RULES AND REGULATIONS
OF THE
TEXAS STATE SECURITIES BOARD

STATE SECURITIES BOARD

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STATUTORY UPDATE
RECENT CHANGES TO THE TEXAS SECURITIES ACT

This information supplements the purple 2017 booklet edition of the Texas Securities Act. Italic type indicates additions to the Act by the Texas Legislature.

Text changed by bills passed by the 86th Texas Legislature, Regular Session:

Amendments to Subsections J and O of Section 2 contained in House Bill 1535, effective September 1, 2019 :

Sec. 2. Creating the State Securities Board and Providing for Appointment of Securities Commissioner.

J. On or before January 1 of each year, the Board, with the advice of the Commissioner, shall report to the Governor and the presiding officer of each house of the Legislature as to its administration of this Act, as well as plans and needs for future securities regulation. The report must include*:*

(1) a detailed accounting of all funds received and disbursed by the Board during the preceding year*, including the amount spent by the Board assisting in the criminal prosecution of cases under Subsection B of Section 3 of this Act; and*

(2) with respect to cases referred during the preceding year by the Board under Subsection A of Section 3 of this Act, a breakdown by county and district attorney of the number of cases where:

(A) criminal charges were filed;

(B) prosecution is ongoing; or

(C) prosecution was completed.

O. The State Securities Board is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the board is abolished and this Act expires September 1, *2031*.

Amendment to Subsections B and addition of Subsection D of Section 2-3 contained in House Bill 1535, effective September 1, 2019:

Sec. 2-3. Training.

B. The training program must provide the person with information regarding:

(1) the *law governing* Board *operations*;

(2) the programs*,* functions*, rules, and budget* of the Board;

(3) the scope of and limitations on the rulemaking authority of the Board;

(4) the types of Board rules, interpretations, and enforcement actions that may implicate federal antitrust law by limiting competition or impacting prices charged by persons engaged in a profession or business the Board regulates, including any rule, interpretation, or enforcement action that:

(A) regulates the scope of practice of persons in a profession or business the Board regulates;

(B) restricts advertising by persons in a profession or business the Board regulates;

(C) affects the price of goods or services provided by persons in a profession or business the Board regulates; or

(D) restricts participation in a profession or business the Board regulates;

(5) the results of the most recent formal audit of the Board;

(6) the requirements of:

(A) *laws relating to* open meetings, public information, administrative procedure, and *disclosing conflicts-of-interest; and*

(B) other laws *applicable* to *members of a state policymaking body in performing their duties*; and

(7) any applicable ethics policies adopted by the Board or the Texas Ethics Commission.

D. The Commissioner shall create a training manual that includes the information required by Subsection B of this section. The Commissioner shall distribute a copy of the training manual annually to each member of the Board. Each member of the Board shall sign and submit to the Commissioner a statement acknowledging that the member received and has reviewed the training manual.

Amendments to Section 2-6 contained in House Bill 1535, effective September 1, 2019:

Sec. 2-6. Complaints Information.

A. The Commissioner or the Commissioner's designee shall maintain a *system to promptly and efficiently act* on *complaints* filed with the Commissioner or Board*. The Commissioner or the Commissioner's designee shall maintain information about parties to the complaint, the subject matter of the complaint, a summary of the results of the review or investigation of the complaint, and its disposition*.

B. The Commissioner or the Commissioner's designee shall *make information available describing* the Board's procedures *for* complaint investigation and resolution.

C. The Commissioner or the Commissioner's designee shall *periodically* notify the complaint *parties* of the status of the *complaint until final disposition* unless the notice would jeopardize *a law enforcement* investigation.

Addition of Section 2-8 contained in House Bill 1535, effective September 1, 2019:

Sec. 2-8. Alternative Rulemaking and Dispute Resolution.

A. The Board shall develop a policy to encourage the use of:

(1) negotiated rulemaking procedures under Chapter 2008, Government Code, for the adoption of Board rules; and

(2) appropriate alternative dispute resolution procedures under Chapter 2009, Government Code, to assist in the resolution of internal and external disputes under the Board's jurisdiction.

B. The Board's procedures relating to alternative dispute resolution must conform, to the extent possible, to any model guidelines issued by the State Office of Administrative Hearings for the use of alternative dispute resolution by state agencies.

C. The Board shall:

(1) coordinate the implementation of the policy adopted under Subsection A of this section;

(2) provide training as needed to implement the procedures for negotiated rulemaking or alternative dispute resolution; and

(3) collect data concerning the effectiveness of those procedures.

Amendment to Section 3 contained in House Bill 1535, effective September 1, 2019:

Sec. 3. Administration and Enforcement by the Securities Commissioner and the Attorney General and Local Law Enforcement Officials.

A. The administration of the provisions of this Act shall be vested in the Securities Commissioner. It shall be the duty of the Securities Commissioner and the Attorney General to see that its provisions are at all times obeyed and to take such measures and to make such investigations as will prevent or detect the violation of any provision thereof. The Commissioner shall at once lay before the District or County Attorney of the proper county any evidence which shall come to his knowledge of criminality under this Act. In the event of the neglect or refusal of such attorney to institute and prosecute such violation, the Commissioner shall submit such evidence to the Attorney General, who is hereby authorized to proceed therein with all the rights, privileges and powers conferred by law upon district or county attorneys, including the power to appear before grand juries and to interrogate witnesses before such grand juries.

B. Subject to Subsection E of this section, the Board may provide assistance to a county or district attorney who requests assistance in a criminal prosecution involving an alleged violation of this Act that is referred by the Board to the attorney under Subsection A of this section.

C. Before referring a case to a county or district attorney for prosecution as required by Subsection A of this section, the Commissioner shall make a determination of:

(1) the potential resources of the Board, including the number and types of Board employees, that would be needed to assist in the prosecution of the case; and

(2) the availability of Board employees and other resources necessary to carry out any request for assistance.

D. The Board by rule shall establish a process to enable the Commissioner to determine whether to provide any requested assistance to the appropriate prosecuting attorney following referral of a case under Subsection A of this section and, if so, the appropriate amount of such assistance. The rules must require the Commissioner to consider:

(1) whether resources are available after taking into account any ongoing Board investigations, investigations under Section 28 of this Act, and criminal prosecutions for which assistance is being provided;

(2) the seriousness of the alleged violation or violations in the case, including the severity of the harm and number of victims involved; and

(3) the state's interest in the prosecution of a particular case and the availability of other methods of redress for the alleged violations, including the pursuit of a civil action.

E. In response to a request for assistance under Subsection B of this section, the Board may provide only those Board employees or resources, if any, determined to be available for that case in accordance with Subsection C of this section. If a change in circumstances occurs after the time of the determination under Subsection C of this section, the Commissioner may reconsider the Commissioner's determination under that subsection

and may increase or reduce the number of Board employees or other resources to be made available for a case using the process established under Subsection D of this section.

F. The Attorney General, at least biennially, shall review a sample of criminal cases for which the Board provided requested assistance to county or district attorneys under this section. The review must include an evaluation of the pre-referral determination of available resources to support each case being reviewed as required by Subsection C of this section and any subsequent determination of those resources made by the Commissioner as authorized under Subsection E of this section. The Attorney General may report any concerns the Attorney General has in connection with the Board's provision of assistance to the standing committee of each house of the legislature with primary jurisdiction over Board matters.

Addition of Section 32-1 contained in House Bill 1535, effective September 1, 2019:

Sec. 32-1. Refund.

A. Subject to Subsection B of this section, the Commissioner may order a dealer, agent, investment adviser, or investment adviser representative regulated under this Act to pay a refund to a client or a purchaser of securities or services from the person or company as provided in an agreed order or an enforcement order instead of or in addition to imposing an administrative penalty or other sanctions.

B. The amount of a refund ordered as provided in an agreed order or an enforcement order may not exceed the amount the client or purchaser paid to the dealer, agent, investment adviser, or investment adviser representative for a service or transaction regulated by the Board. The Commissioner may not require payment of other damages or estimate harm in a refund order.

Amendment to Subsection B of Section 35, contained in House Bill 1535, effective September 1, 2019:

Sec. 35. Fees.

B. The Commissioner or Board shall charge and collect the following fees and shall daily pay all fees received into the State Treasury:

(1) for any filing to amend the registration certificate of a dealer or investment adviser or evidence of registration of an agent or investment adviser representative, or issue a duplicate certificate or evidence of registration, $25;

(2) for the examination of any original or amended application filed under Subsection A, B, or C of Section 7 of this Act, regardless of whether the application is denied, abandoned, withdrawn, or approved, a fee of one-tenth (1/10) of one percent (1%) of the aggregate amount of securities described and proposed to be sold to persons located within this state based upon the price at which such securities are to be offered to the public;

(3) for certified copies of any papers filed in the office of the Commissioner, the Commissioner shall charge such fees as are reasonably related to costs; however, in no event shall such fees be more than those which the Secretary of State is authorized to charge in similar cases;

(4) for the filing of any application for approval of a stock exchange so that securities fully listed thereon will be exempt, a fee of $10,000;

(5) for the filing of a request to take the Texas Securities Law Examination, $35;

(6) for the filing of an initial notice required by the Commissioner to claim a secondary trading exemption, a fee of $500, and for the filing of a secondary trading exemption renewal notice, a fee of $500;

(7) for the filing of an initial notice required by the Commissioner to claim a limited offering exemption, a fee of one-tenth (1/10) of one percent (1%) of the aggregate amount of securities described as being offered for sale, but in no case more than $500; and

(8) for an interpretation by the Board's general counsel of this Act or a rule adopted under this Act, a fee of $100, except that an officer or employee of a governmental entity and the entity that the officer or employee represents are exempt from the fee under this subsection when the officer or employee is conducting official business of the entity.

Amendment to Subsection A(2) of Section 45, contained in House Bill 4170, effective on September 1, 2019:

Sec. 45. Protection of Vulnerable Adults from Financial Exploitation.

A. In this section:

(2) "Exploitation," "financial exploitation," and "vulnerable adult" have the meanings assigned by Section *281.001*, Finance Code.

The full text of House Bill 1535 and House Bill 4170 may be obtained on the Texas Legislature Online website located at https://capitol.texas.gov.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 101. GENERAL ADMINISTRATION.
§101.1. Authority.
§101.2. Classification of Regulatory Standards
§101.3. Application.
§101.4. Open Records Requests.
§101.5. Charges for Copies of Public Records.
§101.6. Historically Underutilized Business Program.

CHAPTER 102. COMPLAINT PROCESS.
§102.1. Policy.
§102.2. Definitions.
§102.3. Filing Complaints.
§102.4. Processing of Complaints.
§102.5. Prioritization of Complaint Investigations.
§102.6. Complaint Resolution.

CHAPTER 103. RULEMAKING PROCEDURE.
§103.1. How Initiated.
§103.2. Notice.
§103.3. Opportunity To Be Heard.
§103.4. Compliance.
§103.5. Petitions.
§103.6. Negotiated Rulemaking.

CHAPTER 104. PROCEDURE FOR REVIEW OF APPLICATIONS.
§104.1. Scope.
§104.2. Purpose.
§104.3. Definition of Days.
§104.4. Registration of Securities--Review of Applications.
§104.5. Registration of Dealers and Investment Advisers--Review of Applications.
§104.6. Exceeding the Time Periods.
§104.7. Preliminary Evaluation of License Eligibility.

CHAPTER 105. RULES OF PRACTICE IN CONTESTED CASES.
§105.1. Scope.
§105.2. Definitions.
§105.3. Computation of Time.
§105.4. Opportunity for Hearing.
§105.5. Contents of Notice of Hearing.
§105.6. Service.
§105.7. Written Response to Notice of Hearing.
§105.8. Copies to Securities Commissioner's Representative.
§105.9. Informal Disposition.

§105.10. Default.
§105.11. Burden of Proof.
§105.12. Subpoenas and Depositions.
§105.13. Assessment of Hearing Costs.
§105.14. Proposal for Decision.
§105.15. Orders Issued by Securities Commissioner.
§105.16. Decisions; When Final.
§105.17. Motion for Rehearing.
§105.18. Board Action on Motion for Rehearing.
§105.19. Record.
§105.20. Ex Parte Communications.

CHAPTER 106. GUIDELINES FOR THE ASSESSMENT OF ADMINISTRATIVE FINES.
§106.1. Guidelines for the Assessment of Administrative Fines.

CHAPTER 107. TERMINOLOGY.
§107.1. General.
§107.2. Definitions.

CHAPTER 109. TRANSACTIONS EXEMPT FROM REGISTRATION.
§109.1. Transactions Involving Existing Security Holders.
§109.2. Parent Subsidiary Transactions.
§109.3. Financial Institutions under the Texas Securities Act, §5.H.
§109.4. Securities Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors.
§109.5. Dealer Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors.
§109.6. Investment Adviser Registration Exemption for Investment Advice to Financial Institutions and Certain Institutional Investors.
§109.7. Secondary Trading Exemption under the Texas Securities Act, Section 5.O.
§109.8. Initial Offering Completed.
§109.9. Reserved for Expansion.
§109.10. Reserved for Expansion.
§109.11. Guarantee of Options.
§109.12. Stock Dividends.
§109.13. Limited Offering Exemptions.
§109.14. Oil, Gas, and Other Mineral Interests.
§109.15. Designated Matching Services.
§109.16. Reserved for Expansion.
§109.17. Banks under the Securities Act, §5.L.

CHAPTER 111. SECURITIES EXEMPT FROM REGISTRATION.
§111.1. Reserved for Expansion.
§111.2. Listed and Designated Securities.

CHAPTER 113. REGISTRATION OF SECURITIES.
§113.1. Qualification of Securities.
§113.2. Registration by Coordination.

§113.3. Fair, Just, and Equitable Standards.
§113.4. Application for Registration.
§113.5. Financial Statements.
§113.6. Renewal Update.
§113.7. Reporting Changes in Filed Materials.
§113.8. Notification of Status in Other States.
§113.9. Securities Underlying Transferable Warrants and Employee Stock Options.
§113.10. Sales Reports.
§113.11. Shelf Registration of Securities.
§113.12. Applicability of Statements of Policy to Exempt Offerings.
§113.13. Multijurisdictional Disclosure System--MJDS Offerings.
§113.14. Statements of Policy.

CHAPTER 114. FEDERAL COVERED SECURITIES
§114.1. Introduction.
§114.2. Definitions.
§114.3. Consents to Service of Process.
§114.4. Filings and Fees.

CHAPTER 115. SECURITIES DEALERS AND AGENTS.
§115.1. General Provisions.
§115.2. Application Requirements.
§115.3. Examination.
§115.4. Evidences of Registration.
§115.5. Minimum Records.
§115.6. Registration of Persons with Criminal Backgrounds.
§115.7. Maintenance and Inspection of Records.
§115.8. Fee Requirements.
§115.9. Post-Registration Reporting Requirements.
§115.10. Supervisory Requirements.
§115.11. Finder Registration and Activities.
§115.12. Reserved for Expansion.
§115.13. Reserved for Expansion.
§115.14. Reserved for Expansion.
§115.15. Reserved for Expansion.
§115.16. Use of Senior-Specific Certifications and Professional Designations.
§115.17. Reserved for Expansion.
§115.18. Special Provisions Relating to Military Applicants.
§115.19. Texas Crowdfunding Portal Registration and Activities.
§115.20. Texas Crowdfunding Portal Registration and Activities of Small Business Development Entities.
§115.21. System Addressing Suspected Financial Exploitation of Vulnerable Customers Pursuant to the Texas Securities Act, Section 45.
§115.22. Electronic Submission of Forms and Fees.
§115.23. Notice of Cybersecurity Incident.

CHAPTER 116. INVESTMENT ADVISERS AND INVESTMENT ADVISER REPRESENTATIVES.
§116.1. General Provisions.
§116.2. Application Requirements.
§116.3. Examination.
§116.4. Evidences of Registration.
§116.5. Minimum Records.
§116.6. Registration of Persons with Criminal Backgrounds.
§116.7. Maintenance and Inspection of Records.
§116.8. Fee Requirements.
§116.9. Post-Registration Reporting Requirements.
§116.10. Supervisory Requirements.
§116.11. Disclosure Requirement/Brochure Rule.
§116.12. Advisory Contract Requirements.
§116.13. Advisory Fee Requirements.
§116.14. Prevention of Misuse of Nonpublic Information.
§116.15. Advertising Restrictions.
§116.16. Use of Senior-Specific Certifications and Professional Designations.
§116.17. Custody of Funds or Securities of Clients by Registered Investment Advisers.
§116.18. Special Provisions Relating to Military Applicants.
§116.19. Reserved for Expansion.
§116.20. Reserved for Expansion.
§116.21. System Addressing Suspected Financial Exploitation of Vulnerable Customers Pursuant to the Texas Securities Act, Section 45.
§116.22. Electronic Submission of Forms and Fees.
§116.23. Notice of Cybersecurity Incident.

CHAPTER 123. ADMINISTRATIVE GUIDELINES FOR REGISTRATION OF OPEN-END INVESTMENT COMPANIES.
§123.1. Reserved for Expansion.
§123.2. Reserved for Expansion.
§123.3. Conditional Exemption for Money Market Funds.

CHAPTER 125 MINIMUM DISCLOSURES IN CHURCH AND NONPROFIT INSTITUTION BOND ISSUES.
§125.1. Introduction.
§125.2. Name.
§125.3. The Issuer.
§125.4. Description of Terms of Security Offered.
§125.5. Plan of Distribution.
§125.6. Financial Information.
§125.7. Risk Factors.
§125.8. Litigation and Other Material Transactions.

CHAPTER 127. MISCELLANEOUS.
§127.1. Enforcement.
§127.2. Alternative Dispute Resolution.
§127.3. Seal of the State.
§127.4. Prosecutorial Assistance to County or District Attorneys.

CHAPTER 131. GUIDELINES FOR CONFIDENTIALITY OF INFORMATION.
§131.1. Information Sharing.

CHAPTER 133. FORMS
§133.1. Reserved for Expansion.
§133.2. Public Information Charges--Billing Detail.
§133.3. The State Securities Board Adopts by Reference the ADA Accommodations Request Form.
§133.4. Request for Consideration of a Registration Application by a Military Applicant.
§133.5. Secondary Trading Exemption Notice.
§133.6. Secondary Trading Exemption Renewal Notice.
§133.7. Application for Registration of Securities.
§133.8. Consent to Service.
§133.9. Notice Filing for Third Party Brokerage Arrangements on Financial Entity Premises.
§133.10. Investment Company Report of Sales.
§133.11. Sales Report for Non-continuous Offerings.
§133.12. Renewal Application for Mutual Funds and Other Continuous Offerings.
§133.13. Application for Renewal Permit.
§133.14. Consent of Independent Accountants.
§133.15. Texas Crowdfunding Portal Registration.
§133.16. Texas Crowdfunding Portal Withdrawal of Registration.
§133.17. Reserved for Expansion.
§133.18. Certification of Balance Sheet by Principal Financial Officer.
§133.19. Waiver or Refund Request by a Military Applicant.
§133.20. Texas Crowdfunding Portal Registration by an Authorized Small Business Development Entity.
§133.21. Crowdfunding Exemption Notice (SEC Rule 147A Offerings Using §139.26).
§133.22. Waiver or Refund Request by a Military Spouse for a Renewal Fee.
§133.23. Request for Recognition of Out-Of-State License or Registration by a Military Spouse.
§133.24. Reserved for Expansion.
§133.25 Reserved for Expansion.
§133.26. Request for Determination of Money Market Fund Status for Federal Covered Securities.
§133.27. Year-End Report of Sales of Federal Covered Securities by a Money Market Fund (Pursuant to §123.3).
§133.28. Reserved for Expansion.
§133.29. Intrastate Exemption Notice.
§133.30. Information Concerning Projected Market Prices and Related Market Information.
§133.31. Reserved for Expansion.
§133.32. Reserved for Expansion.
§133.33. Uniform Forms Accepted, Required, or Recommended.
§133.34. Undertaking Regarding Non-issuer Sales.
§133.35. Application for Designation as Matching Service under §109.15.
§133.36. Request for Reduced Fees for Certain Persons Registered in Multiple Capacities.

CHAPTER 135. INDUSTRIAL DEVELOPMENT CORPORATIONS AND AUTHORITIES.
§135.1. Exemption.
§135.2. Dealer and Agent Registration.
§135.3. Anti-fraud Provisions.

CHAPTER 137. ADMINISTRATIVE GUIDELINES FOR REGULATION OF OFFERS.
§137.1. Application.
§137.2. Filing Requirements.
§137.3. Preliminary Prospectus.
§137.4. Tombstone Advertisements.
§137.5. Materials for Dealer Use.
§137.6. Standards for Supplemental Advertising.
§137.7. Advertisements in Texas Publications.

CHAPTER 139. EXEMPTIONS BY RULE OR ORDER.
§139.1. Policies.
§139.2. Professional Associations.
§139.3. Blue Chip Exemption.
§139.4. Mexican Securities.
§139.5. Canadian Securities.
§139.6. Distributions by Liquidating Trustees.
§139.7. Sale of Securities to Nonresidents.
§139.8. Sales to Underwriters.
§139.9. Bank Holding Companies.
§139.10. Exchange Offers.
§139.11. Transactions in United States Savings Bonds.
§139.12. Oil and Gas Auction Exemption.
§139.13. Resales under SEC Rule 144 and Rule 145(d).
§139.14. Non-Issuer Sales.
§139.15. Credit Enhancements.
§139.16. Sales to Individual Accredited Investors.
§139.17. Offers Disseminated Through the Internet.
§139.18. Dealer and Investment Adviser Use of the Internet To Disseminate Information on Products and Services.
§139.19. Accredited Investor Exemption.
§139.20. Third Party Brokerage Arrangements on Financial Entity Premises.
§139.21. Dealer, Agent, and Securities Exemptions for Canadian Accounts.
§139.22. Exemption for Investment Adviser to a High Net Worth Family Entity.
§139.23. Registration Exemption for Investment Advisers to Private Funds.
§139.24. Charitable Organizations Assisting Economically Disadvantaged Clients with Texas Qualified Tuition Program Plans.
§139.25. Reserved for Expansion.
§139.26. Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings.
§139.27. Mergers and Acquisitions Dealer Exemption.

The next page is FEE-1.

SECURITIES REGISTRATION, NOTICE FILING, AND EXEMPTION FEES	
Action	**Fee[+]**
Filing an original, amended, or renewal application to sell or dispose of securities	$70 Act Section 35.A(1)[1]
Examination of an original or amended application filed under Section 7.A, 7.B, or 7.C	1/10 of 1% of the aggregate amount of securities described and proposed to be sold to persons located within this state based upon the price at which such securities are to be offered to the public Act Section 35.B(2)
A notice filing for federal covered securities	Varies Act Sections 35.A(1)[1], 35.B(2), 35.B(7), and/or 35.B(6); Board Rule 114.4
Filing of an initial notice required by the Commissioner to claim a limited offering exemption	1/10 of 1% of the aggregate amount of securities described as being offered for sale, but in no case more than $500 Act Section 35.B(7); Board Rule 109.13
Filing an initial notice required by the Commissioner to claim a secondary trading exemption	$500 Act Section 35.B(6)
Filing a secondary trading exemption renewal notice	$500 Act Section 35.B(6)
Renewal of securities registered by notification	$10 Act Section 7.B(8)(b)
[+] *Checks should be made payable to the "State Securities Board."*	

[1] At its May 16, 2018 meeting, the Board reduced this fee by $30 (to $70), effective July 1, 2018. This fee was set by the Board at its July 24, 2009 meeting so that effective September 1, 2009, this fee was $100. Previously, at its June 24, 2003 meeting, the Board had set this fee at $40. Neither the fee increases nor decreases were mandated by the Texas Legislature. This notification is made pursuant to the General Appropriations Act, Article IX, Section 6.16.

DEALER / AGENT, INVESTMENT ADVISER / INVESTMENT ADVISER REPRESENTATIVE REGISTRATION AND NOTICE FILING FEES	
Action	**Fee[+]**
Filing an original application for dealer or investment adviser registration	$75 Act Section 35.A(2)
Filing a renewal application for dealer or investment adviser registration	$40 Act Section 35.A(3)
Notice filing for a federal covered investment adviser	$75 Act Section 35.A(2)
Renewal notice filing for a federal covered investment adviser	$40 Act Section 35.A(3)
Filing an original application for each agent, officer, or investment adviser representative	$35 Act Section 35.A(4)
Filing a renewal application for each agent, officer, or investment adviser representative	$20 Act Section 35.A(5)
Notice filing for each representative of a federal covered investment adviser	$35 Act Section 35.A(4)
Renewal notice filing for a representative of a federal covered investment adviser	$20 Act Section 35.A(5)
Amendment to a registration certificate of a dealer or investment adviser or evidence of registration of an agent or investment adviser representative	$25 Act Section 35.B(1)
Issuance of a duplicate certificate or evidence of registration	$25 Act Section 35.B(1)
Filing a request to take the Texas Securities Law Examination	$35 Act Section 35.B(5)
[+] *Checks should be made payable to the "State Securities Board."*	

MISCELLANEOUS FEES	
Action	**Fee[+]**
Copies of a public record of the Agency	Varies Board Rule 101.5
Certified copies of any papers filed in the office of the Commissioner	$1 per page plus a $15 certification fee Act Section 35.B(3)[2]; Board Rule 101.5
Filing for an interpretation by the Board's General Counsel of the Texas Securities Act or a rule adopted under the Act	$100 Act Section 35.B(8)
Filing an application for approval of a stock exchange	$10,000 Act Section 35.B(4)
[+] *Checks should be made payable to the "State Securities Board."*	

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[2] This fee was set by the Board at its April 27, 2011 meeting so that effective June 21, 2011, this fee was increased by $5. Previously at its June 24, 2003 meeting, the Board had increased this fee by $5. These fee increases were not mandated by the Texas Legislature. This notification is made pursuant to the General Appropriations Act, Article IX, Section 6.16.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 101. GENERAL ADMINISTRATION.

§101.1. Authority.
§101.2. Classification of Regulatory Standards.
§101.3. Application.
§101.4. Open Records Requests.
§101.5. Charges for Copies of Public Records.
§101.6. Historically Underutilized Business Program.

. . . . . .

§101.1. Authority.

(a) **Introduction.** Pursuant to the authority granted by the Texas Securities Act and the Administrative Procedure Act, Texas Government Code, Chapter 2001, the State Securities Board prescribes the following sections regarding the administration and implementation of the Texas Securities Act, and the procedure and practice before the Texas Securities Commissioner.

(b) **Objective.** The intent of the board is to supplant unwritten policies and guidelines with written rules, and to revise existing sections to better reflect the realities of current financial, commercial, and regulatory principles and practices.

(c) **Responsibilities of the Board.** The Board is the governing body of the Agency. The Board formulates policy objectives, oversees implementation of these objectives, and is responsible for the proposal, adoption, amendment and repeal of Board rules. The Board appoints the Securities Commissioner, who serves at the pleasure of the Board, to implement the policies of the Board, administer the provisions of the Texas Securities Act, and to manage the day-to-day operations of the Agency.

(d) **Responsibilities of the Securities Commissioner.** The Securities Commissioner implements the policies of the Board, administers the provisions of the Texas Securities Act, and manages the day-to-day operations of the Agency. It is the duty of the Securities Commissioner to see that the provisions of the Texas Securities Act are at all times obeyed and to take such measures and to make such investigations as will prevent or detect the violation of any provision thereof. The Commissioner appoints other persons as necessary to carry out the powers and duties of the Commissioner under the Texas Securities Act and other laws granting jurisdiction or applicable to the Board or the Commissioner. The Commissioner may delegate to the other persons appointed such powers and duties of the Commissioner as the Commissioner considers necessary.

(e) **Delegated authority.** The Board hereby delegates to the Commissioner the authority to waive requirements contained in the Board's rules, as the Commissioner may, from time to time, deem appropriate.

(f) Severability. If any provision of these sections be held invalid, such invalidity shall not affect other provisions that can be given effect without the invalid provision, and to this end the provisions of these sections are declared to be severable.

Source Note: The provisions of this §101.1 adopted to be effective January 1, 1976; amended to be effective March 14, 1999, 24 TexReg 1768; amended to be effective June 12, 2002, 27 TexReg 4933; amended to be effective August 10, 2003, 28 TexReg 5991.

§101.2. Classification of Regulatory Standards.

(a) Rules. Rules are regulatory standards adopted and promulgated as herein required and shall be considered the highest level of policy applied by the Board.

(b) Written administrative guidelines. Written administrative guidelines are of the same level of policy as rules and will be adopted in the same manner and have the same effect as rules.

(c) Forms. Forms are regulatory standards adopted for the purpose of implementing the Texas Securities Act by prescribing initial basic requirements for completing various applications and reports filed with the Commissioner. The forms required by the Commissioner are set forth in Chapter 133 of this title (relating to Forms) and have the same force and effect as rules.

(d) Preliminary administrative suggestions. The commissioner may also adopt preliminary administrative suggestions which will represent those standards which are newly developed, only recently reduced to writing, in the process of being modified, or otherwise considered by the commissioner to be not yet suitable for general application and promulgation and publication as rules or written administrative guidelines. Such preliminary administrative suggestions may be implemented at any time without publication or other notice and may be immediately applied by the commissioner in the public interest or for the protection of investors.

(e) Opinions. Statements made and opinions expressed orally or in writing by personnel of the Securities Board in response to inquiries or otherwise, and not specifically identified and promulgated as rules shall not be considered regulatory standards of the board and shall not be considered binding upon the commissioner in connection with specific adjudications undertaken by the commissioner thereafter. The commissioner may refuse to answer any question based upon a hypothetical fact situation.

(f) Interpretations by General Counsel.

(1) The Board's General Counsel may respond to inquiries concerning interpretations of the Texas Securities Act or these sections, provided sufficient relevant facts are given and the situation is not hypothetical. A nonrefundable fee of $100 must accompany each inquiry. The General Counsel may refuse to respond to any inquiry. Responses to inquiries may take the following forms:

(A) an opinion that no exemption appears available in the specific fact situation;

(B) an opinion that the availability of specific exemption(s) is questionable or doubtful in the specific fact situation;

(C) an opinion that, under the facts as stated by the inquiring party, a specific exemption appears to be available; this opinion must be followed by a caveat that:

(i) the agency does not grant nor confer the exemption in question;

(ii) the exemption's availability depends entirely upon the full compliance with the language of the exemption;

(iii) the Texas Securities Act, Section 37, places the burden of proof on the party claiming the exemption; and

(iv) opinions expressed are not binding upon civil litigants in future proceedings;

(D) an explanation of relevant provisions of the Texas Securities Act or Board rules;

(E) a statement that no interpretation will be expressed with regard to a given fact situation;

(F) a statement that the staff of the State Securities Board will recommend no action to require registration in the specific fact situation.

Source Note: The provisions of this §101.2 adopted to be effective January 1, 1976; amended to be effective October 30, 1985, 10 TexReg 4080; amended to be effective March 14, 1999, 24 TexReg 1768.

§101.3. Application.

(a) **Generally.** All rules shall be applied collectively, to the extent relevant, in connection with specific adjudications made by the Commissioner in the course of his or her regulatory functions. The Commissioner will make his or her determination on the basis of specific characteristics and circumstances of the individual adjudications under consideration and in light of the basic statutory purposes for regulation in the particular area. The Commissioner may, in his or her discretion, waive any requirement of any rule in situations where, in his or her opinion, such requirement is not necessary in the public interest or for the protection of investors. The captions of the various rules are for convenience only. Should there be a conflict between the caption of a rule and the text of the rule, the text will be controlling. Material denoted by a cross reference caption is not a rule or part of a rule.

(b) **Investor protection standard.** Within the confines of statutory authority, conflicts between the industry and the best interest of the investing public will be resolved in favor of the investing public. Likewise, conflicts between existing securities holders and the best interest of the prospective investor will be resolved in favor of the prospective investor.

(c) **Precedent.** Because rules cannot adequately anticipate all potential application requirements, the failure to satisfy all regulatory standards of the Board will not necessarily foreclose the possibility of a favorable disposition of the matter pending before the Commissioner, and, similarly, the satisfaction of all such regulatory standards will not necessarily preclude an unfavorable disposition if the

specific characteristics and circumstances so warrant. For this reason, the nature of the disposition of any particular matter pending before the Commissioner is not necessarily of meaningful precedential value, and the Commissioner shall not be bound by the precedent of any previous adjudication in the subsequent disposition of any pending matter.

Source Note: The provisions of this §101.3 adopted to be effective January 1, 1976; amended to be effective May 17, 1976, 1 TexReg 1179; amended to be effective November 7, 1999, 24 TexReg 9607.

§101.4. Open Records Requests. Requests for agency records will be handled pursuant to the open records provisions of the Public Information Act, Texas Government Code, Title 5, Chapter 552. The requesting party shall indicate in writing the specific nature of the documents requested for examination or duplication.

Source Note: The provisions of this §101.4 adopted to be effective January 1, 1976; amended to be effective February 19, 1992, 17 TexReg 1087; amended to be effective March 17, 1994, 19 TexReg 1542; amended to be effective June 9, 2015, 40 TexReg 3563.

§101.5. Charges for Copies of Public Records.

(a) The cost to any person requesting copies of any public record of the State Securities Board pursuant to the open records provisions of the Texas Government Code, Title 5, Chapter 552, will be the applicable charge established by the Office of the Attorney General in Title 1, Part 3, Chapter 70, of the Texas Administrative Code, which is reflected in Form 133.2.

(b) For certified copies the charge shall be $1.00 per page plus a $15.00 certification fee.

Source Note: The provisions of this §101.5 adopted to be effective February 19, 1992, 17 TexReg 1087; amended to be effective December 20, 1993, 18 TexReg 9093; amended to be effective September 14, 1994, 19 TexReg 6841; amended to be effective April 21, 1995, 20 TexReg 2619; amended to be effective March 14, 1999, 24 TexReg 1768; amended to be effective August 10, 2003, 28 TexReg 5991; amended to be effective April 19, 2007, 32 TexReg 2135; amended to be effective June 21, 2011, 36 TexReg 3713.

§101.6. Historically Underutilized Business Program. The State Securities Board adopts by reference the rules of the Comptroller of Public Accounts relating to the Historically Underutilized Business Program, contained in Title 34, Part 1, Chapter 20, Subchapter D, of the Texas Administrative Code.

Source Note: The provisions of this §101.6 adopted to be effective August 12, 2001, 26 TexReg 5786; amended to be effective August 10, 2003, 28 TexReg 5991; amended to be effective June 21, 2011, 36 TexReg 3713; amended to be effective August 25, 2019, 44 TexReg 4309.

The next page is 102-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 102. COMPLAINT PROCESS.

§102.1. Policy.
§102.2. Definitions.
§102.3. Filing Complaints.
§102.4. Processing of Complaints.
§102.5. Prioritization of Complaint Investigations.
§102.6. Complaint Resolution.

. . . . . .

§102.1. Policy.

(a) It is the Board's policy for the Agency to:

(1) review, prioritize and investigate all complaints received in a timely manner;

(2) ensure conduct found to be in violation of the Act or a Board rule is brought to a fair, just, and equitable resolution; and

(3) protect confidential, investigatory, and inspection information while maximizing Agency transparency.

(b) The Commissioner shall maintain a system to promptly and efficiently act on complaints received by the Agency. The system shall:

(1) periodically, but at least every six months, notify the complaint parties of the status of the complaint until final disposition unless the notice would jeopardize a law enforcement investigation;

(2) ensure all periodic notifications of complaint status to complaint parties are made in conformance with the confidentiality provisions of the Act and Board rules; and

(3) make information available on the Agency's website (www.ssb.texas.gov) that describes the Agency's complaint process, including the procedures for complaint investigation and resolution.

(c) Complaint information to be maintained shall include:

(1) information about parties to the complaint;

(2) the subject matter of the complaint;

(3) a summary of the results of the review or investigation of the complaint; and

(4) the disposition of the complaint.

(d) The Commissioner may provide information on the Agency's website (www.ssb.texas.gov) about:

(1) administrative actions taken by the Agency; and

(2) civil and criminal actions in which the Agency was involved whether through investigation, participation, or provision of assistance.

Source Note: The provisions of this §102.1 adopted to be effective February 27, 2020, 45 TexReg 1218.

§102.2. Definitions. The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Complaint--a written communication submitted to the Agency by a person that alleges misconduct by an individual or entity believed to be engaged in an activity that is regulated by the Agency.

(2) Complainant--person filing a complaint with the Securities Commissioner.

(3) Jurisdictional authority--conduct regulated by the Agency as provided for in the Act and Board rules.

Source Note: The provisions of this §102.2 adopted to be effective February 27, 2020, 45 TexReg 1218.

§102.3. Filing Complaints.

(a) A complaint against an individual or entity subject to the Agency's jurisdictional authority may be filed by a member of the public or by an individual or entity regulated by the Agency.

(b) A complaint form promulgated by the Agency is available on the Agency website (www.ssb.texas.gov). An electronic or print version of the complaint form may also be obtained by contacting any office of the Agency and requesting one.

(c) A complaint must be made in writing to the Securities Commissioner.

(1) A complaint using the Agency's complaint form must be submitted in person, by mail or facsimile to an Agency office, or electronically to the email address for complaints identified on the Agency's website (www.ssb.texas.gov).

(2) A complaint made by letter or other written format must be submitted electronically through the email address for complaints identified on the Agency's website (www.ssb.texas.gov).

(d) The complaint shall include the following information:

(1) the name and contact information of the complainant, unless the complainant wishes to remain anonymous;

(2) identifies the individual or entity against whom the complaint is filed; and

(3) sufficient facts to enable the Agency to determine the nature of the complaint and the specific facts and circumstances giving rise to the filing of the complaint.

Source Note: The provisions of this §102.3 adopted to be effective February 27, 2020, 45 TexReg 1218.

§102.4. Processing of Complaints.

(a) Agency staff shall promptly review complaints to determine if the Agency has jurisdictional authority to investigate the complaint. Agency staff may contact the complainant or other persons for additional information.

(b) When the complaint relates to an individual or entity registered with the Securities Commissioner, the Inspections and Compliance Division, with assistance from the Enforcement Division as appropriate, will review the allegations in the complaint.

(c) When the complaint relates to an individual or entity that is not registered with the Securities Commissioner, the Enforcement Division, with assistance from the Inspections and Compliance Division as appropriate, will review the allegations in the complaint.

(d) Upon determination that the complaint contains the information required by §102.3(d) of this chapter (relating to Filing Complaints), the complaint will be entered in the complaint tracking system of the Agency division leading the review and investigation.

(e) The complainant will be notified of the Agency's receipt of the complaint and be given the name and contact information for an Agency staff member assigned the complaint.

Source Note: The provisions of this §102.4 adopted to be effective February 27, 2020, 45 TexReg 1218.

