filed with the
 56.33 administrator that are not public under section 80A.84(b). This chapter does not authorize
 56.34 the administrator or an officer, employee, or designee of the administrator to disclose the
 56.35 record or information, except in accordance with section 80A.79, 80A.84(c), or 80A.85.

57.1 (c) No privilege or exemption created or diminished. This chapter does not
57.2 create or diminish a privilege or exemption that exists at common law, by statute or rule,
57.3 or otherwise.

57.4 (d) Investor education. The administrator may develop and implement investor
57.5 education initiatives to inform the public about investing in securities, with particular
57.6 emphasis on the prevention and detection of securities fraud. In developing and
57.7 implementing these initiatives, the administrator may collaborate with public and
57.8 nonprofit organizations with an interest in investor education. The administrator may
57.9 accept a grant or donation from a person that is not affiliated with the securities industry
57.10 or from a nonprofit organization, regardless of whether the organization is affiliated with
57.11 the securities industry, to develop and implement investor education initiatives. This
57.12 subsection does not authorize the administrator to require participation or monetary
57.13 contributions of a registrant in an investor education program.

57.14 (e) The securities investor education and training fund. The Securities Investor
57.15 Education and Training Fund is created to provide funds for the purposes specified in
57.16 subsection (d). All money received by the state by reason of civil penalties pursuant to
57.17 this chapter must be deposited in the Securities Investor Education and Training Fund
57.18 and are appropriated to the administrator.

57.19 **Sec. 39. [80A.79] SECTION 602; INVESTIGATIONS AND SUBPOENAS.**

57.20 (a) Authority to investigate. The administrator may:

57.21 (1) conduct public or private investigations within or outside of this state which
57.22 the administrator considers necessary or appropriate to determine whether a person has
57.23 violated, is violating, or is about to violate this chapter or a rule adopted or order issued
57.24 under this chapter, or to aid in the enforcement of this chapter or in the adoption of rules
57.25 and forms under this chapter;

57.26 (2) require or permit a person to testify, file a statement, or produce a record, under
57.27 oath or otherwise as the administrator determines, as to all the facts and circumstances
57.28 concerning a matter to be investigated or about which an action or proceeding is to be
57.29 instituted; and

57.30 (3) publish a record concerning an action, proceeding, or an investigation under,
57.31 or a violation of, this chapter or a rule adopted or order issued under this chapter if the
57.32 administrator determines it is necessary or appropriate in the public interest and for the
57.33 protection of investors.

57.34 (b) Administrator powers to investigate. For the purpose of an investigation
57.35 under this chapter, the administrator or its designated officer may administer oaths and

58.1 affirmations, subpoena witnesses, seek compulsion of attendance, take evidence, require
58.2 the filing of statements, and require the production of any records that the administrator
58.3 considers relevant or material to the investigation.

58.4 (c) Procedure and remedies for noncompliance. If a person does not appear or
58.5 refuses to testify, file a statement, produce records, or otherwise does not obey a subpoena
58.6 as required by the administrator under this chapter, the administrator may refer the matter
58.7 to the attorney general, who may apply to the district court or a court of another state to
58.8 enforce compliance. The court may:

58.9 (1) hold the person in contempt;

58.10 (2) order the person to appear before the administrator;

58.11 (3) order the person to testify about the matter under investigation or in question;

58.12 (4) order the production of records;

58.13 (5) grant injunctive relief, including restricting or prohibiting the offer or sale of
58.14 securities or the providing of investment advice;

58.15 (6) impose a civil penalty up to \$10,000 for each violation; and

58.16 (7) grant any other necessary or appropriate relief.

58.17 (d) Application for relief. This section does not preclude a person from applying to
58.18 the district court or a court of another state for relief from a request to appear, testify, file a
58.19 statement, produce records, or obey a subpoena.

58.20 (e) Use immunity procedure. An individual is not excused from attending,
58.21 testifying, filing a statement, producing a record or other evidence, or obeying a subpoena
58.22 of the administrator under this chapter or in an action or proceeding instituted by the
58.23 administrator under this chapter on the ground that the required testimony, statement,
58.24 record, or other evidence, directly or indirectly, may tend to incriminate the individual or
58.25 subject the individual to a criminal fine, penalty, or forfeiture. If the individual refuses to
58.26 testify, file a statement or produce a record or other evidence on the basis of the individual's
58.27 privilege against self-incrimination, the administrator may apply to the district court to
58.28 compel the testimony, the filing of the statement, the production of the record, or the giving
58.29 of other evidence. The testimony, record, or other evidence compelled under such an order
58.30 may not be used, directly or indirectly, against the individual in a criminal case, except in
58.31 a prosecution for perjury or contempt or otherwise failing to comply with the order.

58.32 (f) Assistance to securities regulator of another jurisdiction. At the request of
58.33 the securities regulator of another state or a foreign jurisdiction, the administrator may
58.34 provide assistance if the requesting regulator states that it is conducting an investigation to
58.35 determine whether a person has violated, is violating, or is about to violate a law or rule
58.36 of the other state or foreign jurisdiction relating to securities matters that the requesting

59.1 regulator administers or enforces. The administrator may provide the assistance by using
59.2 the authority to investigate and the powers conferred by this section as the administrator
59.3 determines is necessary or appropriate. The assistance may be provided without regard
59.4 to whether the conduct described in the request would also constitute a violation of this
59.5 chapter or other law of this state if occurring in this state. In deciding whether to provide
59.6 the assistance, the administrator may consider whether the requesting regulator is permitted
59.7 and has agreed to provide assistance reciprocally within its state or foreign jurisdiction
59.8 to the administrator on securities matters when requested; whether compliance with the
59.9 request would violate or prejudice the public policy of this state; and the availability of
59.10 resources and employees of the administrator to carry out the request for assistance.

59.11 **Sec. 40. [80A.80] SECTION 603; CIVIL ENFORCEMENT.**

59.12 **(a) Civil action instituted by administrator.** If the administrator believes that a
59.13 person has engaged, is engaging, or is about to engage in an act, practice, or course of
59.14 business constituting a violation of this chapter or a rule adopted or order issued under
59.15 this chapter or that a person has, is, or is about to engage in an act, practice, or course of
59.16 business that materially aids a violation of this chapter or a rule adopted or order issued
59.17 under this chapter, the administrator may maintain an action in the district court to enjoin
59.18 the act, practice, or course of business and to enforce compliance with this chapter or a
59.19 rule adopted or order issued under this chapter.

59.20 **(b) Relief available.** In an action under this section and on a proper showing, the
59.21 court may:

59.22 **(1) issue a permanent or temporary injunction, restraining order, or declaratory**
59.23 **judgment;**

59.24 **(2) order other appropriate or ancillary relief, which may include:**

59.25 **(A) an asset freeze, accounting, writ of attachment, writ of general or specific**
59.26 **execution, and appointment of a receiver or conservator, that may be the administrator,**
59.27 **for the defendant or the defendant's assets;**

59.28 **(B) ordering the administrator to take charge and control of a defendant's property,**
59.29 **including investment accounts and accounts in a depository institution, rents, and profits;**
59.30 **to collect debts; and to acquire and dispose of property;**

59.31 **(C) imposing a civil penalty up to \$10,000 for each violation; an order of rescission,**
59.32 **restitution, or disgorgement directed to a person that has engaged in an act, practice, or**
59.33 **course of business constituting a violation of this chapter or the predecessor act or a rule**
59.34 **adopted or order issued under this chapter or the predecessor act; and**

59.35 **(D) ordering the payment of prejudgment and postjudgment interest; or**

60.1 (3) order such other relief as the court considers appropriate.

60.2 (c) No bond required. The administrator may not be required to post a bond in an
60.3 action or proceeding under this chapter.

60.4 **Sec. 41. [80A.81] SECTION 604; ADMINISTRATIVE ENFORCEMENT.**

60.5 (a) Issuance of an order or notice. If the administrator determines that a person
60.6 has engaged, is engaging, or is about to engage in an act, practice, or course of business
60.7 constituting a violation of this chapter or a rule adopted or order issued under this chapter
60.8 or that a person has materially aided, is materially aiding, or is about to materially aid an
60.9 act, practice, or course of business constituting a violation of this chapter or a rule adopted
60.10 or order issued under this chapter, the administrator may:

60.11 (1) issue an order directing the person to cease and desist from engaging in the
60.12 act, practice, or course of business or to take other action necessary or appropriate to
60.13 comply with this chapter;

60.14 (2) issue an order denying, suspending, revoking, or conditioning the exemptions
60.15 for a broker-dealer under section 80A.56(b)(1)(D) or (F) or an investment adviser under
60.16 section 80A.58(b)(1)(C); or

60.17 (3) issue an order under section 80A.48.

60.18 (b) Summary process. An order under subsection (a) is effective on the date of
60.19 issuance. Upon issuance of the order, the administrator shall promptly serve each person
60.20 subject to the order with a copy of the order and a notice that the order has been entered.
60.21 The order must include a statement whether the administrator will seek a civil penalty or
60.22 costs of the investigation, a statement of the reasons for the order, and notice that, within
60.23 15 days after receipt of a request in a record from the person, the matter will be scheduled
60.24 for a hearing. If a person subject to the order does not request a hearing and none is
60.25 ordered by the administrator within 30 days after the date of service of the order, the order,
60.26 which may include a civil penalty or costs of the investigation if a civil penalty or costs
60.27 were sought in the statement accompanying the order, becomes final as to that person by
60.28 operation of law. If a hearing is requested or ordered, the administrator, after notice of
60.29 an opportunity for hearing to each person subject to the order, may modify or vacate the
60.30 order or extend it until final determination.

60.31 (c) Procedure for final order. If a hearing is requested or ordered pursuant to
60.32 subsection (b), a hearing must be held under chapter 14. A final order may not be issued
60.33 unless the administrator makes findings of fact and conclusions of law in a record
60.34 according to chapter 14. The final order may make final, vacate, or modify the order
60.35 issued under subsection (a).

61.1 (d) Civil penalty. In a final order under subsection (c), the administrator may
61.2 impose a civil penalty up to \$10,000 for each violation.

61.3 (e) Costs. In a final order, the administrator may charge the actual cost of an
61.4 investigation or proceeding for a violation of this chapter or a rule adopted or order issued
61.5 under this chapter.

61.6 (f) Filing of certified final order with court; effect of filing. If a petition for
61.7 judicial review of a final order is not filed in accordance with section 80A.86, the
61.8 administrator may file a certified copy of the final order with the clerk of a court of
61.9 competent jurisdiction. The order so filed has the same effect as a judgment of the court
61.10 and may be recorded, enforced, or satisfied in the same manner as a judgment of the court.

61.11 (g) Enforcement by court; further civil penalty. If a person does not comply
61.12 with an order under this section, the administrator may petition a court of competent
61.13 jurisdiction to enforce the order. The court may not require the administrator to post a
61.14 bond in an action or proceeding under this section. If the court finds, after service and
61.15 opportunity for hearing, that the person was not in compliance with the order, the court
61.16 may adjudge the person in civil contempt of the order. The court may impose a further
61.17 civil penalty against the person for contempt in an amount up to \$10,000 for each violation
61.18 and may grant any other relief the court determines is just and proper in the circumstances.

61.19 **Sec. 42. [80A.82] SECTION 605; RULES, FORMS, ORDERS,**
61.20 **INTERPRETATIVE OPINIONS, AND HEARINGS.**

61.21 (a) Issuance and adoption of forms, orders, and rules. The administrator may:

61.22 (1) issue forms and orders and, after notice and comment, may adopt and amend
61.23 rules necessary or appropriate to carry out this chapter and may repeal rules, including
61.24 rules and forms governing registration statements, applications, notice filings, reports,
61.25 and other records;

61.26 (2) by rule, define terms, whether or not used in this chapter, but those definitions
61.27 may not be inconsistent with this chapter; and

61.28 (3) by rule, classify securities, persons, and transactions and adopt different
61.29 requirements for different classes.