§102.5. Prioritization of Complaint Investigations. The following factors will be considered by Agency staff in prioritizing complaints for further investigation:

(1) the ongoing nature of the underlying alleged conduct;

(2) the amount and degree of financial harm presented by the alleged conduct;

(3) extent to which the alleged conduct relates to senior or vulnerable victims;

(4) the risk associated with the type of investment product underlying the alleged conduct;

(5) the seriousness, nature, circumstances, extent and persistence of the alleged conduct;

(6) the history of previous misconduct by the individual or entity alleged to be responsible for the underlying alleged conduct;

(7) the availability of Agency resources to pursue investigation of the alleged conduct;

(8) the extent another governmental agency or regulatory body is better positioned to investigate the alleged conduct; and

(9) such other matters as the facts and circumstances may require.

Source Note: The provisions of this §102.5 adopted to be effective February 27, 2020, 45 TexReg 1218.

§102.6. Complaint Resolution.

(a) During the investigation of a complaint, Agency staff will make a determination on what further action by the Agency is appropriate under the particular facts and circumstances.

(b) The Division reviewing the complaint shall maintain a record of the summary of the complaint, the subject matter of the complaint, a summary of the results of the review or investigation of the complaint, and the disposition of the complaint.

(c) Agency staff shall consider, on a case-by-case basis, aggravating and mitigating factors, such as the extent and pervasiveness of financial harm, prior violative conduct, cooperation, and past Agency sanctions redressing similar conduct, when determining an appropriate resolution to a complaint.

(d) Formal Agency action taken after investigation of a complaint could include an administrative sanction or penalty, civil action, or criminal prosecution. Formal administrative sanctions available to the Agency include an order to cease and desist; denial of a registration application; suspension, revocation, or probation of a registration; administrative fine; and refund to a client or purchaser of amounts paid for a service or transaction regulated by the Agency.

(e) After review and investigation of the complaint, the resolution could be one or more of the following:

(1) no further action, closed;

(2) informal, non-public action to bring the individual or entity into compliance with applicable securities laws and regulations;

(3) informal, non-public, action to bring the individual or entity into compliance with the Act and Board rules through the imposition of an undertaking and/or placing restrictions on future securities-related activities;

(4) formal, public action by agreement or consent order, which may include administrative sanctions;

(5) formal, public action to initiate an administrative contested case at the State Office of Administrative Hearings (SOAH) which, after notice and opportunity for hearing, could include an order imposing administrative sanctions;

(6) formal, ex parte public action (emergency cease and desist order) to prevent immediate and irreparable public harm;

(7) referral to the Attorney General for a civil action seeking injunction, restitution, and other civil penalties, and/or the imposition of a receivership; or

(8) further development through a law enforcement investigation prior to referral to an appropriate prosecutorial office for criminal prosecution.

(f) The Agency's most current penalty matrix, describing the range of possible sanctions for misconduct by registered persons and the administrative penalties and sanctions that can be levied against a registrant, is posted on the Agency's website (www.ssb.texas.gov).

(g) For contested matters before SOAH, Agency staff shall notify any respondent known by Agency staff to be self-represented of any guide for self-represented litigants disseminated by SOAH.

Source Note: The provisions of this §102.6 adopted to be effective February 27, 2020, 45 TexReg 1218.

The next page is 103-1.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 103. RULEMAKING PROCEDURE.

§103.1. How Initiated.
§103.2. Notice.
§103.3. Opportunity To Be Heard.
§103.4. Compliance.
§103.5. Petitions.
§103.6. Negotiated Rulemaking.

. . . . . .

§103.1. How Initiated. Proceedings for the promulgation, adoption, repeal, or revision of rules shall be initiated by the securities commissioner.

Source Note: The provisions of this §103.1 adopted to be effective January 1, 1976.

§103.2. Notice. General notice of the adoption, amendment, or repeal of any rule shall be given as required by law and shall be sent by U.S. mail, or by email if the requestor has provided an email address, to all persons who have made timely written requests for advanced notice of rulemaking proceedings. However, failure to send such notice will not invalidate any actions taken or rules adopted.

Source Note: The provisions of this §103.2 adopted to be effective January 1, 1976; amended to be effective June 9, 2015, 40 TexReg 3563.

§103.3. Opportunity To Be Heard. Reasonable opportunity will be afforded all interested persons to submit data, views, or arguments, orally or in writing. The commissioner may use informal conferences and consultations as a means of obtaining the viewpoints and advice of interested persons.

Source Note: The provisions of this §103.3 adopted to be effective January 1, 1976.

§103.4. Compliance. No rule hereafter adopted will be valid unless adopted in substantial compliance with the rulemaking provisions of the Texas Government Code, Title 10, Chapter 2001.

Source Note: The provisions of this §103.4 adopted to be effective January 1, 1976; amended to be effective June 9, 2015, 40 TexReg 3563.

§103.5. Petitions. Pursuant to Texas Government Code, Section 2001.021, any interested person may petition the Commissioner requesting the adoption of a rule, and within 60 days the Commissioner will initiate

rulemaking proceedings, or deny the petition in writing, stating his or her reasons therefor. The petition must set forth the following:

(1) The text of the proposed rule and a brief explanation thereof.

(2) A statement of the statutory or other authority under which the rule is proposed.

(3) A statement of the particular statute or statutes and sections thereof to which the proposed rule relates.

(4) A concise statement of the principal reasons for adoption of the rule; and the date submitted and by whom.

(5) If available to the petitioner(s), the following analyses related to the adoption of the rule:

(A) an analysis supporting the draft government growth impact statement required by Texas Government Code, Section 2001.0221;

(B) an analysis supporting the economic impact statement required by Texas Government Code, Section 2006.002;

(C) an analysis supporting the regulatory flexibility analysis required by Texas Government Code, Section 2006.002;

(D) an analysis supporting the takings impact assessment required by Texas Government Code, Section 2007.043;

(E) an analysis supporting the local employment impact statement required by Texas Government Code, Section 2001.024(a)(6);

(F) an analysis supporting the cost-benefit analysis required by Texas Government Code, Section 2001.024(a)(5);

(G) an analysis supporting the fiscal note required by Texas Government Code, Section 2001.024(a)(4); and

(H) if Texas Government Code, Section 2001.0045(b) would apply to the adopted rule:

(i) identify the proposed repeal or amendment that is being suggested to offset costs of the adopted rule; and

(ii) explain the reasoning behind the estimate of the costs that would be offset by the proposed repeal or amendment.

Source Note: The provisions of this §103.5 adopted to be effective January 1, 1976; amended to be effective March 14, 1999, 24 TexReg 1768; amended to be effective August 25, 2019, 44 TexReg 4309.

§103.6. Negotiated Rulemaking.

(a) Policy. It is the Board's policy to encourage the use of negotiated rulemaking in appropriate situations. When the Securities Commissioner finds that a rule to be proposed is likely to be complex, controversial, or affect disparate groups, the Commissioner may propose to engage in negotiated rulemaking in accordance with the Government Code, Chapter 2008.

(b) Appointment and duties of convener.

(1) The Deputy Securities Commissioner or the Deputy's designee shall serve as the negotiated rulemaking convener.

(2) The convener shall assist in identifying persons who are likely to be affected by a proposed rule, including those who oppose issuance of a rule. The convener shall discuss the items listed in Government Code, §2008.052(c), with those persons or their representatives.

(3) The convener shall then recommend to the Commissioner whether negotiated rulemaking is a feasible method to develop the proposed rule and shall report on the relevant considerations, including those listed in §2008.052(d).

(c) Notice of intent to engage in negotiated rulemaking. After considering the convener's recommendation and report, the Commissioner may direct the Agency Staff to engage in negotiated rulemaking in accordance with the provisions of Government Code, Chapter 2008, and authorize the Agency Staff to perform the duties and requirements set forth Chapter 2008, including providing any required notices, establishing a negotiated rulemaking committee, and appointing the members of the committee, and appointing a facilitator.

(d) Duties of the negotiated rulemaking committee and facilitator.

(1) The facilitator shall preside over meetings of the negotiated rulemaking committee and assist the committee in establishing procedures for conducting negotiations and in attempting to arrive at a consensus on the proposed rule.

(2) At the conclusion of negotiations, the negotiated rulemaking committee shall send a written report to the Commissioner as provided in Government Code §2008.056(d).

(e) Notice and comment rulemaking. After considering the negotiated rulemaking committee's report, if the Commissioner intends to proceed with the rulemaking process, the Commissioner shall present the proposed rule to the Board for consideration in accordance with Government Code, Chapter 2001, Subchapter B.

(f) Rulemaking coordinator. The Board's Deputy Commissioner, or designee, shall act as the designated negotiated rulemaking coordinator to coordinate the implementation of the policy set out in subsection (a) of this section, serve as a resource for any staff training or education needed to implement negotiated rulemaking procedures, and collect data to evaluate the effectiveness of the implementation of negotiated rulemaking procedures.

Source Note: The provisions of this §103.5 adopted to be effective November 12, 2019, 44 TexReg 6857.

The next page is 104-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 104. PROCEDURE FOR REVIEW OF APPLICATIONS.

§104.1. Scope.
§104.2. Purpose.
§104.3. Definition of Days.
§104.4. Registration of Securities--Review of Applications.
§104.5. Registration of Dealers and Investment Advisers--Review of Applications.
§104.6. Exceeding the Time Periods.
§104.7. Preliminary Evaluation of License Eligibility.

. . . . . .

§104.1. Scope. These rules of procedure are generally applicable to the review of applications and the agency's decision whether to grant, deny, or allow withdrawal of applications.

Source Note: The provisions of this §104.1 adopted to be effective May 17, 1988, 13 TexReg 2160; amended to be effective August 10, 2003, 28 TexReg 5991.

§104.2. Purpose. These sections are intended to implement the provisions of Texas Government Code, Chapter 2005. They are not intended to supersede any substantive requirement of the Texas Securities Act or Board rules. If a provision under one of these sections would cause such a conflict, the provision will not be given effect under the particular circumstances giving rise to the conflict.

Source Note: The provisions of this §104.2 adopted to be effective May 17, 1988, 13 TexReg 2160; amended to be effective March 14, 1999, 24 TexReg 1769; amended to be effective August 10, 2003, 28 TexReg 5991.

§104.3. Definition of Days. For purposes of these sections "days" means each calendar day without any exclusions.

Source Note: The provisions of this §104.3 adopted to be effective May 17, 1988, 13 TexReg 2160.

§104.4. Registration of Securities--Review of Applications.

(a) Within seven days of receipt by the Agency of an application to register securities, if the application does not contain all required information, the Registration Division will send a written deficiency letter to the applicant setting forth a list of items or exhibits that have not been filed and that, pursuant to requirements of the Texas Securities Act or Board rules, must be filed with the Agency.

(b) Within 45 days of receipt by the Agency of all requested items and exhibits necessary in order to analyze the offering, the Registration Division shall review the application and shall send a written initial

comment letter setting forth deviations from the substantive requirements of the Act or Board rules relating to the registration of securities. This process may be repeated if the applicant suggests that alternatives be considered, or the applicant's response does not resolve substantive issues.

(c) Written communications between the Registration Division and the applicant may be transmitted by facsimile, email, U.S. mail, or other more timely means of communication.

(d) An application is complete and accepted for filing upon receipt by the Agency of the following:

(1) all items and exhibits required to be filed with the Agency as set forth in paragraphs (a)-(c) of this section; and

(2) complete responses to all comments raised by the division staff pursuant to subsections (b) and (c) of this section.

(e) Within 21 days of receipt by the Agency of a complete application, the division staff shall review the applicant's responses to initial and subsequent comments, if any, and make a recommendation to either grant, deny, or allow withdrawal of the application.

(f) Within 14 days of the division staff's recommendation the application shall be reviewed by the Director (or Assistant Director) of the Registration Division and the Deputy Commissioner and/or Securities Commissioner. Additional comments, if any, raised at these stages of review must be communicated to the applicant immediately.

(g) The final decision to grant, deny, or allow withdrawal of the application must be made and communicated to the applicant within 14 days of the latter of:

(1) the division staff's recommendation, or

(2) the receipt by the Agency of complete responses to any additional comments raised pursuant to subsection (f) of this section.

Source Note: The provisions of this §104.4 adopted to be effective May 17, 1988, 13 TexReg 2160; amended to be effective March 14, 1999, 24 TexReg 1769; amended to be effective August 10, 2003, 28 TexReg 5991; amended to be effective October 6, 2015, 40 TexReg 6888.

§104.5. Registration of Dealers and Investment Advisers--Review of Applications.

(a) Within 14 days of receipt by the Agency of an application and a fee that is sufficient for registration as a dealer or investment adviser, the Registration Division shall send a written deficiency letter to the applicant setting forth a list of items or exhibits that either have not been filed or that contain errors or omissions. If the applicant is filing through the Central Registration Depository (CRD) or the Investment Adviser Registration Depository (IARD), deficiency corrections of a procedural, non-disciplinary nature will be handled by the CRD or IARD.

(1) If an insufficient fee is submitted with the application, the fee will be returned to the applicant along with immediate notification as to the correct amount owed.

(2) The application will be held in abeyance until the correct fee is received by the Agency.

(b) Within 14 days of receipt by the Agency of all requested items and exhibits, the division staff shall review the file and, if necessary, shall send a written comment letter setting forth any deviations from the substantive requirements of the Texas Securities Act or Board rules relating to the registration of dealers or investment advisers. This process may be repeated to raise subsequent comments.

(c) An application is complete and accepted for filing upon receipt by the agency of the following:

(1) all items required to be filed with the Agency as set forth in the deficiency letter referred to in subsection (a) of this section; and

(2) complete responses to all comments raised by the division during review of the application.

(d) Within 14 days of receipt by the Agency of a complete application, the division staff shall review the application and the applicant's responses to initial comments and make a recommendation to grant, deny, or allow withdrawal of the application.

(e) Within 14 days of the division staff's recommendation, any remaining issues shall be addressed by the Director (or an Assistant Director) of the Registration Division and the Deputy Commissioner. Additional comments, if any, raised at this stage of review must be communicated to the applicant immediately.

(f) The final decision to grant, deny, or allow withdrawal of the application must be made and communicated to the applicant within 14 days of the latter of:

(1) the division's recommendation, or

(2) receipt by the Agency of complete responses to any remaining comments.

(g) Written communications between the Registration Division and the applicant may be transmitted by facsimile, email, U.S. mail, or other more timely means of communication.

Source Note: The provisions of this §104.5 adopted to be effective May 17, 1988, 13 TexReg 2160; amended to be effective March 14, 1999, 24 TexReg 1769; amended to be effective August 10, 2003, 28 TexReg 5991; amended to be effective October 6, 2015, 40 TexReg 6888; amended to be effective August 25, 2019, 44 TexReg 4310.

§104.6. Exceeding the Time Periods.

(a) The Agency may exceed the time periods set forth in these sections if:

(1) the number of permits and registration authorizations exceeds by 15% or more the number processed in the same calendar quarter of the preceding year;

(2) the Securities and Exchange Commission, CRD, IARD, or another public or private entity, including the applicant itself, causes the delay;

(3) the applicant requests delay; or

(4) other conditions exist that give the Agency good cause for exceeding the established time periods.

(b) If it appears to the applicant that for reasons other than those set forth in subsection (a)(2) of this section, the Agency exceeded the time periods set forth in these sections, the applicant may appeal by filing a complaint in writing with the deputy commissioner who shall provide the staff with a copy of the complaint immediately.

(c) If the Agency's staff believes that the time periods were not exceeded for the reasons alleged in the complaint, the staff may file with the deputy commissioner a written response to the complaint within five days of receipt by the Agency of the complaint.

(d) The deputy commissioner shall render a decision and communicate it to the applicant within 10 days of receipt of the applicant's complaint, whether or not a response is filed by the staff.

(e) If the complaint is decided in favor of the applicant, the applicant shall receive full reimbursement of all filing fees paid by the applicant.

(f) If the complaint is decided in favor of the staff, the applicant may appeal the decision by requesting a hearing before the Commissioner pursuant to the Texas Securities Act, Section 24.A.

Source Note: The provisions of this §104.6 adopted to be effective May 17, 1988, 13 TexReg 2160; amended to be effective March 14, 1999, 24 TexReg 1769; amended to be effective August 10, 2003, 28 TexReg 5991; amended to be effective June 21, 2011, 36 TexReg 3713.

§104.7. Preliminary Evaluation of License Eligibility.

(a) Request for criminal history evaluation letter.

(1) A person may request the Agency issue a criminal history evaluation letter regarding the person's eligibility for a license issued by the Agency if the person:

(A) is enrolled or planning to enroll in an educational program that prepares a person for an initial license or is planning to take an examination for an initial license; and

(B) has reason to believe that the person is ineligible for the license due to a conviction or deferred adjudication for a felony or misdemeanor offense.

(2) The request must state the basis for the person's potential ineligibility, provide the information set out in subsection (b) of this section, include all pertinent court documentation including certified copies of all court indictments and/or judgments, and orders, and an explanation of the circumstances and events of the criminal action that led to the conviction or sentence.

(3) The fee for a preliminary evaluation of license eligibility shall be $100.

(4) To be considered complete, the request must include the appropriate fee and state the circumstances establishing the requestor's eligibility under paragraph (1) of this subsection.

(5) The Agency may require additional documentation including fingerprint cards before issuing a criminal history evaluation letter.

(6) If a requestor does not provide all required and requested documentation within one year of submitting the original request, the requestor must submit a new request along with the appropriate fee.

(b) Factors considered. After determining a conviction directly relates to a license issued by the Agency, the Agency considers the following evidence in determining whether the person is eligible for a license issued by the Agency. Accordingly, the requestor should provide information on the following:

(1) The extent and nature of the person's past criminal activity.

(2) The age of the requestor at the time of the commission of the crime.

(3) The amount of time that has elapsed since the requestor's last criminal activity.

(4) The conduct and work activity of the requestor prior to and following the criminal activity.

(5) Evidence of the requestor's rehabilitation or rehabilitative effort while incarcerated or following release.

(6) Evidence of the person's compliance with any conditions of community supervision, parole, or mandatory supervision.

(7) Other evidence of the requestor's present fitness, including letters of recommendation may also be provided and considered, including letters from prosecution, law enforcement, and correctional officers who prosecuted, arrested, or had custodial responsibility for the requestor; the sheriff and chief of police in the community where the requestor resides; and any other persons in contact with the requestor.

(8) It shall be the responsibility of the requestor to the extent possible to secure and provide to the Agency the letters of recommendation described by paragraph (7) of this subsection.

(c) Investigation of request. The Agency has the same authority to investigate a request submitted under this section as it has to investigate a person applying for a license.

(d) Determination of eligibility; letter.

(1) If the Agency determines that a ground for ineligibility does not exist, the Agency shall notify the requestor in writing of the Agency's determination on each ground of potential ineligibility.

(2) If the Agency determines that the requestor is ineligible for a license, the Agency shall issue a letter which complies with the requirements of Texas Occupations Code, Section 53.026(b) and Section 53.104(b), setting out each basis for potential ineligibility and the Agency's determination as to eligibility.

(3) In the absence of new evidence known to but not disclosed by the requestor or not reasonably available to the Agency at the time the letter is issued, the Agency's ruling on the request determines the requestor's eligibility with respect to the grounds for potential ineligibility set out in the letter.

(4) The notice under paragraph (1) of this subsection or the letter under paragraph (2) of this subsection shall be issued by the Agency within 90 days of the requestor satisfying all of the Agency's requests for information to complete the criminal history evaluation letter request.

Source Note: The provisions of this §104.7 adopted to be effective March 28, 2010, 35 TexReg 2548; amended to be effective November 12, 2019, 44 TexReg 6857.

The next page is 105-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 105. RULES OF PRACTICE IN CONTESTED CASES.

§105.1. Scope.
§105.2. Definitions.
§105.3. Computation of Time.
§105.4. Opportunity for Hearing.
§105.5. Contents of Notice of Hearing.
§105.6. Service.
§105.7. Written Response to Notice of Hearing.
§105.8. Copies to Securities Commissioner's Representative.
§105.9. Informal Disposition.
§105.10. Default.
§105.11. Burden of Proof.
§105.12. Subpoenas and Depositions.
§105.13. Assessment of Hearing Costs.
§105.14. Proposal for Decision.
§105.15. Orders Issued by Securities Commissioner.
§105.16. Decisions; When Final.
§105.17. Motion for Rehearing.
§105.18. Board Action on Motion for Rehearing.
§105.19. Record.
§105.20. Ex Parte Communications.

. . . . . .

§105.1. Scope. This chapter is applicable to contested cases under the Texas Securities Act.

Source Note: The provisions of this §105.1 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.2. Definitions.

(a) The following words and terms, when used in this chapter, shall have the same meaning as set forth in the Administrative Procedure Act, Government Code, Chapter 2001 (the "APA"), unless the context clearly indicates otherwise:

(1) Contested case;

(2) License;

(3) Licensing;

(4) Party;

(5) Person; and

(6) State agency.

(b) The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Act or Securities Act or Texas Securities Act--The Securities Act, Texas Revised Civil Statutes, Article 581-1 et seq., as amended.

(2) APA--The Administrative Procedure Act, Texas Government Code, Title 10, Chapter 2001, as amended.

(3) Commissioner or Securities Commissioner--The State Securities Commissioner for the State of Texas.

(4) SOAH--The State Office of Administrative Hearings.

(5) SOAH Rules of Procedure--The procedural rules of the State Office of Administrative Hearings, described in 1 TAC Chapter 155, as amended.

(6) Staff--Personnel of the Securities Board, excluding the members of the Board, the Securities Commissioner, the Deputy Commissioner, and the Commissioner's Representative or any designee thereof responsible for assisting or advising members of the Board, the Securities Commissioner or the Deputy Commissioner.

Source Note: The provisions of this §105.2 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.3. Computation of Time. The method for computing any period of time prescribed or allowed by this chapter shall be in accordance with the SOAH Rules of Procedure.

Source Note: The provisions of this §105.3 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.4. Opportunity for Hearing.

(a) An applicant taking exception to the failure or refusal of the Securities Commissioner to register the applicant as a dealer, agent, investment adviser, or investment adviser representative under the Act, Section 14, Section 15, or Section 18, or to the failure or refusal of the Commissioner to register securities of the applicant or to issue a permit to the applicant under the Act, Section 7 or Section 10, may request a hearing pursuant to the Act, Section 24, by filing a written request with the Commissioner.

(b) Except when an emergency order has been issued pursuant to the Act, Section 23-2, each party in a contested case is entitled to an opportunity for hearing after reasonable notice of not less than 10 days and to respond and present evidence and argument on each issue involved in the case.

(c) Such hearings shall be open to the public in accordance with the Open Meetings Act, Texas Government Code, Chapter 551, except as may be required by this chapter.

(d) In a contested case filed at SOAH, SOAH Rules of Procedure, the APA, and the Board rules shall apply.

(e) Procedure in a contested case is governed by the law in effect on the date of the filing of the Notice of Hearing.

Source Note: The provisions of this §105.4 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.5. Contents of Notice of Hearing.

(a) The contents of a notice of hearing shall comport with the requirements of the APA, the SOAH Rules of Procedure, and Board rules.

(1) If the notice of hearing provides for at least 30 days notice to a party prior to the hearing in a contested case, such a notice of hearing shall include the following disclosure language set forth in capital letters and 12-point boldface type: "IF YOU DO NOT FILE A WRITTEN ANSWER OR OTHER WRITTEN RESPONSIVE PLEADING TO THIS NOTICE OF HEARING ON OR BEFORE THE 20TH DAY AFTER THE DATE ON WHICH THIS NOTICE WAS MAILED TO YOU OR PERSONALLY SERVED ON YOU, THE FACTUAL ALLEGATIONS IN THIS NOTICE COULD BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND MAY GRANT THE RELIEF SOUGHT IN THIS NOTICE. THE RESPONSE MUST BE FILED IN AUSTIN, TEXAS WITH THE SECURITIES COMMISSIONER AND THE STATE OFFICE OF ADMINISTRATIVE HEARINGS, AND ALSO SERVED ON THE STAFF OF THE STATE SECURITIES BOARD. IF YOU FAIL TO ATTEND THE HEARING, EVEN IF A WRITTEN ANSWER OR OTHER RESPONSIVE PLEADING HAS BEEN FILED AND SERVED, THE FACTUAL ALLEGATIONS IN THIS NOTICE COULD BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND MAY GRANT THE RELIEF SOUGHT IN THIS NOTICE."

(2) In all other circumstances, the notice of hearing shall include the following disclosure language set forth in capital letters and 12-point boldface type: "IF YOU FAIL TO ATTEND THE HEARING, THE FACTUAL ALLEGATIONS IN THIS NOTICE COULD BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND MAY GRANT THE RELIEF SOUGHT IN THIS NOTICE."

(b) The notice of hearing shall also include:

(1) the mailing address where the response may be filed with the Securities Commissioner, including the identity and contact information of the Commissioner's Representative;

(2) the mailing address where the response may be filed with SOAH; and

(3) the mailing address where the response may be served on the Staff.

(c) A notice of hearing may be signed by the Director of the Enforcement Division, the Director of the Inspections and Compliance Division, or the Director of the Registration Division.

Source Note: The provisions of this §105.5 adopted to be effective April 3, 2012, 37 TexReg 2165; amended to be effective April 7, 2013, 38 TexReg 2097.

§105.6. Service.

(a) **Service of notice of hearing.** A notice of hearing shall be served by personal delivery or by registered or certified mail, return receipt requested, to the person's last known address.

(b) **Service of orders.**

(1) All emergency orders issued pursuant to the Act, Section 23-2, shall be sent in the manner prescribed therein.

(2) All other orders shall be served in the manner prescribed by the APA.

(c) **Service of all other documents.** Unless otherwise required by the Act, the APA, SOAH Rules of Procedure, or Board rules, all documents, other than a notice of hearing or an order, may be served on each party or the party's representative by:

(1) hand-delivery;

(2) regular, certified, or registered mail;

(3) electronic mail, upon agreement of the parties; or

(4) facsimile transmission.

Source Note: The provisions of this §105.6 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.7. Written Response to Notice of Hearing.

(a) If the notice of hearing was mailed to or personally served on a party at least 30 days prior to the hearing in a contested case, the respondent shall file with both the Securities Commissioner and SOAH, and also serve the Staff with, a written answer or other responsive pleading to the matters asserted in the notice of hearing no later than the 20th day after the date the notice was mailed to or personally served on the respondent.

(b) In all other circumstances, no answer need be filed, and all allegations will be deemed to be denied by the party if the party attends the hearing. At the time of such hearing the Administrative Law Judge shall, on motion of the Staff or on its own motion, inquire of a party which, if any, of the matters pled in the notice are contested by the party.

(c) A general denial of matters pled by the Staff shall be sufficient to put the same in issue. When the respondent has pled a general denial, and the Staff afterward amends its pleadings, the general denial shall be presumed to extend to all matters subsequently alleged by the Staff.

Source Note: The provisions of this §105.7 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.8. Copies to Securities Commissioner's Representative. Upon the filing of a notice of hearing, the parties shall file with the Securities Commissioner, by delivering same to the Commissioner's Representative, a copy of all documents, other than business records and transcripts, filed with SOAH contemporaneously with such filing. SOAH shall likewise provide the Commissioner's Representative with copies of all documents issued by the Administrative Law Judge.

Source Note: The provisions of this §105.8 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.9. Informal Disposition. An informal disposition of a contested case may be made by the Securities Commissioner by stipulation of the parties, agreed settlement, consent order, or default, without further proceedings by SOAH.

Source Note: The provisions of this §105.9 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.10. Default.

(a) The Securities Commissioner may make an informal disposition of the contested case by default by issuing an order in which the relief requested in the notice of hearing is granted and the matters set forth in the notice are deemed admitted as true upon proof to the Commissioner that the notice was mailed to or personally served on a respondent in accordance with §105.6 of this title (relating to Service) and that such respondent has failed to:

(1) file a written response as provided in §105.7 of this title (relating to Written Response to Notice of Hearing); or

(2) appear in person or through an authorized representative on the day and at the time set for the hearing of the case, whether or not a written response has been filed.

(b) Upon the motion of a respondent, the Commissioner may, for good cause shown, set aside a default order and reschedule a hearing with SOAH.

(1) A motion by a respondent to set aside a default order shall be filed with the Commissioner not later than the 20th day after the date on which the respondent or the respondent's attorney of record is notified of the default order in the manner prescribed by the APA.

(2) A reply by the Staff to the motion by a respondent to set aside a default order must be filed with the Commissioner not later than the 30th day after the date on which the respondent or the respondent's attorney of record is notified of the default order in the manner prescribed by the APA.

(3) The Commissioner shall act on a motion for rehearing not later than the 45th day after the date on which the respondent or the respondent's attorney of record is notified of the default order in the manner prescribed by the APA or the motion for rehearing is overruled by operation of law.

Source Note: The provisions of this §105.10 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.11. Burden of Proof. The Staff will assume the burden of proving a prima facie case by a preponderance of the evidence based upon reasonable inferences drawn from the evidence presented, except that the burden of proof of an exemption shall be upon the party claiming the same.

Source Note: The provisions of this §105.11 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.12. Subpoenas and Depositions.

(a) In general. Except when in conflict with the provisions of the Act, including Section 28, and Board rules, such as §127.1 of this title (relating to Enforcement), subpoenas and depositions shall be administered in the manner prescribed by the APA and the SOAH Rules of Procedure.

(b) Pre-contested case. When the Staff anticipates the commencement of a contested case and determines that it is necessary to perpetuate testimony to prevent a failure or delay of justice due to the risk of unavailability of the testimony after the action is commenced, such as with the acute illness of a potential witness or receipt of information that the potential witness intends to leave the subpoena jurisdiction of the Commissioner, the Staff may file a request with the Commissioner for a commission to take a deposition as set forth in the APA, §2001.094.

(1) The request shall show:

(A) the Staff anticipates the commencement of a contested case;

(B) the subject matter of the anticipated action and the jurisdiction therein;

(C) the names and addresses, if known, of the persons expected to be interested adversely to the Staff; and

(D) the names and addresses of the persons to be examined, the substance of the testimony which the Staff expects to elicit from each, and the reasons why the testimony is necessary to prevent a failure or delay of justice.

(2) Upon filing a request with the Commissioner, a notice and copy of the request shall be served upon the witness, or witnesses, and upon each person named in the request as an expected adverse party. Each person served with a copy of the request shall have the right to respond to the request within 10 days of service of notice by filing a response with the Staff and the Commissioner.

(3) In any case where justice or necessity so requires, the Commissioner may permit the taking of such depositions upon shorter notice than required by paragraph (2) of this subsection, or may extend such time in order to permit service on any adverse party.

(4) If satisfied that the perpetuation of testimony may prevent a failure or delay of justice, the Commissioner may issue a commission authorizing the taking of such deposition. At such deposition the parties identified by the Staff as adverse persons or other parties identified shall have the right to attend and pose questions to the deponent.

Source Note: The provisions of this §105.12 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.13. Assessment of Hearing Costs. The State Securities Board may pay the costs charged by a court reporting service in transcribing a hearing in a contested case or the Securities Commissioner may assess the cost to one or more parties.

Source Note: The provisions of this §105.13 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.14. Proposal for Decision.

(a) At the conclusion of a hearing in a contested case, the Administrative Law Judge assigned to hear the case at SOAH will issue orders:

(1) setting appropriate deadlines for the filing of the parties' Proposed Findings of Fact and Conclusions of Law in the case, if any, and the responses thereto, if any; and

(2) setting appropriate deadlines for the filing of exceptions, if any, to the Administrative Law Judge's Proposal for Decision, and replies thereto, if any.

(b) In the event exceptions to the Administrative Law Judge's Proposal for Decision are not filed, SOAH loses jurisdiction over the case upon the expiration of the deadline for the filing of such exceptions.

(c) In the event exceptions to the Administrative Law Judge's Proposal for Decision are filed, SOAH loses jurisdiction over the case upon the issuance of the Administrative Law Judge's ruling on the said exceptions.

Source Note: The provisions of this §105.14 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.15. Orders Issued by Securities Commissioner.

(a) When SOAH loses jurisdiction over the case as prescribed in §105.14 of this title (relating to Proposal for Decision), the complete transcript and record of the case, and the Proposal for Decision shall be sent directly to the Securities Commissioner.

(b) The Commissioner may change a finding of fact or conclusion of law made by the Administrative Law Judge, or may vacate or modify an order issued by the Administrative Law Judge only on grounds set forth in the APA. The Commissioner shall state in writing the reason or basis for such a change.

Source Note: The provisions of this §105.15 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.16. Decisions; When Final.

(a) A decision is final:

(1) if a motion for rehearing is not filed on time, on the expiration of the period for filing a motion for rehearing;

(2) if a motion for rehearing is filed on time, on the date:

(A) the order overruling the motion for rehearing is rendered; or

(B) the motion is overruled by operation of law;

(3) if the Commissioner finds that an imminent peril to the public health, safety, or welfare requires immediate effect of a decision or order, on the date the decision or order is rendered; or

(4) if the decision or order is rendered pursuant to the Act, Section 23-2.E, on the date it is rendered.

(b) If a decision or order is final under subsection (a)(3) of this section, the Commissioner must recite in the decision or order the finding made under subsection (a)(3) of this section and the fact that the decision or order is final and effective on the date rendered.

(c) A person who is aggrieved by a final decision of the Commissioner in a contested case may seek judicial review of the decision. Judicial review of such a decision is under the substantial evidence rule.

Source Note: The provisions of this §105.16 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.17. Motion for Rehearing.

(a) **In general.** A timely motion for rehearing is a prerequisite to an appeal in a contested case except that a motion for rehearing of a decision or order that is final under the Act, Section 23-2.E, is not a prerequisite for appeal. Rather, a decision or order affirming or modifying an emergency order under the Act, Section 23-2.E, is immediately final and appealable.

(b) A party's motion for rehearing must be filed with the Securities Commissioner not later than the 20th day after the date on which the party or the party's attorney of record is notified of the Commissioner's decision or order on the Administrative Law Judge's Proposal for Decision in the manner prescribed by the

APA. A motion for rehearing must set forth the particular finding(s) of fact, conclusion(s) of law, ruling(s), or other action(s) which the complaining party asserts were in error, such as violation of a constitutional or statutory provision(s), lack of authority, unlawful procedure(s), lack of substantive evidence, abuse of discretion or other error(s) of law, or other good cause specifically described in the motion. In the absence of specific grounds in the motion, the Commissioner shall presume that the motion should be overruled.

(c) A reply to a motion for rehearing must be filed not later than the 30th day after the date on which the party or the party's attorney of record is notified of the Commissioner's decision or order on the Administrative Law Judge's Proposal for Decision in the manner prescribed by the APA.

(d) The Commissioner shall act on a motion for rehearing not later than the 45th day after the date on which the party or the party's attorney of record is notified of the Commissioner's decision or order on the Administrative Law Judge's Proposal for Decision in the manner prescribed by the APA or the motion for rehearing is overruled by operation of law.

(e) The Commissioner may by written order extend the time for filing a motion for rehearing, for filing a reply thereto, or for taking action in relation thereto under this section, except that an extension may not extend the period for action beyond the 90th day after the date on which the party or the party's attorney of record is notified of the Commissioner's decision or order on the Administrative Law Judge's Proposal for Decision in the manner prescribed by the APA.

(f) In the event of an extension, a motion for rehearing is overruled by operation of law on the date fixed by the order or, in the absence of a fixed date, 90 days after the date on which the party or the party's attorney of record is notified of the Commissioner's decision or order on the Administrative Law Judge's Proposal for Decision in the manner prescribed by the APA.

Source Note: The provisions of this §105.17 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.18. Board Action on Motion for Rehearing.

(a) The Board may determine to act in place of the Securities Commissioner in ruling on a Motion for Rehearing filed by a party in a contested case. The decision to take such action is within the sound discretion of the Board and is not mandated by any request or motion.

(b) Upon receipt of a timely filed Motion for Rehearing in a contested case, the Commissioner shall provide a copy of the Motion to each member of the Board. Thereafter, the Commissioner shall provide to each member of the Board any response filed by a party to the proceeding in support of, or opposition to, the Motion for Rehearing.

(c) If requested by a member of the Board, a meeting of the Board shall be held for the purpose of determining whether the Board should act in place of the Commissioner in ruling on the Motion for Rehearing and, if so, whether the order of the Commissioner should be vacated or modified or a new hearing should be held. The meeting and all deliberations by the Board on the Motion for Rehearing shall be conducted in accordance with the Texas Open Meetings Act.

(d) The Board may change a finding of fact or conclusion of law, or vacate or modify an order only as permitted by the APA.

Source Note: The provisions of this §105.18 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.19. Record.

(a) The record in a contested case includes the following:

(1) all pleadings, motions, and intermediate rulings;

(2) evidence received or considered;

(3) a statement of matters officially noticed;

(4) questions and offers of proof, objections, and rulings on them;

(5) proposed findings and exceptions;

(6) any decision, opinion, or report by the Administrative Law Judge at the hearing; and

(7) all briefs, memoranda, or data submitted to or considered by the Administrative Law Judge or by members of the agency who are involved in making the decision.

(b) In the event a final decision or order is appealed and the agency is required to transmit to the reviewing court a copy of the record of the administrative proceeding, or any part thereof, the appealing party shall pay all of the costs of the preparation of any original or certified copy of the record of the administrative proceeding that is required to be transmitted to the reviewing court. The charges imposed by this subsection will be the same as those charged by the agency for requests for photographic reproductions and certified copies of public records made pursuant to the provisions of the Public Information Act, Texas Government Code, Chapter 552. These charges are considered to be a court cost and may be assessed, all or in part, by the reviewing court in accordance with the Texas Rules of Civil Procedure.

Source Note: The provisions of this §105.19 adopted to be effective April 3, 2012, 37 TexReg 2165.

§105.20. Ex Parte Communications.

(a) Upon the issuance of a Notice of Hearing in a contested case and continuing until the Securities Commissioner's decision or order becomes final as described in §105.16 of this title (relating to Decisions; When Final), the Commissioner (or other person assigned to render a decision in a contested case) and members of the Board may not communicate directly or indirectly with any party or a representative of a party in a contested case in connection with any issue of fact or law in the proceeding except on notice and opportunity for all parties to participate. Prohibited ex parte communications shall not include any written

communication if the communicator contemporaneously serves copies of the communication on all parties to the proceeding.

(b) The Commissioner (or other person assigned to render a decision in a contested case) and members of the Board, individually, may communicate ex parte with employees of the Agency who have not participated in a hearing in the case in order to utilize special skills or knowledge of the Agency's employees in evaluating the evidence in the case.

Source Note: The provisions of this §105.20 adopted to be effective April 3, 2012, 37 TexReg 2165.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 106. GUIDELINES FOR THE ASSESSMENT OF ADMINISTRATIVE FINES.

§106.1. Guidelines for the Assessment of Administrative Fines.

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§106.1. Guidelines for the Assessment of Administrative Fines. For the purpose of determining the amount of an administrative fine assessed against a person or company under The Securities Act, §23-1, the Securities Commissioner shall consider the following factors:

(1) the seriousness, nature, circumstances, extent, and persistence of the conduct constituting the violation;

(2) the harm to other persons resulting either directly or indirectly from the violation;

(3) cooperation by the person or company in any inquiry conducted by the State Securities Board concerning the violation, efforts to prevent future occurrences of the violation, and efforts to mitigate the harm caused by the violation, including any restitution made to other persons injured by the acts of the person or company;

(4) the history of previous violations by the person or company;

(5) the need to deter the person, company or others from committing such violations in the future; and

(6) such other matters as justice may require.

Source Note: The provisions of this §106.1 adopted to be effective September 22, 1995, 20 TexReg 7187.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 107. TERMINOLOGY.

§107.1. General.
§107.2. Definitions.

. . . . . .

§107.1. General. All of the terms used in these rules have the same meaning as defined in Section 4 of the Texas Securities Act. In addition, the board may from time to time define and interpret certain terms, whether or not used in the Act, insofar as the definition and interpretation are not inconsistent with the purpose fairly intended by the policy and provisions of the Act.

Source Note: The provisions of this §107.1 adopted to be effective January 1, 1976.

§107.2. Definitions. The following words and terms, when used in Part 7 of this title (relating to the State Securities Board), shall have the following meanings, unless the context clearly indicates otherwise.

(1) Act or Securities Act or Texas Securities Act--The Texas Securities Act, Texas Revised Civil Statutes, Article 581-1 et seq., as amended.

(2) Affiliate--An "affiliate" of, or person "affiliated" with a specified person, is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified.

(3) APA or Administrative Procedure Act--The Administrative Procedure Act, Texas Government Code, Title 10, Chapter 2001, as amended.

(4) Applicant--A person who submits an application for registration of securities, documents in connection with the offer and sale of federal covered securities, or for registration as a dealer, agent, investment adviser, or investment adviser representative, or who files an application for an order of the Securities Commissioner.

(5) Board or Securities Board--The State Securities Board of the State of Texas.

(6) Certified--In conjunction with the term "financial statement(s)," means financial statement(s) prepared in accordance with generally accepted accounting principles and examined in accordance with generally accepted auditing standards by independent certified public accountants or independent public accountants for the purposes of expressing an opinion thereon. Such opinion shall be one acceptable to the Securities Commissioner.

(7) Code or Internal Revenue Code--The Internal Revenue Code of 1986, as amended.

(8) Commissioner or Securities Commissioner--The State Securities Commissioner for the State of Texas.

(9) Control--The possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or company, whether through the ownership of voting securities, by contract, or otherwise.

(10) Credit union--For definition see the Texas Credit Union Act (Texas Finance Code, Chapter 121, as amended), which regulates such credit unions.

(11) Detailed balance sheet--A balance sheet.

(12) Detailed statement showing all assets and liabilities--A balance sheet.

(13) Domestic corporation--A corporation incorporated under the laws of the State of Texas.

(14) Federal covered investment adviser--An investment adviser who is registered under the Investment Advisers Act of 1940 (15 U.S.C. §80b-1 et seq.), as amended. A federal covered investment adviser is not required to be registered pursuant to the Texas Securities Act.

(15) Federal covered securities--Any security or securities described as a “covered security” or as “covered securities” in the Securities Act of 1933,Section 18(b), or rules or regulations promulgated thereunder.

(16) Financial statement(s)--Balance sheet and related statements of income, changes in stockholders' equity, and cash flows, all (consolidated, if applicable) prepared in accordance with generally accepted accounting principles. The information contained in the previously described statements may vary according to presentation and titles as they relate to specific entities, such as individuals, partnerships, and nonprofit organizations.

(17) Investment Advisers Act of 1940--The federal statute of that name, as amended, 15 United States Code §80b-1, et seq.

(18) Investment Company Act of 1940--The federal statute of that name, as amended, 15 United States Code §80a-1, et seq.

(19) License--The whole or part of any registration as a dealer, investment adviser, agent, or investment adviser representative, or similar form of permission required by the Texas Securities Act to sell securities or render investment advice.

(20) Licensing--The process respecting the granting, denial, renewal, revocation, suspension, withdrawal, or amendment of a license.

(21) Managing agent or manager--One who is authorized to act generally for an organization within a particular locality.

(22) FINRA--The Financial Industry Regulatory Authority, created through the consolidation of NASD and the member regulation, enforcement, and arbitration functions of the New York Stock Exchange.

(23) Officer--A president, vice president, secretary, treasurer, or principal financial officer, comptroller, or principal accounting officer, or any other person occupying a similar status or performing similar functions with respect to any organization or entity, whether incorporated or unincorporated.

(24) Operating statement--An income statement.

(25) Parent--A person controlling another person directly or indirectly.

(26) Profit and loss statement--An income statement.

(27) Proposed plan of business--As used in the Texas Securities Act, those aspects and only those aspects of the business set-up (other than that done or proposed in respect to the pricing and selling of its securities) which would materially affect the business relationship between the prospective investor and those in control of the business as such relationship would exist after the sale to the public of the securities sought to be registered.

(28) Regulatory standards--All standards coming within the meaning of "rule" as defined herein.

(29) Rendering services as an investment adviser--Any act by which investment advisory services are provided for compensation.

(30) Rule--Any statement by the Board or the Securities Commissioner of general applicability that implements, interprets, or prescribes law or policy, or describes the procedure or practice requirements of the Board or Securities Commissioner.

(31) Savings and loan association--For definition see the Texas Savings and Loan Act (Texas Finance Code, Chapter 61, as amended), which regulates such savings and loan associations.

(32) SEC--The United States Securities and Exchange Commission.

(33) Securities Act of 1933--The federal statute of that name, as amended, 15 United States Code §77a, et seq.

(34) Securities Exchange Act of 1934--The federal statute of that name, as amended, 15 United States Code §78a, et seq.

(35) Staff--Personnel of the Securities Board, excluding the members of the Board, the Securities Commissioner, and the Deputy Commissioner.

(36) State, territory, or insular possession of the United States--As used in the Texas Securities Act, includes a commonwealth.

(37) Statement to reflect the financial condition--A balance sheet.

(38) Telephone or telegram--For purposes of the Texas Securities Act, Section 7.C(2)(c), includes any means of electronic transmission such as, but not limited to, telephone, telegraph, wireless, email, graphic scanning, modem, or facsimile; provided, however, that the office of the State Securities Board has the necessary equipment to accept such a transmission.

(39) Within this state–

(A) A person is a “dealer” who engages “within this state” in one or more of the activities set out in the Texas Securities Act, Section 4.C, if either the person or the person's agent is present in this state or the offeree/purchaser or the offeree/purchaser's agent is present in this state at the time of the particular activity. A person can be a dealer in more than one state at the same time.

(B) Likewise, a person is an “agent” who engages “within this state” in one or more of the activities set out in the Texas Securities Act, Section 4.D, whether by direct act or through subagents except as otherwise provided, if either the agent or the agent's subagent is present in this state or the offeree/purchaser or the offeree/purchaser's agent is present in this state at the time of the particular activity. A person can be an agent in more than one state at the same time.

(C) Offers and sales can be made by personal contact, mail, telegram, telephone, wireless, electronic communication, or any other form of oral or written communication.

(40) Accredited investors--Persons who are either individual accredited investors or institutional accredited investors as those terms are defined in this section.

(41) Individual accredited investor--Natural person as described in Rule 501(a)(5) and (6) promulgated by the SEC under the Securities Act of 1933 as made effective in SEC Release Number 33-6389, as amended in Release Numbers 33-6758, 33-6825, and 33-9287.

(42) Institutional accredited investor--An entity described in Rule 501(a)(1) - (4), (7) and (8) promulgated by the SEC under the Securities Act of 1933 as made effective in SEC Release Number 33-6389, as amended in Release Numbers 33-6758 and 33-6825.

(43) Form D--

(A) For paper filings--Form D, Notice of Exempt Offering of Securities, as effective on September 23, 2013 (referenced in 17 Code of Federal Regulations §239.500).

(B) For electronic filings made through the EFD System--The information, relating to a filing designated to be made in Texas, that is submitted through the EFD System in connection with a Form D filing made with the SEC. It includes all information made available to the Securities Commissioner through the EFD System in connection with the Texas filing.

(44) EFD System--The Electronic Filing Depository system provided by the North American Securities Administrators Association (NASAA) that is used for electronic filing of Form D with the Securities Commissioner.

Source Note: The provisions of this §107.2 adopted to be effective January 1, 1976; amended to be effective September 14, 1977, 2 TexReg 3338; amended to be effective September 6, 1979, 4 TexReg 3014; amended to be effective March 19, 1984, 9 TexReg 1436; amended to be effective June 1, 1984, 9 TexReg 2774; amended to be effective August 29, 1985, 10 TexReg 2999; amended to be effective October 30, 1985, 10 TexReg 4081; amended to be effective February 15, 1989, 14 TexReg 692; amended to be effective November 29, 1989, 14 TexReg 6075; amended to be effective March 17, 1994, 19 TexReg 1543; amended to be effective April 8, 1997, 22 TexReg 3216; amended to be effective August 21, 1997, 22 TexReg 7485; amended to be effective August 24, 1998, 23 TexReg 8667; amended to be effective August 12, 2001, 26 TexReg 5786; amended to be effective November 26, 2001, 26 TexReg 9578; amended to be effective June 12, 2002, 27 TexReg 4934; amended to be effective February 21, 2008, 33 TexReg 1319; amended to be effective June 21, 2011, 36 TexReg 3714; amended to be effective December 21, 2011, 36 TexReg 8505; amended to be effective June 13, 2012, 37 TexReg 4185; amended to be effective February 16, 2015, 40 TexReg 700.

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The next page is 109-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 109. TRANSACTIONS EXEMPT FROM REGISTRATION.

§109.1. Transactions Involving Existing Security Holders.
§109.2. Parent Subsidiary Transactions.
§109.3. Financial Institutions under the Texas Securities Act, Section 5.H.
§109.4. Securities Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors.
§109.5. Dealer Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors.
§109.6. Investment Adviser Registration Exemption for Investment Advice to Financial Institutions and Certain Institutional Investors.
§109.7. Secondary Trading Exemption under the Texas Securities Act, Section 5.O.
§109.8. Initial Offering Completed.
§109.9. Reserved for Expansion.
§109.10. Reserved for Expansion.
§109.11. Guarantee of Options.
§109.12. Stock Dividends.
§109.13. Limited Offering Exemptions.
§109.14. Oil, Gas, and Other Mineral Interests.
§109.15. Designated Matching Services.
§109.16. Reserved for Expansion.
§109.17. Banks under the Securities Act, Section 5.L.

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For the most part, rules in Chapter 109 are captioned to correspond to the alphabetically lettered subsections under Section 5 of the Texas Securities Act. For example, §109.1, captioned "5.E" below, interprets Section 5.E of the Act, etc. Subsections for which there has been no policy or interpretation and for which there is no rule are captioned "No Rule."

5.A. No Rule
5.B. No Rule
5.C. No Rule
5.D. §109.12
5.E. §109.1
5.F. No Rule
5.G. §109.2
5.H. §§109.3-109.6
5.I. §109.13
5.J. No Rule
5.K. No Rule (See Note 1)
5.L. §109.17 (See Note 2)
5.M. No Rule (See Note 3)
5.N. No Rule

5.O.	*§109.7*
5.P.	*§109.8*
5.Q.	*§109.14*
5.R.	*No Rule*
5.S.	*§109.11*
5.T.	*Various*
5.U.	*No Rule*
Other	*§109.15*

Note 1 -- For guidelines setting forth minimum disclosure requirements of transactions exempt under Section 5.K of the Act, see Chapter 125.

Note 2 -- Section 89.005 of the Texas Finance Code exempts certain securities issued by savings and loan associations from the registration provisions of the Texas Securities Act under appropriate circumstances. Likewise, Section 149.002 of the Texas Finance Code exempts some securities of credit unions when sold under certain conditions. Section 31.007 of the Texas Finance Code also exempts sales of bank securities by bank employees in some instances. Additional exemptions relevant to savings banks and federal savings banks can be found in Section 119.007 of the Texas Finance Code.

Note 3 -- For the registration requirements applicable to securities sold by industrial development corporations and authorities, see Chapter 135.

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§109.1. Transactions Involving Existing Security Holders.

(a) Section 5.E of the Act includes any offer and any transaction pursuant to any offer by the issuer of its "securities" to any one or more of its "existing security holders" even though such offer or transaction does not relate to all existing holders of such securities or to all existing holders of a class or series thereof.

(b) "Existing security holder" within the context of section 5.E does not include the following:

(1) the holder of an option, whether transferable or nontransferable, issued by an entity other than the issuer of the security underlying the option;

(2) the holder of an account which is devoid of securities.

(c) An employee's activities such as mailing reports, dividend notices, and revised prospectuses do not constitute "soliciting" within the context of Section 5.E. Furthermore, if an employee's job is fully justifiable even without soliciting existing security holders, occasional solicitations of existing security holders in this state will not affect the availability of Section 5.E. However, if an employee's primary job is to solicit existing security holders in this state either on a full-time or part-time basis, Section 5.E is not available.

(d) Where an open-end investment company adopts a plan pursuant to Securities and Exchange Commission Rule 12b-1 (17 Code of Federal Regulations §270.12b-1) and funds are used to pay commissions or other remuneration for soliciting existing security holders in this state, Section 5.E is not available.

(e) Where an offering provides for a minimum investment and only a portion of such minimum is paid initially, Section 5.E is not available for payments made subsequently to meet the required minimum investment.

Source Note: The provisions of this §109.1 adopted to be effective January 1, 1976; amended to be effective May 17, 1976, 1 TexReg 1180; amended to be effective January 7, 1985, 9 TexReg 6472.

§109.2. Parent Subsidiary Transactions. Securities issued by a parent corporation for outstanding securities of a corporation in connection with a merger of such corporation into a wholly-owned or materially-owned (80%) subsidiary are exempt within the meaning of Section 5.G of the Act. The exemption also applies to the issuance of securities by the parent corporation in connection with a consolidation where the resulting new corporation is wholly-owned or materially-owned (80%) by the parent. Similarly, securities issued by a parent corporation for the purchase of assets for a wholly-owned or materially-owned (80%) subsidiary are exempt under Section 5.G.

Source Note: The provisions of this §109.2 adopted to be effective January 1, 1976; amended to be effective August 3, 1976, 1 TexReg 1999.

§109.3. Financial Institutions under the Texas Securities Act, Section 5.H. The term "savings institution," as used in the Texas Securities Act, Section 5.H, includes any federally chartered credit union, savings and loan association, or federal savings bank, and any credit union or savings and loan association chartered under the laws of any state of the United States.

Source Note: The provisions of this §109.3 adopted to be effective January 1, 1976; amended to be effective May 17, 1976, 1 TexReg 1181; amended to be effective November 6, 1980, 5 TexReg 4223; amended to be effective June 20, 1985, 10 TexReg 1863; amended to be effective February 19, 1991, 16 TexReg 669; amended to be effective August 23, 1991, 16 TexReg 4349; amended to be effective December 1, 1992, 17 TexReg 8163; amended to be effective May 24, 1993, 18 TexReg 3045; amended to be effective April 5, 1998, 23 TexReg 3431; amended to be effective July 14, 2005, 30 TexReg 3987.

§109.4. Securities Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors.

(a) Availability. The exemption from securities registration provided by the Texas Securities Act, Section 5.H, or this section is not available if the financial institution or other institutional investor named therein is in fact acting only as agent for another purchaser that is not a financial institution or other institutional investor listed in Section 5.H or this section. These exemptions are available only if the financial institution or other institutional investor named therein is acting for its own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the specific securities for which the seller is claiming the exemption.

(b) Sales to certain institutional investors. The State Securities Board, pursuant to the Act, Section 5.T, exempts from the securities registration requirements of the Act, Section 7, the offer and sale of any securities to any of the following persons:

(1) an "institutional accredited investor," as that term is defined in §107.2 of this title (relating to Definitions), excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are "individual accredited investors" as defined in §107.2 of this title;

(2) any "qualified institutional buyer" (as that term is defined in Rule 144A(a)(1) promulgated by the SEC under the 1933 Act, as made effective in SEC Release Number 33-6862, and amended in Release Number 33-6963); and

(3) a corporation, partnership, trust, estate, or other entity (excluding individuals) having net worth of not less than $5 million, or a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the specific securities.

(c) **Financial statements.** For purposes of determining a purchaser's total assets or net worth under this section, the issuer and the seller may rely upon the entity's most recent annual balance sheet or other financial statement which shall have been audited by an independent accountant or which shall have been verified by a principal of the purchaser.

Source Note: The provisions of this §109.4 adopted to be effective July 14, 2005, 30 TexReg 3987; amended to be effective June 21, 2011, 36 TexReg 3714.

§109.5. Dealer Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors.

(a) **Availability.** The exemption from dealer and agent registration provided by the Texas Securities Act, Section 5.H, or this section is not available if the financial institution or other institutional investor named therein is in fact acting only as agent for another purchaser that is not a financial institution or other institutional investor listed in Section 5.H or this section. These exemptions are available only if the financial institution or other institutional investor named therein is acting for its own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the specific securities for which the dealer or agent is claiming the exemption.

(b) **Sales to certain institutional investors.** The State Securities Board, pursuant to the Act, Section 5.T and Section 12.C, exempts a person from the dealer and agent registration requirements of the Act, when the person sells or offers for sale any securities to any of the following persons:

(1) an "institutional accredited investor," as that term is defined in §107.2 of this title (relating to Definitions), excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are "individual accredited investors" as defined in §107.2 of this title;

(2) any "qualified institutional buyer" (as that term is defined in Rule 144A(a)(1) promulgated by the SEC under the 1933 Act, as made effective in SEC Release Number 33-6862, and amended in Release Number 33-6963); and

(3) a corporation, partnership, trust, estate, or other entity (excluding individuals) having net worth of not less than $5 million, or a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the specific securities.

(c) **Financial statements.** For purposes of determining a purchaser's total assets or net worth under this section, the issuer and the seller may rely upon the entity's most recent annual balance sheet or other financial statement which shall have been audited by an independent accountant or which shall have been verified by a principal of the purchaser.

Source Note: The provisions of this §109.5 adopted to be effective July 14, 2005, 30 TexReg 3987; amended to be effective June 21, 2011, 36 TexReg 3714.

§109.6. Investment Adviser Registration Exemption for Investment Advice to Financial Institutions and Certain Institutional Investors.

(a) **Availability.** The exemption from investment adviser and investment adviser representative registration provided by the Texas Securities Act, Section 5.H, or this section is not available if the financial institution or other institutional investor named therein is in fact acting only as agent for another purchaser that is not a financial institution or other institutional investor listed in Section 5.H or this section. These exemptions are available only if the financial institution or other institutional investor named therein is acting for its own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the investment advisory services for which the investment adviser or investment adviser representative is claiming the exemption. For purposes of this section, an investment adviser or investment adviser representative that is providing investment advisory services to a corporation, general partnership, limited partnership, limited liability company, trust or other legal entity, other than a private fund (as that term is defined in §139.23 of this title (relating to Registration Exemption for Investment Advisers to Private Funds)), is not providing investment advisory services to a shareholder, general partner, member, other security holder, beneficiary or other beneficial owner of the legal entity unless the investment adviser provides investment advisory services to such owner separate and apart from the investment advisory services provided to the legal entity.

(b) **Investment advice rendered to certain institutional investors.** The State Securities Board, pursuant to the Act, Section 5.T and Section 12.C, exempts from the investment adviser and investment adviser representative registration requirements of the Act, persons who render investment advisory services to any of the following:

(1) an "accredited investor" (as that term is defined in Rule 501(a)(1)-(3), (7), and (8) promulgated by the Securities and Exchange Commission (SEC) under the Securities Act of 1933, as amended (1933 Act), as made effective in SEC Release Number 33-6389, as amended in Release Numbers 33-6437, 33-6663, 33-6758, and 33-6825);

(2) any "qualified institutional buyer" (as that term is defined in Rule 144A(a)(1) promulgated by the SEC under the 1933 Act, as made effective in SEC Release Number 33-6862, and amended in Release Number 33-6963); and

(3) a corporation, partnership, trust, estate, or other entity (excluding individuals) having net worth of not less than $5 million, or a wholly-owned subsidiary of such entity.

(c) **Exclusions from exemption.** There is no exemption under this section for an investment adviser providing investment advisory services to a natural person. A private fund adviser, as that term is

defined in §139.23 of this title (relating to Registration Exemption for Investment Advisers to Private Funds), may not rely on this exemption except as provided in subsection (e) of this section.

(d) **Financial statements.** For purposes of determining an institutional investor's total assets or net worth under this section, an investment adviser or investment adviser representative may rely upon the entity's most recent annual balance sheet or other financial statement which shall have been audited by an independent accountant or which shall have been verified by a principal of the institutional investor.

(e) **Grandfathering.** An investment adviser to a private fund, as that term is defined in §139.23 of this title (relating to Registration Exemption for Investment Advisers to Private Funds), may nonetheless qualify for the exemption described in subsection (b) of this section if:

(1) the private fund existed prior to March 31, 2014;

(2) the investment adviser qualified for the exemption in subsection (b) of this section as modified by subsection (c) of this section as both subsections existed prior to March 31, 2014; and

(3) as of March 31, 2014, the private fund ceases to accept new beneficial owners.

Source Note: The provisions of this §109.6 adopted to be effective July 14, 2005, 30 TexReg 3987; amended to be effective March 31, 2014, 39 TexReg 491.

§109.7. Secondary Trading Exemption under the Texas Securities Act, Section 5.O.

(a) When a withdrawal of an application for registration of securities is allowed and thereafter the applicant files for a secondary trading exemption under the Act, Section 5.O, the Commissioner may, without a hearing, revoke or suspend the Section 5.O exemption. The applicant may either accept such action of the Commissioner or request a hearing under the Act, Section 24.

(b) The language, ". . . at prices reasonably related to the current market price of such securities at the time of such sale," means that the market price of the security in the existing secondary market must have a basis supported by a substantial volume of bona fide sales transactions within or without this state. In the absence of a going market or where there have been only casual transactions, it shall be incumbent on the person filing the Section 5.O exemption notice to prove to the Commissioner that the securities will have a market price which has been fairly determined and justified at inception with reasonable assurance of continuity of the market into the future, pursuant to which the following criteria will be considered:

(1) the nature and extent of the business operations of the issuer and its predecessor, if any, and the period of time during which the issuer and its predecessor, if any, has been continuously engaged in business;

(2) the net asset value of the stock per share;

(3) if there is a record of earnings for the issuer, the value per share of the stock based upon a reasonable times-earnings factor (setting out the factor used) related to the industry represented by the issuer;

(4) if the value per share of the stock on any other basis has been fully justified;

(5) if the issuer undertakes to furnish to its shareholders and dealers deemed likely to trade the securities of the issuer, financial statements for the three most recent fiscal years ending as of the balance sheet date (or for the period of existence if less than three years) and annual financial statements thereafter for so long as the exemption is maintained by filing statements with the Commissioner;

(6) whether a registered Texas securities dealer who is financially able has made a written undertaking setting out:

(A) his willingness to make a market in the issue of securities;

(B) the price at which he will begin the market; and

(C) the procedures which he intends to follow for the purpose of assuring an orderly market; and

(7) supplementary data to assist in determining the character of the share distribution and the number of publicly-held shares shall be as follows:

(A) identification of 10 largest holders of record, including beneficial owners (if known) of holdings of record by nominees;

(B) list of holdings of 1,000 shares or more in the names of registered dealers and unregistered out-of-state dealers;

(C) number of transfers and shares transferred during the last two years (or period of existence of the issuer, if shorter);

(D) summary, by principal groups, of stock owned or controlled by:

(i) officers or directors and their immediate families; or

(ii) other concentrated holdings of 10% or more;

(E) estimates of number of nonofficer employees owning stock and the total shares held;

(F) company shares held in profit-sharing, savings, pension, or other similar funds or trusts established for the benefit of officers or employees; and

(G) number of round-lot and number of odd-lot holders of record and aggregate numbers of shares so held.

(c) Sales of securities pursuant to the Securities Act, Section 5.O, may be made by or through securities dealers acting either as principal or agent in the transaction for which the exemption is claimed.

(d) Financial information required pursuant to the Act, Section 5.O(9)(b) and (c) must be prepared as certified financial statements (consolidated, if applicable) and shall include a balance sheet as of a date within 18 months of the date of such sale and the related statements of income, changes in stockholders' equity, and changes in financial position for the three most recent fiscal years ending as of the balance sheet date, or for the period of the issuer's existence, if less than three years. Such financial statements should disclose dividends paid or declared by each class of stock, for each period for which an income statement is presented.

(e) The term "recognized securities manual" as used in the Texas Securities Act, Section 5.O(9)(c), is limited to the S&P Capital IQ Standard Corporation Descriptions, Best Insurance Reports Life-Health, any Mergent's Manual, and the OTC Markets Group Inc. website (www.otcmarkets.com) for a company that is currently or has recently been quoted on the OTCQX or OTCQB markets. This designation encompasses both print and electronic data and includes periodic supplements to these publications. The information provided in the recognized securities manual must contain the information specified in subsection (d) of this section. All information provided must be current. The time for determining whether the entries are current is at the date of the particular sale, not the date the manual listings are published. If a listing is not continually updated, the exemption would not be available once the published balance sheet becomes more than 18 months old.

(f) The secondary trading exemption under the Act, Section 5.O, is not available for the securities of an issuer formed in a manner that constitutes part of a scheme to violate or evade the securities registration provisions of the Act. Depending upon all the facts and circumstances, such a scheme may include the merger of a private corporation with a corporation which has no substantive operations or assets ("shell corporation") when as a result of the merger trading in the secondary market of the shares of the post-merger corporation may be at prices which bear no relationship to the underlying financial condition or operations of the post-merger corporation, and such trading may occur within two years of the date of such merger.

Source Note: The provisions of this §109.7 adopted to be effective January 1, 1976; amended to be effective May 11, 1979, 4 TexReg 1543; amended to be effective September 6, 1979, 4 TexReg 3015; amended to be effective December 30, 1983, 8 TexReg 5276; amended to be effective February 15, 1989, 14 TexReg 693; amended to be effective November 29, 1989, 14 TexReg 6076; amended to be effective December 3, 2000, 25 TexReg 11645; amended to be effective June 19, 2013, 38 TexReg 3779; amended to be effective February 26, 2017, 42 TexReg 673.

§109.8. Initial Offering Completed. The phrase "initial offering of such securities has been completed," used in section 5.P of the Act, means that any nonexempt public distribution of such securities has been completely sold to the public.

Source Note: The provisions of this §109.8 adopted to be effective January 1, 1976.

§109.9. Reserved for Expansion.

§109.10. Reserved for Expansion.

§109.11. Guarantee of Options.

(a) The broker-dealer guaranteeing the performance of the terms of the option must, on the date of the transaction, either be a member of the New York Stock Exchange or have stockholders' equity or partners' capital, according to generally accepted accounting principles, in excess of $1 million.

(b) A broker-dealer shall not:

(1) write call options for its account to its customers unless performance of the call option is guaranteed by the ownership by such broker-dealer of shares of the underlying security free of encumbrances sufficient to fully perform the terms of the option; or

(2) write put options for its account to its customers unless performance of the put option is guaranteed by sufficient unencumbered liquid net assets of the broker-dealer to fully perform the terms of the option.

(c) The guarantee must be full and unconditional and must be maintained throughout the term of the option.

(d) In lieu of the three requirements in subsections (a)-(c) of this section, the section 5.S(1) guarantee requirements will be satisfied if the option is issued by a clearing corporation recognized by the State Securities Board as satisfying all the following standards.

(1) Performance of the option issued by the clearing corporation is guaranteed by the clearing corporation and by broker-dealers which are members of the issuing clearing corporation.

(2) Every broker-dealer which is a member of the clearing corporation must be registered under the Federal Securities Exchange Act of 1934, as amended.

(3) The clearing corporation must be registered as a national clearing agency under the Securities Exchange Act of 1934, as amended, and must file with the commissioner a copy of the prospectus respecting such option currently being delivered pursuant to the requirements of the Securities Act of 1933, as amended, and further must agree to promptly file with the commissioner a copy of any amendments of such prospectus.

(4) The option must either be "covered" and the underlying security on deposit with the clearing corporation or the clearing corporation must maintain adequate reserve funds and guarantee system to reasonably assure performance of the option.

(5) Any other conditions the State Securities Board deems necessary to adequately protect the investing public.

(e) Application for recognition by the State Securities Board may be made by any organized options clearing corporation. Clearing corporations recognized by the State Securities Board are: Options Clearing Corporation; Chicago, Illinois.

Source Note: The provisions of this §109.11 adopted to be effective January 1, 1976; amended to be effective August 3, 1976, 1 TexReg 2000.

§109.12. Stock Dividends. The distribution by a corporation of securities direct to its stockholders as a stock dividend or other distribution paid out of earnings or surplus includes a stock dividend, stock split, reverse stock split, or other distribution out of paid-in capital (capital in excess of legal capital) or retained earnings.

Source Note: The provisions of this §109.12 adopted to be effective September 6, 1979, 4 TexReg 3015.

§109.13. Limited Offering Exemptions.

(a) Public solicitation, well-informed, and sophisticated investor. The offer for sale or sale of the securities of the issuer would not involve the use of public solicitation under the Act, Section 5.I, if the issuer, after having made a reasonable factual inquiry has reasonable cause to believe, and does believe, that the purchasers of the securities are sophisticated, well-informed investors or well-informed investors who have a relationship with the issuer or its principals, executive officers, or directors evincing trust between the parties (namely close business association, close friendship, or close family ties), and such purchasers acquire the securities as ultimate purchasers and not as underwriters or conduits to other beneficial owners or subsequent purchasers. The use of a registered dealer in a sale otherwise meeting the requirements of Section 5.I does not necessarily mean that the transaction involves the use of public solicitation. The offer without advertising to a person who did not come within the class of persons described in this subsection does not alone result in public solicitation if the issuer had a reasonable cause to believe and did believe that such person fell within the class of persons described, and that such offer was not made indiscriminately.

(1) The term "well-informed" could be satisfied through the dissemination of printed material to each purchaser prior to his or her purchase, which by a fair and factual presentation discloses the plan of business, the history, and the financial statements of the issuer, including material facts necessary in order that the statements made, in the light of circumstances under which they are made, not be misleading.

(2) In determining who is a sophisticated investor at least the following factors should be considered.

(A) The financial capacity of the investor, to be of such proportion that the total cost of that investor's commitment in the proposed investment would not be material when compared with his total financial capacity. It may be presumed that if the investment does not exceed 20% of the investor's net worth (or joint net worth with the investor's spouse) at the time of sale that the amount invested is not material.

(B) Knowledge of finance, securities, and investments, generally. This criteria may be met by the investor's purchaser representative if such purchaser representative has such knowledge, so long as such purchaser representative:

(i) has no business relationship with the issuer;

(ii) represents only the investor and not the issuer; and

(iii) is compensated only by the investor.

(C) Experience and skill in investments based on actual participation. This criteria may be met by the investor's purchaser representative if such purchaser representative has such experience and skill, so long as such purchaser representative:

(i) has no business relationship with the issuer;

(ii) represents only the investor and not the issuer; and

(iii) is compensated only by the investor.

(b) Advertisements. The term "advertisements" does not include the use of the type of printed material as set out in subsection (a) of this section under the discussion of the term "well-informed." Further, the main concept to be considered in a definitional analysis of the term "advertisements," as it is used in Section 5.I, is the method of use of the printed material. The following circumstances, though not intended to be exclusive, will be considered in determining whether the method of use of any printed material is within the limits of Section 5.I:

(1) limited printing of the material;

(2) limited distribution of the material only to persons who the issuer, after having made a reasonable factual inquiry has reasonable cause to believe and does believe are sophisticated investors, or to persons who have a relationship with the issuer as set forth in subsection (a) of this section, or to their purchaser representatives;

(3) control of the printing and distribution of the printed material;

(4) recognition of the necessity of compliance with the requirements set forth in this subsection on the part of the issuer and the investor. Such recognition might consist of a printed prohibition on the front in large type that the circular is for that individual's confidential use only, and may not be reproduced; and, the use of a statement warning that any action contrary to these restrictions may place such individual and the issuer in violation of the Texas Securities Act.

(c) Number of security holders or purchasers of securities. In computing the number of purchasers or security holders for Section 5.I, the following criteria shall be used.

(1) There shall be counted as one purchaser or security holder any purchaser or security holder together with:

(A) any relative or spouse of such purchaser or security holder who has the same home as such purchaser or security holder; any relative of such spouse who has the same home as such purchaser or security holder; any relative or spouse or relative of such spouse who is a dependent of such security holder;

(B) any trust or estate in which such purchaser or security holder or any of the persons related to him as specified in subparagraph (A) or (C) of this paragraph collectively have more than 50% of the beneficial interest (excluding contingent interests); and

(C) any corporation or other organization of which such purchaser or security holder or any of the persons related to him as specified in subparagraph (A) or subparagraph (B) of this paragraph collectively are the beneficial owners of more than 50% of the equity securities (excluding directors' qualified shares) or equity interest.

(2) There shall be counted as one purchaser or security holder any corporation, partnership, association, joint stock company, trust, or unincorporated association, organized and existing other than for the purpose of acquiring securities of the issuer for which the exemption is claimed under Section 5.I.

(3) Any general partner of a limited partnership who is subject to general liability for the obligations of the limited partnership and actively engages in the control and management of the business and affairs of the limited partnership or of the managing general partner of the partnership shall not be counted as a purchaser or security holder for purposes of Section 5.I.

(4) The exemptions contained in the Act, Section 5.I(a) and (c), as interpreted in subsections (a) - (j) of this section may not be combined with the exemptions promulgated pursuant to the Act, Section 5.T, contained in subsections (k) and (l) of this section to exceed sales to 35 unaccredited investors in a 12-month period.

(5) "Security holders" or "purchasers of securities," as those terms are used in the Act, Section 5.I(a) and 5.I(c), do not include holders of any options granted pursuant to a plan that falls within the exemption for compensatory or benefit plans provided by the Act, Section 5.I(b).

(d) Total number of security holders. The phrase "the total number of security holders of the issuer" in Section 5.I(a) includes all security holders of the issuer without regard to their places of residence (within or without the State of Texas) and without regard to where they acquired the securities. In determining the number of persons for purposes of Section 5.I(c), prior sales to persons residing outside the State of Texas and prior sales to Texas residents consummated outside the State of Texas shall be included unless such sales were made in compliance with §139.7 of this title (relating to Sale of Securities to Nonresidents).

(e) Other exemptions. The phrase "exempt under other provisions of this Section 5" in Section 5.I(c) means exempt under any provisions of the Act, other than Section 5.I(a), and subsections (k) and (l) of this section.

(f) Compensatory or benefit plans.

(1) No public solicitation or advertisement under Section 5.I occurs by the distribution to eligible persons of a prospectus filed under the Securities Act of 1933 with the Securities and Exchange Commission for the plan or any other material required or permitted to be distributed by the Securities Act of 1933 in connection with such plan when the securities under the plan are sold or distributed in a transaction otherwise meeting the requirements of Section 5.I(b).

(2) Insurance agents who are exclusive agents of the issuer or its subsidiary or derive more than 50% of their annual income from the issuer or its subsidiary are deemed "employees" as that term is used in Section 5.I(b).

(g) **Compensatory or benefit plan sales.** Only the employer and its participating subsidiaries, parents, or subsidiaries of such parents, if any, may offer or sell securities in connection with the employee plan without registration as dealers. For purposes of the Act, Section 5.I(b), the term "issuer" includes a general partner of a limited partnership with respect to a security sold or distributed by such limited partnership in a transaction otherwise meeting the requirements of Section 5.I(b). An employee of the issuer or its participating subsidiary who aids in offering or selling such securities in connection with the plan is not required to be registered as an agent provided the employee meets all of the following conditions:

(1) the employee was not hired for the purpose of offering or selling such securities;

(2) the employee's activity involving the offer and sale of such securities is strictly incidental to his or her bona fide primary nonsecurities-related work duties; and

(3) the employee's compensation is based solely on the performance of such other duties, i.e., the employee does not receive any compensation for offering for sale, selling, or otherwise aiding the sale of securities.

(h) **Compensatory or benefit plans for counting purposes.** A noncontributory stock ownership plan or stock ownership trust that holds securities of the issuer for the benefit of the participants in that issuer's plan shall be counted as one security holder under Section 5.I(a). Plan participants in such a stock ownership plan or trust will not be deemed security holders of the issuer for purposes of counting security holders under Section 5.I(a) solely because of their participation in the plan or trust. However, participants receiving distributions of securities from the plan or trust will be deemed security holders of the issuer on receipt of securities of the issuer from the plan or trust.

(i) **Notices.** There is no notice filing requirement for sales made under the Act, Section 5.I(a), (b), or (c).

(j) **Limitations on disposition.** The issuer and any person acting on its behalf shall exercise reasonable care to assure that the purchasers are acquiring the securities as an investment. Such reasonable care should include, but not be limited to, the following:

(1) making reasonable inquiry to determine if the purchaser is acquiring the securities for his or her own account or on behalf of other persons;

(2) placing a legend on the certificate or other document evidencing the securities to the effect that the securities have not been registered under any securities law and setting forth or referring to the restrictions on transferability and sale of the securities;

(3) issuing stop transfer instructions to the issuer's transfer agent, if any, with respect to the securities, or, if the issuer transfers its own securities, making a notation in the appropriate records of the issuer;

(4) obtaining from the purchaser a signed written agreement to the effect that the securities will not be sold without registration under applicable securities laws or exemptions therefrom; and

(5) prior to sale, written disclosure to each purchaser, to the effect that a purchaser of the securities must bear the economic risk of the investment for an indefinite period of time because the securities have not been registered under applicable securities laws and therefore cannot be sold unless they are subsequently registered under such securities laws or an exemption from such registration is available; and that the securities are subject to the limitations set forth in paragraphs (2) - (4) of this subsection.

(k) **Limited offering exemption coordinating with SEC Regulation D, Rule 506.** In addition to sales made under the Texas Securities Act, Section 5.I, the State Securities Board, pursuant to the Act, Section 5.T, exempts from the registration requirements of the Act, Section 7, any offer or sale of securities offered or sold in compliance with the Securities Act of 1933, Regulation D (17 C.F.R. §§230.500-230.508, as amended), Rule 506, including any offer or sale made exempt by application of Rule 508(a), and which satisfies the following further conditions and limitations.

(1) In addition to the other requirements of this subsection, to claim this exemption, the issuer must comply with notice filing provisions set out in §114.4(b)(1) of this title (relating to Filings and Fees).

(2) Transactions which are exempt under this subsection may not be combined with offers and sales exempt under any other rule or section of the Act; however, nothing in this limitation shall act as an election. Should for any reason, the offer and sale fail to comply with all of the conditions for this exemption, the issuer may claim the availability of any other applicable exemption.

(3) In view of the objective of this subsection and the purposes and policies underlying the Texas Securities Act, the exemption is not available to any issuer with respect to any transaction which, although in technical compliance with this subsection, is part of a plan or scheme to evade registration or the conditions or limitations explicitly stated in this subsection.