61.30 (b) Findings and cooperation. Under this chapter, a rule or form may not be
61.31 adopted or amended, or an order issued or amended, unless the administrator finds that the
61.32 rule, form, order, or amendment is necessary or appropriate in the public interest or for the
61.33 protection of investors and is consistent with the purposes intended by this chapter. In
61.34 adopting, amending, and repealing rules and forms, section 80A.85 applies in order to
61.35 achieve uniformity among the states and coordination with federal laws in the form and

62.1 content of registration statements, applications, reports, and other records, including the
62.2 adoption of uniform rules, forms, and procedures.

62.3 (c) Financial statements. Subject to Section 15(h) of the Securities Exchange Act
62.4 and Section 222 of the Investment Advisers Act of 1940, the administrator may require
62.5 that a financial statement filed under this chapter be prepared in accordance with generally
62.6 accepted accounting principles in the United States and comply with other requirements
62.7 specified by rule adopted or order issued under this chapter. A rule adopted or order
62.8 issued under this chapter may establish:

62.9 (1) subject to Section 15(h) of the Securities Exchange Act and Section 222 of the
62.10 Investment Advisers Act of 1940, the form and content of financial statements required
62.11 under this chapter;

62.12 (2) whether unconsolidated financial statements must be filed; and

62.13 (3) whether required financial statements must be audited by an independent
62.14 certified public accountant.

62.15 (d) Interpretative opinions. The administrator may provide interpretive opinions
62.16 or issue determinations that the administrator will not institute a proceeding or an
62.17 action under this chapter against a specified person for engaging in a specified act,
62.18 practice, or course of business if the determination is consistent with this chapter. A
62.19 rule adopted or order issued under this chapter may establish a reasonable charge for
62.20 interpretative opinions or determinations that the administrator will not institute an action
62.21 or a proceeding under this chapter.

62.22 (e) Effect of compliance. A penalty under this chapter may not be imposed for, and
62.23 liability does not arise from conduct that is engaged in or omitted in good faith believing it
62.24 conforms to a rule, form, or order of the administrator under this chapter.

62.25 (f) Presumption for public hearings. A hearing in an administrative proceeding
62.26 under this chapter must be conducted in public unless the administrator for good cause
62.27 consistent with this chapter determines that the hearing will not be so conducted.

62.28 **Sec. 43. [80A.83] SECTION 606; ADMINISTRATIVE FILES AND OPINIONS.**

62.29 (a) Public register of filings. The administrator shall maintain, or designate a person
62.30 to maintain, a register of applications for registration of securities; registration statements;
62.31 notice filings; applications for registration of broker-dealers, agents, investment advisers,
62.32 and investment adviser representatives; notice filings by federal covered investment
62.33 advisers that are or have been effective under this chapter or the predecessor act; notices of
62.34 claims of exemption from registration or notice filing requirements contained in a record;

63.1 orders issued under this chapter or the predecessor act; and interpretative opinions or no
63.2 action determinations issued under this chapter.

63.4 (b) Public availability. The administrator shall make all rules, forms, interpretative
63.5 opinions, and orders available to the public.

63.6 (c) Copies of public records. The administrator shall furnish a copy of a record
63.7 that is a public record or a certification that the public record does not exist to a person
63.8 that so requests. A rule adopted under this chapter may establish a reasonable charge
63.9 for furnishing the record or certification. A copy of the record certified or a certificate
63.10 by the administrator of a record's nonexistence is prima facie evidence of a record or its
nonexistence.

63.11 Sec. 44. [80A.84] SECTION 607; PUBLIC RECORDS; CONFIDENTIALITY.

63.12 (a) Presumption of public records. Except as otherwise provided in subsection
63.13 (b), records obtained by the administrator or filed under this chapter, including a record
63.14 contained in or filed with a registration statement, application, notice filing, or report, are
63.15 public records and are available for public examination.

63.16 (b) Nonpublic records. The following records are not public records and are not
63.17 available for public examination under subsection (a):

63.18 (1) a record obtained by the administrator in connection with an audit or inspection
63.19 under section 80A.66(d) or an investigation under section 80A.79;

63.20 (2) a part of a record filed in connection with a registration statement under sections
63.21 80A.49 and 80A.51 through 80A.53 or a record under section 80A.66(d) that contains
63.22 trade secrets or confidential information if the person filing the registration statement or
63.23 report has asserted a claim of confidentiality or privilege that is authorized by law;

63.24 (3) a record that is not required to be provided to the administrator or filed under this
63.25 chapter and is provided to the administrator only on the condition that the record will not
63.26 be subject to public examination or disclosure;

63.27 (4) a nonpublic record received from a person specified in section 80A.85(a);

63.28 (5) any social security number, residential address unless used as a business address,
63.29 and residential telephone number contained in a record that is filed; and

63.30 (6) a record obtained by the administrator through a designee of the administrator
63.31 that a rule or order under this chapter determines has been:

63.32 (A) expunged from the administrator's records by the designee; or

63.33 (B) determined to be nonpublic or nondisclosable by that designee if the
63.34 administrator finds the determination to be in the public interest and for the protection of
63.35 investors.

64.1 (c) Administrator discretion to disclose. If disclosure is for the purpose of a civil,
64.2 administrative, or criminal investigation, action, or proceeding or to a person specified
64.3 in section 80A.85(a), the administrator may disclose a record obtained in connection
64.4 with an audit or inspection under section 80A.66(d) or a record obtained in connection
64.5 with an investigation under section 80A.79.

64.6 Sec. 45. [80A.85] SECTION 608; UNIFORMITY AND COOPERATION WITH
64.7 OTHER AGENCIES.

64.8 (a) Objective of uniformity. The administrator shall, in its discretion, cooperate,
64.9 coordinate, consult, and, subject to section 80A.84, share records and information with the
64.10 securities regulator of another state, Canada, a Canadian province or territory, a foreign
64.11 jurisdiction, the Securities and Exchange Commission, the United States Department of
64.12 Justice, the Commodity Futures Trading Commission, the Federal Trade Commission, the
64.13 Securities Investor Protection Corporation, a self-regulatory organization, a national or
64.14 international organization of securities regulators, a federal or state banking and insurance
64.15 regulator, and a governmental law enforcement agency to effectuate greater uniformity in
64.16 securities matters among the federal government, self-regulatory organizations, states,
64.17 and foreign governments.

64.18 (b) Policies to consider. In cooperating, coordinating, consulting, and sharing
64.19 records and information under this section and in acting by rule, order, or waiver under
64.20 this chapter, the administrator shall, in its discretion, take into consideration in carrying
64.21 out the public interest the following general policies:

- 64.22 (1) maximizing effectiveness of regulation for the protection of investors;
64.23 (2) maximizing uniformity in federal and state regulatory standards; and
64.24 (3) minimizing burdens on the business of capital formation, without adversely
64.25 effecting essentials of investor protection.

64.26 (c) Subjects for cooperation. The cooperation, coordination, consultation, and
64.27 sharing of records and information authorized by this section includes:

- 64.28 (1) establishing or employing one or more designees as a central depository for
64.29 registration and notice filings under this chapter and for records required or allowed to
64.30 be maintained under this chapter;
64.31 (2) developing and maintaining uniform forms;
64.32 (3) conducting a joint examination or investigation;
64.33 (4) holding a joint administrative hearing;
64.34 (5) instituting and prosecuting a joint civil or administrative proceeding;
64.35 (6) sharing and exchanging personnel;

- 65.1 (7) coordinating registrations under sections 80A.49 and 80A.56 through 80A.59
65.2 and exemptions under section 80A.47;
(8) sharing and exchanging records, subject to section 80A.84;
65.4 (9) formulating rules, statements of policy, guidelines, forms, and interpretative
65.5 opinions and releases;
65.6 (10) formulating common systems and procedures;
65.7 (11) notifying the public of proposed rules, forms, statements of policy, and
65.8 guidelines;
65.9 (12) attending conferences and other meetings among securities regulators, which
65.10 may include representatives of governmental and private sector organizations involved in
65.11 capital formation, deemed necessary or appropriate to promote or achieve uniformity; and
65.12 (13) developing and maintaining a uniform exemption from registration for small
65.13 issuers, and taking other steps to reduce the burden of raising investment capital by small
65.14 businesses.

65.15 Sec. 46. [80A.86] SECTION 609; JUDICIAL REVIEW.

65.16 (a) Judicial review of orders. A final order issued by the administrator under this
65.17 chapter is subject to judicial review in accordance with chapter 14.

65.18 (b) Judicial review of rules. A rule adopted under this chapter is subject to judicial
65.19 review in accordance with chapter 14.

65.20 Sec. 47. [80A.87] SECTION 610; JURISDICTION.

65.21 (a) Sales and offers to sell. Sections 80A.49, 80A.50, 80A.56(a), 80A.57(a),
65.22 80A.58(a), 80A.59(a), 80A.68, 80A.73, 80A.76, and 80A.77 do not apply to a person that
65.23 sells or offers to sell a security unless the offer to sell or the sale is made in this state or the
65.24 offer to purchase or the purchase is made and accepted in this state.

65.25 (b) Purchases and offers to purchase. Sections 80A.56(a), 80A.57(a), 80A.58(a),
65.26 80A.59(a), 80A.68, 80A.73, 80A.76, and 80A.77 do not apply to a person that purchases
65.27 or offers to purchase a security unless the offer to purchase or the purchase is made in this
65.28 state or the offer to sell or the sale is made and accepted in this state.

65.29 (c) Offers in this state. For the purpose of this section, an offer to sell or to purchase
65.30 a security is made in this state, whether or not either party is then present in this state, if
65.31 the offer:

65.32 (1) originates from within this state; or

65.33 (2) is directed by the offeror to a place in this state and received at the place to
65.34 which it is directed.

66.1 (d) Acceptances in this state. For the purpose of this section, an offer to purchase
66.2 or to sell is accepted in this state, whether or not either party is then present in this
66.3 state, if the acceptance:

66.4 (1) is communicated to the offeror in this state and the offeree reasonably believes
66.5 the offeror to be present in this state and the acceptance is received at the place in this
66.6 state to which it is directed; and

66.7 (2) has not previously been communicated to the offeror, orally or in a record,
66.8 outside this state.

66.9 (e) Publications, radio, television, or electronic communications. An offer
66.10 to sell or to purchase is not made in this state when a publisher circulates or there is
66.11 circulated on the publisher's behalf in this state a bona fide newspaper or other publication
66.12 of general, regular, and paid circulation that is not published in this state, or that is
66.13 published in this state but has had more than two-thirds of its circulation outside this state
66.14 during the previous 12 months or when a radio or television program or other electronic
66.15 communication originating outside this state is received in this state. A radio or television
66.16 program, or other electronic communication is considered as having originated in this
66.17 state if either the broadcast studio or the originating source of transmission is located
66.18 in this state, unless:

66.19 (1) the program or communication is syndicated and distributed from outside this
66.20 state for redistribution to the general public in this state;

66.21 (2) the program or communication is supplied by a radio, television, or other
66.22 electronic network with the electronic signal originating from outside this state for
66.23 redistribution to the general public in this state;

66.24 (3) the program or communication is an electronic communication that originates
66.25 outside this state and is captured for redistribution to the general public in this state by a
66.26 community antenna or cable, radio, cable television, or other electronic system; or

66.27 (4) the program or communication consists of an electronic communication that
66.28 originates in this state, but which is not intended for distribution to the general public in
66.29 this state.

66.30 (f) Investment advice and misrepresentations. Sections 80A.58(a), 80A.59(a),
66.31 80A.60(a), 80A.69, 80A.72, and 80A.73 apply to a person if the person engages in an act,
66.32 practice, or course of business instrumental in effecting prohibited or actionable conduct
66.33 in this state, whether or not either party is then present in this state.