(4) Nothing in this subsection is intended to relieve registered dealers, or agents from the due diligence, suitability, or know your customer standards or any other requirements of law otherwise applicable to such registered persons.

(5) The staff of the State Securities Board will review all notice filings made under this subsection to determine if the correct filing fee was submitted. If the staff determines that the fee paid was deficient, the staff will notify the filer through the EFD system or by email if the filing was not made through EFD. A filer who receives such a notice may correct the deficiency within 30 days of the date that the notice is sent by the staff. If a timely correction is made, the filing shall be deemed to be complete and in compliance with the filing requirements as of the date the original filing was received.

(6) When an offering is made in compliance with Regulation D of the SEC and the offering will be made by or through a registered securities dealer, the issuer and its directors, officers, agents, and employees may make themselves available to answer questions from offerees, as required by Rule 502(b)(2)(v) of Regulation D, without being required to register as securities dealers or agents under the Act, Section 12.

(l) Intrastate limited offering exemption. In addition to sales made under the Texas Securities Act, Section 5.I, the State Securities Board, pursuant to the Act, Section 5.T, exempts from the registration requirements of the Act, Section 7, any offer or sale of any securities by the issuer itself, or by a registered dealer acting as agent for the issuer provided all offers and sales are made pursuant to an offering made and completed solely within this state and all the conditions in paragraphs (1) - (11) of this subsection are satisfied.

(1) The sale is made, without the use of any public solicitation or advertisements, as set forth in subsection (a) and subsection (b) of this section to:

(A) not more than 35 new security holders of the issuer who meet the criteria stated in subsection (a) of this section and who became security holders during the period of 12 months ending with the date of the sale in question (subject to paragraph (7) of this subsection); and

(B) other well-informed investors who are "accredited investors" as defined in §107.2 of this title (relating to Definitions). (For purposes of this subsection, the term "well informed" shall have the same meaning as set out in subsection (a)(1) of this section, and the term "5.I" in such subsection shall include sales made pursuant to this subsection.)

(2) Neither the issuer nor the registered dealer (as such terms are defined in paragraph (4) of this subsection):

(A) is currently subject to any administrative order issued by state or federal authorities within five years of the expected offer and sale of securities in reliance upon this exemption, which order:

(i) is based upon a finding that such person has engaged in fraudulent conduct; or

(ii) has the effect of enjoining such person from activities subject to federal or state statutes designed to protect investors or consumers against unlawful or deceptive practices involving securities, insurance, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services;

(B) has been convicted within five years prior to commencement of the offering of any felony or misdemeanor of which fraud is an essential element, or which is a violation of the securities laws or regulations of this state, or of any other state of the United States, or of the United States, or any foreign jurisdiction; or which is a crime involving moral turpitude; or which is a criminal violation of statutes designed to protect consumers against unlawful practices involving insurance, securities, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services;

(C) is subject to any order, judgment, or decree entered within five years prior to commencement of the offering by any court of competent jurisdiction which temporarily or permanently restrains or enjoins such person from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving any false filing with any state; or which restrains or enjoins such person from activities subject to federal or state statutes designed to protect consumers against unlawful or

deceptive practices involving insurance, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services.

(3) The prohibitions of subparagraphs (A) - (C) of paragraph (2) shall not apply if the party subject to the disqualifying order is duly licensed to conduct securities-related business in the state in which the administrative order or judgment was entered against such party or, if the order or judgment was entered by federal authorities, the prohibitions of subparagraphs (A) - (C) of paragraph (2) shall not apply if the party subject to the disqualifying order is duly licensed to conduct securities-related business by the Securities and Exchange Commission. Any disqualification caused by paragraph (2) is automatically waived if the state or federal authorities which created the basis for disqualification determine upon a showing of good cause that it is not necessary under the circumstances that the exemption be denied.

(4) For purposes of paragraphs (2) and (3) only, "issuer" includes any directors, executive officers, general partners, or beneficial owners of 10% or more of any class of its equity securities (beneficial ownership meaning the power to vote or direct the vote and/or the power to dispose or direct the disposition of such securities), and "registered dealer" shall include any partners, directors, executive officers, or beneficial owner of 10% or more of any class of the equity securities of the registered dealer (beneficial ownership meaning the power to vote or direct the vote and/or the power to dispose or direct the disposition of such securities).

(5) Upon application, and for good cause shown, the Commissioner may waive a disqualification contained in paragraph (2).

(6) The offering complies with subsections (a) - (d) and (j) of this section. However, persons who are "accredited investors" as defined in §107.2 of this title are deemed to be "sophisticated" as defined in subsection (a)(2) of this section.

(7) This subsection may not be combined with the Securities Act, Section 5.I(a) or Section 5.I(c), or subsection (k) of this section to make sales to more than 35 unaccredited security holders during a 12-month period. Except for accredited investors who became security holders pursuant to this subsection, security holders who purchase in sales made in compliance with this subsection are included in the count of security holders under Section 5.I(a) or purchasers under Section 5.I(c), but this subsection may be used to exceed the numbers of security holders or purchasers allowed by such sections over an extended period of time.

(8) Issuers who offer and sell securities under this subsection only through a securities dealer registered in Texas may do so without filing any notice with the State Securities Board.

(9) Notice filing requirements.

(A) An issuer who is not a registered securities dealer and who does not sell securities by or through a registered securities dealer shall file a notice on Form 133.29 not less than 10 business days before any sale claimed to be exempt under this subsection may be consummated for sales under paragraph (1)(B) of this subsection, in whole or in part to individual accredited investors, as defined in §107.2 of this title.

(B) For the purpose of filing Form 133.29, "business days" means ordinary business days and does not include Saturdays, Sundays, or state holidays.

(C) No notice is required for sales made under paragraph (1)(A) of this subsection or under paragraph (1)(B) of this subsection where the sales are made exclusively to institutional accredited investors as defined in §107.2 of this title.

(D) The issuer may be required by the Securities Commissioner to give details concerning any information requested in Form 133.29 and may be required to furnish any additional information deemed necessary by the Securities Commissioner to determine the issuer's business repute and qualifications.

(E) Every issuer filing a notice on Form 133.29 shall pay a filing fee of 1/10 of 1.0% of the aggregate amount of securities described as being offered for sale, but in no case more than $500.

(10) Accredited investor security holders who purchase in sales made under this exemption are not counted as security holders under Section 5.I(a) or purchasers under Section 5.I(c) in determining whether any other sales to other security holders or purchasers are exempt under Section 5.I. That is to say, this exemption for sales to accredited investors is cumulative with and in addition to the exemptions contained in Section 5.I, and sales made under paragraph (1)(B) of this subsection are not considered in determining whether sales made in reliance on the exemptions contained in Section 5.I would be within the numerical limits on the number of security holders or purchasers contained in Section 5.I.

(11) "Accredited investor" is defined in §107.2 of this title and for purposes of this subsection, includes any person who the issuer reasonably believes comes within that definition at the time of the sale of the securities to that person.

Source Note: The provisions of this §109.13 adopted to be effective March 1, 1985, 10 TexReg 569; amended to be effective August 29, 1985, 10 TexReg 2999; amended to be effective April 8, 1986, 11 TexReg 1508; amended to be effective March 10, 1987, 12 TexReg 601; amended to be effective January 1, 1988, TexReg 4470; amended to be effective October 31, 1988, 13 TexReg 4851; amended to be effective November 29, 1989, 14 TexReg 6076; amended to be effective November 15, 1990, 15 TexReg 6290; amended to be effective June 8, 1994, 19 TexReg 4195; amended to be effective August 3, 1995, 20 TexReg 5381; amended to be effective April 8, 1997, 22 TexReg 3218; amended to be effective March14, 1999, 24 TexReg 1769; amended to be effective August 12, 2001, 26 TexReg 5788; amended to be effective June 12, 2002, 27 TexReg 4934; amended to be effective June 21, 2011, 36 TexReg 3715; amended to be effective February 5, 2014, 39 TexReg 492; amended to be effective December 23, 2018, 43 TexReg 8088; amended to be effective November 12, 2019, 44 TexReg 6858.

§109.14. Oil, Gas, and Other Mineral Interests.

(a) It is the intent of the State Securities Board that §109.13(a)-(c) and (j) of this title (relating to Limited Offering Exemptions) apply to transactions made pursuant to the Securities Act, Section 5.Q, and that the terms defined in §109.13(a)-(c) and (j) of this title (relating to Limited Offering Exemptions) have the same meanings for purposes of Section 5.Q as they do for the Securities Act, Section 5.I.

(b) For the purposes of Section 5.Q, an employee of the owner of an oil, gas, or mineral lease, fee, or title may aid such owner/employer in selling interests in such lease, fee, or title and will not be considered an agent required to be licensed under the Act provided all the following conditions are satisfied:

(1) the employee was not hired for the purpose of offering or selling such securities;

(2) the employee's activity involving the offer and sale of such securities is strictly incidental to his bona fide primary nonsecurities-related work duties; and

(3) the employee's compensation is based solely on the performance of such other duties, i.e., the employee does not receive any compensation for offering for sale, selling, or otherwise aiding in the sale of securities.

(c) In addition to sales made under the Securities Act, Section 5.Q, the State Securities Board, pursuant to the Act, Section 5.T, exempts from the registration requirements of the Act, Section 7, the sale of interests in and under oil, gas, and mining leases, fees, or titles, or contracts relating thereto (hereinafter called securities), by the owner itself, or by a registered dealer acting as agent for the owner, provided all of the conditions of §109.13(k) or (l) of this title (relating to Limited Offering Exemptions) are met. The purpose of this subsection is to provide a mechanism which will allow for sales of the securities listed herein to accredited investors where the conditions of §109.13(k) or (l) of this title (relating to Limited Offering Exemptions) are met.

(d) Exemption for transactions among persons in the oil and gas industry.

(1) In addition to offers and sales made pursuant to the Act, Section 5.Q, the State Securities Board, pursuant to the Act, Section 5.T, exempts from the securities registration requirements of the Act, Section 7, and the dealer and agent registration requirements of the Act, Section 12 and Section 18, the offer and sale of any interest in or under an oil, gas, or mining lease, fee, or title, or payments out of production in or under such leases, fees, or titles or contracts relating thereto by the owner or an agent for the owner when such offer or sale is made to persons and/or companies each of whom the owner or owner's agent shall have reasonable cause to believe and does believe meets the following criteria:

(A) is engaged in the business of exploring for or producing oil, gas, or other minerals as an ongoing business or is engaged in the practice of a profession, or discipline, which is directly related to the exploration for, production of, refining of, or marketing of oil, gas, or other minerals such as the interest being sold; or

(B) is a landman, drilling company, well service company, production company, refining company, geologist, geophysicist, petroleum engineer, earth scientist; or

(C) is an executive officer of a company whose primary plan of business involves either subparagraphs (A) or (B) of this paragraph.

(2) The offer to a person who did not meet the criteria set forth in paragraph (1)(A)-(C) of this subsection will not cause the exemption to be lost if such offer was not made indiscriminately.

(3) For purposes of this rule, an "agent for the owner" includes the following:

(A) officers, directors, and employees who are actively engaged in the day-to-day activities of the owner;

(B) independent landmen, engineers, geologists, and consultants who have a contractual working relationship with the owner;

(C) persons who meet the dealer registration requirements of the Securities Act, Section 12; and

(D) persons who represent the owner in transactions exclusively with persons described in paragraph (1)(A)-(C) of this subsection.

(4) This exemption includes sales at auction.

(e) Any person who acts as an agent of an owner or a purchaser in connection with a sale of an interest described in subsection (d) of this section to a person who does not meet the criteria set forth in subsection (d)(1)(A)-(C) of this section will not be exempt from the dealer registration requirements of the Act, Section 12, unless another exemption is available.

Source Note: The provisions of this §109.14 adopted to be effective March 1, 1985, 10 TexReg 569; amended to be effective August 29, 1985, 10 TexReg 3001; amended to be effective November 29, 1989, 14 TexReg 6076; amended to be effective December 16, 1991, 16 TexReg 7007.

§109.15. Designated Matching Services.

(a) **In general.** The use of a designated matching service facility by an issuer member shall not constitute public solicitation or advertisement within the meaning of The Securities Act, Section 5.I and Section 5.Q, §109.13 of this title (relating to Limited Offering Exemptions), §109.14 of this title (relating to Oil, Gas and Other Mineral Interests), or §139.16 of this title (relating to Sales to Individual Accredited Investors), and a designated matching service shall not be deemed a dealer subject to registration within the meaning of The Securities Act or the rules and regulations thereunder.

(b) **Definitions.** The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) **Designated matching service**--A matching service designated by the Securities Commissioner under this section.

(2) **Designated matching service facility**--A computer system operated, or a seminar or meeting conducted, by a designated matching service.

(3) **Investor member**--An investor who has been properly qualified by and uses a designated matching service. Any of the following investors, among others, may be properly qualified: any institutional investor as described in the Texas Securities Act, Section 5.H, or §109.4 of this title (relating to Securities Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors); any individual accredited investor as defined in §139.16 of this title (relating to Sales to Individual Accredited

Investors); any sophisticated investor as defined in §109.13(a)(2) of this title (relating to Limited Offering Exemptions); or any person who is engaged in the same business, or in the practice of a profession or discipline directly related to that business, as is the issuer member whose identity and summary business plan is provided to that person.

(4) Issuer member--An issuer who uses a designated matching service facility.

(5) Summary business plan--A brief statement specifically describing the issuer, its management, its products or services, and the market for those products or services. Other information, including, specifically, financial projections, must not be included in a summary business plan.

(c) Application. A person may apply to the Securities Commissioner to be a designated matching service by filing Form 133.35, Application for Designation as Matching Service Under §109.15. No designation will be made unless the applicant demonstrates that it:

(1) owns, operates, sponsors, or conducts a matching service facility limited to providing investor members with the summary business plans and identities of issuer members;

(2) will not be involved in any manner in the sale, offer for sale, solicitation of a sale or offer to buy, a security other than as set forth in paragraph (1) of this subsection;

(3) believes, after making a reasonable factual inquiry, that any person who uses the matching service facility in the capacity of an investor is a properly qualified investor member;

(4) is a governmental entity, quasi-governmental entity, an institution of higher education or a domestic (Texas) nonprofit corporation that is associated with a governmental or quasi-governmental entity or an institution of higher education;

(5) does not employ any person required to be registered under the Act as a dealer, investment adviser, salesman, or agent;

(6) does not have, and does not employ any person who has, a business relationship with any investor member or issuer member other than to provide such member access to the matching service facility;

(7) charges fees only in an amount necessary to cover its reasonable operating costs and that are unrelated to the amount of money being raised by any issuer member or the amount of securities sold by any issuer member;

(8) agrees not to use any advertisement of its matching service facility that advertises any particular issuer or any particular securities or the quality of any securities or that is false or misleading or otherwise likely to deceive a reader thereof, and, upon objection by the Securities Commissioner, agrees to cease any advertisement; and

(9) meets such other conditions as the Securities Commissioner considers appropriate for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of The Securities Act and the rules and regulations thereunder.

(d) **Designation consistent with Act.** Designation under this section is not available to any matching service formed in a manner that constitutes part of a scheme to violate or evade the provisions of The Securities Act or Board rules.

(e) **Withdrawal of designation.** The Securities Commissioner, upon ten days notice and hearing before the Securities Commissioner or a hearings officer as now or hereafter required by law, may withdraw a person's designation as a matching service if the person does not meet the standards for designation provided in this section.

Source Note: The provisions of this §109.15 adopted to be effective April 21, 1995, 20 TexReg 2619; amended to be effective January 8, 2006, 30 TexReg 8865.

§109.16. Reserved for Expansion.

§109.17. Banks under the Securities Act, Section 5.L.

(a) The phrase "any savings and loan association organized and subject to regulation under the laws of this State" shall include any Texas state chartered savings bank.

(b) The phrase "any federal savings and loan association" shall include any federally chartered savings bank.

(c) The phrase "any bank organized and subject to regulation . . . under the laws of any State or territory of the United States" shall include any Texas state chartered limited banking association.

Source Note: The provisions of this §109.17 adopted to be effective August 28, 1992, 17 TexReg 5681; amended to be effective December 20, 1993, 18 TexReg 9093; amended to be effective June 8, 1994, 19 TexReg 4195.

The next page is 111-1.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 111. SECURITIES EXEMPT FROM REGISTRATION.

§111.1. Reserved for Expansion.
§111.2. Listed and Designated Securities.

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Rules in Chapter 111 are captioned to correspond to the alphabetically lettered subsections under Section 6 of the Texas Securities Act. For example, §111.2, captioned "6.F" below, interprets Section 6.F of the Act, etc. Subsections for which there has been no policy or interpretation and for which there is no rule are captioned "No Rule."

6.A. No Rule.
6.B. No Rule.
6.C. No Rule.
6.D. No Rule
6.E. No Rule
6.F. §111.2
6.G. No Rule
6.H. No Rule
6.I. No Rule
6.J. No Rule (See Note 1)

Note 1 -- For guidelines setting forth minimum disclosure requirements of securities exempt under Section 6.J of the Act, see Chapter 125.

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§111.1. Reserved for Expansion.

§111.2. Listed and Designated Securities.

(a) Fully listed. As used in the Texas Securities Act, Section 6.F, "fully listed" includes any security listed or approved for listing upon notice of issuance on an exchange specified in the Act, Section 6.F, or on an exchange listed in subsection (b) of this section.

(b) Approved exchanges. The Securities Commissioner has approved the following exchanges, by written order, as satisfying the requirements of the Texas Securities Act, Section 6.F, for eligibility:

(1) Pacific Stock Exchange;

(2) Chicago Board Options Exchange.

(c) **Warrants for listed securities.** In addition to sales made under the Texas Securities Act, Section 6.F, the Board, pursuant to the Act, Section 5.T, exempts from the registration requirements of the Act, Section 7, the offer and sale by the issuer itself, or by a registered dealer, of warrants to purchase securities of the issuer which at the time of sale of the warrants are exempt pursuant to the Act, Section 6.F.

(d) **Recognized and responsible stock exchange.** In order to implement the general purposes of the Texas Securities Act declared in Section 10-1.A to maximize coordination with federal and other states law and administration, particularly with respect to exemptions, the Board hereby defines the term "recognized and responsible stock exchange," as used in the Act, Section 6.F, not to include any organization which is not registered with the United States Securities and Exchange Commission as a national securities exchange pursuant to the Securities Exchange Act of 1934, Section 6.

(e) **Who may sell.** Securities described in the Act, Section 6.F, may be sold by or through a registered securities dealer acting either as a principal or agent.

(f) **National market system of the NASDAQ stock market.** The "national market system of the NASDAQ stock market," as used in the Act, Section 6.F, includes NASDAQ Global Select Market, NASDAQ Global Market, and NASDAQ Capital Market.

Source Note: The provisions of this §111.2 adopted to be effective September 14, 1977, 2 TexReg 3339; amended to be effective February 2, 1983, 8 TexReg 280; amended to be effective October 26, 1983, 8 TexReg 4178; amended to be effective January 7, 1984, 9 TexReg 6473; amended to be effective October 30, 1985, 10 TexReg 4081; amended to be effective November 29, 1989, 14 TexReg 6077; amended to be effective August 23, 1991, 16 TexReg 4349; amended to be effective August 21, 1997, 22 TexReg 7486; amended to be effective January 7, 2007, 32 TexReg 43.

The next page is 113-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 113. REGISTRATION OF SECURITIES.

§113.1. Qualification of Securities.
§113.2. Registration by Coordination.
§113.3. Fair, Just, and Equitable Standards.
§113.4. Application for Registration.
§113.5. Financial Statements.
§113.6. Renewal Update.
§113.7. Reporting Changes in Filed Materials.
§113.8. Notification of Status in Other States.
§113.9. Securities Underlying Transferable Warrants and Employee Stock Options.
§113.10. Sales Reports.
§113.11. Shelf Registration of Securities.
§113.12. Applicability of Statements of Policy to Exempt Offerings.
§113.13. Multijurisdictional Disclosure System--MJDS Offerings.
§113.14. Statements of Policy.

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§113.1. Qualification of Securities. A Regulation "A" filing with the SEC is a form of exemption and cannot be the basis for a filing for registration by coordination with the State Securities Board under the Texas Securities Act, Section 7.C. Such a registration should meet the requirements as outlined in the Act, Section 7.A or, if federal covered securities, the requirements in §114.4 of this title (relating to Filings and Fees).

Source Note: The provisions of this §113.1 adopted to be effective January 1, 1976; amended to be effective December 6, 1998, 23 TexReg 12293; amended to be effective February 24, 2016, 41 TexReg 1223; amended to be effective November 12, 2019, 44 TexReg 6858.

§113.2. Registration by Coordination.

(a) Time to file. Applications for registration under the Texas Securities Act, Section 7.C, should be filed contemporaneously with the Securities and Exchange Commission ("SEC") registration application. Delayed filings will jeopardize coordination effectiveness. Applications filed after effectiveness with the SEC are not eligible to use Section 7.C.

(b) Who should file. Applications to register securities of open-end investment companies and unit investment trusts subject to the provisions of the Investment Company Act of 1940, the Securities Act of 1933, and the Securities Exchange Act of 1934, will be considered and treated as applications to register securities by coordination, if the securities are not federal covered securities as that term is defined in §107.2 of this title (relating to Definitions). Filings and fees relating to federal covered securities are addressed in Chapter 114 of this title (relating to Federal Covered Securities).

Source Note: The provisions of this §113.2 adopted to be effective January 1, 1976; amended to be effective July 17, 1978, 3 TexReg 2314; amended to be effective September 22, 1995, 20 TexReg 7187; amended to be effective April 8, 1997, 22 TexReg 3219; amended to be effective November 7, 1999, 24 TexReg 9607.

§113.3. Fair, Just, and Equitable Standards. The following factors, among others, will usually be considered in determining whether or not a securities issue is fair, just, and equitable.

(1) General meaning. "Fair, just, and equitable" as used in the Texas Securities Act, Section 7.C and Section 10.A, means fair, just, and equitable to the new investors. It does not relate to customers or competitors of the business as such and does not apply to other business relationships of the issuer, promoter, or business. The words "fair, just, and equitable" are accorded their generally recognized meanings and are not used in any narrow, technical sense.

(2) Limitation on liability. Issues of securities that expose public investors to unlimited liability normally are not fair, just, or equitable; however, the Securities Commissioner may consider disclosure, sophistication of investors, potential probability of liability, amount of potential liability exposure, and amount of insurance against such exposure as possible mitigating factors.

Source Note: The provisions of this §113.3 adopted to be effective January 1, 1976; amended to be effective May 11, 1979, 4 TexReg 1543; amended to be effective July 22, 1981, 6 TexReg 2383; amended to be effective June 16, 1983, 8 TexReg 1857; amended to be effective March 19, 1984, 9 TexReg 1437; amended to be effective December 6, 1998, 23 TexReg 12293.

§113.4. Application for Registration.

(a) Misleading name. The improper use by an applicant of an assumed name containing "incorporated," "corporation," "associates," "limited," or an abbreviation of one of those words, may be grounds for denying registration if such designation is thereby misleading.

(b) No recommendations by Board. The State Securities Board will not recommend any specific dealer, underwriter, lawyer, or accountant to an applicant in any matter concerning the preparation and presentation for approval of a securities registration application.

(c) Consents to service of process.

(1) Except as provided in paragraph (2) of this subsection, all applications to register securities issued by an issuer which is organized under the laws of any other state, territory, or government, or domiciled in any state other than Texas, must include with the application a written consent to service of process duly executed by an authorized agent of the issuer appointing the Securities Commissioner irrevocably its true and lawful attorney upon whom process in any action or proceeding against such issuer arising out of any transaction subject to the Texas Securities Act may be served with the same effect as if such issuer were organized or created under the laws of Texas and had been lawfully served with process herein.

(2) The consent to service of process required under paragraph (1) of this subsection is not required when the application for registration is filed by a registered dealer acting as a principal in a firm commitment underwriting.

(d) Abandonment of application.

(1) An application for registration of securities may be declared abandoned if the applicant fails to substantively respond within 30 days to a letter indicating that failure to respond will result in abandonment, which letter will be sent no sooner than 30 days after the last substantive request letter regarding the application to which there has been no reply.

(2) Except for good cause shown, the application for registration of securities that fails to meet registration requirements within one year of the filing date of the application will expire and become null and void. A copy of this rule will be mailed to an applicant at least 60 days prior to the expiration of the application.

(e) Sales in excess of amount registered. An offeror who sells securities in this state in excess of the amount of securities registered may do the following.

(1) If the registration is still in effect an offeror may:

(A) apply to register the excess securities by paying three times the difference between the initial fee paid and the fee required under the Texas Securities Act (Act), Section 35, for the securities sold to persons in this state; and

(B) pay the amendment fee prescribed by the Act, Section 35.A(1).

(2) If the registration is no longer in effect an offeror may:

(A) apply to register the excess in accordance with paragraph (1)(A) of this subsection, plus interest on the amount of fees owed computed at the rate of 6.0% from the date the registration was no longer in effect until the date the subsequent application is filed; and

(B) pay the amendment fee prescribed by the Act, Section 35.A(1).

(3) Registration of the excess securities, if granted, shall be effective retroactively to the effective date of the initial registration for the offering.

(4) As an alternative to paragraph (1) or (2) of this subsection, the offeror may issue letters of rescission to persons who bought excess securities and include a statement in the prospectus admitting the error, or show sales of unregistered securities as a contingent liability.

Source Note: The provisions of this §113.4 adopted to be effective January 1, 1976; amended to be effective November 15, 1977, 2 TexReg 4180; amended to be effective April 15, 1980, 5 TexReg 1285; amended to be effective June 16, 1983, 8 TexReg 1857; amended to be effective January 12, 1984, 8 TexReg 5529; amended to be effective March 19, 1984, 9 TexReg 1437; amended to be effective June 1, 1984, 9 TexReg 2776; amended to be effective November 15, 1990, 15 TexReg 6291; amended to be effective September 22, 1995,

20 TexReg 7187; amended to be effective December 2, 1997, 22 TexReg 11666; amended to be effective December 6, 1998, 23 TexReg 12293; amended to be effective August 10,2003, 28 TexReg 5991; amended to be effective February 24, 2004, 29 TexReg 1643; amended to be effective November 12, 2019, 44 TexReg 6858.

§113.5. Financial Statements.

(a) Audited financial statements. Except as provided in subsection (b) of this section, all financial statements submitted to the Securities Commissioner pursuant to the Texas Securities Act, Section 7.A(1)(f) (including all financial statements of the issuer and any entity that is being taken over by an issuer which has not been operating) must be audited, and an opinion must be expressed by an independent certified public accountant or an independent public accountant. Such opinion shall be one acceptable to the Commissioner.

(b) Reviewed financial statements. Financial statements, prepared in accordance with generally accepted accounting principles, submitted by a small business issuer in connection with a small business offering may be reviewed by an independent certified public accountant in accordance with the standards for reviewed financial statements promulgated by the American Institute of Certified Public Accountants.

(c) Small business issuer. For purposes of subsection (b) of this section, the term "small business issuer" shall mean any corporation:

(1) that has not previously sold securities by means of an offering involving public solicitation or advertising unless such offering was made in compliance with:

(A) §139.25 of this title (relating to Intrastate Crowdfunding Exemption);

(B) §139.26 of this title (relating to Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings);

(C) §139.16 of this title (relating to Sales to Individual Accredited Investors);

(D) §139.19 of this title (relating to Accredited Investor Exemption);

(E) §109.4 of this title (relating to Securities Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors); or

(F) the Texas Securities Act, Section 5.H;

(2) that has not been previously required under federal or state securities law to provide audited financial statements in connection with any sale of its securities;

(3) that is not an investment company (including any mutual fund);

(4) that does not engage or propose to engage in petroleum exploration or production or other extractive industries;

(5) that is not subject to the reporting requirements of the Securities Exchange Act of 1934, Section 13 or Section 15(d);

(6) that has its principal place of business in Texas and employs at least 50% of its full-time employees in Texas; and

(7) whose previous sales of securities (exclusive of debt financing with banks and similar commercial lenders) does not exceed $1 million.

(d) Parent corporations. If a corporation otherwise meeting the criteria specified in subsection (c) of this section is a majority-owned subsidiary of another corporation, the subsidiary shall not be considered a "small business issuer" for purposes of subsection (b) of this section unless its parent corporation also meets the criteria specified in subsection (c) of this section.

(e) Small business offering. For purposes of subsection (b) of this section, the term "small business offering" shall mean that the amount of the offering must not exceed $5 million.

Source Note: The provisions of this §113.5 adopted to be effective January 1, 1976; amended to be effective November 28, 1977, 2 TexReg 4414; amended to be effective September 22, 1995, 20 TexReg 7188; amended to be effective December 6, 1998, 23 TexReg 12293; amended to be effective January 8, 2006, 30 TexReg 8865; amended to be effective November 17, 2014, 39 TexReg 8960; amended to be effective December 23, 2018, 43 TexReg 8088.

§113.6. Renewal Update. It is the responsibility of the applicant for renewal to see that all exhibits and information required to be filed with the Securities Commissioner for an original registration pursuant to the Texas Securities Act, Section 7, are maintained current with the Commissioner for the issuer whose registration is renewed under the Act, Section 10.B, so long as the permit is outstanding. Whenever there are material changes, the prospectus must be amended and filed with the Commissioner.

Source Note: The provisions of this §113.6 adopted to be effective January 1, 1976; amended to be effective December 6, 1998, 23 TexReg 12293.

§113.7. Reporting Changes in Filed Materials. While an application to register securities is pending with the Securities Commissioner, any change in information material to the application (including documents on file such as financials) must be promptly reported to the commissioner by the applicant, and any new developments which are material must likewise be promptly reported by the applicant.

Source Note: The provisions of this §113.7 adopted to be effective January 1, 1976.

§113.8. Notification of Status in Other States. Any issuer with an application pending under the Texas Securities Act, Section 7.C, in addition to filing with the Securities Commissioner the original list of other states where filing has been made or is expected to be made as required by the Act, Section 7.C(1)(c), must make

a timely report of the names of any states where such an application is subsequently made, withdrawn, or denied (together with the reasons for any withdrawal or denial).

Source Note: The provisions of this §113.8 adopted to be effective January 1, 1976; amended to be effective December 6, 1998, 23 TexReg 12293.

§113.9. Securities Underlying Transferable Warrants and Employee Stock Options. When equity securities underlying transferable warrants or employee stock options are registered under the Texas Securities Act, Section 7, those equity securities shall thereafter be deemed to be properly registered in Texas regardless of the time at which the warrants are exercised by warrant or option holders. Continuous registration (or annual renewal of registration) of the underlying equity securities during the life of the warrants or options shall not be required solely because of the existence of outstanding warrants or options. Once the distribution process is completed pursuant to the registration, the issuer or dealer who sold such registered securities is not required to remain continuously registered pursuant to the Texas Securities Act, Section 12 solely because of the existence of outstanding warrants or options. However, if the issuer or dealer solicits the holders to exercise their warrants or options, the issuer or dealer must be registered as a securities dealer if the transaction does not fall within an exemption other than this section. This section is adopted pursuant to the authority granted by the Texas Securities Act, Section 5.T.

Source Note: The provisions of this §113.9 adopted to be effective January 25, 1980, 5 TexReg 139; amended to be effective October 4, 1984, 9 TexReg 4974; amended to be effective December 6, 1998, 23 TexReg 12293.

§113.10. Sales Reports. All registrants must prepare and forward to the securities commissioner annual reports showing the amount of securities which have been sold in Texas, the consideration received therefor, and the amount of unsold securities authorized to be sold in Texas. Upon completion of all offerings of securities registered in Texas, a final sales report must be filed with the securities commissioner showing the total aggregate amount of securities sold by a registrant and the total consideration received therefor.

Source Note: The provisions of this §113.10 adopted to be effective April 15, 1980, 5 TexReg 1285; amended to be effective January 7, 1985, 9 TexReg 6473.

§113.11. Shelf Registration of Securities.

(a) Applicability.

(1) This section shall apply to the registration by coordination in Texas of securities registered with the Securities and Exchange Commission (SEC) for offer and sale on a delayed or continuous basis under SEC Rule 415 (17 Code of Federal Regulations §230.415).

(2) Each series or takedown requires separate registration in Texas, except in the following cases:

(A) where there is disclosure in the prospectus that neither the security to be offered nor the selling method to be used may be varied from one series or takedown to the next; or

(B) as provided in subsection (b) of this section.

(3) Where appropriate, the statements of policy in §113.14(b) of this title (relating to Statements of Policy) and other provisions of this chapter will be applied.

(b) Certain debt offerings by substantial issuers.

(1) This subsection (b) applies to the registration of debt securities of issuers eligible to use SEC Form S-3 (17 Code of Federal Regulations §239.13), to register debt securities with the SEC under SEC Rule 415.

(2) Separate registration of each series or takedown of debt securities of such an issuer is not required if the applicant (and the issuer if the applicant is other than the issuer) undertakes that all of the following conditions will be met:

(A) only the type of debt security that is specifically denominated and described in the prospectus supplement or prospectus amendment filed with the application to register securities in Texas will be sold in each takedown or series for which the registration is sought;

(B) all of the debt securities will be subject to and issued under the same indenture;

(C) the maturity of the securities will not be less than a specified length of time nor more than a specified length of time from the date of issue, and the interest rate will be within a specified range unless the Texas permit is first amended to permit interest rates differing from such maximum and minimum.

(3) The permit issued upon registration of debt securities pursuant to paragraph (2)(A)-(C) of this subsection shall incorporate the relevant terms of the required undertaking.

Source Note: The provisions of this §113.11 adopted to be effective August 8, 1984, 9 TexReg 4075; amended to be effective December 2, 1997, 22 TexReg 11666; amended to be effective December 6, 1998, 23 TexReg 12293; amended to be effective November 7, 1999, 24 TexReg 9608; amended to be effective April 3, 2012, 37 TexReg 2166; amended to be effective November 12, 2019, 44 TexReg 6858.

§113.12. Applicability of Statements of Policy to Exempt Offerings. This chapter and the statements of policy listed in §113.14 of this title (relating to Statements of Policy) do not apply to offerings made pursuant to an exemption under either the Texas Securities Act, Section 5 or Section 6, or an exemption by Board rule pursuant to the Texas Securities Act, Section 5.T, or to an offering of federal covered securities, as that term is defined in §107.2 of this title (relating to Definitions).

Source Note: The provisions of this §113.12 adopted to be effective November 15, 1990, 15 TexReg 6291; amended to be effective August 23, 1993, 18 TexReg 5324; amended to be effective April 8, 1997, 22 TexReg

3219; amended to be effective December 2, 1997, 22 TexReg 11666; amended to be effective December 6, 1998, 23 TexReg 12293; amended to be effective November 7, 1999, 24 TexReg 9608; amended to be effective August 18, 2011, 36 TexReg 5093.

§113.13. Multijurisdictional Disclosure System--MJDS Offerings.

(a) This section shall apply to the registration by coordination in Texas of securities registered with the Securities and Exchange Commission (SEC) in accordance with the multijurisdictional disclosure system (MJDS) adopted in SEC Release Number 33-6902.

(b) For purposes of the Texas Securities Act, Section 7.C, MJDS offerings filed on SEC Form F-7, Form F-8, Form F-9 or Form F-10, shall become effective the later of three days after filing, or the effective date with the SEC, as long as the application for registration is filed contemporaneously with the SEC registration application in accordance with §113.2 of this title (relating to Registration by Coordination).

(c) Financial statements and financial information for offerings filed under subsection (b) of this section shall comply with instructions provided with SEC Form F-7, Form F-8, Form F-9, or Form F-10.

(d) In a rights offering, SEC Form F-7 will be accepted in lieu of any state form required to claim an exemption for any transaction pursuant to an offer to existing securities holders.

(e) After the SEC has declared effective an issuer's Form F-8, Form F-9 or Form F-10 registration statement, a non-issuer transaction in any class of the issuer's securities is exempt from registration, whether or not the transaction is effected through a broker dealer.

Source Note: The provisions of this §113.13 adopted to be effective January 8, 2006, 30 TexReg 8866.

§113.14. Statements of Policy.

(a) The Securities Commissioner, where applicable, will utilize the criteria contained in the North American Securities Administrators Association, Inc. (NASAA) Statements of Policy set forth in subsection (b) of this section for offerings registering pursuant to the Texas Securities Act, Section 7. While applications not conforming to a statement of policy shall be looked upon with disfavor, where good cause is shown or to protect investors, certain provisions may be modified or waived by the Commissioner.

(b) In order to promote uniform regulation, the following NASAA Statements of Policy shall apply to the registration of securities:

(1) Corporate Securities Definitions, as amended by NASAA on May 6, 2018;

(2) Impoundment of Proceeds, as amended by NASAA on March 31, 2008;

(3) Loans and Other Material Affiliated Transactions, as amended by NASAA on May 6, 2018;

(4) Options and Warrants, as amended by NASAA on March 31, 2008;

(5) Preferred Stock, as amended by NASAA on September 11, 2016;

(6) Promoters' Equity Investment, as amended by NASAA on September 11, 2016;

(7) Promotional Shares, as amended by NASAA on March 31, 2008;

(8) Specificity in Use of Proceeds, as amended by NASAA on September 11, 2016;

(9) Underwriting and Selling Expenses, Underwriter's Warrants, and Selling Security Holders, as amended by NASAA on May 6, 2018;

(10) Unsound Financial Condition, as amended by NASAA on May 6, 2018;

(11) Unequal Voting Rights, as amended by NASAA on September 11, 2016;

(12) Debt Securities, as amended by NASAA on April 25, 1993;

(13) Real Estate Programs, as amended by NASAA on May 7, 2007;

(14) Oil and Gas Programs, as amended by NASAA on May 6, 2012;

(15) Asset-backed Securities, as amended by NASAA on May 6, 2012;

(16) Equipment Programs, as amended by NASAA on May 6, 2012;

(17) Real Estate Investment Trusts, as amended by NASAA on May 7, 2007;

(18) Mortgage Program Guidelines, as amended by NASAA on May 7, 2007;

(19) Omnibus Guidelines, as amended by NASAA on May 7, 2007;

(20) Registration of Commodity Pool Programs, as amended by NASAA on May 6, 2012; and

(21) Use of Electronic Offering Documents and Electronic Signatures, adopted by NASAA on May 8, 2017.

(c) Copies of the NASAA Statements of Policy are available online at the NASAA web site (www.nasaa.org) and the Texas State Securities Board web site (www.ssb.texas.gov). Print copies may be obtained by contacting the Texas State Securities Board, P.O. Box 13167, Austin, Texas 78711, or by calling (512) 305-8300.

Source Note: The provisions of this §113.14 adopted to be effective January 7, 2009, 34 TexReg 44; amended to be effective August 18, 2011, 36 TexReg 5093; amended to be effective May 15, 2014, 39 TexReg 3704;

amended to be effective June 12, 2018, 43 TexReg 3779; amended to be effective August 25, 2019, 44 TexReg 4310.

The next page is 114-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 114. FEDERAL COVERED SECURITIES.