66.34 Sec. 48. [80A.88] SECTION 611; SERVICE OF PROCESS.

67.1 (a) Signed consent to service of process. A consent to service of process complying
67.2 with this section required by this chapter must be signed and filed in the form required by
67.3 a rule or order under this chapter. A consent appointing the administrator the person's
67.4 agent for service of process in a noncriminal action or proceeding against the person, or
67.5 the person's successor or personal representative under this chapter or a rule adopted or
67.6 order issued under this chapter after the consent is filed, has the same force and validity as
67.7 if the service were made personally on the person filing the consent. A person that has
67.8 filed a consent complying with this subsection in connection with a previous application
67.9 for registration or notice filing need not file an additional consent.

67.10 (b) Conduct constituting appointment of agent for service. If a person, including
67.11 a nonresident of this state, engages in an act, practice, or course of business prohibited
67.12 or made actionable by this chapter or a rule adopted or order issued under this chapter
67.13 and the person has not filed a consent to service of process under subsection (a), the act,
67.14 practice, or course of business constitutes the appointment of the administrator as the
67.15 person's agent for service of process in a noncriminal action or proceeding against the
67.16 person or the person's successor or personal representative.

67.17 (c) Procedure for service of process. Service under subsection (a) or (b) may be
67.18 made by providing a copy of the process to the office of the administrator, but it is not
67.19 effective unless:

67.20 (1) the plaintiff, which may be the administrator, promptly sends notice of the
67.21 service and a copy of the process, return receipt requested, to the defendant or respondent
67.22 at the address set forth in the consent to service of process or, if a consent to service of
67.23 process has not been filed, at the last known address, or takes other reasonable steps
67.24 to give notice; and

67.25 (2) the plaintiff files an affidavit of compliance with this subsection in the action or
67.26 proceeding on or before the return day of the process, if any, or within the time that the
67.27 court, or the administrator in a proceeding before the administrator, allows.

67.28 (d) Service in administrative proceedings or civil actions by administrator.
67.29 Service pursuant to subsection (c) may be used in a proceeding before the administrator or
67.30 by the administrator in a civil action in which the administrator is the moving party.

67.31 (e) Opportunity to defend. If process is served under subsection (c), the court, or
67.32 the administrator in a proceeding before the administrator, shall order continuances as are
67.33 necessary or appropriate to afford the defendant or respondent reasonable opportunity
67.34 to defend.

67.35 Sec. 49. [80A.89] SECTION 612; SEVERABILITY CLAUSE.

68.1 If any provision of this chapter or its application to any person or circumstances is
68.2 held invalid, the invalidity does not affect other provisions or applications of this chapter
68.3 that can be given effect without the invalid provision or application, and to this end the
68.4 provisions of this chapter are severable.

68.5 **TRANSITION**

68.6 **Sec. 50. [80A.90] SECTION 703; APPLICATION OF ACT TO EXISTING**
68.7 **PROCEEDING AND EXISTING RIGHTS AND DUTIES.**

68.8 **(a) Applicability of predecessor act to pending proceedings and existing rights.**
68.9 The predecessor act exclusively governs all actions or proceedings that are pending on the
68.10 effective date of this chapter or may be instituted on the basis of conduct occurring before
68.11 the effective date of this chapter, but a civil action may not be maintained to enforce any
68.12 liability under the predecessor act unless instituted within any period of limitation that
68.13 applied when the cause of action accrued or within five years after the effective date of
68.14 this chapter, whichever is earlier.

68.15 **(b) Continued effectiveness under predecessor act. All effective registrations**
68.16 under the predecessor act, all administrative orders relating to the registrations, rules,
68.17 statements of policy, interpretative opinions, declaratory rulings, no action determinations,
68.18 and conditions imposed on the registrations under the predecessor act remain in effect
68.19 while they would have remained in effect if this chapter had not been enacted. They are
68.20 considered to have been filed, issued, or composed under this chapter, but are exclusively
68.21 governed by the predecessor act.

68.22 **(c) Applicability of predecessor act to offers or sales. The predecessor act**
68.23 exclusively applies to an offer or sale made within one year after the effective date of this
68.24 chapter pursuant to an offering made in good faith before the effective date of this chapter
68.25 on the basis of an exemption available under the predecessor act.

68.26 **Sec. 51. REPEALER.**

68.27 Minnesota Statutes 2004, sections 80A.01; 80A.02; 80A.03; 80A.04; 80A.041;
68.28 80A.05; 80A.06; 80A.07; 80A.08; 80A.09; 80A.10; 80A.11; 80A.115; 80A.12; 80A.122;
68.29 80A.125; 80A.13; 80A.14; 80A.15; 80A.16; 80A.17; 80A.18; 80A.19; 80A.22; 80A.23;
68.30 80A.24; 80A.25; 80A.26; 80A.27; 80A.28; 80A.29; 80A.30; and 80A.31, are repealed.

68.31 **Sec. 52. EFFECTIVE DATE.**

68.32 This act is effective August 1, 2007.

ARTICLE 2

CONFORMING CHANGES

69.1

69.2

69.3 Section 1. Minnesota Statutes 2004, section 60A.077, subdivision 9, is amended to
69.4 read:

69.5 Subd. 9. **Membership interests.** A membership interest in a domestic mutual
69.6 insurance holding company does not constitute a security as defined in section ~~80A.14,~~
69.7 ~~subdivision 18~~ 80A.41(28). No member of a mutual insurance holding company may
69.8 transfer or pledge membership in the mutual insurance holding company or any right
69.9 arising from the membership except as attendant to the valid transfer or assignment
69.10 of the member's policy in any reorganized company that gave rise to the member's
69.11 membership interest. A member of a mutual insurance holding company is not, as a
69.12 member, personally liable for the acts, debts, liabilities, or obligations of the company.
69.13 No assessments of any kind may be imposed upon the members of a mutual insurance
69.14 holding company by the directors or members, or because of any liability of any company
69.15 owned or controlled by the mutual insurance holding company or because of any act, debt,
69.16 or liability of the mutual insurance holding company. A member's interest in the mutual
69.17 insurance holding company shall automatically terminate upon cancellation, nonrenewal,
69.18 expiration, or termination of the member's policy in any insurance company that gave
69.19 rise to the member's membership interest.

69.20 Sec. 2. Minnesota Statutes 2004, section 82.23, is amended to read:

69.21 **82.23 EXCEPTIONS.**

69.22 Unless a person is licensed or otherwise required to be licensed under this chapter,
69.23 the term real estate broker does not include:

69.24 (a) a licensed practicing attorney if the attorney complies in all respects with the
69.25 trust account provisions of this chapter;

69.26 (b) a receiver, trustee, administrator, guardian, executor, or other person appointed
69.27 by or acting under the judgment or order of any court;

69.28 (c) any person owning and operating a cemetery and selling lots therein solely for
69.29 use as burial plots;

69.30 (d) any custodian, janitor, or employee of the owner or manager of a residential
69.31 building who leases residential units in the building;

69.32 (e) any bank, trust company, savings association, industrial loan and thrift company,
69.33 regulated lender under chapter 56, public utility, or land mortgage or farm loan association

70.1 organized under the laws of this state or the United States, when engaged in the transaction
70.2 of business within the scope of its corporate powers as provided by law;

70.3 (f) public officers while performing their official duties;

70.4 (g) employees of persons enumerated in clauses (b), (e), and (f), when engaged in
70.5 the specific performance of their duties;

70.6 (h) any person who acts as an auctioneer bonded in conformity with section 330.02,
70.7 when that person is engaged in the specific performance of duties as an auctioneer, and
70.8 when that person has been employed to auction real estate by a person licensed under this
70.9 chapter or when the auctioneer has engaged a licensed attorney to supervise the real
70.10 estate transaction;

70.11 (i) any person who acquires real estate for the purpose of engaging in and does
70.12 engage in, or who is engaged in the business of constructing residential, commercial or
70.13 industrial buildings for the purpose of resale if no more than 25 such transactions occur in
70.14 any 12-month period and the person complies with section 82.50;

70.15 (j) any person who is licensed as a securities broker-dealer or is licensed as a
70.16 securities agent representing a broker-dealer pursuant to chapter 80A and who offers to
70.17 sell or sells an interest or estate in real estate which is a security as defined in section
70.18 ~~80A.14, subdivision 18~~ 80A.41(28), and is registered or exempt from registration or part
70.19 of a transaction exempt from registration pursuant to chapter 80A, when acting solely as
70.20 an incident to the sale of these securities;

70.21 (k) any person who offers to sell or sells a business opportunity which is a franchise
70.22 registered pursuant to chapter 80C, when acting solely to sell the franchise;

70.23 (l) any person who contracts with or solicits on behalf of a provider a contract
70.24 with a resident or prospective resident to provide continuing care in a facility, pursuant
70.25 to the Continuing Care Facility Disclosure and Rehabilitation Act (chapter 80D), when
70.26 acting solely as incident to the contract;

70.27 (m) any broker-dealer or agent of a broker-dealer when participating in a transaction
70.28 in which all or part of a business opportunity or business, including any interest therein, is
70.29 conveyed or acquired pursuant to an asset purchase, merger, exchange of securities, or
70.30 other business combination, if the agent or broker-dealer is licensed pursuant to chapter
70.31 80A;

70.32 (n) an accountant acting incident to the practice of the accounting profession if the
70.33 accountant complies in all respects with the trust account provisions of this chapter.

70.34 Sec. 3. Minnesota Statutes 2004, section 82.43, subdivision 7, is amended to read:

71.1 Subd. 7. **Application for recovery.** When any aggrieved person obtains a final
71.2 judgment in any court of competent jurisdiction regardless of whether the judgment
71.3 has been discharged by a bankruptcy court against an individual licensed under this
71.4 chapter, on grounds of fraudulent, deceptive, or dishonest practices, or conversion of
71.5 trust funds arising directly out of any transaction when the judgment debtor was licensed
71.6 and performed acts for which a license is required under this chapter, or performed acts
71.7 permitted by section 327B.04, subdivision 5, the aggrieved person may, upon the judgment
71.8 becoming final, and upon termination of all proceedings, including reviews and appeals,
71.9 file a verified application in the court in which the judgment was entered. The application
71.10 shall state with specificity the grounds upon which the application seeks to recover from
71.11 the fund, and request an order directing payment out of the fund of the amount of actual
71.12 and direct out of pocket loss in the transaction, but excluding any attorney's fees, interest
71.13 on the loss and on any judgment obtained as a result of the loss, up to the sum of \$150,000
71.14 of the amount unpaid upon the judgment, provided that nothing in this chapter shall be
71.15 construed to obligate the fund for more than \$150,000 per claimant, per transaction,
71.16 subject to the limitations set forth in subdivision 14, regardless of the number of persons
71.17 aggrieved or parcels of real estate involved in the transaction, provided that regardless
71.18 of the number of claims against a licensee, nothing in this chapter may obligate the fund
71.19 for more than \$250,000 per licensee. An aggrieved person who has a cause of action
71.20 under section ~~80A.23~~ 80A.76 shall first seek recovery as provided in section ~~80A.05~~,
71.21 ~~subdivision 5~~ 80A.66(e), before the commissioner may order payment from the recovery
71.22 fund. For purposes of this section, persons who are joint tenants or tenants in common are
71.23 deemed to be a single claimant. A copy of the verified application shall be served upon
71.24 the commissioner and upon the judgment debtor, and a certificate or affidavit of service
71.25 filed with the court. For the purpose of this section, "aggrieved person" does not include
71.26 a government agency, financial institution, or other entity that purchases, guarantees, or
71.27 insures a loan secured by real estate, and does not include a licensee unless (1) the licensee
71.28 is acting in the capacity of principal in the sale of interests in real property owned by the
71.29 licensee; or (2) the licensee is acting in the capacity of principal in the purchase of interests
71.30 in real property to be owned by the licensee. Under no circumstances shall a licensee be
71.31 entitled to payment under this section for the loss of a commission or similar fee.

71.32 For the purposes of this section, recovery is limited to transactions where the property
71.33 involved is intended for the direct personal habitation or commercial use of the buyer.

71.34 Except for securities permitted to be sold by a licensee pursuant to section 82.41,
71.35 subdivision 8, for any action commenced after July 1, 1993, recovery under this section

72.1 is not available where the buyer's participation is for investment purposes only, and is
72.2 limited to providing capital to fund the transaction.

72.3 Sec. 4. Minnesota Statutes 2004, section 144A.01, subdivision 4, is amended to read:

72.4 Subd. 4. **Controlling person.** "Controlling person" means any public body,
72.5 governmental agency, business entity, officer, nursing home administrator, or director
72.6 whose responsibilities include the direction of the management or policies of a nursing
72.7 home. "Controlling person" also means any person who, directly or indirectly, beneficially
72.8 owns any interest in:

72.9 (a) Any corporation, partnership or other business association which is a controlling
72.10 person;

72.11 (b) The land on which a nursing home is located;

72.12 (c) The structure in which a nursing home is located;

72.13 (d) Any mortgage, contract for deed, or other obligation secured in whole or part by
72.14 the land or structure comprising a nursing home; or

72.15 (e) Any lease or sublease of the land, structure, or facilities comprising a nursing
72.16 home.

72.17 "Controlling person" does not include:

72.18 (a) A bank, savings bank, trust company, savings association, credit union, industrial
72.19 loan and thrift company, investment banking firm, or insurance company unless the entity
72.20 directly or through a subsidiary operates a nursing home;

72.21 (b) An individual state official or state employee, or a member or employee of the
72.22 governing body of a political subdivision of the state which operates one or more nursing
72.23 homes, unless the individual is also an officer or director of a nursing home, receives any
72.24 remuneration from a nursing home, or owns any of the beneficial interests not excluded
72.25 in this subdivision;

72.26 (c) A natural person who is a member of a tax-exempt organization under section
72.27 290.05, subdivision 1, clause (i), unless the individual is also an officer or director of a
72.28 nursing home, or owns any of the beneficial interests not excluded in this subdivision; and

72.29 (d) A natural person who owns less than five percent of the outstanding common
72.30 shares of a corporation:

72.31 (1) whose securities are exempt by virtue of section ~~80A.15, subdivision 1, clause (f)~~
72.32 80A.45(6); or

72.33 (2) whose transactions are exempt by virtue of section ~~80A.15, subdivision 2, clause~~
72.34 ~~(b)~~ 80A.46(7).

73.1 Sec. 5. Minnesota Statutes 2004, section 245A.02, subdivision 5a, is amended to read:

73.2 Subd. 5a. **Controlling individual.** "Controlling individual" means a public body,
73.3 governmental agency, business entity, officer, owner, or managerial official whose
73.4 responsibilities include the direction of the management or policies of a program. For
73.5 purposes of this subdivision, owner means an individual who has direct or indirect
73.6 ownership interest in a corporation, partnership, or other business association issued a
73.7 license under this chapter. For purposes of this subdivision, managerial official means
73.8 those individuals who have the decision-making authority related to the operation of
73.9 the program, and the responsibility for the ongoing management of or direction of the
73.10 policies, services, or employees of the program. Controlling individual does not include:

73.11 (1) a bank, savings bank, trust company, savings association, credit union, industrial
73.12 loan and thrift company, investment banking firm, or insurance company unless the entity
73.13 operates a program directly or through a subsidiary;

73.14 (2) an individual who is a state or federal official, or state or federal employee, or a
73.15 member or employee of the governing body of a political subdivision of the state or
73.16 federal government that operates one or more programs, unless the individual is also an
73.17 officer, owner, or managerial official of the program, receives remuneration from the
73.18 program, or owns any of the beneficial interests not excluded in this subdivision;

73.19 (3) an individual who owns less than five percent of the outstanding common
73.20 shares of a corporation:

73.21 (i) whose securities are exempt under section ~~80A.15, subdivision 1, clause (f)~~
73.22 80A.45(6); or

73.23 (ii) whose transactions are exempt under section ~~80A.15, subdivision 2, clause (b)~~
73.24 80A.46(2); or

73.25 (4) an individual who is a member of an organization exempt from taxation under
73.26 section 290.05, unless the individual is also an officer, owner, or managerial official of
73.27 the program or owns any of the beneficial interests not excluded in this subdivision. This
73.28 clause does not exclude from the definition of controlling individual an organization that
73.29 is exempt from taxation.

73.30 Sec. 6. Minnesota Statutes 2004, section 302A.011, subdivision 26, is amended to read:

73.31 Subd. 26. **Security.** "Security" has the meaning given it in section ~~80A.14,~~
73.32 ~~subdivision 18~~ 80A.41(28).

73.33 Sec. 7. Minnesota Statutes 2004, section 302A.251, subdivision 4, is amended to read:

74.1 Subd. 4. **Elimination or limitation of liability.** A director's personal liability to the
 74.2 corporation or its shareholders for monetary damages for breach of fiduciary duty as a
 74.3 director may be eliminated or limited in the articles. The articles shall not eliminate or
 74.4 limit the liability of a director:

74.5 (a) for any breach of the director's duty of loyalty to the corporation or its
 74.6 shareholders;

74.7 (b) for acts or omissions not in good faith or that involve intentional misconduct
 74.8 or a knowing violation of law;

74.9 (c) under section 302A.559 or ~~80A.23~~ 80A.76;

74.10 (d) for any transaction from which the director derived an improper personal benefit;

74.11 or

74.12 (e) for any act or omission occurring prior to the date when the provision in the
 74.13 articles eliminating or limiting liability becomes effective.

74.14 Sec. 8. Minnesota Statutes 2004, section 308A.505, is amended to read:

74.15 **308A.505 SUBJECT TO SECURITIES LAW.**

74.16 Cooperatives are subject to the provisions of chapter 80A, except as specifically
 74.17 provided in ~~section 80A.15~~ sections 80A.45 and 80A.46.

74.18 Sec. 9. Minnesota Statutes 2004, section 308B.465, subdivision 2, is amended to read:

74.19 Subd. 2. **Restrictions on liability limitation.** The articles or bylaws may not
 74.20 eliminate or limit the liability of a director:

74.21 (1) for a breach of the director's duty of loyalty to the cooperative or its members;

74.22 (2) for acts or omissions that are not in good faith or involve intentional misconduct
 74.23 or a knowing violation of law;

74.24 (3) for knowing violations of securities laws ~~under section 80A.23~~ or for illegal
 74.25 distributions;

74.26 (4) for a transaction from which the director derived an improper personal benefit; or

74.27 (5) for an act or omission occurring before the date when the provision in the articles
 74.28 or bylaws eliminating or limiting liability becomes effective.

74.29 Sec. 10. Minnesota Statutes 2004, section 322B.03, subdivision 43, is amended to read:

74.30 Subd. 43. **Security.** "Security" has the meaning given it in section ~~80A.14,~~
 74.31 ~~subdivision 18~~ 80A.41(28).

74.32 Sec. 11. Minnesota Statutes 2004, section 322B.663, subdivision 4, is amended to read:

75.1 Subd. 4. **Elimination or limitation of liability.** A governor's personal liability to
75.2 the limited liability company or its members for monetary damages for breach of fiduciary
75.4 duty as a governor may be eliminated or limited in the articles of organization or a
75.5 member control agreement. Neither the articles nor a member control agreement may
75.6 eliminate or limit the liability of a governor:

75.6 (1) for any breach of the governor's duty of loyalty to the limited liability company
75.7 or its members;

75.8 (2) for acts or omissions not in good faith or that involve intentional misconduct
75.9 or a knowing violation of law;

75.10 (3) under section ~~80A.23~~ 80A.76 or 322B.56;

75.11 (4) for any transaction from which the governor derived an improper personal
75.12 benefit; or

75.13 (5) for any act or omission occurring before the date when the provision in the
75.14 articles of organization or a member control agreement eliminating or limiting liability
75.15 becomes effective.

75.16 Sec. 12. Minnesota Statutes 2004, section 356A.06, subdivision 6, is amended to read:

75.17 Subd. 6. **Limited list of authorized investment securities.** (a) Except to the
75.18 extent otherwise authorized by law, a covered pension plan may invest its assets only in
75.19 investment securities authorized by this subdivision if the plan does not:

75.20 (1) have assets with a book value in excess of \$1,000,000;

75.21 (2) use the services of an investment advisor registered with the Securities and
75.22 Exchange Commission in accordance with the Investment Advisers Act of 1940, or
75.23 ~~licensed~~ registered as an investment advisor in accordance with sections ~~80A.04,~~

75.24 ~~subdivision 4~~ 80A.58, and ~~80A.14, subdivision 9~~ 80A.59, for the investment of at least 60
75.25 percent of its assets, calculated on book value;

75.26 (3) use the services of the State Board of Investment for the investment of at least 60
75.27 percent of its assets, calculated on book value; or

75.28 (4) use a combination of the services of an investment advisor meeting the
75.29 requirements of clause (2) and the services of the State Board of Investment for the
75.30 investment of at least 75 percent of its assets, calculated on book value.

75.31 (b) Investment securities authorized for a pension plan covered by this subdivision
75.32 are:

75.33 (1) certificates of deposit issued, to the extent of available insurance or
75.34 collateralization, by a financial institution that is a member of the Federal Deposit
75.35 Insurance Corporation or the Federal Savings and Loan Insurance Corporation, is insured

76.1 by the National Credit Union Administration, or is authorized to do business in this state
76.2 and has deposited with the chief administrative officer of the plan a sufficient amount of
76.3 marketable securities as collateral in accordance with section 118A.03;

76.4 (2) savings accounts, to the extent of available insurance, with a financial institution
76.5 that is a member of the Federal Deposit Insurance Corporation or the Federal Savings
76.6 and Loan Insurance Corporation;

76.7 (3) governmental obligations, including bonds, notes, bills, or other fixed
76.8 obligations, issued by the United States, an agency or instrumentality of the United States,
76.9 an organization established and regulated by an act of Congress or by a state, state agency
76.10 or instrumentality, municipality, or other governmental or political subdivision that:

76.11 (i) for the obligation in question, issues an obligation that equals or exceeds the
76.12 stated investment yield of debt securities not exempt from federal income taxation and of
76.13 comparable quality;

76.14 (ii) for an obligation that is a revenue bond, has been completely self-supporting
76.15 for the last five years; and

76.16 (iii) for an obligation other than a revenue bond, has issued an obligation backed by
76.17 the full faith and credit of the applicable taxing jurisdiction and has not been in default on
76.18 the payment of principal or interest on the obligation in question or any other nonrevenue
76.19 bond obligation during the preceding ten years;

76.20 (4) corporate obligations, including bonds, notes, debentures, or other regularly
76.21 issued and readily marketable evidences of indebtedness issued by a corporation organized
76.22 under the laws of any state that during the preceding five years has had on average
76.23 annual net pretax earnings at least 50 percent greater than the annual interest charges
76.24 and principal payments on the total issued debt of the corporation during that period
76.25 and that, for the obligation in question, has issued an obligation rated in one of the top
76.26 three quality categories by Moody's Investors Service, Incorporated, or Standard and
76.27 Poor's Corporation; and

76.28 (5) shares in an open-end investment company registered under the federal
76.29 Investment Company Act of 1940, if the portfolio investments of the company are limited
76.30 to investments that meet the requirements of clauses (1) to (4).

adopted

- 1.1 Senator *Scheid* moves to amend S.F. No. 2319, the first engrossment, as
- 1.2 follows:
- 1.3 Page 57, delete lines 14 to 18

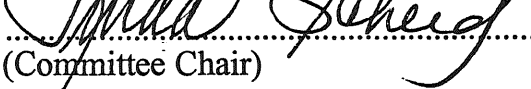
1.1 **Senator Scheid from the Committee on Commerce, to which was re-referred**

1.2 **S.F. No. 2319:** A bill for an act relating to securities; enacting and modifying the
1.3 2002 Uniform Securities Act of the National Conference of Commissioners on Uniform
1.4 State Laws; prescribing criminal penalties; amending Minnesota Statutes 2004, sections
1.5 60A.077, subdivision 9; 82.23; 82.43, subdivision 7; 144A.01, subdivision 4; 245A.02,
1.6 subdivision 5a; 302A.011, subdivision 26; 302A.251, subdivision 4; 308A.505; 308B.465,
1.7 subdivision 2; 322B.03, subdivision 43; 322B.663, subdivision 4; 356A.06, subdivision 6;
1.8 proposing coding for new law in Minnesota Statutes, chapter 80A; repealing Minnesota
1.9 Statutes 2004, sections 80A.01; 80A.02; 80A.03; 80A.04; 80A.041; 80A.05; 80A.06;
1.10 80A.07; 80A.08; 80A.09; 80A.10; 80A.11; 80A.115; 80A.12; 80A.122; 80A.125; 80A.13;
1.11 80A.14; 80A.15; 80A.16; 80A.17; 80A.18; 80A.19; 80A.22; 80A.23; 80A.24; 80A.25;
1.12 80A.26; 80A.27; 80A.28; 80A.29; 80A.30; 80A.31.