§114.1. Introduction.
§114.2. Definitions.
§114.3. Consents to Service of Process.
§114.4. Filings and Fees.

. . . . . .

§114.1. Introduction.

(a) Scope. This chapter covers filings and fees required to be paid in connection with the issuance of an authorization to offer and sell federal covered securities.

(b) Availability of a corresponding state exemption. Except as otherwise provided herein, the filing and fee requirements detailed in this chapter do not apply to federal covered securities that are exempt from registration pursuant to the Texas Securities Act, Section 5 or Section 6, or by Board rule pursuant to the Texas Securities Act, Section 5.T. Transactions in federal covered securities may be exempt under any other Board rule or section of the Texas Securities Act; however, nothing in this chapter shall act as an election. Should for any reason, the offer and sale of federal covered securities fail to comply with all of the conditions in this chapter, a person may claim the availability of any other applicable exemption. A person, claiming an exemption outside this chapter, must comply with all conditions associated with that exemption.

Source Note: The provisions of this §114.1 adopted to be effective April 8, 1997, 22 TexReg 3219; amended to be effective April 5, 1998, 23 TexReg 3431.

§114.2. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Act or Securities Act or Texas Securities Act--The Texas Securities Act, Texas Civil Statutes, Article 581-1, et seq., as amended.

(2) Federal covered securities--Shall have the same meaning as provided in §107.2 of this title (relating to Definitions).

(3) Listed securities--The category of nationally traded federal covered securities defined in the Securities Act of 1933, Section 18(b)(1).

(4) SEC--The United States Securities and Exchange Commission.

Source Note: The provisions of this §114.2 adopted to be effective April 8, 1997, 22 TexReg 3219.

§114.3. Consents to Service of Process.

(a) Unless otherwise provided in subsection (b) of this section, a consent to service of process is required from an issuer of federal covered securities that is organized under the laws of any other state, territory, or government, or domiciled in any state other than Texas. The written consent to service of process must be duly executed by an authorized agent of the issuer and irrevocably appoint the Securities Commissioner as the issuer's true and lawful attorney upon whom all process may be served in any action or proceeding against such issuer arising out of any transaction subject to the Texas Securities Act with the same effect as if such issuer were organized or created under the laws of Texas and had been lawfully served with process therein.

(b) The consent to service of process is not required when the notice filing is made by a registered dealer acting as a principal in a firm commitment underwriting.

Source Note: The provisions of this §114.3 adopted to be effective April 8, 1997, 22 TexReg 3219; amended to be effective April 5, 1998, 23 TexReg 3431; amended to be effective August 10, 2003, 28 TexReg 5992; amended to be effective November 12, 2019, 44 TexReg 6859.

§114.4. Filings and Fees.

(a) **Generally.** Unless otherwise provided in subsection (b) of this section, prior to the initial offer of the federal covered securities in this state, the issuer shall provide to the Securities Commissioner:

(1) a notice filing consisting of:

(A) page 1 of a Form U-1, Uniform Application to Register Securities, with items 1-6 completed, or a document providing substantially the same information;

(B) if the issuer is an investment company, Form NF, Uniform Investment Company Notice Filing; or

(C) if the issuer is a unit investment trust, Form NF may be filed and the payment of the filing fee, set out in paragraph (3) of this subsection, paid electronically through the EFD System.

(2) a consent to service of process signed by the issuer, if required by §114.3 of this title (relating to Consents to Service of Process), if, previously, such a consent to service has not been filed with the Securities Commissioner; and

(3) the fee provided for in the Texas Securities Act (Act), Section 35.A(1) plus one-tenth of 1.0% of the aggregate amount of federal covered securities proposed to be sold to persons located within this state based on the price at which such securities are to be offered to the public, as provided in the Act, Section 35.B(2).

(b) Special circumstances.

(1) SEC Regulation D, Rule 506 offerings. In connection with an offering described in both §109.13(k) of this title (relating to Limited Offering Exemptions) and SEC Regulation D, Rule 506, at the time the Form D is filed with the SEC, but no later than 15 days after the first sale of the federal covered securities in this state, the issuer shall provide to the Securities Commissioner:

(A) a notice on Form D; and

(B) a fee of one-tenth of 1.0% of the aggregate amount of federal covered securities described as being offered for sale, but in no case more than $500, as provided in the Texas Securities Act, Section 35.B(7).

(C) The filing of Form D and the payment of the filing fee shall be made electronically through the EFD System.

(2) Listed securities. No filing, consent to service, or fee shall be required of an issuer offering federal covered securities that are also "listed securities" as defined in §114.2 of this title (relating to Definitions).

(3) Money market status approved. Section 123.3 of this title (relating to Conditional Exemption for Money Market Funds) sets forth the requirements for obtaining and maintaining a money market designation and the reduced fee schedule available to funds so designated. In connection with an offering of securities of an issuer that has applied for and been granted money market status as provided in §123.3 of this title (relating to Conditional Exemption for Money Market Funds), the issuer shall provide to the Securities Commissioner:

(A) a consent to service of process signed by the issuer, if required by §114.3 of this title (relating to Consents to Service of Process), if such a consent to service has not previously been filed with the Securities Commissioner;

(B) any other filing required by §123.3 of this title (relating to Conditional Exemption for Money Market Funds) or subsection (f) of this section; and

(C) the fee provided for in §123.3 of this title (relating to Conditional Exemption for Money Market Funds).

(4) Secondary trading. A registered dealer or issuer that chooses to comply with the Texas Securities Act, Section 5.O(9), by filing a form, shall provide to the Securities Commissioner, prior to the sale of the securities in this state:

(A) a notice filing consisting of page 1 of a Form U-1, Uniform Application to Register Securities, with items 1-6 completed, or a document providing substantially the same information;

(B) a consent to service of process signed by the dealer or issuer, if such a consent to service has not previously been filed with the Securities Commissioner;

(C) a fee of $500, as provided in the Act, Section 35.B(6); and

(D) a written statement from the issuer that the issuer of such securities is in compliance with the reporting requirements of the Securities Exchange Act of 1934, Section 13 or Section 15(d), as applicable.

(5) SEC Regulation A, Tier 2. Prior to the initial offer of the federal covered securities in this state, the issuer shall provide to the Securities Commissioner:

(A) a notice filing on either:

(i) Uniform Notice Filing of Regulation A - Tier 2 Offering form; or

(ii) page 1 of a Form U-1, Uniform Application to Register Securities, with items 1-6 completed, or a document providing substantially the same information;

(B) a consent to service of process signed by the issuer, if required by §114.3 of this title (relating to Consents to Service of Process), and if the notice filing required by subparagraph (A) of this paragraph is not made on the Uniform Notice Filing of Regulation A - Tier 2 Offering form; and

(C) the fee provided for in the Act, Section 35.A(1), plus one-tenth of 1.0% of the aggregate amount of federal covered securities proposed to be sold to persons located within this state based on the price at which such securities are to be offered to the public, as provided in the Act, Section 35.B(2).

(c) Supplemental reports.

(1) Unless otherwise provided in paragraph (2) of this subsection, each applicant required to pay a fee in connection with federal covered securities offered in this state shall submit to the Securities Commissioner annual reports showing the amount of federal covered securities authorized to be sold in Texas, the actual amount sold in Texas, the consideration received therefor, and the amount of unsold securities authorized to be sold in Texas. Upon completion of all offerings of federal covered securities authorized for sale in Texas, a final sales report must be filed with the Securities Commissioner showing the total aggregate amount of federal covered securities authorized and sold in Texas and the total consideration received therefor.

(2) This subsection does not apply to an applicant proceeding pursuant to subsection (b)(1) or (b)(4) of this section.

(d) Excess sales.

(1) Except as provided in paragraph (2) of this subsection, an offeror who sells securities in this state in excess of the amount of federal covered securities authorized may do the following.

(A) If the authorization is still in effect an offeror may:

(i) request authorization for the excess securities by paying three times the difference between the initial fee paid and one-tenth of 1.0% of the aggregate amount of the securities sold to persons in this state, as provided in the Texas Securities Act, Sections 35.B(2) and 35-1.A; and

(ii) pay the amendment fee provided for in the Texas Securities Act, Section 35.A(1).

(B) If the authorization is no longer in effect an offeror may:

(i) request authorization of the excess securities in accordance with subparagraph (A)(i) of this paragraph, plus interest on the amount of fees owed computed at the rate of 6.0% from the date the authorization was no longer in effect until the date the subsequent request is made; and

(ii) pay the amendment fee provided for in the Texas Securities Act, Section 35.A(1).

(C) The authorization for the excess securities shall be effective retroactively to the effective date of the initial authorization for the offering.

(2) An offeror in an SEC Regulation D, Rule 506 offering, who paid less than the maximum fee prescribed in subsection (b)(1) of this section and offered a greater amount of federal covered securities than authorized may do the following:

(A) file an amended Form D disclosing the amount of federal covered securities offered; and

(B) pay three times the difference between the initial fee paid and the fee which should have been paid, plus interest on the fee owed computed at the rate of 6.0% from the date the original Form D was received by the Securities Commissioner until the date the amended notice is received by the Securities Commissioner, as provided in the Texas Securities Act, Section 35-1.B.

(C) The filing of Form D and the payment of the filing fee shall be made electronically through the EFD System.

(3) After compliance with paragraph (2) of this subsection, the amended Form D shall be effective retroactively to the date of the initial filing.

(e) Requests for additional documents. The Securities Commissioner may, upon written request, require a copy of any document required to be filed with the SEC in connection with the offering or sale of the federal covered securities.

(f) Period of effectiveness.

(1) The initial authorization for federal covered securities of an open-end investment company, as defined in the Investment Company Act of 1940, shall be effective until two months after the end of the issuer's fiscal year. After the initial authorization, the issuer or its agent may renew the authorization by submitting, within two months after the end of the issuer's fiscal year:

(A) a notice filing, consisting of Form NF, Uniform Investment Company Notice Filing; and

(B) payment of the appropriate fees.

(2) The authorization for federal covered securities of a unit investment trust, as defined in the Investment Company Act of 1940, shall be effective until one year from the date of effectiveness granted by the SEC.

(3) Any other authorization of federal covered securities shall be effective for one year from the date the authorization is accepted by the Securities Commissioner.

(4) The renewal of an authorization for federal covered securities under this chapter may be renewed for additional periods of one year if the notice filing and renewal fees are received prior to the expiration date of the existing authorization. Failure to tender the renewal fee prior to the expiration date may subject the issuer to higher fees, pursuant to the Texas Securities Act, Sections 35-1 or 35-2.

(5) For SEC Regulation D, Rule 506 offerings issued under special circumstances in subsection (b)(1) of this section, the period of effectiveness extends from the date of the notice filing until the offering is completed or terminated.

(g) **Applicability of dealer and agent registration requirements.** In conducting sales in this chapter, dealer and agent registration requirements of the Texas Securities Act and Board rules must be complied with.

(h) **Preservation of fees.** The fees provided in this section correspond to the filing or registration fees that would be collected pursuant to the Texas Securities Act in effect on the day before the effectiveness of the National Securities Markets Improvement Act of 1996, Public Law Number 104-290.

(i) **Applicability of antifraud provisions.** With regard to this chapter, the Texas Securities Act prohibits fraud or fraudulent practice in connection with the sale or offer for sale of federal covered securities.

Source Note: The provisions of this §114.4 adopted to be effective April 8, 1997, 22 TexReg 3219; amended to be effective December 2, 1997, 22 TexReg 12038; amended to be effective November 7, 1999, 24 TexReg 9608; amended to be effective May 2, 2000, 25 TexReg 3740; amended to be effective February 24, 2004, 29 TexReg 1643; amended to be effective June 21, 2011, 36 TexReg 3715; amended to be effective December 23, 2018, 43 TexReg 8089; amended to be effective November 12, 2019, 44 TexReg 6859.

The next page is 115-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 115. SECURITIES DEALERS AND AGENTS.

§115.1. General Provisions.
§115.2. Application Requirements.
§115.3. Examination.
§115.4. Evidences of Registration.
§115.5. Minimum Records.
§115.6. Registration of Persons with Criminal Backgrounds.
§115.7. Maintenance and Inspection of Records.
§115.8. Fee Requirements.
§115.9. Post-Registration Reporting Requirements.
§115.10. Supervisory Requirements.
§115.11. Finder Registration and Activities.
§115.12. Reserved for Expansion.
§115.13. Reserved for Expansion.
§115.14. Reserved for Expansion.
§115.15. Reserved for Expansion.
§115.16. Use of Senior-Specific Certifications and Professional Designations.
§115.17. Reserved for Expansion.
§115.18. Special Provisions Relating to Military Applicants.
§115.19. Texas Crowdfunding Portal Registration and Activities.
§115.20. Texas Crowdfunding Portal Registration and Activities of Small Business Development Entities.
§115.21. System Addressing Suspected Financial Exploitation of Vulnerable Customers Pursuant to the Texas Securities Act, Section 45.
§115.22. Electronic Submission of Forms and Fees.
§115.23. Notice of Cybersecurity Incident.

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§115.1. General Provisions.

(a) **Definitions**. Words and terms used in this chapter are also defined in §107.2 of this title (relating to Definitions). The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Applicant--A person who submits an application for registration as a dealer or an agent.

(2) Branch office--Any location where one or more agents of a dealer regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security, or that is held out as such.

(A) This definition excludes:

(i) any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;

(ii) any location that is the agent's primary residence, provided that:

(I) only one agent, or multiple agents who reside at that location and are members of the same immediate family, conduct business at the location;

(II) the location is not held out to the public as an office and the agent does not meet with customers at the location;

(III) neither customer funds nor securities are handled at that location;

(IV) the agent is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, advertisements, and other communications to the public by such agent;

(V) the agent's correspondence and communications with the public are subject to the dealer's supervision;

(VI) electronic communications (e.g., e-mail) are made through the dealer's electronic system;

(VII) all orders are entered through the designated branch office or an electronic system established by the dealer that is reviewable at the branch office;

(VIII) written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the dealer; and

(IX) a list of the residence locations are maintained by the dealer;

(iii) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the dealer complies with the provisions of clause (ii)(II) - (VIII) of this subparagraph;

(iv) any office of convenience, where agents occasionally and exclusively by appointment meet with customers, which is not held out to the public as an office;

(v) any location that is used primarily to engage in non-securities activities and from which the agent(s) effects no more than 25 securities transactions in any one calendar year; provided that any advertisement or sales literature identifying such location also sets forth the address and

telephone number of the location from which the agent(s) conducting business at the non-branch locations are directly supervised;

(vi) the floor of a registered national securities exchange where a dealer conducts a direct access business with public customers; and

(vii) a temporary location established in response to the implementation of a business continuity plan.

(B) Notwithstanding the exclusions in subparagraph (A) of this paragraph, any location that is responsible for supervising the activities of persons associated with the dealer at one or more non-branch locations of the dealer is considered to be a branch office.

(C) The term "business day" shall not include any partial business day provided that the agent spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

(3) Supervisor--The person named by a dealer to supervise the activities of a branch office and registered as an agent with the Securities Commissioner.

(4) Control--The possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or company, whether through the ownership of voting securities, by contract, or otherwise.

(5) In this state--As used in the Texas Securities Act, Section 12, has the same meaning as the term "within this state" as defined in §107.2 of this title (relating to Definitions) and paragraph (8) of this subsection.

(6) FINRA--The Financial Industry Regulatory Authority, created through the consolidation of NASD and the member regulation, enforcement, and arbitration functions of the New York Stock Exchange.

(7) Officer--A president, vice president, secretary, treasurer, or principal financial officer, comptroller, or principal accounting officer, or any other person occupying a similar status or performing similar functions with respect to any organization or entity, whether incorporated or unincorporated.

(8) Within this state--

(A) A person is a "dealer" who engages "within this state" in one or more of the activities set out in the Texas Securities Act, Section 4.C, if either the person or the person's agent is present in this state or the offeree/purchaser or the offeree/purchaser's agent is present in this state at the time of the particular activity. A person can be a dealer in more than one state at the same time.

(B) Likewise, a person is an "agent" who engages "within this state" in one or more of the activities set out in the Texas Securities Act, Section 4.D, whether by direct act or through subagents except as otherwise provided, if either the person or the person's agent is present in this state or

the offeree/purchaser or the offeree/purchaser's agent is present in this state at the time of the particular activity. A person can be an agent in more than one state at the same time.

(C) Offers and sales can be made by personal contact, mail, telegram, telephone, wireless, electronic communication, or any other form of oral or written communication.

(9) Finder--An individual who receives compensation for introducing an accredited investor to an issuer or an issuer to an accredited investor solely for the purpose of a potential investment in the securities of the issuer, but does not participate in negotiating any of the terms of an investment and does not give advice to any such parties regarding the advantages or disadvantages of entering into an investment, and conducts this activity in accordance with §115.11 of this title (relating to Finder Registration and Activities). Note that an individual registered as a finder is not permitted to register in any other capacity; however, a registered general dealer is allowed to engage in finder activity without separate registration as a finder.

(10) Texas crowdfunding portal--Any person registered as a Texas dealer pursuant to §115.19 of this title (relating to Texas Crowdfunding Portal Registration and Activities) or §115.20 of this title (relating to Texas Crowdfunding Portal Registration and Activities of Small Business Development Entities).

(b) Registration requirements of dealers, issuers, and agents, and notice filings for branch offices.

(1) Requirements of registration or notice filing.

(A) No dealer, issuer, or agent of a dealer or issuer shall sell or offer for sale any securities within this state without first being registered as a dealer or agent, or exempt from registration.

(B) Each branch office in Texas must make a notice filing to become designated as a branch office of a dealer. A registered officer, partner, or agent must be named as supervisor.

(2) Persons not required to register as an agent.

(A) Registration as an agent is not required for a person, associated with a dealer registered in Texas, who effects a transaction pursuant to the Securities Exchange Act of 1934, Section 15(i)(3), (15 U.S.C. Sec. 78o(i)(3)), provided such person is:

(i) not ineligible to register with this state for any reason other than such a transaction; and

(ii) registered with a registered securities association and at least one other state.

(B) For purposes of this paragraph, a person is "ineligible to register with this state," if the person:

(i) has been convicted of a securities-related felony; or

(ii) has been convicted of a theft-related felony.

(C) For purposes of this paragraph, a "registered securities association" is one currently recognized as such by the SEC pursuant to the Securities Exchange Act of 1934, Section 15A.

(D) Persons not required to register with the Securities Commissioner pursuant to subparagraph (A) of this paragraph, are reminded that the Texas Securities Act prohibits fraud or fraudulent practices in dealing in any manner in any securities whether or not the person engaging in fraud or fraudulent practices is required to be registered. The Agency has jurisdiction to investigate and bring enforcement actions to the full extent authorized in the Texas Securities Act with respect to fraud or deceit, or unlawful conduct by a dealer or agent in connection with transactions involving securities in Texas.

(c) Types of registrations.

(1) General registration. A general registration is a registration to deal in all categories of securities, without limitation.

(2) Restricted registration. The restricted registrations are as follows:

(A) The Securities Commissioner recognizes the specialized knowledge examinations administered by FINRA as restricted registration categories. The registration of an applicant passing a specialized knowledge examination in lieu of the general securities examination pursuant to §115.3(b) of this title (relating to Examinations) is restricted to and effective only for conducting the business and securities activities and effecting transactions associated with the specialized examination.

(B) Additional restricted registration categories include:

(i) registration to deal exclusively in the sale of interests (other than interests in limited partnerships) in oil, gas, and mining leases, fees, or titles or contracts relating thereto;

(ii) registration to deal exclusively in real estate syndication interests and/or condominium securities, including interests in real estate limited partnerships;

(iii) registration to deal exclusively in sales of securities to the dealer's own employees;

(iv) registration for an issuer to deal exclusively in its own securities;

(v) registration to act exclusively as a finder;

(vi) registration to act exclusively as a Texas crowdfunding portal; and

(vii) registration with other restrictions which the Securities Commissioner may impose based upon the facts.

(3) In restricted registrations, the evidence of registration shall indicate that the holder thereof is entitled to act as a dealer only in the specified issue or category of securities.

(d) **Prohibition on fraud and availability of an exemption from registration.** The Texas Securities Act prohibits fraud or fraudulent practices in dealing in any manner in any securities whether or not the person engaging in fraud or fraudulent practices is required to be registered. The Agency has jurisdiction to investigate and bring enforcement actions to the full extent authorized in the Texas Securities Act with respect to fraud or deceit, or unlawful conduct by a dealer or agent in connection with transactions involving securities in Texas. However, the registration requirements detailed in this chapter do not apply to dealers and agents that are exempt from registration as such pursuant to the Texas Securities Act, Section 5, or by Board rule pursuant to the Texas Securities Act, Section 5.T or Section 12.C, contained in Chapter 109 or 139 of this title.

Source Note: The provisions of this §115.1 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective August 22, 2004, 29 TexReg 7966; amended to be effective January 8, 2006, 30 TexReg 8866; amended to be effective September 1, 2006, 31 TexReg 6709; amended to be effective February 21, 2008, 33 TexReg 1319; amended to be effective August 16, 2010, 35 TexReg 7050; amended to be effective November 8, 2012, 37 TexReg 8786; amended to be effective November 17, 2014, 39 TexReg 8961; amended to be effective 12-23-2018, 43 TexReg 8089; amended to be effective November 12, 2019, 44 TexReg 6859.

§115.2. Application Requirements.

(a) **Securities dealer application requirements.** A complete application consists of the following and must be filed in paper form with the Securities Commissioner:

(1) Form BD;

(2) Form U-4 for the designated officer and a Form U-4 for each agent to be registered (officers of a corporation or partners of a partnership shall not be deemed agents solely because of their status as officers or partners);

(3) a copy of articles of incorporation, partnership agreement, articles of association, trust agreement, or other documents which indicate the form of organization, certified by the appropriate jurisdiction or by an officer or partner of the applicant;

(4) a balance sheet prepared in accordance with United States generally accepted accounting principles reflecting the financial condition of the dealer as of a date not more than 90 days prior to the date of such filing. The balance sheet should be compiled, reviewed, or audited by independent certified public accountants or independent public accountants, or must instead be certified by the applicant's principal financial officer. If certified by the principal financial officer of the applicant, such officer shall make the certification on Form 133.18, Certification of Balance Sheet by Principal Financial Officer.

(5) any other information deemed necessary by the Securities Commissioner to determine a dealer's financial responsibility or a dealer's or agent's business repute or qualifications; and

(6) the appropriate registration fee(s).

(b) **Designated officer registration.** Dealers, including an individual filing as a sole proprietor, must file a Form U-4 application for a designated officer to register in connection with the registration of the dealer. The dealer's designated officer must be an officer, partner, or the sole proprietor of the dealer and have completed the necessary registration and examination requirements. If the designated officer of a dealer, other than a sole proprietor, resigns or is otherwise removed from his or her position, the dealer shall make an application to register another officer or partner within 30 days.

(c) **Branch office designation and inspection.**

(1) A dealer may designate a branch office upon initial application of the dealer or by amendment to a current Form BR. No sales-related activity may occur in any branch office location until such time as the dealer has notified the Securities Commissioner that such location will function as a branch office by submitting Form BR on CRD for FINRA member firms. For non-FINRA member firms, the request is made by submitting Form BR in paper form to the Securities Commissioner.

(2) Simultaneous with the designation of a branch office, a supervisor must be designated for that branch office. A supervisor is not required to be registered as a FINRA principal, but must be registered in Texas as an agent and is responsible for supervision of the activities of the branch office. A supervisor may not supervise sales activities encompassing a broader range of products than those covered by the supervisor's qualification examination(s). Within 10 business days after a supervisor ceases to be employed or registered in such capacity by the dealer, the dealer must designate a new supervisor, qualified by passage of the appropriate examinations, for the branch office.

(3) Each branch office of a dealer who is registered with the Securities Commissioner is subject to unannounced inspections at any time during normal business hours.

(d) **Automatic withdrawal of a dealer or agent application for registration that has been pending for at least 90 days.** If an application for dealer or agent registration has been pending for at least 90 days and the applicant has failed to substantively respond to a written request for information sent by certified mail to the applicant's address as set forth in the application, an automatic withdrawal will occur. The written request must have advised the applicant that if a substantive response is not received within 30 days from the date of the certified request, the application will be withdrawn automatically. Regardless of how long an application has been pending, it may not be withdrawn automatically without sending certified notice of this subsection to the address set forth in the application and allowing the applicant 30 calendar days from the date of the notice to provide a substantive written response. A copy of this subsection and the most recent written request for information will be included with the certified letter.

(e) **Central Registration Depository System (CRD).**

(1) Whenever the Texas Securities Act or Board rules require the filing of an application with the Securities Commissioner for dealer or agent registration, members of FINRA or applicants for membership in FINRA shall make such filing electronically through the CRD which is jointly operated by FINRA and the North American Securities Administrators Association, Inc. (NASAA). Applicants shall use the applicable uniform form for the submission of the filing in question and shall supplement their electronic filing by filing, in paper form, the items listed in paragraphs (3) - (6) of subsection (a) of this section, directly with the Commissioner.

(2) Uniform forms submitted through the CRD that designate Texas as a jurisdiction in which the filing is to be made are deemed to be filed with the Securities Commissioner and constitute official records of the Board.

Source Note: The provisions of this §115.2 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective November 26, 2001, 26 TexReg 9581; amended to be effective March 6, 2002, 27 TexReg 1475; amended to be effective June 12, 2002, 27 TexReg 4935; amended to be effective August 22, 2004, 29 TexReg 7968; amended to be effective January 8, 2006, 30 TexReg 8866; amended to be effective April 2, 2006, 31 TexReg 2845; amended to be effective February 21, 2008, 33 TexReg 1319; amended to be effective August 18, 2011, 36 TexReg 5094; amended to be effective October 6, 2015, 40 TexReg 6888; amended to be effective November 12, 2019, 44 TexReg 6859.

§115.3. Examination.

(a) Requirement.

(1) To determine the applicant's qualifications and competency to engage in the business of dealing in and selling securities, the State Securities Board requires a written examination on general securities principles and on state securities law. Applicants must make a passing score, as determined by the North American Securities Administrators Association, FINRA, or the Securities Commissioner, as appropriate, on any required examination.

(2) if, at the time the applicant completes the examinations required in subsection (b) of this section, the Securities Industry Essentials (SIE) examination is coupled with the FINRA general or specialized knowledge examination for the registration category sought, the applicant must obtain a passing score on the SIE examination.

(b) Examinations accepted.

(1) Each applicant must pass an examination on general securities principles. This requirement is satisfied by passing the examination on general securities principles administered by FINRA. As set forth in paragraph (3) of this subsection, applicants for restricted registrations may substitute a specialized knowledge examination dealing with a particular type of security for an examination on general securities principles.

(2) The Securities Commissioner recognizes the general examinations administered by FINRA as an examination on general securities principles sufficient to meet that requirement in paragraph (1) of this subsection.

(3) In lieu of an examination on general securities principles, an applicant may substitute one or more specialized knowledge examination(s) administered by FINRA. The Securities Commissioner also recognizes the specialized knowledge examinations administered by FINRA as restricted registration categories. The registration of an applicant passing a specialized knowledge examination is restricted and effective only for conducting the business and securities activities and effecting transactions associated with the specialized examination.

(4) Each applicant must pass an examination on state securities law. This requirement may be satisfied by passing an examination on the Texas Securities Act administered by this Agency or by passing the Uniform Securities Agent State Law Examination (Series 63) or the Uniform Combined State Law Examination (Series 66).

(c) Waivers of examination requirements.

(1) All persons who were registered in Texas on August 23, 1963, are not required to take any examinations.

(2) A full waiver of the examination requirements of the Texas Securities Act, Section 13.D, is granted by the Board to the following classes of persons:

(A) issuers offering securities in rights offerings to their own securities holders;

(B) issuers offering their own securities in exchange for outstanding securities of another corporation, provided consummation of the offer is dependent upon tender of at least 80% of such outstanding securities;

(C) issuers restricting distribution of securities to security holders of an affiliate company, a subsidiary, or a parent of the issuer, provided the registration certificate is issued on a temporary basis and terminated immediately after the offering;

(D) officers and employees whose firms restrict their officers' and employees' securities activities to acting as brokers between and among principals for the sale of a majority of the stock or equity securities of a privately held business pursuant to a privately negotiated purchase agreement, where the managerial control of the business will devolve upon the purchaser(s) and where compensation received by the firm will be payable for the brokerage activities only;

(E) a finder;

(F) a person who completed the required examinations, but whose registration has lapsed for more than two years and who has been continually employed in a securities-related position with an entity which was not required to be registered;

(G) a person who completed the required examinations and whose registration with FINRA and with another state securities regulator has not lapsed for more than two years; and

(H) a Texas crowdfunding portal and its agents.

(3) A partial waiver of the examination requirements of the Texas Securities Act, Section 13.D, is granted by the Board to the following classes of persons:

(A) applicants who have been continuously registered with the Securities and Exchange Commission, FINRA, or any other exchange listed in the Act, Section 6.F, or recognized by the Board pursuant to §111.2 of this title (relating to Listed and Designated Securities) for 10 years immediately

preceding the application for registration in Texas. These applicants are required to pass an examination on state securities law as required by subsection (b)(4) of this section;

(B) applicants who passed the "state securities examination" promulgated and formerly administered by the Psychological Corporation, New York, New York, and later by the Psychological Corporation, San Antonio, Texas, which was an examination on general securities principles. These applicants are required to pass an examination on state securities law as required by subsection (b)(4) of this section;

(C) applicants seeking registration for the purpose of dealing exclusively in real estate syndication interests or condominium securities, provided such persons are licensed, at the time of application, under The Real Estate License Act (Texas Occupations Code, Chapter 1101). Such persons are not required to take a general securities examination, but are required to pass an examination on state securities law as required by subsection (b)(4) of this section;

(D) applicants seeking registration for the purpose of dealing exclusively in oil and gas interests (other than interests in limited partnerships). Such persons are not required to take the general securities examination, but are required to pass an examination on state securities law as required by subsection (b)(4) of this section. Provided, however, any persons registered prior to January 1, 1976, for the purpose of dealing exclusively in oil and gas interests, are not required to pass an examination; and

(E) applicants who are officers, partners, or employees of an issuer (other than an open-end investment company) if the issuer's securities will be registered for sale in Texas. Such officers, partners, and employees are not required to take the general securities examination, but are required to pass an examination on state securities law as required by subsection (b)(4) of this section. Evidences of registration granted pursuant to this subparagraph are restricted to sales of the currently registered securities of the issuer.

(4) The Securities Commissioner in his or her discretion is authorized by the Board to grant full or partial waivers of the examination requirements of the Texas Securities Act, Section 13.D.

(d) Texas securities law examination.

(1) The fee for each filing of a request to take the Texas securities law examination is $35. An admission letter issued by the Board is required for all entrants. The examination is given at 9:00 a.m. on each Tuesday at the office of the State Securities Board in Austin. The examination may be taken at other locations near principal population centers across the state. Testing centers require reservations and may charge an additional (monitor) fee for administering the examination. A list of examination centers with additional details may be obtained from the State Securities Board.

(2) While taking the examination on the Texas Securities Act, each applicant may use an unmarked copy of the Texas Securities Act as it is printed and distributed by the State Securities Board. No other reference materials are allowed to be used by applicants during the examination.

(3) Reexamination. An applicant who fails the examination on the Texas Securities Act may request reexamination. The applicant must bring his or her application up to date before retaking an examination.

(4) Disability accommodations. The Texas securities law examination shall be administered to applicants with disabilities in compliance with the Americans with Disabilities Act of 1990, as amended ("ADA").

(A) Any applicant with a disability who wishes to request disability accommodations must submit to the Securities Commissioner a Form 133.3, ADA Accommodations Request Form, that has been completed and signed by the applicant and includes supporting documentation from a licensed or certified health professional appropriate for diagnosing and treating the disability, at least 60 days prior to the examination. A prior history of receiving disability accommodations, without demonstration of a current need, will not necessarily warrant approval of disability accommodations.

(B) The Securities Commissioner may request additional documentation to substantiate a request for disability accommodations.

(C) Documentation shall not be older than three years from the date of submission.

(D) All medical records provided to the Securities Commissioner are confidential under the Health Insurance Portability and Accountability Act ("HIPAA").

(E) The Securities Commissioner is not required to approve every request for disability accommodations or to provide every accommodation or service requested. The Securities Commissioner is not required to grant a request for disability accommodations if doing so would fundamentally alter the measurement of knowledge or the measurement of skill intended to be tested by the Texas securities law examination, would affect the security of the examination, or would create an undue financial or administrative burden.

(F) Once disability accommodations have been granted, they may not be altered during the examination unless prior approval of the Securities Commissioner is obtained.

Source Note: The provisions of this §115.3 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective November 26, 2001, 26 TexReg 9581; amended to be effective July 14, 2005, 30 TexReg 3988; amended to be effective September 1, 2006, 31 TexReg 6712; amended to be effective February 21, 2008, 33 TexReg 1319; amended to be effective August 16, 2010, 35 TexReg 7050; amended to be effective December 21, 2011, 36 TexReg 8505; amended to be effective June 19, 2013, 38 TexReg 3780, amended to be effective November 17, 2014, 39 TexReg 8961; amended to be effective December 14, 2018, 43 TexReg 8089.

§115.4. Evidences of Registration.

(a) Issuance. An evidence of registration or certificate of registration shall be issued for each registered securities dealer reflecting the registered officer or partner.

(b) Amendments. Any changes in the information reflected on the evidence of registration must be submitted to the Securities Commissioner within 30 days of such change. An amendment fee, in the amount set forth in the Texas Securities Act, Section 35, is required to amend the evidence of registration.

(c) Successions.

(1) Succession by application.

(A) If a succession results in a surviving entity that is not currently registered as a securities dealer, the successor entity must file a new application, including the fees, as required in §115.2 of this title (relating to Application Requirements). Such a succession may include, but is not limited to, any of the following that results in either a change in control of the beneficial owners, or a change in management:

(i) a merger;

(ii) a consolidation;

(iii) an acquisition; or

(iv) a reorganization.

(B) A complete application for the successor entity should be filed far enough in advance, but no later than 30 days after succession, so the application can be reviewed and approved prior to the successor entity taking over the business of the predecessor securities dealer. If a successor entity has taken over the business of a predecessor securities dealer before the application of the successor entity has been reviewed and approved, the registration of the successor entity will be automatically granted a temporary registration for 60 days from the date of succession to complete the registration for the new entity. If the successor entity fails to complete the registration requirements within the 60-day temporary registration period, it may submit a written request to the Securities Commissioner to grant an extension of the temporary registration for up to 30 additional days. If the Commissioner, in the exercise of his or her discretion, declines to grant the extension request, the registration will terminate for the dealer and all its agents on the expiration of the 60-day temporary registration. Any sales by the dealer and/or its agents after termination of the temporary registration are subject to the sanctions provided by the Texas Securities Act for selling securities while unregistered.

(C) Upon registration of the successor entity, the registration of the predecessor securities dealer will be terminated.

(2) Succession by amendment.

(A) When a succession does not result in a change in control of the beneficial owners or management, or does not result in any acquisition or assumption of substantially all of the assets and liabilities of the predecessor securities dealer, the successor entity may file an amendment in lieu of filing a new application. Such a succession may include, but is not limited to, any of the following:

(i) an internal corporate reorganization or restructuring;

(ii) a conversion;

(iii) a change in the form of business; or

(iv) a change in the composition of a partnership that does not result in change of control of the partnership.

(B) The provisions in subsection (b) of this section apply to a succession by amendment.

(d) **Termination.** A securities dealer is required to notify the Securities Commissioner upon termination of any registered agent from its employ. Upon receipt of such notification, the Commissioner may terminate the registration. Dealers who are members of FINRA must file a Form U-5, Uniform Termination Notice for Securities Industry Registration, through the CRD to comply with this subsection.

(e) **Renewal.**

(1) Procedures for renewing expired and unexpired registrations are set forth in the Texas Securities Act, Section 19.C.

(2) A notice of impending expiration of registration (renewal application) will be sent to a currently registered dealer. Members of FINRA shall file the renewal application electronically through the CRD. For non-FINRA member firms, the renewal application should be returned to the State Securities Board for processing, along with the appropriate fee.

(3) If a person's registration is not renewed in a timely manner because such person is a military service member, as defined in §115.18(a) of this chapter (relating to Special Provisions Relating to Military Applicants), such person may renew the registration pursuant to the provisions of §115.18(e).

Source Note: The provisions of this §115.4 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective January 8, 2006, 30 TexReg 8866; amended to be effective February 21, 2008, 33 TexReg 1319; amended to be effective November 8, 2012, 37 TexReg 8786; amended to be effective February 24, 2016, 41 TexReg 1123; amended to be effective November 12, 2019, 44 TexReg 6859.

§115.5. Minimum Records.

(a) **Dealer records.** Compliance with the record-keeping requirements of the United States Securities and Exchange Commission, found in 17 Code of Federal Regulations §240.17a-3 and §240.17a-4, will satisfy the requirements of this section.

(b) **Records to be made by certain dealers.** A person or company registered in Texas as a securities dealer shall make and keep current the following minimum records or the equivalent thereof.

(1) Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash, and other debits and credits. Such records shall show the account for which each such transaction was effected, the name and amount of securities, the unit and aggregate purchase or sale price (if any), the trade date, and the name or other designation of the person from whom purchased or received or to whom sold or delivered.

(2) Ledgers (or other records) that reflect all assets and liabilities, income and expense, and capital accounts.

(3) Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer and of such dealer and its partners, all purchases, sales, receipts, and deliveries of securities and commodities for such account and all other debits and credits to such account.

(4) Ledgers (or other records) that reflect the following:

(A) securities in transfer;

(B) dividends and interest received;

(C) securities borrowed and securities loaned;

(D) monies borrowed and monies loaned (together with a record of the collateral therefor and any substitutions in such collateral); and

(E) securities failed to receive and failed to deliver.

(5) A securities record or ledger that reflects separately for each security as of the clearance dates all "long" or "short" positions (including securities in safekeeping) carried by such dealer for his or her account or for the account of his or her customers or partners and showing the location of all securities long and the offsetting position of all securities short, including long security count differences and short security count differences classified by the date of the physical count and verification in which they were discovered, and in all cases the name or designation of the account in which each position is carried.

(6) Order memoranda:

(A) A memorandum of each brokerage order and of any other instruction given or received for the purchase or sale of securities, whether executed or unexecuted. Such memorandum shall show the terms and conditions of the order or instructions and of any modifications or cancellation thereof, the account for which entered, the time the order was received, the time of entry, the price at which executed, the identity of each employee, if any, responsible for the account, the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry, and, to the extent feasible, the time of execution or cancellation. The memorandum need not show the identity of any person, other than the employee responsible for the account, who may have entered or accepted the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible employee; in that circumstance, the dealer shall maintain a separate record that identifies each other person. Orders entered pursuant to the exercise of discretionary power by such dealer or any of its employees shall be so designated. The term "instruction" shall be deemed to include instructions between partners and employees of a dealer. The term "time of entry" shall be deemed to mean the time when such dealer transmits the order or instruction for execution.