1.13 Reports the same back with the recommendation that the bill be amended as follows:

1.14 Page 57, delete lines 14 to 18

1.15 And when so amended the bill do pass and be re-referred to the Committee on State
1.16 and Local Government Operations. Amendments adopted. Report adopted.

1.17 
1.18 (Committee Chair)

1.19 March 13, 2006
1.20 (Date of Committee recommendation)

Senator Fischbach introduced—

S.F. No. 2527: Referred to the Committee on Commerce.

1.2 A bill for an act
 1.3 relating to town mutual insurance companies; clarifying an exception to
 1.4 restriction on insuring property in second class cities; amending Minnesota
 Statutes 2004, section 67A.14, subdivision 5.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2004, section 67A.14, subdivision 5, is amended to read:

1.7 Subd. 5. **What may not be insured; property outside designated territory;**
 1.8 **exceptions.** (a) No township mutual insurance company shall insure any property in
 1.9 cities of the first or second class.

1.10 (b) If by annexation or other growth in population a city, town, township or
 1.11 unorganized territory or any portion thereof is reclassified into a city of the second class, a
 1.12 township mutual insurance company may ~~continue to~~ do business in that portion of the
 1.13 city in which it was authorized to do business prior to the reclassification.

1.14 (c) A township mutual insurance company may insure any real or personal property,
 1.15 including qualified or secondary property, subject to the limitations in subdivision 1,
 1.16 paragraph (b), located outside of the limits of the territory in which the company is
 1.17 authorized by its certificate or articles of incorporation to transact business, if the company
 1.18 is already covering qualified property belonging to the insured, inside the limits of the
 1.19 company's territory.

1.20 (d) A township mutual fire insurance company may insure property temporarily
 1.21 outside of the authorized territory of the township mutual insurance company.

1.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.1 **Senator Scheid from the Committee on Commerce, to which was referred**

1.2 **S.F. No. 2527:** A bill for an act relating to town mutual insurance companies;
1.3 clarifying an exception to restriction on insuring property in second class cities; amending
Minnesota Statutes 2004, section 67A.14, subdivision 5.

1.5 Reports the same back with the recommendation that the bill do pass. Report
1.6 adopted.



.....
(Committee Chair)

March 13, 2006
(Date of Committee recommendation)

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
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JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 2523 - Shamrock Township Branch Bank

Author: Senator Tom Saxhaug
Prepared by: Christopher B. Stang, ^{CBS} Senate Counsel (651/296-0539)
Date: March 8, 2006

Section 1 permits a bank that has its main office in the city of McGregor to open a branch bank in Shamrock Township. Legislative action is required for a bank to open a branch in a township. Requires the establishment of this branch to go through the usual Department of Commerce procedures for approval of a new branch, except where those procedures are inconsistent with this bill. Requires approval of the Shamrock Town Board in order for this bill to become effective.

CBS:cs

TOWN OF SHAMROCK
AITKIN COUNTY, MINNESOTA
RESOLUTION NO. 2006- 2

Support of Special Legislation to allow a detached facility
of the State Bank of McGregor in the Town of Shamrock

Introduced by Nancy Karjalahti, Town Board Supervisor

WHEREAS, the State Bank of McGregor, a bank operating its principal office in the City of McGregor, with prior approval of the commissioner of commerce would like to establish and maintain a detached facility in the Township of Shamrock of Aitkin County.

WHEREAS, McGregor State Bank will follow the approval procedure prescribed in Minnesota Statutes, section 47.54,

WHEREAS, the establishment of a detached facility under this section is subject to Minnesota Statutes, sections 47.51 to 47.57, except to the extent those sections are inconsistent with this section.

NOW THEREFORE, BE IT RESOLVED, that the Shamrock Town Board hereby supports special legislation be introduced and passed to allow for the establishment of a detached facility by the State Bank of McGregor in the Township of Shamrock in Aitkin County, Minnesota.

Town Board Supervisor Charles Quale moved the adoption of the resolution and it was declared adopted upon the following vote:

Nancy Karjalahti, Board Chairperson yes

Charles Quale, Supervisor yes

Ron Smith, Supervisor yes

Approved by the Town Board of the Town of Shamrock this 9th day of February 2006.

Attest:

TOWN OF SHAMROCK

Candace Bartel

Candace Bartel
Town Clerk

Nancy Karjalahti

Nancy Karjalahti
Board Chairperson

STATE OF MINNESOTA)
County of Aitkin) ss.
Office of Shamrock Township,

I, Candace Bartel, Clerk of Shamrock Township, of the County of Aitkin, do hereby certify that I have compared the foregoing with the original resolution filed in my office on the 9th of February, 2006, and that the same is a true and correct copy of the whole thereof.

WITNESS MY HAND AND SEAL OF OFFICE at Shamrock Township, Aitkin County this 9th day of February 2006, A.D.

Candace Bartel

Candace Bartel

Senators Saxhaug, Scheid, Sparks and Metzen introduced—
S.F. No. 2523: Referred to the Committee on Commerce.

1.1 A bill for an act
1.2 relating to financial institutions; authorizing a detached facility in Shamrock
1.3 Township under certain conditions.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. SHAMROCK TOWNSHIP; DETACHED BANKING FACILITY.

1.6 (a) With prior approval of the commissioner of commerce, a bank operating its
1.7 principal office in the city of McGregor may establish and maintain not more than one
1.8 detached facility in Shamrock Township. A bank desiring to establish such a detached
1.9 facility must follow the approval procedure prescribed in Minnesota Statutes, section
1.10 47.54. The establishment of a detached facility under this section is subject to Minnesota
1.11 Statutes, sections 47.51 to 47.57, except to the extent those sections are inconsistent
1.12 with this section.

1.13 (b) Paragraph (a) is effective the day after compliance by the governing body of
1.14 Shamrock Township with Minnesota Statutes, section 645.021, subdivision 3.

1.1 **Senator Scheid from the Committee on Commerce, to which was referred**

1.2 **S.F. No. 2523: A bill for an act relating to financial institutions; authorizing a**
1.3 **detached facility in Shamrock Township under certain conditions.**

1.4 Reports the same back with the recommendation that the bill do pass and be placed
1.5 on the Consent Calendar. Report adopted.

1.6 
1.7 (Committee Chair)

1.8 March 13, 2006
1.9 (Date of Committee recommendation)

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
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JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 2575 - International Marriage Brokers

Author: Senator Sandra L. Pappas

Prepared by: Matthew S. Grosser, Senate Research (651/296-1890) *MG*

Date: March 9, 2006

The bill proposes a new section in consumer protection law regulating international marriage brokers.

Subdivision 1 provides definitions.

Subdivision 2 requires the Commissioner of Public Safety, in consultation with others, to prepare a form providing information on "basic rights," including human rights, immigration and emergency assistance and resources, and victim rights under Minnesota law with regard to domestic violence.

Subdivision 3 requires international marriage brokers to obtain consent prior to the release of any individual contact information.

Subdivision 4 requires international marriage brokers to obtain basic rights information, and criminal and marital history information regarding a client, prior to applying for a foreign fiancé or fiancée visa.

Subdivision 5 requires international marriage brokers to provide the information required in subdivision 4 to the recruit in their native language.

Subdivision 6 requires international marriage brokers to comply with out-of-state business entity and assumed name filing requirements in Minnesota statutes.

Subdivision 7 requires international marriage brokers to retain records showing compliance with this section.

Subdivision 8 deems an international marriage broker to be doing business in the state if it contracts for service with a state resident.

Subdivision 9 permits the Attorney General or appropriate county attorney to bring enforcement action with penalties up to \$20,000 for violations of this section.

MSG:cs

For Better, Then Worse

Love, marriage, and the maddening plight of a Russian bride

by David Schimke

In spite of the Herculean efforts of the computer wizards downstairs, we still get reams of spam on our server. A few weeks ago, a bunch of us started receiving e-mails with the subject line, "For better or worse, Russian brides work," containing a web link to a mail-order marriage site, complete with Kmart-quality glamour shots, a numerical rating system (with one being "plain," and 10 "ready to model"), and answers to what I can only assume are the most frequently asked questions.

Why date or marry a Russian woman?: American women can have attitudes that are difficult to deal with. They are often demanding and hard to please. Russian women on the other hand are so unspoiled. In many less-developed countries, like countries of the former Soviet Union, women have a much lower social status than men. Russian men are often abusive and disrespectful toward women. This is what Russian women are used to. Compared to that, the life you can give her will make her happy and grateful.

Normally, I would have sent the message straight to the virtual trash heap, but having just interviewed a Russian native named Tatiana, who was introduced to me by local immigration attorney Sonseere Goldenberg, it was harder to dismiss the site as just another insignificant, albeit sickening, sign of the times.

Goldenberg, who spends 10 hours a week doing work for a St. Paul-based nonprofit called Civil Society, says that local shelters for battered women are crowded with Eastern European women like Tatiana who met and married men from the U.S. via online dating services or mail-order bride schemes. There's no available data documenting how many women have left that part of the world--often to escape poverty or some form of persecution--only to find themselves subject to abuse, servitude, or sexual slavery. Over the last 18 months, though, Civil Society has taken on at least three clients a week whose experiences are similar to Tatiana's--women who are seeking asylum and hoping to keep the legal immigration status that was initially sponsored by their citizen husbands. And these clients represent just a very small sampling of the women in Minnesota who have dared to come forward. A congressional study done in the early '90s estimates that 70 percent of those women whose immigration status is dependent upon their husbands suffer some form of "battery or extreme cruelty."

The Violence Against Women Act (VAWA), which was passed in 1994 in large part because of lobbying work done by the late Sheila Wellstone, allows a foreign spouse or child who is being abused to file for legal immigration status without the knowledge or involvement of the husband. Oftentimes, though, women from other countries don't know anything about VAWA--or, if they do, don't have the language skills to take advantage of the law without the help of a lawyer.

That's why groups like Civil Society, which conduct clinics and do immigrant outreach in community centers or social service agencies around the state, are so crucial. "The advocates we work with are often the only people that women can trust; they are of their own culture, speak their language, and many even know them personally," Miller explains. "It usually takes that amount of trust for these women to come forward."

Once a woman does cry for help, capable attorneys such as Goldenberg are available to usher them through a legal labyrinth presided over by the Bureau of Citizenship and Immigration Services; that agency, formerly known as the INS, was made an integral part of the Department of Homeland Security by Attorney General John Ashcroft in late January. Hypothetically, the system is supposed to take its cue from VAWA, and err on the side

of protecting the abused. Since 9/11, however, the process has been bogged down by bureaucracy and paranoia, leaving the status of a number of women in limbo while their applications crawl through the system. "Even if you do everything right," Goldenberg complains, "Immigration Services just isn't equipped to handle the volume, and women are getting stuck."

In other words, while the nation wrings its hands over the status of 18-to-34-year-old males, abused women are being pushed to the back of the line. "Things have definitely gotten more difficult post-9/11," Miller says. "There are more delays and much more scrutiny. And, yes, I fear that it will only get harder."

To make matters worse, state budget cuts are playing havoc with the social service agencies Civil Society depends on to help reach victims. "People on the frontlines are being eliminated," Miller concludes. "For instance, we do work at the Fifth District Planning Council in St. Paul. Three years ago, there were three full-time employees there. Now there is an executive director, and no one else. We just have a key and use the space. So that means that the net those people cast--one man who worked there was Hmong--is no longer there. We can use the site, but it's not nearly as valuable.

"We are a group of lawyers, mostly, so we are not poised to be on those front lines alone. We are not automatically trusted. We don't speak Hmong or Spanish or Russian."

"When I came here, I suddenly had no money. I had no rights. We were trapped like animals. Now, it is just like Soviet Union. It is just the same. I've done nothing wrong and I have been turned into a prisoner."

The agency for battered women that has been housing Tatiana since August requires that no one but authorized personnel see the houses where client families are placed in groups of two or three. The first time we are to meet, I'm told to look for her at a bucolic park in the southern suburbs.

Tatiana is easy to spot among the softball players and joggers who are sweating out the winter on an unusually warm spring day. Sitting alone at a picnic table, the 40-year-old, who is shielding her eyes from the sun, is wearing a long wool dress and brown silk scarf. When she recalls her first day in America, she wraps her arms around her shoulders and shivers.

She met her 44-year-old, soon-to-be ex-husband Andy online in June 2001, through the personals on Yahoo. After exchanging introductions, they began to correspond twice daily via e-mail, and then, eventually, five times a week on the phone, for an hour at a time. Andy, who was working for a small Internet start-up, always paid the tab, and seemed "sweet," Tatiana recalled. She was smitten. Four months later, Andy announced that he would be coming to Moscow. Before leaving Minneapolis he picked out a diamond engagement ring.

In November 2001, the two exchanged vows at "Wedding Palace Number 4" in Moscow. After the ceremony, which a family friend captured on video, one of Tatiana's cousins commented that the couple seemed lost in a fairy tale, their eyes "shining with love."

Five months later, their paperwork finally in order, Tatiana and her 14-year-old son Yuri traveled to Minnesota with only two suitcases and a sewing machine. When they arrived at Andy's apartment, Tatiana knew immediately that she had made a "horrible mistake."

"I couldn't imagine something could be so dirty--all the floor just one big stain," she remembers. Mother and son cleaned for days, but failed to scrub away the rancid smell.

When Tatiana asked if she could look for a job, Andy said he would only allow her to work where he worked, so he could "keep an eye on her." On the rare occasions when they did leave home, Andy angrily insisted that Tatiana was looking at other men. She was not allowed to use the phone or correspond with her family online.

When he left town on business for days at a time, he would disconnect the computer and leave just enough money for staples such as milk and peanut butter. During one of Andy's trips in July 2002, however, Tatiana managed to talk to a friend who had also come from Russia (and who had just escaped an abusive relationship). She told Tatiana that there was a battered women's shelter in the area, where there would be someone who would understand her problem and who could help her leave Andy while remaining in the country. Tatiana wrote down the phone number and hid it away.

When he returned from his trips, Andy would be kind for a day or two, then a rage would "grow inside of him." One night in early August, after failing to get an erection, Andy began shouting threats and demanding Tatiana have sex with him every day. A few nights later, when Tatiana refused, he went to a hall closet and retrieved a small club used to stun fish. He swung it over her head for what seemed like an eternity, screaming over and over for her to "fuck" him. Eventually he threw it across the room, putting a dent in the wall.

"The next morning I called number and said, 'Please help me,'" Tatiana says, wiping tears from her eyes. "I really loved this man. Then something went wrong in his head. He was going to hurt me or my boy."

Taking advantage of legal services Civil Society had made available at the shelter, Tatiana was able to secure a restraining order within a few weeks. She also filed papers for divorce (which Andy still hasn't signed). Thanks to VAWA and Goldenberg's counsel, Tatiana's self-petition for an immigrant visa has been approved.

Unfortunately, backlog at the BCIS has kept Tatiana without a work visa for nearly nine months. As I write this, she has been unable to work for over a year, even though the process is only supposed to take four to six weeks. So, assuming the shelter stays open (which these days is certainly not a given), she and her son will continue to share a small space--and a fear of the unknown--with two other displaced families.

"[Andy] is like spy. He's brave only with me, no police," she says. "But if he finds out where I am, I don't know what feelings will be stronger, his fear or his anger."

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Those who would give up essential Liberty, to purchase a little temporary Safety, deserve neither Liberty nor Safety. - Benjamin Franklin



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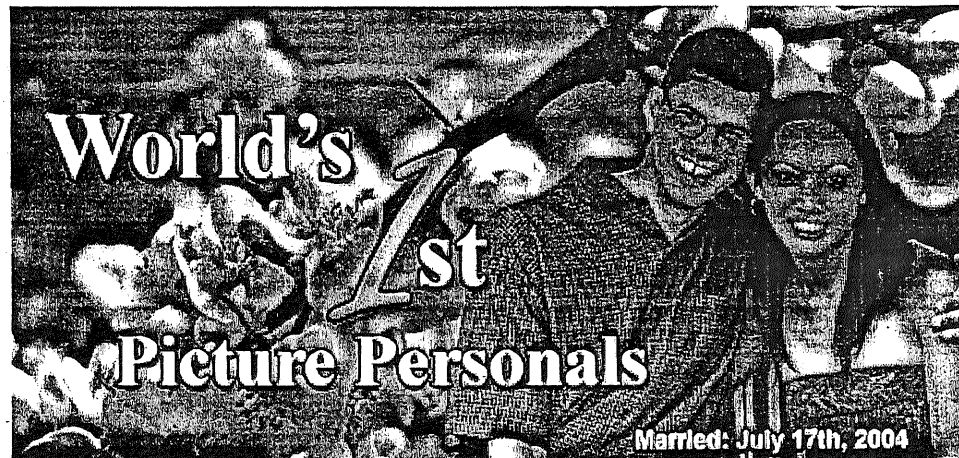
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Press Office U.S. Department of Homeland Security
Press Release...

USCIS REMINDS APPLICANTS FOR ADJUSTMENT OF STATUS TO OBTAIN ADVANCE PAROLE BEFORE HOLIDAY AND SUMMER TRAVEL ABROAD WASHINGTON, DC - U. S. Citizenship and Immigration Service (USCIS) reminds individuals with an application for adjustment of status to that of lawful permanent resident, an application for relief under the NACARA 203, or a pending asylum application, that they must obtain Advance Parole by filing Form I-131 Application for Travel Document (available online at www.uscis.gov) with the USCIS before traveling abroad (see USCIS Travel Advisory Questions and Answers). Advance Parole is permission to re-enter the United States after traveling abroad in order to continue processing for adjustment of status. Such individuals must be approved for Advance Parole before leaving the United States. Travel outside of the United States without advance parole may have severe consequences for certain individuals who are in the process of adjusting their status. Such individuals may be unable to return to the United States, their applications may be denied, or both.



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International Singles Service: Find your perfect Bride or Groom on our web site at www.Blossoms.com Today...

Cherry Blossoms is the company who started the business of helping Single men and women seek heterosexual (man and woman) International love and marriage online as well as in paper publications back in 1974—we are not just another web portal for advertisers, we are the real deal.

Cherry Blossoms?has helped more than 50,000 men and women find and marry by publishing a personal photo ad for them, we have done this since 1974. Our 50,000 members who found success were serious about finding a life mate, and if you are too, you too can find your true love. Our International Personals Web Site has a wide range of carefully reviewed personal ads including Asian women, Russian women, Latin

"With a travel reminder, we wish to encourage our USCIS customers to be aware of the immigration travel requirements before making holiday or summer travel plans to their home country," said Eduardo Aguirre, Director of USCIS.

Applicants can apply for Advance Parole by following the instructions for filing Form I-131, which can be found online at www.uscis.gov or obtained from a local USCIS district office or a USCIS Service Center. Because processing time for Form I-131 varies from 60 to 150 days, applicants planning to travel abroad should plan ahead due to the busy summer travel season.

Note:

Under the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, aliens who depart the United States after being unlawfully present in the United States for extended periods of time can be barred from admission to lawful permanent resident status, even if they have obtained Advance Parole prior to departure. Those aliens who have been unlawfully present in the United States for more than 180 days but less than one year are inadmissible for three years; those aliens who have been unlawfully present for a year or more are inadmissible for 10 years. Aliens who are unlawfully present, depart the U.S., and subsequently reenter under a grant of parole, may nevertheless be ineligible to adjust their status.

USCIS urges all aliens with pending applications for adjustment of status to consult an immigration attorney, immigration assistance organization accredited by the Board of Immigration Appeals, the USCIS National Customer Service Center at 1-800-375-5283, or the USCIS web site: www.uscis.gov before making any foreign travel plans.

- USCIS -

February 23, 2005 www.uscis.gov

women, Filipina women, American men, Canadian men, European men and Spanish men. Are you the foreign spouse they are looking for?

To go from being just pen-pals to meeting your perfect mate and eventually your foreign bride or groom, for the next stages of romance, requires services we have specialized in since 1974. Our well-known romance tours have personal guides who make it easier to meet your choices from among thousands of potential foreign brides. Plus, we are a world leader in total immigration services so we can offer excellent immigration support.

In the early 1900's there were services named "mail order brides" and they provided a way for men isolated by the areas they lived in to write to potential Asian brides. Now with the Internet our modern version of "mail order brides" publishes personal photo ads online, then gives our clients all the guidance and support they need to make the dream of a loving relationship ring true. By communicating thru writing as pen pals, a prospective couple learns so much about each other without dealing with some of the awkwardness, or timidity associated with seeking mates in person. Every year, more than 2,000 men and foreign women use our service to write, meet, date, immigrate, marry, and then thank us for helping!

Full Service: Pen Pals to Romance Tours to Immigration Help.

Our experienced agency provides for all your needs, with many unique advantages: A huge selection of active single and divorced men and women from around the world for online access to possible spouses, typically: Russian women, Asian women, Filipino women, Latin American women, Russian bride, Ukrainian Bride, European men, Canadian men, American men, and British men. .

100% of our members have internet access from either work, home or cafes. We check the content for validity all of our personal ads daily.

Unique, 1-on-1 guidance, translations, and we introduce you to many single women offered by our agents on Romance Tours to Peru, China, The Phillipines, and Thailand, and Vietnam. With our tours, over 80% of the clients who use our tour services get engaged and are married within a year of their tour.

Our agents provide any translator help you may need.

We can help you and your fiancée or spouse get in to the United States ASAP. Our counselors for immigration help to make it easy to handle all the paperwork. You will almost never need a lawyer, which can save thousands of dollars.

We are the only international singles service that has been in continuous operation since 1974. Our 50,000+ marriages, with over 2,000 more each year speaks for itself. We really know what we are doing and have the experience and results to prove it.

Pen Pal Advice

Pen Pal Advice We will expand your choices of potential foreign brides. The success of our clients factors on communicating their intentions and their personality. This is best done with well-chosen words in writing your letters, online chat "campaigns," and of course emailing. This time and effort spent wisely on this key task pays off handsomely by giving you more choices.

Make sure you know what's really most important to you. Take the time that you need to get to know them. Do not be in a hurry or you may sound desperate about love, which is not very appealing. Talk about real things such as health, happiness, love, family or spiritual progress. In doing so, you will screen out most of the people who have other ideas besides love and marriage and then be able to find your love sooner.

Excitement of the Tours


Our romance tours offer benefits both to those who have corresponded online as well

as those who do not feel that sending email messages or using our online chat service is right for them. We've been in the romance-for-love tour business for over 30 years as well and over 80% of the men who go on our tours come back either engaged or married within a year of the tour. For more details, after you register, click on our Romance Tours. Currently: China (Shenzhen), Peru (Lima), Philippines (Cebu City), Thailand (Bangkok) and Vietnam (Ho Chi Min City).