(B) This memorandum need not be made as to a purchase, sale or redemption of a security on a subscription way basis directly from or to the issuer, if the dealer maintains a copy

of the customer's subscription agreement regarding a purchase, or a copy of any other document required by the issuer regarding a sale or redemption.

(7) A memorandum of each purchase and sale for the account of such dealer showing the price, and, to the extent feasible, the time of execution; and, in addition, where such purchase or sale is with a customer other than a dealer, a memorandum of each order received, showing the time of receipt, the terms and conditions of the order and of any modification thereof, the account in which it was entered, the identity of each employee, if any, responsible for the account, the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry. The memorandum need not show the identity of any person other than the employee responsible for the account who may have entered the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible employee; in that circumstance, the dealer shall maintain a separate record that identifies each other person. An order with a customer other than a dealer entered pursuant to the exercise of discretionary authority by the dealer, or agent thereof, shall be so designated.

(8) Copies of confirmations of all purchases and sales of securities and copies of notices of all other debits and credits for securities, cash, and other items for the account of customers and partners of such dealer.

(9) A record in respect of each cash and margin account with such dealer containing the name and address of the beneficial owner of such account and, in the case of a margin account, the signature of such owner; provided that, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account.

(10) A record of all puts, calls, spreads, straddles, standby commitments, and other options in which such dealer has any direct or indirect interest or which such dealer has granted or guaranteed, containing at least an identification of the security and the number of units involved.

(11) A questionnaire or application for employment executed by each partner, officer, director, agent, trader, manager, and each employee who handles funds or securities or who solicits transactions or accounts for such dealer, which questionnaire or application shall be approved in writing by an authorized representative of such dealer and shall contain at least the following information with respect to such person (in the case of persons registered with the State Securities Board, a copy of their application for registration as an agent, officer, or partner will satisfy this requirement):

(A) name, address, social security number, and the starting date of employment or other association with the dealer;

(B) date of birth;

(C) the educational institutions attended and whether he or she graduated therefrom;

(D) a complete, consecutive statement of all business connections for at least the preceding 10 years, including the reason for leaving each prior employment, and whether the employment was part-time or full-time;

(E) a record of any denial, suspension, expulsion, or revocation of membership or registration of any dealer he or she was associated with in any capacity when such action was taken;

(F) a record of any denial of membership or registration, and of any disciplinary action taken, or sanction imposed, on the person by any federal or state agency, or by any national securities exchange or national securities association, including any finding that he or she was a cause of any disciplinary action or had violated any law;

(G) a record of any permanent or temporary injunction entered against the person or any dealer he or she was associated with in any capacity at the time such injunction was entered;

(H) a record of any arrest or indictment for any felony or misdemeanor, and the disposition of any such arrest or indictment or further explanation thereof, and a record of any conviction for any felony or any misdemeanor, except minor traffic offenses, of which he or she has been the subject; and

(I) a record of any other name or names he or she has been known by or has used.

(12) A record listing of every agent of the dealer that shows, for each agent, every office of the dealer where the agent regularly conducts the business of handling funds or securities or effecting any transaction in, or inducing or attempting to induce the purchase or sale of any security for the dealer, and the Central Registration Depository number, if any, and every internal identification number or code assigned to that agent by the dealer.

(13) For each account with a natural person as a customer or owner:

(A) An account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an agent of a dealer), annual income, net worth (excluding value of primary residence), and the account's investment objectives. In the case of a joint account, the account record must include personal information for each joint owner who is a natural person; however, financial information for the individual joint owners may be combined. The account record shall indicate whether it has been signed by the agent responsible for the account, if any, and approved or accepted by a supervisor of the dealer. For accounts in existence on the effective date of this section, the dealer must obtain this information within three years of May 2, 2003.

(B) A record indicating that:

(i) The dealer has furnished to each customer or owner within three years of May 2, 2003, and to each customer or owner who opened an account after May 2, 2003 within 30 days of the opening of the account, and thereafter at intervals no greater than 36 months, a copy of the account record or an alternate document with all information required by subparagraph (A) of this paragraph. The dealer may elect to send this notification with the next statement mailed to the customer or owner after the opening of the account. The dealer may choose to exclude any tax identification number and date of birth from the account record or alternate document furnished to the customer or owner. The dealer shall include with the account record or alternate document provided to each customer or owner an explanation of any terms

regarding investment objectives. The account record or alternate document furnished to the customer or owner shall include or be accompanied by prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the dealer, and that the customer or owner should notify the dealer of any future changes to information contained in the account record.

(ii) For each account record updated to reflect a change in the name or address of the customer or owner, the dealer furnished a notification of that change to the customer's old address, or to each joint owner, and the agent, if any, responsible for that account, on or before the thirtieth day after the date the dealer received notice of the change.

(iii) For each change in the account's investment objectives the dealer has furnished to each customer or owner, and the agent, if any, responsible for that account a copy of the updated customer account record or alternative document with all information required to be furnished by subparagraph (A) of this paragraph on or before the thirtieth day after the date the dealer received notice of any change, or, if the account was updated for some reason other than the dealer receiving notice of a change, after the date the account record was updated. The dealer may elect to send this notification with the next statement scheduled to be mailed to the customer or owner.

(C) For purposes of this paragraph, the neglect, refusal, or inability of a customer or owner to provide or update any account record information required under subparagraph (A) of this paragraph shall excuse the dealer from obtaining that required information.

(D) the account record requirements in subparagraph (A) of this paragraph shall only apply to accounts for which the dealer is, or has within the past 36 months been, required to make a suitability determination. Additionally, the furnishing requirement in subparagraph (B)(i) of this paragraph shall not be applicable to an account for which, within the last 36 months, the dealer has not been required to make a suitability determination. Subparagraph (C) of this paragraph does not relieve a dealer from any regulatory obligation regarding the collection of information from a customer or owner.

(E) If an account is a discretionary account, a record containing the dated signature of each customer or owner granting the authority and the dated signature of each natural person to whom discretionary authority was granted.

(F) A record for each account indicating that each customer or owner was furnished with a copy of each written agreement entered into on or after May 2, 2003 pertaining to that account and that, if requested by the customer or owner, the customer or owner was furnished with a fully executed copy of each agreement.

(14) A record:

(A) As to each agent of each written customer complaint received by the dealer concerning that associated person. The record shall include the complainant's name, address, and account number; the date the complaint was received; the name of any other agents identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. Instead of the record, a dealer may maintain a copy of each original complaint in a separate file by the agent named in the complaint along with a record of the disposition of the complaint.

(B) Indicating that each customer of the dealer has been provided with a notice containing the address and telephone number of the department of the dealer to which any complaints as to the account may be directed.

(15) A record:

(A) As to each agent listing each purchase and sale of a security attributable, for compensation purposes, to that agent. The record shall include the amount of compensation if monetary and a description of the compensation if non-monetary. In lieu of making this record, a dealer may elect to produce the required information promptly upon request of a representative of the Securities Commissioner.

(B) Of all agreements pertaining to the relationship between each agent and the dealer including a summary of each agent's compensation arrangement or plan with the dealer, including commission and concession schedules and, to the extent that compensation is based on factors other than remuneration per trade, the method by which the compensation is determined.

(16) A record, which need not be separate from the advertisements, sales literature, or communications, documenting that advertisements, sales literature, or any other communications with the public by a dealer or its agents have been approved by a supervisor.

(17) A record for each office listing, by name or title, each person at that office who, without delay, can explain the types of records the dealer maintains at that office and the information contained in those records.

(18) A record listing each supervisor of a dealer responsible for establishing policies and procedures that require acceptance or approval of a record by a supervisor.

(c) Exemptions from the requirements of subsection (b) of this section.

(1) A dealer is not required to make or keep such records of transactions cleared for such dealer by a member of FINRA, the American Stock Exchange, the Boston Stock Exchange, the Chicago Stock Exchange, the Pacific Stock Exchange, the Chicago Board Options Exchange, or any other recognized and responsible stock exchange approved by the Securities Commissioner pursuant to the Texas Securities Act, Section 6.F, where such records are customarily made and kept by the clearing member.

(2) A dealer is not required to make or keep such records that reflect the sale of United States Tax Savings Notes, United States Defense Savings Stamps, or United States Defense Savings Bonds, Series E, F, and G.

(3) A dealer is not required to make or keep such records with respect to any cash transaction of $100 or less involving only subscription rights or warrants which by their terms expire within 90 days after the issuance thereof.

(4) For purposes of transactions in municipal securities by municipal securities dealers, compliance with Rule G-8 of the Municipal Securities Rulemaking Board will be deemed to be in compliance with subsection (b) of this section.

(d) Maintenance of office records.

(1) Every dealer shall make and keep current, as to each office, the books and records described in paragraphs (1), (6), (7), (11), (13), (14)(A), (15), (16), (17), and (18) of subsection (b) of this section.

(2) When used in this section, the term "office" means any location where one or more agents regularly conduct the business of handling funds or securities or effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security. The term "office" as used in this section is not related to the term "branch office" defined in 115.1 of this chapter (relating to General Provisions).

(e) Records to be preserved by dealers.

(1) Persons subject to subsection (b) of this section shall preserve:

(A) all records required to be made pursuant to paragraphs (1), (2), (3), (5), (17), and (18) of subsection (b) of this section for a period of not less than six years from the end of the fiscal year during which the last entry was made on such record, the first two years in an easily accessible place; and

(B) all records required to be made pursuant to paragraphs (4), (6)-(10), and (14)-(16) of subsection (b) of this section for a period of not less than three years from the end of the fiscal year during which the last entry was made on such record, the first two years in an easily accessible place.

(2) Persons subject to subsection (b) of this section shall maintain and preserve in an easily accessible place:

(A) all records required to be made pursuant to paragraph (11) of subsection (b) of this section until at least three years following termination of the employment or other relationship between the dealer and the person to whom the records relate;

(B) All account record information required pursuant to subsection (b)(13) of this section until at least six years after the earlier of the date the account was closed or the date on which the information was replaced or updated;

(C) Each report which a securities regulatory authority has requested or required the dealer to make and furnish to it pursuant to an order or settlement, and each securities regulatory authority examination report until three years after the date of the report;

(D) Each compliance, supervisory, and procedures manual, including any updates, modifications, and revisions to the manual, describing the policies and practices of the dealer with respect to compliance with applicable laws and rules, and supervision of the activities of each natural person associated with the dealer until three years after the termination of the use of the manual; and

(E) All reports produced to review for unusual activity in customer accounts until 18 months after the date the report was generated. In lieu of maintaining the reports, a dealer may produce promptly the reports upon request by a representative of the Securities Commissioner. If a report was generated in a computer system that has been changed in the most recent 18 month period in a manner such

that the report cannot be reproduced using historical data in the same format as it was originally generated, the report may be produced by using the historical data in the current system, but must be accompanied by a record explaining each system change which affected the reports. If a report is generated in a computer system that has been changed in the most recent 18 month period in a manner such that the report cannot be reproduced in any format using historical data, the dealer shall promptly produce upon request a record of the parameters that were used to generate the report at the time specified by a representative of the Securities Commissioner, including a record of the frequency with which the reports were generated.

(3) Persons registered as dealers in Texas shall preserve for a period of not less than three years from the end of the fiscal year during which the last entry was made on such record, the first two years in an easily accessible place:

(A) all checkbooks, bank statements, cancelled checks, and cash reconciliations;

(B) all bills receivable or payable (or copies thereof), paid or unpaid, relating to the business of the dealer, as such;

(C) originals of all communications received and copies of all communications sent by the dealer (including interoffice memoranda and communications) relating to the business of the dealer. As used in this subparagraph, the term “communications” includes sales scripts;

(D) all trial balances, financial statements, branch office reconciliations, and internal audit working papers relating to the business of the dealer;

(E) all guarantees of accounts and all powers of attorneys and other evidence of the granting of any discretionary authority given in respect of any account, and copies of resolutions empowering an agent to act on behalf of a corporation;

(F) all written agreements (or copies thereof) entered into by the dealer relating to the business of the dealer, including agreements with respect to any account;

(G) all customer complaints received by the dealer relating to the business of the dealer, and all documents relating to such complaints; and

(H) all information including but not limited to offering materials and subscription agreements on any private placements offered by the dealer.

(4) Persons registered as dealers in Texas shall preserve for a period of not less than six years from when a customer’s account was closed, any account cards or records which relate to the terms and conditions with respect to the opening and maintenance of such account.

(5) Persons registered as dealers in Texas shall preserve for at least three years after the termination of the enterprise partnership articles and any amendments thereto, articles of incorporation, charters, minute books, and stock certificate books of the dealer and of any predecessor, all Forms BD, all Forms BDW, all amendments to these forms, all licenses or other documentation showing the registration of the dealer with any securities regulatory authority.

(6) The records required to be maintained and preserved pursuant to this section may be immediately produced or reproduced on microfilm or other photograph and may be maintained and preserved for the required time in that form provided that such microfilms or other photographs are arranged and indexed in such a manner as to permit the immediate location of any particular document, and that such microfilms or other photographs are at all times available for inspection by representatives of the Securities Commissioner together with facilities for immediate, easily readable projection of the microfilm or other photograph and for the production of easily readable facsimile enlargements.

(7) If a person ceases to be registered as a dealer in Texas, such person shall for the remainder of the periods of time specified in this section continue to preserve the records required herein.

(8) For purposes of transactions in municipal securities by municipal securities dealers, compliance with Rule G-9 of the Municipal Securities Rulemaking Board will be deemed to be compliance with this subsection.

(9) The records required to be maintained pursuant to this section may be maintained by any electronic storage media available so long as such records are available for immediate and complete access by representatives of the Securities Commissioner. Any electronic storage media must preserve the records exclusively in a non-rewriteable, non-erasable format; verify automatically the quality and accuracy of the storage media recording process; serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention the information placed on such electronic storage media; and have the capacity to download indexes and records preserved on electronic storage media to an acceptable medium. In the event that a records retention system commingles records required to be kept under this section with records not required to be kept, representatives of the Securities Commissioner may review all commingled records.

(f) The Securities Commissioner has a right to review all records maintained by registered dealers regardless of whether such records are required to be maintained under any specific applicable rule provision.

(g) Records for the most recent two year period required to be made and maintained pursuant to subsections (d), (e)(2)(D), and (e)(3)(C) of this section, which relate to an office shall be maintained at the office to which they relate. If an office is a private residence where only one agent (or multiple agents who reside at that location and are members of the same immediate family) regularly conducts business, and it is not held out to the public as an office nor are funds or securities of any customer of the dealer handled there, the dealer need not maintain records at that office, but the records must be maintained at another location within Texas as the dealer may select. Rather than maintain the records at each office, the dealer may choose to produce the records promptly at the request of a representative of the Securities Commissioner at the office to which they relate or at another location agreed to by the representative.

Source Note: The provisions of this §115.5 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective November 26, 2001, 26 TexReg 9581; amended to be effective October 29, 2003, 28 TexReg 9236; amended to be effective February 21, 2008, 33 TexReg 1319.

§115.6. Registration of Persons with Criminal Backgrounds.

(a) An application for registration may be denied, or a registration may be revoked or suspended, if the Securities Commissioner finds that the person has been convicted of any felony, or of a misdemeanor offense that directly relates to its duties and responsibilities. In determining whether a misdemeanor directly relates to such duties and responsibilities, the Securities Commissioner shall consider each of the following factors:

(1) the nature and seriousness of the crime;

(2) the relationship of the crime to the purposes for requiring registration of dealers and agents;

(3) the extent to which the registration applied for might offer an opportunity to engage in further criminal activity of the same type as that in which the applicant previously had been involved;

(4) the relationship of the crime to the ability or capacity required to perform the duties and discharge the responsibilities of a registered dealer or agent; and

(5) any correlation between the elements of the crime and its duties and responsibilities.

(b) After the Securities Commissioner has determined the criminal conviction directly relates to the duties and responsibilities of the license, the Securities Commissioner shall consider the following evidence in determining whether the person is eligible for a license issued by the Agency:

(1) The extent and nature of the person's past criminal activity.

(2) The age of the applicant at the time of the commission of the crime.

(3) The amount of time that has elapsed since the applicant's last criminal activity.

(4) The conduct and work activity of the applicant prior to and following the criminal activity.

(5) Evidence of the applicant's rehabilitation or rehabilitative effort while incarcerated or following release.

(6) Evidence of the person's compliance with any conditions of community supervision, parole, or mandatory supervision.

(7) Other evidence of the applicant's present fitness, including letters of recommendation, may be provided and considered, including letters from prosecution, law enforcement, and correctional officers who prosecuted, arrested, or had custodial responsibility for the applicant; the sheriff and chief of police in the community where the applicant resides; and any other persons in contact with the applicant.

(8) It shall be the responsibility of the applicant to the extent possible to secure and provide to the Securities Commissioner the letters of recommendation described by paragraph (7) of this subsection.

(c) The State Securities Board considers that the following misdemeanors directly relate to the duties and responsibilities of securities dealers and agents:

(1) any criminal violation of which fraud is an essential element or that involves wrongful taking or possession of property or services;

(2) any criminal violation of the securities laws or regulations of this state, or of any other state in the United States, or of the United States, or any foreign jurisdiction;

(3) any criminal violation of statutes designed to protect consumers against unlawful practices involving insurance, securities, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services; and

(4) any criminal violation involving an assault on a person.

(d) Prior to filing an application, a person may request a preliminary evaluation of license eligibility from the State Securities Board by following the procedure set out in §104.7 of this title (relating to Preliminary Evaluation of License Eligibility) and paying the requisite fee.

(e) Prior to taking any action under subsection (a) of this section to deny any application for registration, the State Securities Board shall comply with the notification requirements of Texas Occupations Code, Section 53.0231 Notice of Pending Denial of License, and Section 53.051.

(f) Prior to taking any action under subsection (a) of this section to revoke or suspend any application for registration, the State Securities Board shall comply with the notification requirements of Texas Occupations Code, Section 53.051.

(g) State Auditor Applicant Best Practices Guide.

(1) The State Securities Board shall post a link on its website to the Applicant Best Practices Guide, to be developed and published by the State Auditor as required by Texas Occupations Code, Section 53.026. This guide, which shall be posted once it becomes available, shall set forth best practices for an applicant with a prior conviction to use when applying for a license.

(2) In each notice to deny, revoke, or suspend a registration or to deny a person the opportunity be examined for a registration, the State Securities Board shall include a link to the guide as described in paragraph (1) of this subsection.

Source Note: The provisions of this §115.6 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective March 28, 2010, 35 TexReg 2549; amended to be effective November 12, 2019, 44 TexReg 6859.

§115.7. Maintenance and Inspection of Records.

(a) The Securities Commissioner, without notice, may inspect a registered dealer as necessary to ensure compliance with the Texas Securities Act and Board rules.

(b) The Commissioner or his or her authorized representative, during regular business hours, may:

(1) enter the business premises of a registered dealer; and

(2) examine and copy books and records pertinent to the inspection.

(c) During the inspection, the dealer shall:

(1) provide to the Commissioner or the Commissioner's authorized representative immediate and complete access to the person's office, place of business, files, safe, and any other location in which books and records pertinent to the inspection are located; and

(2) allow the Commissioner or the Commissioner's authorized representative to make photostatic or electronic copies of books or records subject to inspection.

(d) A dealer may not charge a fee for copying information under this section.

(e) The Commissioner or his or her authorized representative may require that all records required to be maintained pursuant to Board rules or maintained in the normal course of business of the dealer be made available in any office of the State Securities Board designated by the Commissioner or his or her representative within 48 hours of a request or within a greater time period as the Commissioner or his or her authorized representative deems reasonable.

Source Note: The provisions of this §115.7 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective November 26, 2001, 26 TexReg 9581.

§115.8. Fee Requirements.

(a) **Registration and notice filing fees.** Information about registration and notice filing fees for original and renewal applications for dealer, agents, officers, or partners of a securities dealer is available on the Agency's web site located at www.ssb.state.tx.us or by contacting an office of the State Securities Board.

(b) **Reduced fees for certain persons registered in multiple capacities.**

(1) In general. A person may request reduced fees under paragraph (2) of this subsection, provided they are registered or are seeking registration in Texas:

(A) as either an agent of a securities dealer or as a sole proprietor securities dealer; and

(B) as either an investment adviser representative of an investment adviser that has less than five investment adviser representatives or as a sole proprietor investment adviser with less than five investment adviser representatives.

(2) Procedure. Persons meeting the requirements of paragraph (1) of this subsection may request reduced registration fees by filing Form 133.36, Request for Reduced Fees for Certain Persons Registered in Multiple Capacities. Form 133.36 must be filed at the time the original application for investment adviser representative or sole proprietor investment adviser registration is filed, or at least 30 days before the person's existing investment adviser representative or sole proprietor investment adviser registration will expire. On review of Form 133.36, the Securities Commissioner may, in his or her discretion, grant or deny the request for reduced fees or direct the person to supply additional information.

(3) Reduced fees. If the Securities Commissioner grants a person's request, the person must pay all applicable fees for securities agent or dealer registration as specified in the Texas Securities Act, Section 35.A, but is exempt from the fees specified in the Texas Securities Act, Section 35.A, in connection with original and renewal applications for investment adviser representative or sole proprietor investment adviser registration, as applicable at the time Form 133.36 is filed. The reduction in fees granted by the Securities Commissioner under this subsection shall continue in force, without any further filings, as long as a person remains registered in a multiple capacity status.

(c) **Reduced fees for sole proprietor dealers.** A person seeking registration in multiple capacities as a sole proprietor dealer and as the designated officer of that sole proprietor dealer shall pay only the fee required in connection with the original or renewal application for registering as a sole proprietor dealer.

(d) **Fees for concurrent registrations.** Notwithstanding the Texas Securities Act, Section 35, a person shall pay only one fee required under that section to engage in business in this state concurrently for the same person or company as:

(1) a dealer and an investment adviser; or

(2) an agent and an investment adviser representative.

(e) **Waiver of initial application fee and examination fee for certain military applicants.** A military applicant who meets the requirements in §115.18(c) of this chapter (relating to Special Provisions Relating to Military Applicants) is eligible to have his or her initial application fee in Texas and the fee to take the Texas Securities Law Examination waived or refunded by following the procedure set out in §115.18(c).

Source Note: The provisions of this §115.8 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective November 26, 2001, 26 TexReg 9581; amended to be effective February 24, 2004, 29 TexReg 1643; amended to be effective August 18, 2011, 36 TexReg 5094; amended to be effective February 24, 2016, 41 TexReg 1123.

§115.9. Post-Registration Reporting Requirements.

(a) Each person registered as a securities dealer shall report to the Securities Commissioner within 30 days after its entry against the registered person or an agent thereof, the matters described in this

subsection. Likewise, each person registered as an agent of a securities dealer shall report to the Commissioner within 30 days after its occurrence or entry against the agent the matters described in this subsection. The following matters must be reported:

(1) any administrative order issued by state or federal authorities, which order:

(A) is based upon a finding that such person has engaged in fraudulent conduct; or

(B) was entered after notice and opportunity for a hearing, denying, suspending, or revoking the person's registration as a dealer, agent, investment adviser, or investment adviser representative, or the substantial equivalent of those terms;

(2) any felony criminal action or conviction;

(3) any misdemeanor action or conviction based on fraud, deceit, or wrongful taking of property;

(4) any order, judgment, or decree entered by any court of competent jurisdiction which temporarily or permanently restrains or enjoins such person from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving any false filing with any state; or which restrains or enjoins such person from activities subject to federal or state statutes designed to protect consumers against unlawful or deceptive practices involving insurance, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services;

(5) any expulsion, bar, suspension, censure, fine, or penalty imposed by a self-regulatory organization;

(6) any change in any other information previously disclosed to the Securities Commissioner on any application form or filing; and

(7) the filing of any voluntary or involuntary bankruptcy petition.

(b) Upon request by the Securities Commissioner, a securities dealer or agent is required to furnish to the Commissioner copies of the order, conviction, or decrees, or other documents which evidence events disclosable pursuant to subsection (a) of this section.

(c) For purposes of this section, a securities "dealer" shall include any partners, directors, executive officers, or beneficial owners of 10% or more of any class of the equity securities of a registered dealer (beneficial ownership meaning the power to vote or direct the vote of and/or the power to dispose or direct the disposition of such securities).

Source Note: The provisions of this §115.9 adopted to be effective August 12, 2001, 26 TexReg 5794.

§115.10. Supervisory Requirements.

(a) Supervisory system. Each dealer shall establish, maintain, and enforce a system to supervise the activities of its agents that is reasonably designed to achieve compliance with the Texas Securities Act, Board rules, and all applicable securities laws and regulations. A dealer's supervisory system shall provide, at a minimum, for the following:

(1) the establishment and maintenance of written procedures; and

(2) the appointment of one or more registered agents to carry out the supervisory responsibilities of the dealer.

(b) Written procedures.

(1) Each dealer shall establish, maintain, and enforce written procedures to supervise the activities of its agents that are reasonably designed to achieve compliance with the Texas Securities Act, Board rules, and all applicable securities laws and regulations.

(2) The dealer's written supervisory procedures shall set forth the supervisory system established by the dealer and shall include the titles and locations of supervisory personnel and the responsibilities of each supervisory person.

(3) The dealer shall maintain on an internal record the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the dealer for a period of not less than three years, the first two years in an easily accessible place.

(4) A current copy of a dealer's written supervisory procedures, or the relevant portions thereof, shall be kept and maintained in each branch office and at each location where supervisory activities are conducted on behalf of the dealer. Each dealer shall amend its written supervisory procedures as appropriate within a reasonable time after changes occur in applicable securities laws and regulations.

(c) Internal inspections. Each dealer shall conduct a review, at least annually, of the businesses in which it engages, which review shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with applicable securities laws and regulations. The dealer shall document this review and provide the documentation to the Securities Commissioner upon request. Each dealer shall review the activities of each office, including the periodic examination of customer accounts to detect and prevent violations of applicable securities laws and regulations. Each branch office of the dealer shall be inspected according to a cycle which shall be set forth in the dealer's written supervisory and inspection procedures. In establishing such cycle, the dealer shall give consideration to the nature and complexity of the securities activities for which the location is responsible, the volume of business done, and the number of associated persons assigned to the location. Each dealer shall retain a written record of the dates upon which each review and internal inspection is conducted.

(d) Review of transactions and correspondence. Each dealer shall establish and implement procedures for the review and endorsement by a designated supervisor, in writing on an internal record, of all transactions and for the review by that supervisor of incoming and outgoing written and electronic

correspondence of its registered agents with the public relating to the securities activities of such dealer. Such procedures should be in writing and be designed to reasonably supervise each agent. Evidence that these supervisory procedures have been implemented and carried out must be maintained and made available to the Securities Commissioner upon request.

Source Note: The provisions of this §115.10 adopted to be effective August 12, 2001, 26 TexReg 5794; amended to be effective January 8, 2006, 30 TexReg 8866 ; amended to be effective August 16, 2010, 35 TexReg 7050.

§115.11. Finder Registration and Activities.

(a) Prohibited activities. A finder shall not:

(1) participate in negotiating any of the terms of an investment;

(2) give advice to an accredited investor or an issuer regarding the advantages or disadvantages of entering into an investment;

(3) conduct due diligence on behalf of a potential issuer or potential investor, provide valuation, or provide other analysis to an accredited investor or an issuer regarding an investment;

(4) advertise to seek accredited investors or issuers;

(5) have custody of an accredited investor's funds or securities;

(6) serve as an escrow agent for the parties; or

(7) disclose information to an accredited investor or to an issuer other than the information described in subsections (b) and (c) of this section.

(b) Required disclosures.

(1) A finder must disclose the following to each accredited investor:

(A) that compensation will be paid to the finder;

(B) that the finder can neither recommend nor advise the accredited investor with respect to the offering; and

(C) any potential conflict of interest in connection with the finder's activities.

(2) The disclosures required by paragraph (1) of this subsection must be provided in writing.

(c) Permitted disclosures.

(1) A finder may provide to an accredited investor some or all of the following information:

(A) the name, address, and telephone number of the issuer of the securities;

(B) the name, a brief description, and price (if known) of any security to be issued;

(C) a brief description of the business of the issuer in 25 words or less;

(D) the type, number, and aggregate amount of securities being offered; and/or

(E) the name, address, and telephone number of the person to contact for additional information.

(2) A finder may provide to an issuer contact information regarding an accredited investor.

(d) Recordkeeping.

(1) A finder is not required to maintain the records listed in §115.5 of this title (relating to Minimum Records); however, compliance with the recordkeeping requirements of §115.5 of this title will satisfy the requirements of this subsection.

(2) A finder shall maintain and preserve a copy of the Form BD and the Form U-4 used to register the finder, and any amendments thereto, for a period of five (5) years from the date of the termination of the finder's registration.

(3) A finder shall maintain and preserve for a period of five (5) years the following records related to transactions that are completed and to transactions where the finder receives compensation:

(A) records of compensation received for acting as a finder, including the name of the payor, the date of payment, name of the issuer, and name of the accredited investor;

(B) copies of information provided by the finder to prospective accredited investors;

(C) any agreements and/or contracts between the finder and the accredited investor;

(D) any agreements and/or contracts between the finder and the issuer;

(E) any lists of contacts/prospective accredited investors and/or issuers; and

(F) any correspondence with accredited investors and/or issuers.

(4) The records required to be maintained and preserved pursuant to this subsection must be maintained in a manner that will permit the immediate location of any particular document.

(5) The records required to be maintained and preserved pursuant to this subsection may be archived if they are more than two years old.

(6) A finder shall not commingle records to be maintained and preserved pursuant to this subsection with other records.

(7) A finder shall, upon written request of the Securities Commissioner, furnish to the Securities Commissioner any records required to be maintained and preserved under this subsection.

(e) Supervisory requirements. Because a finder is an individual who will not have agents, a finder is not required to maintain a supervisory system as provided in §115.10 of this title (relating to Supervisory Requirements).

(f) Filings.

(1) Application. In lieu of the application requirements listed in §115.2 of this title (relating to Application Requirements), a complete application for a finder consists of the following and must be filed in paper form with the Securities Commissioner:

(A) Form BD, including all applicable Disclosure Reporting Pages. For any question that does not pertain to the finder's business, the finder must indicate that the question is not applicable. To identify the finder's activities, the finder must mark Form BD, Item 12.Z, that refers to "Other," and describe such activities on Form BD, Schedule D, Section II. A finder is not required to complete certain schedules of the Form BD unless requested to do so by the Securities Commissioner. Such schedules include Schedule A, B, C, and E, and Schedule D, Sections IV, V and VI.

(B) Form U-4, with the following items completed:

(i) Item 1 (General Information) limited to completion of the:

(I) first, middle, last name; and

(II) individual social security number.

(ii) Item 3 (Registration With Unaffiliated Firms);

(iii) Item 6 (Registration Requests With Affiliated Firms);

(iv) Item 9 (Identifying Information/Name Change);

(v) Item 10 (Other Names);

(vi) Item 11 (Residential History);

(vii) Item 12 (Employment History);

(viii) Item 13 (Other Business);

(ix) Item 14 (Disclosure Questions and related Disclosure Reporting Pages if applicable);

(x) Item 15 (Signatures);

(xi) Item 15A (Individual/Applicant's Acknowledgement and Consent); and

(xii) Item 15D (Amendment Individual/Applicant's Acknowledgement and Consent).

(C) any other information deemed necessary by the Securities Commissioner to determine a finder's financial responsibility or a finder's business repute or qualifications; and

(D) the appropriate registration fee(s).

(2) Post-reporting requirements. A finder is subject to the dealer and agent requirements contained in §115.9 of this title (relating to Post-Registration Reporting Requirements).

Source Note: The provisions of this §115.11 adopted to be effective September 1, 2006, 31 TexReg 6713; amended to be effective November 8, 2012, 37 TexReg 8787.

§115.12. - §115.15. Reserved for Expansion.

§115.16. Use of Senior-Specific Certifications and Professional Designations.

(a) The use of a senior specific certification or designation by any person in connection with the offer, sale, or purchase of securities, that indicates or implies that the user has special certification or training in advising or servicing senior citizens or retirees, in such a way as to mislead any person shall be an inequitable practice within the meaning of the Texas Securities Act, Section 14.A(3). The prohibited use of such certifications or professional designation includes, but is not limited to, the following:

(1) use of a certification or professional designation by a person who has not actually earned or is otherwise ineligible to use such certification or designation;

(2) use of a nonexistent or self-conferred certification or professional designation;

(3) use of a certification or professional designation that indicates or implies a level of occupational qualifications obtained through education, training, or experience that the person using the certification or professional designation does not have; and

(4) use of a certification or professional designation that was obtained from a designating or certifying organization that:

(A) is primarily engaged in the business of instruction in sales and/or marketing;

(B) does not have reasonable standards or procedures for assuring the competency of its designees or certificants;

(C) does not have reasonable standards or procedures for monitoring and disciplining its designees or certificants for improper or unethical conduct; or

(D) does not have reasonable continuing education requirements for its designees or certificants in order to maintain the designation or certificate.

(b) There is a rebuttable presumption that a designating or certifying organization is not disqualified solely for purposes of subsection (a)(4) of this section when the organization has been accredited by:

(1) The American National Standards Institute;

(2) The National Commission for Certifying Agencies; or

(3) an organization that is on the United States Department of Education's list entitled "Accrediting Agencies Recognized for Title IV Purposes" and the designation or credential issued therefrom does not primarily apply to sales and/or marketing.

(c) In determining whether a combination of words (or an acronym standing for a combination of words) constitutes a certification or professional designation indicating or implying that a person has special certification or training in advising or servicing senior citizens or retirees, factors to be considered shall include:

(1) use of one or more words such as "senior," "retirement," "elder," or like words, combined with one or more words such as "certified," "registered," "chartered," "adviser," "specialist," "consultant," "planner," or like words, in the name of the certification or professional designation; and

(2) the manner in which those words are combined.

(d) For purposes of this rule, a certification or professional designation does not include a job title within an organization that is licensed or registered by a state or federal financial services regulatory agency, when that job title:

(1) indicates seniority or standing within the organization; or

(2) specifies an individual's area of specialization within the organization.

(e) For purposes of subsection (d) of this section, "financial services regulatory agency" includes, but is not limited to, an agency that regulates broker-dealers, investment advisers, or investment companies as defined under the Investment Company Act of 1940.

(f) Nothing in this rule shall limit the Securities Commissioner's authority to enforce existing provisions of law.

Source Note: The provisions of this §115.16 adopted to be effective October 30, 2008, 33 TexReg 8761.

§115.17. Reserved for Expansion.

§115.18. Special Provisions Relating to Military Applicants.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Current registration--A registration or license that is:

(A) issued by another state, the District of Columbia, or a territory of the United States that has registration requirements that are substantially equivalent to the requirements for a Texas registration in the same capacity;

(B) in good standing; and

(C) in the same capacity as the application for registration in Texas.

(2) Good standing--A registration or license that is effective and unrestricted. A registration or license is considered to be restricted and not in good standing if it is subject to:

(A) an undertaking, special stipulations or agreements relating to payments, limitations on activity or other restrictions;

(B) a pending administrative or civil action; or

(C) an order or other written directive issued pursuant to statutory authority and procedures, including orders of denial, suspension, or revocation.

(3) Military spouse--A person who is married to a military service member.

(4) Military service member--A person who is on active duty.

(5) Military veteran--A person who has served on active duty and who was discharged or released from active duty.

(6) Active duty--Current full-time military service in the armed forces of the United States or active duty military service as a member of the Texas military forces, as defined by Government Code, Section 437.001, or similar military service of another state.

(7) Armed forces of the United States--The Army, Navy, Air Force, Coast Guard, or Marine Corps of the United States or a reserve unit of one of those branches of the armed forces.

(8) Military applicant--A military spouse, military service member, or military veteran.

(b) Expedited review of an application submitted by a military applicant as authorized by Occupations Code, Sections 55.004 - 55.006.

(1) A military applicant may use the procedure set out in this subsection if the military applicant:

(A) holds a current registration in another jurisdiction; or

(B) has been registered in Texas in the same capacity within the five years preceding the date of the application for registration.

(2) If the military applicant is not registered within five days of submitting an application, the military applicant may request special consideration of his or her application for registration by filing Form 133.4, Request for Consideration of a Registration Application by a Military Applicant, with the Securities Commissioner ("Commissioner"). Within five business days of receipt of the completed Form 133.4, the military applicant will be notified in writing of the reason(s) for the pending or deficient status assigned to the application.

(3) In addition to the waivers of examination requirements set out in §115.3 of this title (relating to Examination), the Commissioner in his or her discretion is authorized by the Board to grant full or partial waivers of the examination requirements of the Texas Securities Act, Section 13.D, on a showing of alternative demonstrations of competency to meet the requirements for obtaining the registration sought.

(4) A military applicant proceeding under this subsection may be registered despite having pending and/or deficient items ("deficiencies"). The deficiencies will be communicated to the military applicant in writing or by electronic means within five business days from approval of the registration.

(5) The deficiencies noted at the time the registration is granted must be resolved by the military applicant within a 12 month period. Failure to resolve outstanding deficiencies will cause the registration granted under this subsection or any renewal of such registration to automatically terminate 12 months after the date the registration was initially granted pursuant to this subsection.

(c) Waiver or refund of initial application fee and Texas Securities Law Examination fee for a military applicant as authorized by Occupations Code, Section 55.009.

(1) To qualify for a fee waiver or refund, the applicant must be:

(A) a military applicant who holds a current registration in another jurisdiction; or

(B) a military service member or military veteran whose military service, training, or education substantially meets all the requirements for the registration sought who submits Form 133.4, Request for Consideration of a Registration Application by a Military Applicant, with the applicant's registration application.

(2) To request a waiver or refund of a fee previously paid, the applicant must submit Form 133.19, Waiver or Refund Request by a Military Applicant.

(A) If requesting a waiver of the fee to take the Texas Securities Law Examination, Form 133.19 must be submitted when filing the request to take the Texas Securities Law Examination.

(B) If requesting a waiver of the initial application fee, Form 133.19 must be submitted with the initial application.

(C) If requesting a refund of the initial application fee or Texas Securities Law Examination fee that was paid in error, Form 133.19 must be submitted within four years from the date the fee was collected or received.

(d) Registration of persons with military experience as authorized by Occupations Code, Section 55.007.

(1) An applicant who is a military service member or military veteran may request special consideration of verified military service, training, or education towards registration requirements, other than an examination requirement, for the registration sought by submitting Form 133.4, Request for Consideration of a Registration Application by a Military Applicant, with the applicant's registration application.

(2) The procedure authorized by this subsection is not available to a military service member or military veteran who:

(A) is registered in another jurisdiction but such registration is not in good standing; or

(B) has been convicted of a crime that could be the basis for denial of the registration pursuant to the Texas Securities Act, Section 14.A.

(e) Renewals by military service members. If a military service member's registration is not renewed in a timely manner, the military service member may renew the registration pursuant to this subsection.

(1) Renewal of the registration may be requested by the military service member, the military service member's spouse, or an individual having power of attorney from the military service member. The renewal application shall include a current address and telephone number for the individual requesting the renewal.