On our Basic Tour, you will select 50 to 75 women you'd like to meet from our listings, based on their letters and pictures, and our Agent will contact the women on your behalf and set meetings with up to 30 women who also want to meet you. We send your profile to our Agent, so the women will have a good basis to choose to meet you, even if you have not been writing previously. Our Agent schedules you to meet about 4-5 people day for up to 7 days. Our Advanced Tour includes all of the above plus airfare from where you are to the tour city, hotel accommodations (usually four or five star), and Immigration Support (using our A to Z Fiancee Visa Package valued at \$575).

At Cherry Blossoms we have been helping our clients with US immigration support for well over 25 years and we can help you and your new fiancee or spouse get to the USA faster than most other services. Our immigration counselors make the bureaucratic red tape much easier to manage from K3 Spousal Visa, K1 Fiancee Visa, Adjustment of Status and Permanent Residence paperwork. We can recommend experienced lawyers; however, this is rarely needed and allows us to save you thousands of dollars.

We are also developing working relationships for Canada and the United Kingdom. To order our visa support services, simply click on Men Visitors and then on Immigration Help if you are not already a registered member. Be sure to write us with your Cherry Blossoms success story!



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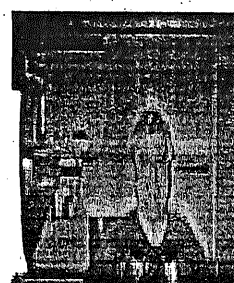
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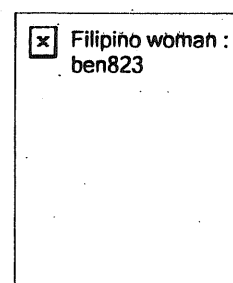
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- **Filipina Dating** – Filipina-Online is a online-dating web site where Filipina girls and men are seeking penpals, love, romance and even marriage. You will find filipina women as well as foreign men. Find the filipina girl matching you, using our advanced search tools. You can chat live and mail with all the pinay beauties. We are bringing together Filipina men and women as well as others seeking a Filipina girl friend, Filipina woman, Filipina pen pal, Filipina bride. Our filipina dating search engine makes it easy for you to find the perfect match in Our Asian database. Features are among others : advanced search on filipina singles with photo and mail, personal profile information. Write a greeting in the Filipina girl guesbook, add the Filipina girls to your favorite list. Chat with all the Filipina ladies on the Filipina chat site. Dreaming of a beautiful Filipina bride? Filipina-Online is aware of profiles found their Filipina heart and love by communicate over time. Filipina girls ready for marriage is possible to find on Our site.
- **Filipina Brides** – Contact Asian singles and meet your future filipina wife. Filipina online dating is an international portal for long distance pen-pal, relationship and asian marriage with singles seeking love and romance with filipina girls and women. Filipina ladies seeking foreign men for friendship leading to marriage. Filipina girls are very honest, loyal and faithful and believe in true love. Girls from Philippines expect the same in return from western men. Thousands of Filipino profiles and Filipina singles are seeking to chat and mail with a western man or asian man. Its here all Pilipina love begins. The Philippines singles are from all over like Cebu and Manila. You can find profiles from all over the world like Philippines, Usa, Denmark, Norway, England, Egypt etc, looking for a Philippine woman, love, marriage, bride and wife or just a nice and good Philippine chat.
- **Asian Singles** – are pure beauties. They are very honest, loyal and faithful. We have Asian singles photo's and biographies for those who are seeking love and romance with an Asian single. Search through thousands of profiles worldwide. Find Asian love, pen pals and Asian friends. Begin your asian dating with beauties from philippines and thailand etc. Our dating agency and matchmaker community is a safe place to meet your future girlfriend, pen pal or

wife. Start chat today with a Filipino woman if you are tired of being single and lonely. Let us help you find the perfect match. Filipina-online.net is full of features to help you find filipina chat and filipina girls, love, romance for friendship, pen pal, filipina dating, bride and marriage. Use Our dating matchmaker service for free.

Senators Pappas, McGinn, Foley, Limmer and Ranum introduced—
S.F. No. 2575: Referred to the Committee on Commerce.

A bill for an act
relating to public safety; regulating international marriage brokers; proposing
coding for new law in Minnesota Statutes, chapter 325E.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [325E.65] INTERNATIONAL MARRIAGE BROKERS.

Subdivision 1. Definitions. (a) For purposes of this section, the terms defined in this
subdivision have the meanings given them.

(b) "Basic rights information" means information about human rights, immigration,
and emergency assistance and resources and victim rights under Minnesota law with
regard to domestic violence, as prepared under subdivision 2.

(c) "Client" means a person who is a resident of this state who contracts with an
international marriage broker to meet recruits.

(d) "Criminal history information" means a criminal background check obtained
from the Bureau of Criminal Apprehension, including information in its possession and a
search of the National Criminal Records Repository using a set of classifiable fingerprints
provided by the client to a law enforcement agency.

(e) "International marriage broker" means any person, corporation, partnership, sole
proprietorship, or other legal entity that does business in this state and that, for a fee, offers
to Minnesota residents dating, matrimonial, or social referral services involving recruits
by doing any of the following in Minnesota, including through use of the Internet:

(1) exchanging names, telephone numbers, addresses, or statistics;

(2) selecting photographs; and

(3) providing a social environment for introducing clients to recruits in a country
other than the United States.

2.1 (f) "Marital history information" means a signed written statement by a person of
 2.2 the person's current marital status, the number of times the person has been married,
 2.3 how each previous marriage ended, and whether the person has previously sponsored a
 2.4 foreign national to whom the person has been engaged or married. The statement must be
 2.5 signed by the person under penalty of perjury.

2.6 (g) "Recruit" means a person who is not a citizen or resident of the United States
 2.7 and who is recruited by an international marriage broker for the purpose of providing
 2.8 dating, matrimonial, or social referral services.

2.9 Subd. 2. Preparation of basic rights information. (a) The commissioner of public
 2.10 safety shall prepare a form providing the basic rights information defined in subdivision 1,
 2.11 paragraph (b). *insert shall have available pamphlets in appropriate languages, Sen. Pagenmiller's Amendment. adopted*

2.12 (b) The commissioner shall consult with:

- 2.13 (1) the Minnesota Department of Human Rights;
- 2.14 (2) a statewide organization that provides civil legal services to women and children;
- 2.15 (3) a statewide human rights and social justice advocacy organization;
- 2.16 (4) the statewide coalition against domestic violence;
- 2.17 (5) the statewide coalition against sexual assault;
- 2.18 (6) a statewide organization that serves the needs of immigrant and refugee women
 2.19 and children from diverse ethnic communities; and
- 2.20 (7) the state immigrant and refugee coalition.

2.21 Subd. 3. Release of recruit contact information; consent required. Prior to the
 2.22 release of any contact information of a recruit, an international marriage broker shall first
 2.23 obtain the recruit's consent to the release of that information.

2.24 Subd. 4. Information required. (a) Prior to any application by a client for a foreign
 2.25 fiancé or fiancée visa for a recruit, the international marriage broker shall obtain:

- 2.26 (1) basic rights information;
- 2.27 (2) criminal history information regarding the client; and
- 2.28 (3) marital history information regarding the client.

2.29 (b) The international marriage broker shall obtain the criminal history information
 2.30 directly from the Department of Public Safety.

2.31 Subd. 5. Information provided to recruit. (a) An international marriage broker
 2.32 shall provide the recruit with the information required to be collected under subdivision 4.

2.33 (b) The information in paragraph (a) must be provided in the recruit's native
 2.34 language and displayed in a manner that conforms with the following:

- 2.35 (1) separates the criminal history information, the marital history information, and
 2.36 the basic rights information from any other information; and

3.1 (2) is easily accessible and highly visible.

3.2 (c) An international marriage broker shall refrain from providing any further
3.3 services to the recruit or client until the broker has obtained and provided the recruit the
3.4 information described in paragraphs (a) and (b).

3.5 Subd. 6. **Out-of-state business entity or assumed name filing required.** An
3.6 international marriage broker shall comply with section 303.03, 322B.883, 323A.1102, or
3.7 333.02, whichever applies, with regard to filing the appropriate documents in the office of
3.8 the Secretary of State, prior to doing business in the state.

3.9 Subd. 7. **Retention of records.** An international marriage broker shall retain
3.10 records showing compliance with this section and shall promptly provide access to those
3.11 records to the attorney general or to a county attorney of a county in which a client lives,
3.12 upon request.

3.13 Subd. 8. **Jurisdiction.** An international marriage broker is deemed to be doing
3.14 business in this state if it contracts for services with a state resident or is considered to be
3.15 doing business in the state under any other law of the state.

3.16 Subd. 9. **Enforcement.** (a) An international marriage broker that violates this
3.17 section is subject to a civil penalty not to exceed \$20,000 for each violation.

3.18 (b) The attorney general or the appropriate county attorney may bring an action
3.19 under this section in the name of the state in a district court of a county in which any part
3.20 of the violation occurs. A penalty collected under this section by the attorney general or a
3.21 county attorney must be distributed in the same manner as proceeds of forfeiture under
3.22 section 609.5315, subdivision 5b.

3.23 **EFFECTIVE DATE.** This section is effective August 1, 2006, except that
3.24 subdivision 2 is effective the day following final enactment.

Senators Pappas, McGinn, Foley, Limmer and Ranum introduced—
S.F. No. 2575: Referred to the Committee on Commerce.

A bill for an act

relating to public safety; regulating international marriage brokers; proposing
coding for new law in Minnesota Statutes, chapter 325E.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [325E.65] INTERNATIONAL MARRIAGE BROKERS.

Subdivision 1. Definitions. (a) For purposes of this section, the terms defined in this
subdivision have the meanings given them.

(b) "Basic rights information" means information about human rights, immigration,
and emergency assistance and resources and victim rights under Minnesota law with
regard to domestic violence, as prepared under subdivision 2.

(c) "Client" means a person who is a resident of this state who contracts with an
international marriage broker to meet recruits.

(d) "Criminal history information" means a criminal background check obtained
from the Bureau of Criminal Apprehension, including information in its possession and a
search of the National Criminal Records Repository using a set of classifiable fingerprints
provided by the client to a law enforcement agency.

(e) "International marriage broker" means any person, corporation, partnership, sole
proprietorship, or other legal entity that does business in this state and that, for a fee, offers
to Minnesota residents dating, matrimonial, or social referral services involving recruits
by doing any of the following in Minnesota, including through use of the Internet:

(1) exchanging names, telephone numbers, addresses, or statistics;

(2) selecting photographs; and

(3) providing a social environment for introducing clients to recruits in a country
other than the United States.

2.1 (f) "Marital history information" means a signed written statement by a person of
2.2 the person's current marital status, the number of times the person has been married,
2.3 how each previous marriage ended, and whether the person has previously sponsored a
2.4 foreign national to whom the person has been engaged or married. The statement must be
2.5 signed by the person under penalty of perjury.

2.6 (g) "Recruit" means a person who is not a citizen or resident of the United States
2.7 and who is recruited by an international marriage broker for the purpose of providing
2.8 dating, matrimonial, or social referral services.

2.9 Subd. 2. Preparation of basic rights information. (a) The commissioner of public
2.10 safety shall prepare a form providing the basic rights information defined in subdivision 1,
2.11 paragraph (b).

2.12 (b) The commissioner shall consult with:

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2.16 (4) the statewide coalition against domestic violence;

2.17 (5) the statewide coalition against sexual assault;

2.18 (6) a statewide organization that serves the needs of immigrant and refugee women
2.19 and children from diverse ethnic communities; and

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3.14 business in this state if it contracts for services with a state resident or is considered to be
3.15 doing business in the state under any other law of the state.