(2) Renewal may be requested before or within two years after expiration of the registration.

(3) A copy of the official orders or other official military documentation showing that the military service member is or was on active duty shall be submitted to the Securities Commissioner along with the renewal application.

(4) A copy of the power of attorney from the military service member, if any, shall be filed with the Securities Commissioner along with the renewal application if the individual having the power of attorney executes any of the documents required in this subsection.

(5) A renewal application submitted to the Securities Commissioner pursuant to this subsection shall be accompanied by the applicable renewal fee set out in §115.8 of this title (relating to Fee Requirements).

(6) The State Securities Board will not assess any increased fee or other penalty against the military service member for failure to timely renew the registration if it is established to the satisfaction of the Securities Commissioner that all requirements of this subsection have been met.

(f) Other provisions in this chapter.

(1) Unless specifically allowed in this section, an applicant must meet the requirements for registration or renewal specified in this chapter. This includes the requirement that certain filings be made electronically through the CRD.

(2) A one-year period, instead of the 90-day period contained in §115.2 of this title (relating to Application Requirements), will apply to the automatic withdrawal of an application for which a Form 133.4 is properly filed.

(g) Additional information. An applicant receiving special consideration pursuant to this section in connection with a registration application or renewal shall provide any other information deemed necessary by the Commissioner. Such information may include, but is not limited to documentation:

(1) demonstrating status as a military spouse, service member, or military veteran;

(2) to determine whether the applicant meets licensing requirements through some alternative method;

(3) relating to prior military service, training, or education that may be credited towards a registration requirement; or

(4) to determine a dealer's financial responsibility or a dealer's or agent's business repute or qualifications.

(h) Recognition of out-of-state license or registration of a military spouse as authorized by Occupations Code, Section 55.0041.

(1) A military spouse may use the procedure set out in this subsection if he or she holds a current registration in another jurisdiction;

(2) The period covered by this subsection is only for the time during which the military service member to whom the military spouse is married is stationed at a military installation in Texas. This period may not exceed three years from the date the military spouse:

(A) first becomes registered in Texas under Option 1, set out in paragraph (3) of this subsection; or

(B) first receives the confirmation from the Registration Division under Option 2, set out in paragraph (4)(C)(ii) of this subsection.

(3) Option 1: registration in Texas with waiver or refund of the initial registration and renewal fees. If the military spouse is registered in Texas, for all or part of the period set out in paragraph (2) of this subsection, he or she may request a waiver or refund of a fee previously paid.

(A) The initial registration fee may be waived or refunded by following the procedure set out in subsection (c) of this section, including filing Form 133.19, Waiver or Refund Request by a Military Applicant.

(B) A renewal fee may be waived by submitting Form 133.22, Waiver or Refund Request by a Military Spouse for a Renewal Fee, at the time the renewal is submitted. A refund of a renewal fee that was paid in error, is requested by submitting Form 133.22 within four years from the date the fee was collected or received.

(4) Option 2: notification and authorization of activity without registration. Upon confirmation under subparagraph (C) or (D) of this paragraph, the military spouse will be considered to be notice filed in Texas. Such notice filing expires at the end of the calendar year.

(A) A military spouse may engage in activity without a license or registration under the authority of Occupations Code, §55.0041, and this paragraph, only for the period specified in paragraph (2) of this subsection.

(B) A military spouse who becomes ineligible under Occupations Code, §55.0041, or paragraph (1) or (2) of this subsection prior to the three year period identified in paragraph (2), must notify the Securities Commissioner of such ineligibility within 30 days and immediately cease activity until such time as he or she is registered in the appropriate capacity to conduct activity in Texas.

(C) Before engaging in an activity requiring registration in Texas, the military spouse must initially:

(i) provide notice of his or her intent to engage in activity in Texas and specify the type of activity by filing with the Securities Commissioner:

(I) Form 133.23, Request for Recognition of Out-Of-State License or Registration by a Military Spouse;

(II) proof of his or her residency in Texas; and

(III) a copy of his or her military identification card.

(ii) receive confirmation that the Registration Division:

(I) has verified the individual's license in another jurisdiction; and

(II) authorizes the individual to engage in the specified activity.

(D) To continue to conduct business in Texas without registration under Option 2, after the expiration of the initial confirmation under subparagraph (C)(ii), the military spouse must renew annually on the same schedule as renewals of registration. This enables the Registration Division to determine that the military spouse remains eligible under Occupations Code, §55.0041, to continue to conduct securities activities in Texas without being registered.

(i) A renewal is made by submitting the same documents identified in subparagraph (C)(i) of this paragraph.

(ii) A renewal is not effective until the military spouse receives confirmation that the Registration Division:

(I) has verified the individual's license in another jurisdiction; and

(II) authorizes the individual to engage in specified activity.

Source Note: The provisions of this §115.18 adopted to be effective June 13, 2012, 37 TexReg 4185; amended to be effective March 1, 2014, 39 TexReg 493; amended to be effective February 24, 2016, 41 TexReg 1123; amended to be effective November 12, 2019, 44 TexReg 6861.

§115.19. Texas Crowdfunding Portal Registration and Activities.

(a) **Intrastate portal.** A Texas crowdfunding portal:

(1) must be an entity incorporated or organized under the laws of Texas, authorized to do business in Texas, and engaged exclusively in intrastate offers and sales of securities in Texas;

(2) must limit its activities to operating an Internet website utilized to offer and sell securities exempt from registration pursuant to §139.25 of this title (relating to Intrastate Crowdfunding Exemption) and/or §139.26 of this title (relating to Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings); and

(3) does not operate or facilitate a secondary market in securities.

(b) **Internet website.** The Internet website operated by the Texas crowdfunding portal must meet the following requirements:

(1) if the issuer is utilizing the exemption provided by §139.25 of this title (relating to Intrastate Crowdfunding Exemption) the website must contain:

(A) a disclaimer that reflects that access to securities offerings on the website is limited to Texas residents and offers and sales of the securities appearing on the website are limited to persons that are Texas residents;

(B) an affirmative representation by a visitor to the Internet website that the visitor is a resident of Texas is required before the visitor can view securities-related offering materials on the website;

(C) evidence of residency within Texas is required before a sale is made to a prospective purchaser. An affirmative representation made by a prospective purchaser that the prospective purchaser is a Texas resident and proof of at least one of the following would be considered sufficient evidence that the individual is a resident of this state:

(i) a valid Texas driver license or official personal identification card issued by the State of Texas;

(ii) a current Texas voter registration; or

(iii) general property tax records showing the individual owns and occupies property in this state as his or her principal residence;

(2) prior to offering an investment opportunity to residents of Texas and throughout the term of the offering, the portal shall give the Securities Commissioner access to the Internet website; and

(3) prior to permitting an investment in any securities listed on the Internet website, the portal shall obtain an affirmative acknowledgment from the investor of the following:

(A) There is no ready market for the sale of the securities acquired from this offering; it may be difficult or impossible for an investor to sell or otherwise dispose of this investment. An investor may be required to hold and bear the financial risks of this investment indefinitely;

(B) The securities have not been registered under federal or state securities laws and, therefore, cannot be resold unless the securities are registered or qualify for an exemption from registration under federal and state law;

(C) In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved; and

(D) No federal or state securities commission or regulatory authority has confirmed the accuracy or determined the adequacy of the disclosure statement or any other information on this Internet website.

(c) Prohibited activities. A Texas crowdfunding portal shall not:

(1) offer investment advice or recommendations;

(2) compensate employees, agents, or other persons not registered with the Securities Commissioner for soliciting offers or sales of securities displayed or referenced on its platform or portal;

(3) hold, manage, possess or otherwise handle investor funds or securities, except through the use of a segregated account if permitted under §139.25(f) of this title (relating to Intrastate Crowdfunding Exemption) or §139.26(e) of this title (relating to Intrastate Crowdfunding Exemption for SEC Rule 1474A Offerings). When a segregated account is used to hold investor payments, the portal must disclose this to prospective purchasers and investors along with a statement that the portal, in administering the segregated account, must:

(A) be responsible for the prudent processing, safeguarding, and accounting for funds entrusted to the portal by the investors and the issuer;

(B) act to the advantage of and in the best interests of the investors and the issuer; and

(C) ensure that all requirements of the Account Agreement between the portal and the issuer are met before funds are disbursed from the segregated account;

(4) be affiliated with or under common control with an issuer whose securities appear on the Internet website;

(5) hold a financial interest in any issuer offering securities on the portal's Internet website; or

(6) receive a financial interest in an issuer as compensation for services provided to or on behalf of an issuer.

(d) Background and regulatory checks. Prior to offering securities to residents of Texas, the Texas crowdfunding portal shall conduct a reasonable investigation of the background and regulatory history of each issuer whose securities are offered on the portal's Internet website and of each of the issuer's control persons. "Control persons" for purposes of this subsection means the issuer's officers; directors; or other persons having the power, directly or indirectly, to direct the management or policies of the issuer, whether by contract or otherwise; and persons holding more than 20% of the outstanding equity of the issuer. The portal must deny an issuer access to its Internet website if the portal has a reasonable basis for believing that:

(1) the issuer or any of its control persons is subject to a disqualification under §139.25 of this title (relating to Intrastate Crowdfunding Exemption) or under §139.26 of this title (relating to Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings);

(2) the issuer has engaged in, is engaging in, or the offering involves any act, practice, or course of business that will, directly or indirectly, operate as a fraud or deceit upon any person; or

(3) it cannot adequately or effectively assess the risk of fraud by the issuer or its potential offering.

(e) Recordkeeping.

(1) A Texas crowdfunding portal is not required to maintain the records listed in §115.5 of this title (relating to Minimum Records) or to maintain a supervisory system under §115.10 of this title (relating to Supervisory Requirements).

(2) A portal shall maintain and preserve for a period of five (5) years from either the date of the document or communication or the date of the closing or termination of the securities offering, whichever is later, the following records related to offers and sales made through the Internet website and to transactions where the portal receives compensation:

(A) records of compensation received for acting as a portal, including the name of the payor, the date of payment, name of the issuer, and name of the investor;

(B) copies of information provided by the portal to issuers offering securities through the portal, prospective purchasers, and investors;

(C) any agreements and/or contracts between the portal and an issuer, prospective purchaser, investor, bank or other depository institution;

(D) any information used to establish that an issuer, prospective purchaser, or investor is a Texas resident;

(E) any information used to establish that a prospective purchaser or investor is an accredited investor as defined in §107.2 of this title (relating to Definitions);

(F) any correspondence or other communications with issuers, prospective purchasers, and/or investors;

(G) any information made available through the portal's Internet website relating to an offering;

(H) ledgers (or other records) that reflect all assets and liabilities, income and expense, capital accounts, and escrow or segregated accounts; and

(I) any other records relating to the offers and/or sales of securities made through the Internet website.

(3) A portal shall maintain and preserve a copy of the Form 133.15 (relating to Texas Crowdfunding Portal Registration), Form 133.16 (relating to Texas Crowdfunding Portal Withdrawal of Registration), and the Form U-4 (Uniform Application for Securities Industry Registration or Transfer) used to

register the portal and its designated officer, and any amendments thereto, for a period of five (5) years from the termination of the portal's registration.

(4) The records required to be maintained and preserved under this subsection may be archived if they are over two years old.

(5) A portal shall, upon written request of the Securities Commissioner, furnish to the Commissioner any records required to be maintained and preserved under this subsection.

(6) The portal shall provide to the Commissioner access, inspection, and review of any Internet website operated by a portal and records maintained by the portal; and

(7) The records required to be kept and preserved under this subsection must be maintained in a manner, including by any electronic storage media, that will permit the immediate location of any particular document so long as such records are available for immediate and complete access by representatives of the Commissioner. Any electronic storage system must preserve the records exclusively in a non-rewriteable, non-erasable format; verify automatically the quality and accuracy of the storage media recording process; serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention the information placed on such electronic storage media; and can download indexes and records preserved on electronic storage media to an acceptable medium. In the event that a records retention system commingles records required to be kept under this subsection with records not required to be kept, representatives of the Commissioner may review all commingled records.

(f) Filings.

(1) Application. In lieu of the application requirements in §115.2 of this title (relating to Application Requirements), a complete application for a Texas crowdfunding portal consists of the following and must be filed with the Securities Commissioner:

(A) Form 133.15, including all applicable schedules and supplemental information;

(B) Form U-4, for the designated officer and a Form U-4 for each agent to be registered (officers of a corporation or partners of a partnership shall not be deemed agents solely because of their status as officers or partners);

(C) a copy of the articles of incorporation or other documents which indicate the form of organization, certified by the Texas Secretary of State or by an officer or partner of the applicant;

(D) any other information deemed necessary by the Commissioner to determine the financial responsibility, business repute, or qualifications of the portal; and

(E) the appropriate registration fee(s).

(2) Post-reporting requirements. A portal is subject to the dealer and agent requirements in §115.9 of this title (relating to Post-Registration Reporting Requirements).

(3) Renewal. Registration as a portal expires at the close of the calendar year, but subsequent registration for the succeeding year shall be issued upon written application and upon payment of the appropriate renewal fee(s), without filing of further statements or furnishing any further information unless specifically requested by the Commissioner.

Source Note: The provisions of this §115.19 adopted to be effective November 17, 2014, 39 TexReg 8961; amended to be effective October 20, 2016, 41 TexReg 8195; amended to be effective June 12, 2018, 43 TexReg 3780.

§115.20. Texas Crowdfunding Portal Registration and Activities of Small Business Development Entities.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Authorized small business development entity--An entity incorporated or organized under the laws of Texas and authorized to do business in Texas that is:

(A) a Type A corporation authorized under the Texas Local Government Code, Chapter 504;

(B) a Type B corporation authorized under Texas Local Government Code, Chapter 505;

(C) a Texas nonprofit organization authorized by an agency or authority of the federal government to distribute housing and community development block grants;

(D) a Texas municipal corporation;

(E) the Texas Veterans Commission; or

(F) a Texas nonprofit community development financial institution certified by the Community Development Financial Institutions Fund.

(2) Registered Small Business Development Entity--An Authorized Small Business Development Entity registered as a Texas crowdfunding portal under this section.

(3) Crowdfunding Web Portal--The Internet website of a Registered Small Business Development Entity through which offers and sales of securities exempt from registration pursuant to §139.25 of this title (relating to Intrastate Crowdfunding Exemption) and/or §139.26 of this title (relating to Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings) are made.

(4) Third Party Operator--A third party that a Registered Small Business Development Entity subcontracts with pursuant to subsection (h) of this section.

(b) **Securities offered and sold.** A Registered Small Business Development Entity must limit the securities offered and sold on its Crowdfunding Web Portal to those of issuers located within its service area. Such securities must be exempt from securities registration pursuant to §139.25 of this title (relating to Intrastate Crowdfunding Exemption) and/or §139.26 of this title (relating to Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings).

(c) **Internet website.** The Crowdfunding Web Portal must meet the requirements in §115.19(b) of this chapter (relating to Texas Crowdfunding Portal Registration and Activities).

(d) **Prohibited activities.** A Registered Small Business Development Entity shall not engage in the activities listed in §115.19(c) of this chapter (relating to Texas Crowdfunding Portal Registration and Activities), except that a Registered Small Business Development Entity is permitted to hold a financial interest in an issuer offering securities on its Crowdfunding Web Portal. A Registered Small Business Development Entity may not operate or facilitate a secondary market in securities offered and sold through its Crowdfunding Web Portal.

(e) **Background and regulatory checks.** A Registered Small Business Development Entity must meet the requirements in §115.19(d) of this chapter (relating to Texas Crowdfunding Portal Registration and Activities).

(f) **Recordkeeping.** A Registered Small Business Development Entity must meet the requirements in §115.19(e) of this chapter (relating to Texas Crowdfunding Portal Registration and Activities). In lieu of a copy of Form 133.15 (relating to Texas Crowdfunding Portal Registration), the Registered Small Business Development Entity must maintain a copy of Form 133.20 (relating to Texas Crowdfunding Portal Registration by an Authorized Small Business Development Entity).

(g) **Filings.**

(1) Application. In lieu of the application requirements in §115.2 of this title (relating to Application Requirements), a complete application of an Authorized Small Business Development Entity registering as a Texas crowdfunding portal consists of the following and must be filed with the Securities Commissioner:

(A) Form 133.20, including all applicable schedules and supplemental information;

(B) Form U-4, for the designated officer and a Form U-4 for each agent to be registered (officers of a corporation or partners of a partnership shall not be deemed agents solely because of their status as officers or partners);

(C) a copy of the articles of incorporation or other documents which indicate the form of organization, certified by the Texas Secretary of State or by an officer or partner of the applicant;

(D) any other information deemed necessary by the Commissioner to determine the financial responsibility, business repute, or qualifications of the applicant; and

(E) the appropriate registration fee(s).

(2) Post-reporting requirements. A Registered Small Business Development Entity is subject to the dealer and agent requirements in §115.9 of this title (relating to Post-Registration Reporting Requirements).

(3) Renewal. The registration of a Registered Small Business Development Entity expires at the close of the calendar year, but subsequent registration for the succeeding year shall be issued upon written application and upon payment of the appropriate renewal fee(s), without filing of further statements or furnishing any further information unless specifically requested by the Commissioner.

(h) **Subcontracting of portal operations.** A Registered Small Business Development Entity may subcontract with a Third Party Operator to operate its Crowdfunding Web Portal under the following conditions:

(1) The Third Party Operator is located in Texas and authorized to do business in Texas;

(2) A written agreement is executed between the Registered Small Business Development Entity and the Third Party Operator specifying:

(A) the scope of work to be performed by the Third Party Operator;

(B) that the business offices and records reflecting the activities of the Crowdfunding Web Portal are located in Texas and those locations are identified in the written agreement; and

(C) the division of responsibility between the Registered Small Business Development Entity and the Third Party Operator for maintaining records and instituting procedures to comply with subsections (c), (d), and (e) of this section; and

(3) A copy of the written agreement required by paragraph (2) is filed with the Securities Commissioner a minimum of 10 days prior to the commencement of operations by the Third Party Operator of the Crowdfunding Web Portal;

(4) A Registered Small Business Development Entity registered as a Texas Crowdfunding Portal pursuant to this section is responsible for ensuring the Securities Commissioner is provided with access to the records and website as required by subsection (f) of this section and §115.19(e) of this chapter.

Source Note: The provisions of this §115.20 adopted to be effective June 14, 2016, 41 TexReg 4251; amended to be effective June 12, 2018, 43 TexReg 3780.

§115.21. System Addressing Suspected Financial Exploitation of Vulnerable Customers Pursuant to the Texas Securities Act, Section 45.

(a) **System.** Each dealer shall establish, maintain, and enforce a written system of policies, programs, plans, or procedures to address suspected financial exploitation of vulnerable adults. The system must be reasonably designed to achieve compliance with the Texas Securities Act, Section 45.

(b) Reporting. The report of suspected financial exploitation (complaint) required by the Texas Securities Act, Section 45.C, must be made in writing to the Securities Commissioner. The complaint may be in the form of a letter or memorandum and submitted electronically, by facsimile, or any other method designed to assure its prompt receipt. A template for submitting the required information is available on the website of the Texas State Securities Board. The complaint shall include:

(1) the name, age, and address of the vulnerable adult;

(2) the name and address of any person responsible for the care of the vulnerable adult;

(3) the nature and extent of the condition of the vulnerable adult;

(4) the basis of the dealer's knowledge; and

(5) any other relevant information.

Source Note: The provisions of this §115.21 adopted to be effective June 12, 2018, 43 TexReg 3780.

§115.22. Electronic Submission of Forms and Fees.

(a) This section does not apply to forms or fees required by §115.2 of this chapter (relating to Application Requirements), to be submitted electronically through the CRD System.

(b) Documents and fees submitted by applicants for dealer and agent registration may, at the option of the filer, be submitted electronically to the Securities Commissioner.

(c) Filings made and fees paid by dealers and agents may be submitted electronically, as the Agency's system is developed to accept them.

(d) All electronic submissions of forms or fees must be made in accordance with the submission procedures set out on the Agency's website (www.ssb.texas.gov). Please check the Agency's website for a complete list of forms and fees that are currently being accepted electronically.

Source Note: The provisions of this §115.22 adopted to be effective November 12, 2019, 44 TexReg 6861.

§115.23. Notice of Cybersecurity Incident.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Cybersecurity incident--

(A) the unauthorized acquisition of computerized or electronic data that compromises the security, confidentiality, or integrity of sensitive personal information being maintained;

(B) an occurrence that otherwise jeopardizes the security of the information system or the information the system processes, stores or transmits; or

(C) violates the security policies, security procedures or acceptable use policies of the information system owner to the extent such occurrence results from unauthorized or malicious activity.

(2) Information system--a set of applications, services, information technology assets or other information-handling components organized for the collection, processing, maintenance, use, sharing, dissemination or disposition of electronic information, which is maintained by the dealer, an affiliate, or a third party service provider at the direction of the dealer.

(3) "Triggering event" means a cybersecurity incident regarding the information system maintained by or on behalf of the dealer, that will require:

(A) submission of a notice to a state or federal agency, law enforcement, or to a self-regulatory body; or

(B) sending a data breach notification to customers of the dealer under applicable state or federal law, including Business and Commerce Code, Section 521.053, or a similar law of another state.

(b) Notice to the Securities Commissioner. When a triggering event occurs that does or may affect customers or clients of the dealer located in Texas, the registered dealer must provide notice to the Securities Commissioner at the time the notice or notification identified in paragraph (3)(A) or (3)(B) of subsection (a) of this section occurs.

(c) Content of notice. The notice required by subsection (b) of this section is met by the registered dealer forwarding a copy of the notice or notification identified in paragraph (3)(A) or (3)(B) of subsection (a) of this section or other document containing substantially the same information. Additionally, if such information is available to the registered dealer at the time the notice is provided, the dealer should identify the number of customers located in Texas affected by the triggering event.

Source Note: The provisions of this §115.23 adopted to be effective February 27, 2020, 45 TexReg 1219.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 116. INVESTMENT ADVISERS AND INVESTMENT ADVISER REPRESENTATIVES.

§116.1. General Provisions.
§116.2. Application Requirements.
§116.3. Examination.
§116.4. Evidences of Registration.
§116.5. Minimum Records.
§116.6. Registration of Persons with Criminal Backgrounds.
§116.7. Maintenance and Inspection of Records.
§116.8. Fee Requirements.
§116.9. Post-Registration Reporting Requirements.
§116.10. Supervisory Requirements.
§116.11. Disclosure Requirement/Brochure Rule.
§116.12. Advisory Contract Requirements.
§116.13. Advisory Fee Requirements.
§116.14. Prevention of Misuse of Nonpublic Information.
§116.15. Advertising Restrictions.
§116.16. Use of Senior-Specific Certifications and Professional Designations.
§116.17. Custody of Funds or Securities of Clients by Registered Investment Advisers.
§116.18. Special Provisions Relating to Military Applicants.
§116.19. Reserved for Expansion.
§116.20. Reserved for Expansion.
§116.21. System Addressing Suspected Financial Exploitation of Vulnerable Customers Pursuant to the Texas Securities Act, Section 45.
§116.22. Electronic Submission of Forms and Fees.
§116.23. Notice of Cybersecurity Incident.

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§116.1. General Provisions.

(a) **Definitions.** Words and terms used in this chapter are also defined in §107.2 of this title (relating to Definitions). The following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise.

(1) Applicant--A person who submits an application for registration as an investment adviser or an investment adviser representative.

(2) Branch office--Any location where one or more representatives of an investment adviser regularly conduct investment advisory services or that is held out as such.

(A) This definition excludes:

(i) any location that is established solely for customer service and/or back office type functions where no advisory services are conducted and that is not held out to the public as a branch office;

(ii) any location that is the investment adviser representative's primary residence, provided that:

(I) only one investment adviser representative, or multiple representatives who reside at that location and are members of the same immediate family, conduct business at the location;

(II) the location is not held out to the public as an office and the investment adviser representative does not meet with customers at the location;

(III) neither customer funds nor securities are handled at that location;

(IV) the investment adviser representative is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, advertisements, and other communications to the public by such representative;

(V) the investment adviser representative's correspondence and communications with the public are subject to the investment adviser's supervision;

(VI) electronic communications (e.g., e-mail) are made through the investment adviser's electronic system;

(VII) all orders are entered through the designated branch office or an electronic system established by the investment adviser that is reviewable at the branch office;

(VIII) written supervisory procedures pertaining to supervision of investment advisory services conducted at the residence are maintained by the investment adviser; and

(IX) a list of the residence locations are maintained by the investment adviser;

(iii) any location, other than a primary residence, that is used for investment advisory services for less than 30 business days in any one calendar year, provided the investment adviser complies with the provisions of clause (ii)(II) - (VIII) of this subparagraph;

(iv) any office of convenience, where investment adviser representatives occasionally and exclusively by appointment meet with customers, which is not held out to the public as an office;

(v) any location that is used primarily to engage in non-securities activities and from which the investment adviser representative(s) effects no more than 25 investment advisory services in any one calendar year; provided that any advertisement or sales literature identifying such location also sets forth the address and telephone number of the location from which the representative(s) conducting business at the non-branch locations are directly supervised; and

(vi) a temporary location established in response to the implementation of a business continuity plan.

(B) Notwithstanding the exclusions in subparagraph (A) of this paragraph, any location that is responsible for supervising the activities of persons associated with the investment adviser at one or more non-branch locations of the investment adviser is considered to be a branch office.

(C) The term "business day" shall not include any partial business day provided that the investment adviser representative spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

(3) Supervisor--The person named by the investment adviser to supervise the activities of a branch office and registered as an investment adviser representative.

(4) Control--The possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or company, whether through the ownership of voting securities, by contract, or otherwise.

(5) In this state--

(A) A person renders services as an investment adviser "in this state" as set out in the Texas Securities Act, Section 12.B, if either the person or the person's agent is present in this state or the client/customer or the client/customer's agent is present in this state at the time of the particular activity. A person can be an investment adviser in more than one state at the same time.

(B) Likewise, a person renders services as an investment adviser representative "in this state" as set out in the Texas Securities Act, Section 12.B, whether by direct act or through subagents except as otherwise provided, if either the person or the person's agent is present in this state or the client/customer or the client/customer's agent is present in this state at the time of the particular activity. A person can be an investment adviser representative in more than one state at the same time.

(C) Rendering services as an investment adviser or as an investment adviser representative can be made by personal contact, mail, telegram, telephone, wireless, electronic communication, or any other form of oral or written communication.

(6) Investment adviser--A person who, for compensation, engages in the business of advising others, either directly or through publications or writings, with respect to the value of securities or to the advisability of investing in, purchasing, or selling securities or a person who, for compensation and as part of a regular business, issues or adopts analyses or a report concerning securities. The term does not include:

(A) a bank or a bank holding company, as defined by the Bank Holding Company Act of 1956 (12 U.S.C. §1841 et seq.), as amended, that is not an investment company;

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

(C) a dealer or agent who receives no special compensation for those services and whose performance of those services is solely incidental to transacting business as a dealer or agent;

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

(E) a person whose advice, analyses, or report does not concern a security other than a security that is:

(i) a direct obligation of or an obligation the principal or interest of which is guaranteed by the United States government, or

(ii) issued or guaranteed by a corporation in which the United States has a direct or indirect interest and designated by the United States Secretary of the Treasury under Securities Exchange Act of 1934, Section 3(a)(12), (15 U.S.C. §78c(a)(12)), as amended, as an exempt security for purposes of that Act.

(7) Investment adviser representative or representative of an investment adviser--Each person or company who, for compensation, is employed, appointed, or authorized by an investment adviser to solicit clients for the investment adviser or who, on behalf of an investment adviser, provides investment advice, directly or through subagents, to the investment adviser's clients. The term does not include a partner of a partnership or an officer of a corporation or other entity that is registered as an investment adviser under the Texas Securities Act solely because of the person's status as an officer or partner of that entity.

(8) Rendering services as an investment adviser--Any act by which investment advisory services are provided for compensation.

(9) Solicitor--Any investment adviser or investment adviser representative who limits their activities to referring potential clients to an investment adviser for compensation.

(10) Federal covered investment adviser--An investment adviser who is registered under the Investment Advisers Act of 1940 (15 U.S.C. §80b-1 et seq.), as amended. A federal covered investment adviser is not required to be registered pursuant to the Texas Securities Act.

(11) Registered investment adviser--An investment adviser who has been issued a registration certificate by the Securities Commissioner under the Texas Securities Act, Section 15. (A federal covered investment adviser is not prohibited from being registered with the Securities Commissioner. If a federal covered investment adviser elects to register with the Securities Commissioner, it is subject to all of the registration requirements of the Act.)

(12) Officer--A president, vice president, secretary, treasurer, or principal financial officer, comptroller, or principal accounting officer, or any other person occupying a similar status or performing similar functions with respect to any organization or entity, whether incorporated or unincorporated.

(b) Registration of investment advisers and investment adviser representatives, and notice filings for branch offices.

(1) Requirements of registration or notice filing.

(A) Any person who renders services as an investment adviser, including acting as a solicitor, may not engage in such activity for compensation without first being registered as an investment adviser under the provisions of the Texas Securities Act or notice-filed under the provisions of paragraph (2) of this subsection. Likewise, every person employed or appointed, or authorized by such person to render services, which include the giving of investment advice or acting as a solicitor, cannot conduct such activities unless registered as an investment adviser or an investment adviser representative under the provisions of the Act, or notice-filed as an investment adviser or an investment adviser representative under the provisions of paragraph (2) of this subsection.

(B) Each branch office of a registered investment adviser in Texas must make a notice filing to become designated as a branch office of the investment adviser. A registered officer, partner, or investment adviser representative must be named as supervisor.

(2) Exemption from the registration requirements. The Board pursuant to the Texas Securities Act, Sections 12.C and 5.T, exempts from the registration provisions of the Act, Section 12, persons not required to register as an investment adviser or an investment adviser representative on or after July 8, 1997, by act of Congress in Public Law Number 104-290, Title III.

(A) Registration as an investment adviser is not required for the following:

(i) an investment adviser registered under the Investment Advisers Act of 1940, Section 203;

(ii) an investment adviser registered with the Securities and Exchange Commission pursuant to a rule or order adopted under the Investment Advisers Act of 1940, Section 203A(c);

(iii) a person not registered under the Investment Advisers Act of 1940, Section 203, because such person is excepted from the definition of an investment adviser under the Investment Advisers Act of 1940, Section 202(a)(11); or

(iv) an investment adviser who does not have a place of business located in this state and, during the preceding 12-month period, has had fewer than six clients who are Texas residents.

(B) Registration as an investment adviser representative of an investment adviser described in subparagraph (A) of this paragraph is not required for an investment adviser

representative who does not have a place of business located in Texas but who otherwise engages in the rendering of investment advice in this state.

(C) Notice filing requirements and fees for investment advisers and investment adviser representatives exempted from registration pursuant to this subsection only.

(i) Initially, the provisions of subparagraphs (A) and (B) of this paragraph are available provided that the investment adviser files:

(I) Form ADV through the IARD designating Texas as a jurisdiction in which the filing is to be made; and

(II) an initial fee equal to the amount that would have been paid had the investment adviser and each investment adviser representative filed for registration in Texas.

(ii) Annually, the investment adviser files renewal fees which would have been paid had the investment adviser and each investment adviser representative been registered in Texas.

(D) Persons not required to register with the Securities Commissioner pursuant to subparagraphs (A) and (B) of this paragraph, are reminded that the Texas Securities Act prohibits fraud or fraudulent practices in dealing in any manner in any securities whether or not the person engaging in fraud or fraudulent practices is required to be registered. The Agency has jurisdiction to investigate and bring enforcement actions to the full extent authorized in the Texas Securities Act with respect to fraud or deceit, or unlawful conduct by an investment adviser or investment adviser representative in connection with transactions involving securities in Texas.

(c) Types of registrations.

(1) General registration. A general registration is a registration to render advisory services regarding all categories of securities, without limitation.

(2) Restricted registration. A restricted registration as an investment adviser or as an investment adviser representative may be issued based upon the qualifying examination(s) passed by the investment adviser or investment adviser representative.

(3) In restricted registration, the evidence of registration shall indicate that the holder thereof is entitled to act as an investment adviser, investment adviser representative, or solicitor only in the restricted capacity.

(d) Prohibition on fraud and availability of an exemption from registration. The Texas Securities Act prohibits fraud or fraudulent practices in dealing in any manner in any securities whether or not the person engaging in fraud or fraudulent practices is required to be registered. The Agency has jurisdiction to investigate and bring enforcement actions to the full extent authorized in the Texas Securities Act with respect to fraud or deceit, or unlawful conduct by an investment adviser or investment adviser representative in connection with transactions involving securities in Texas. However, the registration requirements detailed in this chapter do not apply to investment advisers and investment adviser representatives that are exempt from

registration as such pursuant to the Texas Securities Act, Section 5, or by Board rule pursuant to the Texas Securities Act, Section 5.T or Section 12.C, contained in Chapters 109 or 139 of this title.

Source Note: The provisions of this §116.1 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective November 26, 2001, 26 TexReg 9582; amended to be effective March 6, 2002, 27 TexReg 1475; amended to be effective August 22, 2004, 29 TexReg 7968; amended to be effective January 8, 2006, 30 TexReg 8868; amended to be effective August 18, 2011, 36 TexReg 5094; amended to be effective December 21, 2011, 36 TexReg 8507; amended to be effective November 12, 2019, 44 TexReg 6861.

§116.2. Application Requirements.

(a) **Investment adviser and investment adviser representative application requirements.** A complete application consists of the following:

(1) items filed electronically via the Investment Adviser Registration Depository (IARD), which is jointly operated by the North American Securities Administrators Association, Inc. (NASAA), the Securities and Exchange Commission (SEC), and Financial Industry Regulatory Authority (FINRA) using the applicable uniform forms:

(A) Form ADV;

(B) Form U-4 for the designated officer and a Form U-4 for each investment adviser representative or solicitor to be registered;

(C) disclosure document or Part 2 of Form ADV; and

(D) the appropriate registration fee(s).

(2) items filed in paper form with the Securities Commissioner:

(A) a copy of articles of incorporation, partnership agreement, articles of association, trust agreement, or other documents which indicate the form of organization, certified by the jurisdiction or by an officer or partner of the applicant;

(B) a balance sheet prepared in accordance with United States generally accepted accounting principles reflecting the financial condition of the investment adviser as of a date not more than 90 days prior to the date of such filing. The balance sheet should be compiled, reviewed, or audited by independent certified public accountants or independent public accountants, or must instead be certified by the applicant's principal financial officer. If certified by the principal financial officer of the applicant, such officer shall make the certification on Form 133.18, Certification of Balance Sheet by Principal Financial Officer.

(C) a copy of the investment adviser's standard advisory contract;

(D) fee schedule; and

(E) any other information deemed necessary by the Securities Commissioner to determine an investment adviser's financial responsibility or an investment adviser's or investment adviser representative's business repute or qualification.

(b) **Designated officer designation.** Investment advisers, including an individual filing as a sole proprietor, must file a Form U-4 application for a designated officer to register in connection with the registration of the investment adviser. The investment adviser's designated officer must be an officer, partner, or the sole proprietor of the investment adviser and have completed the necessary registration and examination requirements. If the designated officer of an investment adviser, other than a sole proprietor, resigns or is otherwise removed from his or her position, the investment adviser shall make an application to register another officer or partner within 30 days.

(c) **Branch office designation and inspection.**

(1) An investment adviser may designate a branch office upon initial application of the investment adviser or by amendment to a current Form BR. No investment advisory activity may occur in any branch office location until such time as the investment adviser has notified the Securities Commissioner that such location will function as a branch office by submitting Form BR on CRD.

(2) Simultaneous with the designation of a branch office, a supervisor must be named for that branch office. The supervisor must satisfy the examination qualifications required of the investment adviser before the branch office is designated. A supervisor is responsible for supervision of the activities of the branch office. Within 10 business days after a supervisor ceases to be employed or registered in such capacity by the investment adviser, the investment adviser must designate a new supervisor, qualified by passage of the appropriate examinations, for the branch office.

(3) Each branch office of an investment adviser who is registered with the Commissioner is subject to unannounced inspections at any time during normal business hours.

(d) **Automatic withdrawal of an investment adviser or investment adviser representative application for registration that has been pending for at least 90 days.** If an application for investment adviser or investment adviser representative registration has been pending for at least 90 days and the applicant has failed to substantively respond to a written request for information sent by certified mail to the applicant's address as set forth in the application, an automatic withdrawal will occur. The written request must have advised the applicant that if a substantive response is not received within 30 days from the date of the certified request, the application will be withdrawn automatically. Regardless of how long an application has been pending, it may not be withdrawn automatically without sending certified notice of this subsection to the address set forth in the application and allowing the applicant 30 calendar days from the date of the notice to provide a substantive written response. A copy of this subsection and the most recent written request for information will be included with the certified letter.

(e) **Investment Adviser Registration Depository (IARD).** Uniform forms submitted through the IARD that designate Texas as a jurisdiction in which the filing is to be made are deemed to be filed with the Securities Commissioner and constitute official records of the Board.

Source Note: The provisions of this §116.2 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective November 26, 2001, 26 TexReg 9582; amended to be effective March 6, 2002, 27

TexReg 1475; amended to be effective January 8, 2006, 30 TexReg 8868; amended to be effective April 2, 2006, 31 TexReg 2846; amended to be effective February 21, 2008, 33 TexReg 1319; amended to be effective March 9, 2011, 36 TexReg 1473; amended to be effective August 18, 2011, 36 TexReg 5095; amended to be effective October 6, 2015, 40 TexReg 6889; amended to be effective November 12, 2019, 44 TexReg 6861.

§116.3. Examination.

(a) Requirement. To determine the applicant's qualifications and competency to engage in the business of rendering investment advice, the State Securities Board requires written examinations. Applicants must make a passing score on any required examination.

(b) Examinations accepted.

(1) Each applicant for registration as an investment adviser or investment adviser representative must pass:

(A) the Uniform Investment Adviser Law Examination (the new entry level competency examination, Series 65, administered after December 31, 1999); or

(B) the following combination of examinations:

(i) a general securities representative examination as described in §115.3(b)(2) of this title (relating to Examination) or a limited examination as described in §115.3(b)(3) of this title; and

(ii) the Uniform Combined State Law Examination (Series 66), the Uniform Investment Advisers State Law Examination (Series 65, as it existed and was administered on or before December 31, 1999), or an examination on the Texas Securities Act administered by this Agency.

(2) Each of these examinations (except the Texas Securities Act examination) is administered by FINRA and can be scheduled by submitting a Form U-10 to FINRA.

(c) Waivers of examination requirements.

(1) All persons who were registered in Texas on August 23, 1963, are not required to take any examinations.