3.16 Subd. 9. Enforcement. (a) An international marriage broker that violates this
3.17 section is subject to a civil penalty not to exceed \$20,000 for each violation.

3.18 (b) The attorney general or the appropriate county attorney may bring an action
3.19 under this section in the name of the state in a district court of a county in which any part
3.20 of the violation occurs. A penalty collected under this section by the attorney general or a
3.21 county attorney must be distributed in the same manner as proceeds of forfeiture under
3.22 section 609.5315, subdivision 5b.

3.23 EFFECTIVE DATE. This section is effective August 1, 2006, except that
3.24 subdivision 2 is effective the day following final enactment.

1.1 **Senator Scheid from the Committee on Commerce, to which was referred**

1.2 **S.F. No. 2575:** A bill for an act relating to public safety; regulating international
1.3 marriage brokers; proposing coding for new law in Minnesota Statutes, chapter 325E.

1.4 Reports the same back with the recommendation that the bill be amended as follows:

1.5 Page 2, line 10, delete "shall prepare a form" and insert "shall have available
1.6 pamphlets in appropriate languages"

1.7 And when so amended the bill do pass and be re-referred to the Committee on
1.8 Judiciary. Amendments adopted. Report adopted.

1.9 
1.10 (Committee Chair)

1.11 March 13, 2006
1.12 (Date of Committee recommendation)

**Senate Counsel, Research,
and Fiscal Analysis**

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Senate

State of Minnesota

S.F. No. 2576 - Ambulance Lemon Law

Author: Senator Dan Sparks

Prepared by: Christopher B. Stang, ^{CBS} Senate Counsel (651/296-0539)

Date: March 9, 2006

This bill adds ambulances to the new vehicle lemon law.

CBS:cs



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www.lrems.com

Lemon Law

Today the citizen's of Minnesota enjoy protection when they buy or lease a vehicle. The law that provides these protections is commonly known as the "lemon law." The "lemon law" requires vehicle manufacturers to honor the time and mileage provisions of their written vehicle warranties, it also provides special arbitration, refund and replacement provisions for vehicles which are considered to be real "lemons." Ironically, these same protections are not available to public safety agencies such as ambulance services whose role is to provide the citizens of Minnesota with emergency medical services 24 hours a day, seven days a week, 365 days a year.

The Minnesota lemon law covers new motor vehicles purchased or leased in Minnesota. It also covers used vehicles that are still under the original manufacturer's warranty. For vehicles to be eligible for the lemon law they must be used at least 40 percent of the time for personal, family or household purposes. The law has special refund and replacement provisions for vehicles that have substantial defects or problems, commonly called "lemons." Under the law, if the manufacturer or its authorized dealer has been unable to repair a vehicles problem after a "reasonable number of attempts," the buyer or lessee may go through a manufacturer's arbitration program, or to court, to seek a full refund of the vehicles purchase price (minus a deduction for use of the vehicle). The law considers a "reasonable number of attempts" to be four or more unsuccessful attempts to repair the same defect.

The ambulance services across Minnesota are in desperate need of this change. In 2004 Ford Motor Company, which builds 99% of chassis used to build ambulances, introduced a new drive train for ambulances. This new 6.0 liter diesel engine was promoted to be quieter, faster, and be more fuel efficient then previous drive trains. In contrast the drive train was found to have several critical design flaws. These flaws ranged from air condition system failures to head gaskets and turbo chargers. Ambulance services small and large, metro and rural have seen their vehicles repeatedly fail from the same systems. These failures then take the vehicle out of services for sometimes over a month as Ford is unable to provide parts due to a national shortage. Ford continues to ignore these vehicles, refuses to acknowledge there is a problem, and will not take decisive action to resolve the repeated failures. All the while the ambulance is not available to respond to request for 911 emergency medical services.

The same protections and tools for resolution should be available to those agencies whose role is so critical in ensuring the health and safety of the citizens of Minnesota. By including emergency medical services (ambulance services) in the definition of eligibility you are providing these agencies the tools they need to resolve issues of repeated critical failures in vehicles that must not fail when, for example, a child is not breathing.

Senators Sparks, Sams and Koering introduced-

S.F. No. 2576: Referred to the Committee on Commerce.

A bill for an act relating to commerce; regulating the purchase and lease of new ambulances; establishing a manufacturer's duty to repair, refund, or replace; amending Minnesota Statutes 2004, section 325F.665, subdivision 1.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 325F.665, subdivision 1, is amended to read:

Subdivision 1. Definitions. (a) For the purposes of this section, the following terms in paragraphs (b) to (i) have the meanings given them:

(a) (b) "Consumer" means the purchaser or lessee, other than for purposes of resale or sublease, of a new motor vehicle used for personal, family, or household purposes at least 40 percent of the time, and a person to whom the new motor vehicle is transferred for the same purposes during the duration of an express warranty applicable to the motor vehicle; The term also includes a new motor vehicle of the type specified in paragraph (f), clause (3), purchased or leased by an ambulance service licensed under chapter 144E, and a person to whom the ambulance is transferred for the same purpose during the duration of any applicable express warranty.

(b) (c) "Manufacturer" means a person engaged in the business of manufacturing, assembling or distributing motor vehicles, who will, under normal business conditions during the year, manufacture, assemble or distribute to dealers at least ten new motor vehicles;

(c) (d) "Manufacturer's express warranty" and "warranty" mean the written warranty of the manufacturer of a new motor vehicle of its condition and fitness for use, including any terms or conditions precedent to the enforcement of obligations under that warranty;

2.1 ~~(d)~~ (e) "Lease" means a contract in the form of a lease or bailment for the use of
2.2 personal property by a natural person for a period of time exceeding four months, used for
2.3 personal, family, or household purposes at least 40 percent of the time, whether or not the
2.4 lessee has the option to purchase or otherwise become the owner of the property at the
2.5 expiration of the lease;

2.6 ~~(e)~~ (f) "Motor vehicle" means (1) a passenger automobile as defined in section
2.7 168.011, subdivision 7, including pickup trucks and vans, ~~and~~ (2) the self-propelled
2.8 motor vehicle chassis or van portion of recreational equipment as defined in section
2.9 168.011, subdivision 25, which is sold or leased to a consumer in this state; and (3) the
2.10 self-propelled motor vehicle chassis or van portion of an ambulance as defined in section
2.11 144E.001, subdivision 2.

2.12 ~~(f)~~ (g) "Informal dispute settlement mechanism" means an arbitration process
2.13 or procedure by which the manufacturer attempts to resolve disputes with consumers
2.14 regarding motor vehicle nonconformities and repairs that arise during the vehicle's
2.15 warranty period;

2.16 ~~(g)~~ (h) "Motor vehicle lessor" means a person who holds title to a motor vehicle
2.17 leased to a lessee under a written lease agreement or who holds the lessor's rights under
2.18 such agreement; ~~and.~~

2.19 ~~(h)~~ (i) "Early termination costs" means expenses and obligations incurred by a
2.20 motor vehicle lessor as a result of an early termination of a written lease agreement and
2.21 surrender of a motor vehicle to a manufacturer under subdivision 4, including penalties
2.22 for prepayment of finance arrangements.

2.23 **Sec. 2. EFFECTIVE DATE; APPLICATION.**

2.24 Section 1 is effective August 1, 2006, and applies to new motor vehicle sales and
2.25 leases made on or after that date.

adopted

1.1 Senator *Sparky*..... moves to amend S.F. No. 2576 as follows:

1.2 Page 1, line 14, delete everything after "includes" and insert "an ambulance service
1.3 licensed under chapter 144E that has purchased or leased a new motor vehicle of the
type specified in paragraph (f)."

1.5 Page 1, line 15, delete everything before "and"

Senators Sparks, Sams and Koering introduced—
S.F. No. 2576: Referred to the Committee on Commerce.

1.1 A bill for an act
1.2 relating to commerce; regulating the purchase and lease of new ambulances;
1.3 establishing a manufacturer's duty to repair, refund, or replace; amending
1.4 Minnesota Statutes 2004, section 325F.665, subdivision 1.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2004, section 325F.665, subdivision 1, is amended to
1.7 read:

1.8 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms
1.9 in paragraphs (b) to (i) have the meanings given them:

1.10 (a) (b) "Consumer" means the purchaser or lessee, other than for purposes of resale
1.11 or sublease, of a new motor vehicle used for personal, family, or household purposes at
1.12 least 40 percent of the time, and a person to whom the new motor vehicle is transferred
1.13 for the same purposes during the duration of an express warranty applicable to the motor
1.14 vehicle. The term also includes a new motor vehicle of the type specified in paragraph (f),
1.15 clause (3), purchased or leased by an ambulance service licensed under chapter 144E, and
1.16 a person to whom the ambulance is transferred for the same purpose during the duration of
1.17 any applicable express warranty.

1.18 (b) (c) "Manufacturer" means a person engaged in the business of manufacturing,
1.19 assembling or distributing motor vehicles, who will, under normal business conditions
1.20 during the year, manufacture, assemble or distribute to dealers at least ten new motor
1.21 vehicles.

1.22 (c) (d) "Manufacturer's express warranty" and "warranty" mean the written warranty
1.23 of the manufacturer of a new motor vehicle of its condition and fitness for use, including
1.24 any terms or conditions precedent to the enforcement of obligations under that warranty.

2.1 ~~(d)~~ (e) "Lease" means a contract in the form of a lease or bailment for the use of
2.2 personal property by a natural person for a period of time exceeding four months, used for
2.3 personal, family, or household purposes at least 40 percent of the time, whether or not the
2.4 lessee has the option to purchase or otherwise become the owner of the property at the
2.5 expiration of the lease;

2.6 ~~(e)~~ (f) "Motor vehicle" means (1) a passenger automobile as defined in section
2.7 168.011, subdivision 7, including pickup trucks and vans, ~~and~~ (2) the self-propelled
2.8 motor vehicle chassis or van portion of recreational equipment as defined in section
2.9 168.011, subdivision 25, which is sold or leased to a consumer in this state, and (3) the
2.10 self-propelled motor vehicle chassis or van portion of an ambulance as defined in section
2.11 144E.001, subdivision 2.

2.12 ~~(f)~~ (g) "Informal dispute settlement mechanism" means an arbitration process
2.13 or procedure by which the manufacturer attempts to resolve disputes with consumers
2.14 regarding motor vehicle nonconformities and repairs that arise during the vehicle's
2.15 warranty period;

2.16 ~~(g)~~ (h) "Motor vehicle lessor" means a person who holds title to a motor vehicle
2.17 leased to a lessee under a written lease agreement or who holds the lessor's rights under
2.18 such agreement; ~~and~~.

2.19 ~~(h)~~ (i) "Early termination costs" means expenses and obligations incurred by a
2.20 motor vehicle lessor as a result of an early termination of a written lease agreement and
2.21 surrender of a motor vehicle to a manufacturer under subdivision 4, including penalties
2.22 for prepayment of finance arrangements.

2.23 **Sec. 2. EFFECTIVE DATE; APPLICATION.**

2.24 Section 1 is effective August 1, 2006, and applies to new motor vehicle sales and
2.25 leases made on or after that date.

1.1 **Senator Scheid from the Committee on Commerce, to which was referred**


1.2 **S.F. No. 2576:** A bill for an act relating to commerce; regulating the purchase and
1.3 lease of new ambulances; establishing a manufacturer's duty to repair, refund, or replace;
1.4 amending Minnesota Statutes 2004, section 325F.665, subdivision 1.

1.5 Reports the same back with the recommendation that the bill be amended as follows:

1.6 Page 1, line 14, delete everything after "includes" and insert "an ambulance service
1.7 licensed under chapter 144E that has purchased or leased a new motor vehicle of the
1.8 type specified in paragraph (f),"

1.9 Page 1, line 15, delete everything before "and"

1.10 And when so amended the bill do pass. Amendments adopted. Report adopted.

1.11 .....
1.12 (Committee Chair)

1.13 March 13, 2006
1.14 (Date of Committee recommendation)