(2) A full waiver of the examination requirements of the Texas Securities Act, Section 13.D, is granted by the Board to the following classes of persons:

(A) a person who was registered as an investment adviser or investment adviser representative on or before December 31, 1999, provided the person has maintained a registration as an investment adviser or investment adviser representative with any state securities administrator that has not lapsed for more than two years from the date of the last registration;

(B) applicants who are certified by the CFA Institute, or its predecessors, the Association for Investment Management and Research, the Financial Analysts Federation, or the Institute of Chartered Financial Analysts, to be chartered financial analysts (CFA);

(C) applicants who are certified by the Certified Financial Planner Board of Standards, Inc., to use the mark "CERTIFIED FINANCIAL PLANNER" (CFP);

(D) applicants who are designated by the American Institute of Certified Public Accountants as accredited personal financial specialists (PFS);

(E) applicants who are designated by the Investment Adviser Association, or its predecessor, the Investment Counsel Association of America, Inc., as Chartered Investment Counselors (CIC);

(F) applicants who are designated by the American College, Bryn Mawr, Pennsylvania, as chartered financial consultants (ChFC);

(G) a person who completed the required examinations, but whose registration has lapsed for more than two years and who has been continually employed in a securities-related position with an entity which was not required to be registered; and

(H) a person who completed the required examinations and whose registration with another state securities regulator has not lapsed for more than two years.

(3) The CFA Institute, the Certified Financial Planner Board of Standards, Inc., the American Institute of Certified Public Accountants, the American College, and the Investment Adviser Association are required to submit to the Securities Commissioner any changes to their certification programs as such changes occur.

(4) A partial waiver of the examination requirements of the Texas Securities Act, Section 13.D, is granted by the Board to solicitor applicants. Such persons are required to pass only an examination on state securities law.

(5) The Securities Commissioner in his or her discretion is authorized by the Board to grant full or partial waivers of the examination requirements of the Texas Securities Act, Section 13.D.

(d) Texas securities law examination.

(1) The fee for each filing of a request to take the Texas securities law examination is $35. An admission letter issued by the Board is required for all entrants. The examination is given at 9:00 a.m. on each Tuesday at the office of the State Securities Board in Austin. The examination may be taken at other locations near principal population centers across the state. Testing centers require reservations and may charge an additional (monitor) fee for administering the examination. A list of examination centers with additional details may be obtained from the State Securities Board.

(2) While taking the examination on the Texas Securities Act, each applicant may use an unmarked copy of the Texas Securities Act as it is printed and distributed by the State Securities Board. No other reference materials are allowed to be used by applicants during the examination.

(3) The passing score for all applicants on the examination on the Texas Securities Act is 70%. An applicant who fails the examination on the Texas Securities Act may request reexamination. The applicant must bring his or her application up to date before retaking an examination.

(4) Disability accommodations. The Texas securities law examination shall be administered to applicants with disabilities in compliance with the Americans with Disabilities Act of 1990, as amended ("ADA").

(A) Any applicant with a disability who wishes to request disability accommodations must submit to the Securities Commissioner a Form 133.3, ADA Accommodations Request Form, that has been completed and signed by the applicant and includes supporting documentation from a licensed or certified health professional appropriate for diagnosing and treating the disability, at least 60 days prior to the examination. A prior history of receiving disability accommodations, without demonstration of a current need, will not necessarily warrant approval of disability accommodations.

(B) The Securities Commissioner may request additional documentation to substantiate a request for disability accommodations.

(C) Documentation shall not be older than three years from the date of submission.

(D) All medical records provided to the Securities Commissioner are confidential under the Health Insurance Portability and Accountability Act ("HIPAA").

(E) The Securities Commissioner is not required to approve every request for disability accommodations or to provide every accommodation or service requested. The Securities Commissioner is not required to grant a request for disability accommodations if doing so would fundamentally alter the measurement of knowledge or the measurement of skill intended to be tested by the Texas securities law examination, would affect the security of the examination, or would create an undue financial or administrative burden.

(F) Once disability accommodations have been granted, they may not be altered during the examination unless prior approval of the Securities Commissioner is obtained.

Source Note: The provisions of this §116.3 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective July 14, 2005, 30 TexReg 3989; amended to be effective February 21, 2008, 33 TexReg 1319; amended to be effective December 21, 2011, 36 TexReg 8508; amended to be effective June 13, 2012, 37 TexReg 4186.

§116.4. Evidences of Registration.

(a) Issuance. An evidence of registration or certificate of registration shall be issued for each registered investment adviser reflecting the registered officer or partner.

(b) Amendments. Any changes in the information reflected on the evidence of registration must be submitted to the Securities Commissioner within 30 days of such change. An amendment fee, in the amount set forth in the Texas Securities Act, Section 35, is required to amend the evidence of registration.

(c) Successions.

(1) Succession by application.

(A) If a succession results in a surviving entity that is not currently registered as an investment adviser, the successor entity must file a new application, including the fees, as required in §116.2 of this title (relating to Application Requirements). Such a succession may include, but is not limited to, any of the following that results in either a change in control of the beneficial owners, or a change in management:

(i) a merger;

(ii) a consolidation;

(iii) an acquisition; or

(iv) a reorganization.

(B) A complete application for the successor entity should be filed far enough in advance, but no later than thirty (30) days after succession, so the application can be reviewed and approved prior to the successor entity taking over the business of the predecessor investment adviser. If a successor entity has taken over the business of a predecessor investment adviser before the application of the successor entity has been reviewed and approved, the registration of the successor entity will be automatically granted a temporary registration for 60 days from the date of succession to complete the registration for the new entity. If the successor entity fails to complete the registration requirements within the 60-day temporary registration period, it may submit a written request to the Securities Commissioner to grant an extension of the temporary registration for up to 30 additional days. If the Commissioner, in the exercise of his or her discretion, declines to grant the extension request, the registration will terminate for the investment adviser and all its investment adviser representatives on the expiration of the 60-day temporary registration. Any investment advisory services rendered by the investment adviser and/or its investment adviser representatives after termination of the temporary registration are subject to the sanctions provided by the Texas Securities Act for rendering investment advice while unregistered.

(C) Upon registration of the successor entity, the registration of the predecessor investment adviser will be terminated.

(2) Succession by amendment.

(A) When a succession does not result in a change in control of the beneficial owners or management, or does not result in any acquisition or assumption of substantially all of the assets and liabilities of the predecessor investment adviser, the successor entity may file an amendment in lieu of filing a new application. Such a succession may include, but is not limited to, any of the following:

(i) an internal corporate reorganization or restructuring;

(ii) a conversion;

(iii) a change in the form of business; or

(iv) a change in the composition of a partnership that does not result in change of control of the partnership.

(B) The provisions in subsection (b) of this section apply to successions by amendment.

(3) All procedures set forth in this subsection shall also apply to investment advisers and investment adviser representatives who have submitted a notice filing and fee to the Securities Commissioner.

(d) Termination. An investment adviser is required to notify the Securities Commissioner upon termination of any registered investment adviser representative from its employ. Upon receipt of such notification, the Securities Commissioner may terminate the registration. Investment advisers must file a Form U-5, Uniform Termination Notice for Securities Industry Registration, through the IARD to comply with this subsection.

(e) Renewal.

(1) Procedures for renewing expired and unexpired registrations are set forth in the Texas Securities Act, Section 19.C and Section 12-1.C.

(2) A notice of impending expiration of registration (renewal application) will be sent by IARD to a currently registered investment adviser. The renewal application should be filed through IARD, along with the appropriate fee.

(3) If a person's registration is not renewed in a timely manner because such person is a military service member, as defined in §116.18(a) of this chapter (relating to Special Provisions Relating to Military Applicants), such person may renew the registration pursuant to the provisions of §116.18(e).

Source Note: The provisions of this §116.4 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective January 8, 2006, 30 TexReg 8868; amended to be effective November 8, 2012, 37 TexReg 8787; amended to be effective February 24, 2016, 41 TexReg 1224; amended to be effective November 12, 2019, 44 TexReg 6861.

§116.5. Minimum Records.

(a) Records to be made by investment advisers. Persons registered as investment advisers whose principal place of business is located in another state shall maintain records at least in accordance with the minimum record-keeping requirements of that state. Persons registered as investment advisers whose principal place of business is located in Texas shall make and keep current the following minimum records or the equivalent thereof:

(1) A journal or journals, including cash receipts and disbursements records, and any other records of original entry forming the basis of entries in any ledger.

(2) General and auxiliary ledgers, (or other comparable records) reflecting asset, liability, reserve capital, income and expense accounts.

(3) A memorandum of each order given by the investment adviser for the purchase or sale of any security, of any instruction received by the investment adviser from the client concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any such order or instruction. Such memoranda shall show the terms and conditions of the order, instruction, modification or cancellation; shall identify the person connected with the investment adviser who recommended the transaction to the client and the person who placed such order; and shall show the account for which entered, the date of entry, and the bank, broker, or dealer by or through whom executed where appropriate. Orders entered pursuant to the exercise of discretionary power shall be so designated.

(4) A list or other record of all accounts in which the investment adviser is vested with any discretionary power with respect to funds, securities, or transactions of any client.

(5) A copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication recommending the purchase or sale of a specific security, which the investment adviser circulates or distributes, directly or indirectly, to 10 or more persons (other than investment supervisory clients or persons connected with such investment adviser), and if such notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication does not state the reasons for such recommendation, a memorandum of the investment adviser indicating the reasons therefor.

(6) In the case of any client receiving investment supervisory or management service, to the extent that the information is reasonably available to or obtainable by the investment adviser, records showing separately for that client:

(A) the client's current position in any security; and

(B) all securities purchased and sold and the date, amount, and price of each purchase and sale.

(7) In the case of an investment adviser who has custody or possession of the funds or securities of any client:

(A) a journal or other record showing all purchases, sales, receipts and deliveries of securities (including certificate numbers) for such accounts and other debits and credits to such accounts;

(B) a separate ledger account for each such client showing all purchases, sales, receipts, and deliveries of securities, the date and price of each such purchase and sale, and all debits and credits;

(C) copies of confirmations of all transactions effected by or for the account of any such client; and

(D) a record for each security in which any client has a position, which record shall show the name of each such client having any interest in each security, the amount or interest of each such client, and the location of each such security.

(8) A record of every transaction in a security in which the investment adviser or any investment adviser representative has, or by reason of such transaction acquires any direct or indirect beneficial ownership, except:

(A) transactions effected in any account over which neither the investment adviser nor any investment adviser representative has any direct or indirect influence or control; and

(B) transactions in securities which are direct obligations of the United States. Such record shall state the title and amount of the security involved; the date and nature of the transaction (i.e., purchase, sale, or other acquisition or disposition); the price at which it was effected; and the name of the broker, dealer, or bank with or through whom the transaction was effected. A transaction shall be recorded not later than 10 days after the end of the calendar quarter in which the transaction was effected.

(9) For each client, a record listing the client's:

(A) birth year;

(B) employment status, including occupation;

(C) annual income;

(D) net worth, excluding the value of the client's primary residence;

(E) investment objectives; and

(F) risk tolerance.

(10) For accounts in existence on the effective date of this section, the investment adviser must obtain the information required in paragraph (9) of this subsection within one year of January 1, 2012, and thereafter must update this information for each client at intervals not greater than 36 months.

(11) The internal control report that an investment adviser is required to obtain or receive from its related person, pursuant to §116.17(b)(6)(B).

(12) A memorandum describing the basis upon which the investment adviser has determined that the presumption that any related person is not operationally independent under §116.17(a)(7) has been overcome.

(b) Records to be preserved by investment advisers.

(1) Persons registered as investment advisers in Texas shall preserve all records required pursuant to subsection (a) of this section for a period of not less than five years from the end of the fiscal year during which the last entry was made on such record, the first two years in an easily accessible place.

(2) Persons registered as investment advisers in Texas shall preserve for a period of not less than three years from the end of the fiscal year during which the last entry was made on such record, the first two years in an easily accessible place:

(A) all checkbooks, bank statements, cancelled checks, and cash reconciliations of the investment adviser;

(B) all bills or statements (or copies thereof) paid or unpaid, relating to the business of the investment adviser as such;

(C) all trial balances, financial statements, and internal audit working papers relating to the business of such investment adviser;

(D) originals of all written communications received and copies of all written communications sent by such investment adviser relating to:

(i) any recommendation made or proposed to be made and any advice given or proposed to be given;

(ii) any receipt, disbursement, or delivery of funds or securities; or

(iii) the placing or execution of any order to purchase or sell any security. Provided, however, that the investment adviser shall not be required to keep any unsolicited market letters and other similar communications of general public distribution not prepared by or for the investment adviser, and that if the investment adviser sends any notice, circular, or other advertisement offering any report, analysis, publication, or other investment advisory service to more than 10 persons, the investment adviser shall not be required to keep a record of the names and addresses of the persons to whom it was sent; except that if such notice, circular, or advertisement is distributed to persons named on any list, the investment adviser shall retain with the copy of such notice, circular, or advertisement a memorandum describing the list and the source thereof;

(E) all powers of attorney and other evidences of the granting of any discretionary authority by any client to the investment adviser or copies thereof;

(F) all written agreements (or copies thereof) entered into by the investment adviser with any client or otherwise relating to the business of such investment adviser as such; and

(G) all complaints received from investment clients, and all documents relating to such complaints.

(3) Persons registered as investment advisers in Texas shall preserve for at least three years after the termination of the enterprise partnership articles and any amendments thereto, articles of incorporation, charters, minute books, and stock certificate books of the investment adviser and of any predecessor.

(4) If a person ceases to be registered as an investment adviser in Texas, such person shall, for the remainder of the time period specified in this section, continue to preserve the records required in this section.

(5) The records required to be maintained and preserved pursuant to this section may be immediately produced or reproduced on microfilm or other photograph and may be maintained and preserved for the required time in that form, provided that such microfilms or other photographs are arranged and indexed in such a manner as to permit the immediate location of any particular document, and that such microfilms or other photographs are at all times available for examination by representatives of the Securities Commissioner together with facilities for immediate, easily readable projection of the microfilm or other photograph and for the production of easily readable facsimile enlargements.

(c) The records required to be maintained pursuant to this section may be maintained by any electronic storage media available so long as such records are available for immediate and complete access by representatives of the Securities Commissioner. Any electronic storage media must preserve the records exclusively in a non-rewriteable, non-erasable format; verify automatically the quality and accuracy of the storage media recording process; serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention the information placed on such electronic storage media; and have the capacity to download indexes and records preserved on electronic storage media to an acceptable medium. In the event that a records retention system commingles records required to be kept under this section with records not required to be kept, representatives of the Securities Commissioner may review all commingled records.

(d) The Securities Commissioner has a right to review all records maintained by registered investment advisers regardless of whether such records are required to be maintained under any specific applicable rule provision.

Source Note: The provisions of this §116.5 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective November 26, 2001, 26 TexReg 9582; amended to be effective August 18, 2011, 36 TexReg 5095; amended to be effective December 21, 2011, 36 TexReg 8509.

§116.6. Registration of Persons with Criminal Backgrounds.

(a) An application for registration may be denied, or a registration may be revoked or suspended, if the Securities Commissioner finds that the person has been convicted of any felony, or of a

misdemeanor offense that directly relates to its duties and responsibilities. In determining whether a misdemeanor conviction directly relates to such duties and responsibilities, the Securities Commissioner shall consider each of the following factors:

(1) the nature and seriousness of the crime;

(2) the relationship of the crime to the purposes for requiring registration of investment advisers and investment adviser representatives;

(3) the extent to which the registration applied for might offer an opportunity to engage in further criminal activity of the same type as that in which the applicant previously had been involved;

(4) the relationship of the crime to the ability or capacity required to perform the duties and discharge the responsibilities of a registered investment adviser or investment adviser representative; and

(5) any correlation between the elements of the crime and its duties and responsibilities.

(b) After the Securities Commissioner has determined the criminal conviction directly relates to the duties and responsibilities of the license, the Securities Commissioner shall consider the following evidence in determining whether the person is eligible for a license issued by the Agency:

(1) The extent and nature of the person's past criminal activity.

(2) The age of the applicant at the time of the commission of the crime.

(3) The amount of time that has elapsed since the applicant's last criminal activity.

(4) The conduct and work activity of the applicant prior to and following the criminal activity.

(5) Evidence of the applicant's rehabilitation or rehabilitative effort while incarcerated or following release.

(6) Evidence of the person's compliance with any conditions of community supervision, parole, or mandatory supervision

(7) Other evidence of the applicant's present fitness, including letters of recommendation, may be provided and considered, including letters from prosecution, law enforcement, and correctional officers who prosecuted, arrested, or had custodial responsibility for the applicant; the sheriff and chief of police in the community where the applicant resides; and any other persons in contact with the applicant.

(8) It shall be the responsibility of the applicant to the extent possible to secure and provide to the Securities Commissioner the letters of recommendation described by paragraph (7) of this subsection.

(c) The State Securities Board considers that the following crimes directly relate to the duties and responsibilities of investment advisers and investment adviser representatives:

(1) any criminal violation of which fraud is an essential element or that involves wrongful taking or possession of property or services;

(2) any criminal violation of the securities laws or regulations of this state, or of any other state in the United States, or of the United States, or any foreign jurisdiction;

(3) any criminal violation of statutes designed to protect consumers against unlawful practices involving insurance, securities, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services; and

(4) any criminal violation involving an assault on a person.

(d) Prior to filing an application, a person may request a preliminary evaluation of license eligibility from the State Securities Board by following the procedure set out in §104.7 of this title (relating to Preliminary Evaluation of License Eligibility) and paying the requisite fee.

(e) Prior to taking any action under subsection (a) of this section to deny any application for registration, the State Securities Board shall comply with the notification requirements of Texas Occupations Code, Section 53.0231 Notice of Pending Denial of License, and Section 53.051.

(f) Prior to taking any action under subsection (a) of this section to revoke or suspend any application for registration, the State Securities Board shall comply with the notification requirements of Texas Occupations Code, Section 53.051.

(g) State Auditor Applicant Best Practices Guide.

(1) The State Securities Board shall post a link on its website to the Applicant Best Practices Guide, to be developed and published by the State Auditor as required by Texas Occupations Code, Section 53.026. This guide, which shall be posted once it becomes available, shall set forth best practices for an applicant with a prior conviction to use when applying for a license.

(2) In each notice to deny, revoke, or suspend a registration or to deny a person the opportunity be examined for a registration, the State Securities Board shall include a link to the guide as described in paragraph (1) of this subsection.

Source Note: The provisions of this §116.6 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective March 28, 2010, 35 TexReg 2549; amended to be effective November 12, 2019, 44 TexReg 6864.

§116.7. Maintenance and Inspection of Records.

(a) The Securities Commissioner, without notice, may inspect a registered investment adviser as necessary to ensure compliance with the Texas Securities Act and Board rules.

(b) The Commissioner or his or her authorized representative, during regular business hours, may:

(1) enter the business premises of a registered investment adviser; and

(2) examine and copy books and records pertinent to the inspection.

(c) During the inspection, the investment adviser shall:

(1) provide to the Commissioner or the Commissioner's authorized representative immediate and complete access to the person's office, place of business, files, safe, and any other location in which books and records pertinent to the inspection are located; and

(2) allow the Commissioner or the Commissioner's authorized representative to make photostatic or electronic copies of books or records subject to inspection.

(d) An investment adviser may not charge a fee for copying information under this section.

(e) The Commissioner or his or her authorized representative may require that all records required to be maintained pursuant to Board rules or maintained in the normal course of business of the investment adviser be made available in any office of the State Securities Board designated by the Commissioner or his or her representative within 48 hours of a request or within a greater time period as the Commissioner or his or her authorized representative deems reasonable.

Source Note: The provisions of this §116.7 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective November 26, 2001, 26 TexReg 9582.

§116.8. Fee Requirements.

(a) **Registration and notice filing fees.** Information about registration and notice filing fees for original and renewal applications for investment adviser and investment adviser representatives, officers, partners, or solicitors of an investment adviser is available on the Agency's web site located at www.ssb.state.tx.us or by contacting an office of the State Securities Board.

(b) **Reduced fees for certain persons registered in multiple capacities.**

(1) In general. A person may request reduced fees under paragraph (2) of this subsection, provided they are registered or are seeking registration in Texas:

(A) as either an agent of a securities dealer or as a sole proprietor securities dealer; and

(B) as either an investment adviser representative of an investment adviser that has less than five investment adviser representatives or as a sole proprietor investment adviser with less than five investment adviser representatives.

(2) Procedure. Persons meeting the requirements of paragraph (1) of this subsection may request reduced registration fees by filing Form 133.36, Request for Reduced Fees for Certain Persons Registered in Multiple Capacities. Form 133.36 must be filed at the time the original application for investment adviser representative or sole proprietor investment adviser registration is filed, or at least 30 days before the person's existing investment adviser representative or sole proprietor investment adviser registration will expire. On review of Form 133.36, the Securities Commissioner may, in his or her discretion, grant or deny the request for reduced fees or direct the person to supply additional information.

(3) Reduced fees. If the Securities Commissioner grants a person's request, the person must pay all applicable fees for registration as a dealer or dealer's agent as specified in the Texas Securities Act, Section 35.A, but is exempt from the fees specified in the Texas Securities Act, Section 35.A, in connection with original and renewal applications for registration as an investment adviser representative or sole proprietor investment adviser, as applicable at the time Form 133.36 is filed. The reduction in fees granted by the Securities Commissioner under this subsection shall continue in force, without any further filings, as long as a person remains registered in a multiple capacity status.

(c) **Reduced fees for sole proprietor investment advisers.** A person seeking registration in multiple capacities as a sole proprietor investment adviser and as the designated officer of that sole proprietor investment adviser shall pay only the fee required in connection with the original or renewal application for registering as a sole proprietor investment adviser.

(d) **Fees for concurrent registrations.** Notwithstanding the Texas Securities Act, Section 35, a person shall pay only one fee required under that section to engage in business in this state concurrently for the same person or company as:

(1) a dealer and an investment adviser; or

(2) an agent and an investment adviser representative.

(e) **Waiver of initial application fee and examination fee for certain military applicants.** A military applicant who meets the requirements in §116.18(c) of this chapter (relating to Special Provisions Relating to Military Applicants) is eligible to have his or her initial application fee in Texas and the fee to take the Texas Securities Law Examination waived or refunded by following the procedure set out in §116.18(c).

Source Note: The provisions of this §116.8 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective November 26, 2001, 26 TexReg 9582; amended to be effective February 24, 2004, 29 TexReg 1644; amended to be effective August 18, 2011, 36 TexReg 5095; amended to be effective February 24, 2016, 41 TexReg 1224.

§116.9. Post-Registration Reporting Requirements.

(a) Each person registered as an investment adviser shall report to the Securities Commissioner within 30 days after its entry against the registered person or an investment adviser representative thereof, the matters described in this subsection. Likewise, each person registered as an investment adviser representative shall report to the Commissioner within 30 days after its occurrence or entry

against the investment adviser representative the matters described in this subsection. The following matters must be reported:

(1) any administrative order issued by state or federal authorities, which order:

(A) is based upon a finding that such person has engaged in fraudulent conduct; or

(B) was entered after notice and opportunity for a hearing, denying, suspending, or revoking the person's registration as an investment adviser, investment adviser representative, dealer, or agent, or the substantial equivalent of those terms;

(2) any felony criminal action or conviction;

(3) any misdemeanor action or conviction based on fraud, deceit, or wrongful taking of property;

(4) any order, judgment, or decree entered by any court of competent jurisdiction which temporarily or permanently restrains or enjoins such person from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving any false filing with any state; or which restrains or enjoins such person from activities subject to federal or state statutes designed to protect consumers against unlawful or deceptive practices involving insurance, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services;

(5) any expulsion, bar, suspension, censure, fine, or penalty imposed by a self-regulatory organization;

(6) any change in any other information previously disclosed to the Securities Commissioner on any application form or filing; and

(7) the filing of any voluntary or involuntary bankruptcy petition.

(b) Upon request by the Securities Commissioner, an investment adviser or investment adviser representative is required to furnish to the Commissioner copies of the order, conviction, or decrees, or other documents which evidence events disclosable pursuant to subsection (a) of this section.

(c) For purposes of this section an "investment adviser" shall include any partners, directors, executive officers, or beneficial owners of 10% or more of any class of the equity securities of an investment adviser (beneficial ownership meaning the power to vote or direct the vote of and/or the power to dispose or direct the disposition of such securities).

(d) Each person registered as an investment adviser shall update the Form ADV Part 2 or disclosure document as part of any amendment or annual updating amendment. For purposes of this subsection, "annual updating amendment" means an amendment to an investment adviser's Form ADV filed within 90 days after an investment adviser's fiscal year end that is used to update the responses to any other item for which the information is no longer accurate.

Source Note: The provisions of this §116.9 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective March 9, 2011, 36 TexReg 1473.

§116.10. Supervisory Requirements. Each registered investment adviser shall establish, maintain, and enforce a system to supervise the activities of its investment adviser representatives that is reasonably designed to achieve compliance with the Texas Securities Act, Board rules, and all applicable securities laws and regulations. Supervisory systems must be written and available for inspection in either print or electronic format.

Source Note: The provisions of this §116.10 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective November 26, 2001, 26 TexReg 9582; amended to be effective July 14, 2005, 30 TexReg 3989; amended to be effective August 16, 2010, 35 TexReg 7050.

§116.11. Disclosure Requirement/Brochure Rule. All registered investment advisers must deliver to all clients or prospective clients a written disclosure statement that may be:

(1) either Part 2 of Form ADV, Uniform Application for Investment Adviser Registration, or another disclosure statement which contains at least the information disclosed on Part 2 of Form ADV as effective on October 12, 2010 (17 Code of Federal Regulations §279.1); or

(2) a disclosure statement containing at least the information required by Part 2A Appendix 1 and Part 2B of Form ADV, Uniform Application for Investment Adviser Registration, if the investment adviser is the sponsor, or the sponsor and the portfolio manager, of a wrap fee program that the client will enter into.

(3) The disclosure statement shall be delivered to a client or prospective client either:

(A) not less than 48 hours prior to entering into any written or oral investment advisory contract with such client or prospective client; or

(B) at the time of entering into any such contract, if the advisory client has the right to terminate the contract without penalty within five business days after entering into the contract.

(4) On an annual basis, the Part 2 of Form ADV or other disclosure statement satisfying the requirements of paragraph (1) or (2) of this section must be provided to all customers, or in the alternative, the investment adviser must offer the client the right to receive such Part 2 of Form ADV or other disclosure statement.

Source Note: The provisions of this §116.11 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective March 9, 2011, 36 TexReg 1473; amended to be effective April 7, 2013, 38 TexReg 2098.

§116.12. Advisory Contract Requirements.

(a) The advisory contract must contain the following language: "Client acknowledges receipt of Part 2 of Form ADV; a disclosure statement containing the equivalent information; or a disclosure statement containing at least the information required by Part 2A Appendix 1 of Form ADV, if the client is entering into a wrap fee program sponsored by the investment adviser. If the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this investment adviser, then the client has the right to terminate the contract without penalty within five business days after entering into the contract. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract, or, in the case of an oral contract, otherwise signified their acceptance, any other provisions of this contract notwithstanding."

(b) Investment advisers are free to provide a time period longer than five business days for penalty-free termination by their clients. If the client chooses to terminate the contract within the five business day period, the adviser can only charge for fees incurred prior to the termination excluding administrative fees, account set-up fees, and minimum quarterly fees.

(c) The advisory contract must contain a provision that prohibits the assignment of the contract by the adviser without the written consent of the client.

(d) Nothing in this section shall relieve an investment adviser from any obligation pursuant to any provision of the Investment Advisers Act of 1940 or the rules and regulations thereunder or other federal case law, interpretative opinions, and administrative actions by the SEC (as in existence on April 8, 1997) or state law to disclose any information to its clients not specifically required by this section.

Source Note: The provisions of this §116.12 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective March 9, 2011, 36 TexReg 1473.

§116.13. Advisory Fee Requirements.

(a) Any registered investment adviser who wishes to charge 3.0% or greater of the assets under management must disclose that such fee is in excess of the industry norm and that similar advisory services can be obtained for less.

(b) Any registered investment adviser who wishes to charge a fee based on a share of the capital gains or the capital appreciation of the funds or any portion of the funds of a client must comply with SEC Rule 205-3 (17 Code of Federal Regulations §275.205-3), which permits the use of such fee if the client is a "qualified client" as defined therein.

Source Note: The provisions of this §116.13 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective November 26, 2001, 26 TexReg 9582; amended to be effective April 3, 2012, 37 TexReg 2166.

§116.14. Prevention of Misuse of Nonpublic Information. All investment advisers registered under the Texas Securities Act are required to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material nonpublic information.

Source Note: The provisions of this §116.14 adopted to be effective August 12, 2001, 26 TexReg 5799.

§116.15. Advertising Restrictions. The antifraud provisions of the Texas Securities Act prohibit an investment adviser from using any advertisement that contains any untrue statement of material fact or that is otherwise misleading. The prohibition would include any notice, circular, letter, or other written communication addressed to more than one person, or any notice or other announcement in any publication or by radio, television, Internet, the World Wide Web, or similar proprietary or common carrier electronic systems, that offers any service as an investment adviser.

(1) Specifically, an advertisement of a registered investment adviser may not:

(A) use or refer to testimonials (including any statement of a client's experience or endorsement);

(B) refer to past, specific recommendations made by an investment adviser that were profitable, unless the advertisement sets out a list of all recommendations made by the investment adviser within the preceding period of not less than one year, and complies with paragraph (2) of this subsection;

(C) represent that any graph, chart, formula, or other device can, in and of itself, be used to determine which securities to buy or sell, or when to buy or sell securities, or assist persons in making those decisions, unless the advertising prominently discloses the limitations thereof and the difficulties regarding its use; and

(D) represent that any report, analysis, or other service will be provided without charge unless the report, analysis, or other service will be provided without any obligation whatsoever.

(2) A registered investment adviser may advertise its past performance (both actual performance and hypothetical or model results) only if the advertisement discloses all material facts necessary to avoid any unwarranted inference. An investment adviser may not advertise its performance data if the advertisement:

(A) fails to disclose the effect of material market or economic conditions on the results advertised;

(B) fails to disclose whether and to what extent the advertised results reflect the reinvestment of dividends or other earnings;

(C) suggests or makes claims about the potential for profit without disclosing the potential for loss; or

(D) omits any of the facts material to the performance figures.

(3) In addition, generally a registered investment adviser may not advertise gross performance data (i.e., performance data that does not reflect the deduction of various fees, commissions, and expenses that a client would pay) unless the investment adviser also includes net performance information in an equally prominent manner.

Source Note: The provisions of this §116.15 adopted to be effective August 12, 2001, 26 TexReg 5799; amended to be effective November 26, 2001, 26 TexReg 9582.

§116.16. Use of Senior-Specific Certifications and Professional Designations.

(a) The use of a senior specific certification or designation by any person in connection with the provision of advice as to the value of or the advisability of investing in, purchasing, or selling securities, either directly or indirectly or through publications or writings, or by issuing or promulgating analyses or reports relating to securities, that indicates or implies that the user has special certification or training in advising or servicing senior citizens or retirees, in such a way as to mislead any person shall be an inequitable practice within the meaning of the Texas Securities Act, Section 14.A(3). The prohibited use of such certifications or professional designation includes, but is not limited to, the following:

(1) use of a certification or professional designation by a person who has not actually earned or is otherwise ineligible to use such certification or designation;

(2) use of a nonexistent or self-conferred certification or professional designation;

(3) use of a certification or professional designation that indicates or implies a level of occupational qualifications obtained through education, training, or experience that the person using the certification or professional designation does not have; and

(4) use of a certification or professional designation that was obtained from a designating or certifying organization that:

(A) is primarily engaged in the business of instruction in sales and/or marketing;

(B) does not have reasonable standards or procedures for assuring the competency of its designees or certificants;

(C) does not have reasonable standards or procedures for monitoring and disciplining its designees or certificants for improper or unethical conduct; or

(D) does not have reasonable continuing education requirements for its designees or certificants in order to maintain the designation or certificate.

(b) There is a rebuttable presumption that a designating or certifying organization is not disqualified solely for purposes of subsection (a)(4) of this section when the organization has been accredited by:

(1) The American National Standards Institute;

(2) The National Commission for Certifying Agencies; or

(3) an organization that is on the United States Department of Education's list entitled "Accrediting Agencies Recognized for Title IV Purposes" and the designation or credential issued therefrom does not primarily apply to sales and/or marketing.

(c) In determining whether a combination of words (or an acronym standing for a combination of words) constitutes a certification or professional designation indicating or implying that a person has special certification or training in advising or servicing senior citizens or retirees, factors to be considered shall include:

(1) use of one or more words such as "senior," "retirement," "elder," or like words, combined with one or more words such as "certified," "registered," "chartered," "adviser," "specialist," "consultant," "planner," or like words, in the name of the certification or professional designation; and

(2) the manner in which those words are combined.

(d) For purposes of this rule, a certification or professional designation does not include a job title within an organization that is licensed or registered by a state or federal financial services regulatory agency, when that job title:

(1) indicates seniority or standing within the organization; or

(2) specifies an individual's area of specialization within the organization.

(e) For purposes of subsection (d) of this section, "financial services regulatory agency" includes, but is not limited to, an agency that regulates broker-dealers, investment advisers, or investment companies as defined under the Investment Company Act of 1940.

(f) Nothing in this rule shall limit the Securities Commissioner's authority to enforce existing provisions of law.

Source Note: The provisions of this §116.16 adopted to be effective October 30, 2008, 33 TexReg 8762.

§116.17. Custody of Funds or Securities of Clients by Registered Investment Advisers.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Audit--when used in regard to financial statements, an examination of the financial statements by an independent accountant in accordance with generally accepted auditing standards, as may be modified or supplemented by the Board, for the purpose of expressing an opinion thereon.

(2) Control--the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise. Control includes:

(A) each of the investment adviser's officers, partners, or directors exercising executive responsibility (or persons having similar status or functions) is presumed to control the firm;

(B) a person is presumed to control a corporation if the person:

(i) directly or indirectly has the right to vote 25% or more of a class of the corporation's voting securities; or

(ii) has the power to sell or direct the sale of 25% or more of a class of the corporation's voting securities;

(C) a person is presumed to control a partnership if the person has the right to receive upon dissolution, or has contributed, 25% or more of the capital of the partnership;

(D) a person is presumed to control a limited liability company if the person:

(i) directly or indirectly has the right to vote 25% or more of a class of the interests of the limited liability company;

(ii) has the right to receive upon dissolution, or has contributed, 25% or more of the capital of the limited liability company; or

(iii) is an elected manager of the limited liability company; or

(E) a person is presumed to control a trust if the person is a trustee or managing agent of the trust.

(3) Custody--holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. The investment adviser has custody if a related person holds, directly or indirectly, client funds or securities, or has any authority to obtain possession of them, in connection with advisory services the investment adviser provides to clients. Custody includes:

(A) possession of client funds or securities (but not of checks drawn by clients and made payable to third parties) unless the investment adviser receives them inadvertently and returns them to the sender promptly but in any case within three business days of receiving them;

(B) any arrangement (including a general power of attorney) under which the investment adviser is authorized or permitted to withdraw client funds or securities maintained with a custodian upon the investment adviser's instruction to the custodian; and

(C) any capacity (such as general partner of a limited partnership, managing member of a limited liability company or a comparable position for another type of pooled investment vehicle, or trustee of a trust) that gives the investment adviser or its supervised person legal ownership of or access to client funds or securities.

(4) Independent public accountant--a public accountant that meets the standards of independence described in Securities and Exchange Commission, Rule 2-01(b) and (c) of Regulation S-X (17 CFR §210.2-01(b) and (c)) as existed on April 1, 2010.

(5) Independent representative--a person that:

(A) acts as agent for an advisory client, including in the case of a pooled investment vehicle, for limited partners of a limited partnership (or members of a limited liability company, or other beneficial owners of another type of pooled investment vehicle) and by law or contract is obliged to act in the best interest of the advisory client or the limited partners (or members, or other beneficial owners);

(B) does not control, is not controlled by, and is not under common control with the investment adviser; and

(C) does not have, and has not had within the past two years, a material business relationship with the investment adviser.

(6) Open-end company--a management company which is offering for sale or has outstanding any redeemable security of which it is the issuer.

(7) Operationally independent--for purposes of subsection (c)(6) of this section, a related person is presumed not to be operationally independent unless each of the following conditions is met and no other circumstances can reasonably be expected to compromise the operational independence of the related person:

(A) client assets in the custody of the related person are not subject to claims of the adviser's creditors;

(B) advisory personnel do not have custody or possession of, or direct or indirect access to client assets of which the related person has custody, or the power to control the disposition of such client assets to third parties for the benefit of the adviser or its related persons, or otherwise have the opportunity to misappropriate such client assets;

(C) advisory personnel and personnel of the related person who have access to advisory client assets are not under common supervision; and

(D) advisory personnel do not hold any position with the related person or share premises with the related person.

(8) Qualified custodian--

(A) a bank as defined in the Investment Advisers Act of 1940, Section 202(a)(2), or a savings association as defined in the Federal Deposit Insurance Act, Section 3(b)(1), that has deposits insured by the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act;

(B) a broker-dealer registered under the Securities Exchange Act of 1934, Section 15(b)(1), holding the client assets in customer accounts;

(C) a futures commission merchant registered under the Commodity Exchange Act, Section 4f(a), holding the client assets in customer accounts, but only with respect to clients' funds and security futures, or other securities incidental to transactions in contracts for the purchase or sale of a commodity for future delivery and options thereon; and

(D) a foreign financial institution that customarily holds financial assets for its customers, provided that the foreign financial institution keeps the advisory clients' assets in customer accounts segregated from its proprietary assets.

(9) Related person--any person, directly or indirectly, controlling or controlled by the investment adviser, and any person that is under common control with the investment adviser.

(b) **Safekeeping required.** No registered investment adviser may have custody of client funds or securities unless:

(1) Qualified custodian. A qualified custodian maintains those funds and securities:

(A) in a separate account for each client under that client's name; or

(B) in accounts that contain only the investment adviser's clients' funds and securities, under the investment adviser's name as agent or trustee for the clients.

(2) Notice to clients. If the investment adviser opens an account with a qualified custodian on behalf of the client, either under the client's name or under the investment adviser's name as agent, the investment adviser notifies the client in writing of the qualified custodian's name, address, and the manner in which the funds or securities are maintained, promptly when the account is opened and following any changes to this information. If the investment adviser sends account statements to a client to which the investment adviser is required to provide this notice, the investment adviser includes in the notification provided to that client and in any subsequent account statement the investment adviser sends that client, a statement urging the client to compare the account statements from the custodian with those from the investment adviser.

(3) Account statements to clients. The investment adviser has a reasonable basis, after due inquiry, for believing that the qualified custodian sends an account statement, at least quarterly, to each of the investment adviser's clients for which it maintains funds or securities, identifying the amount of funds and of each security in the account at the end of the period and setting forth all transactions in the account during that period.

(4) Independent verification. The client funds and securities of which the investment adviser has custody are verified by actual examination at least once during each calendar year, except as provided below, by an independent public accountant, pursuant to a written agreement between the investment adviser and the accountant, at a time that is chosen by the accountant without prior notice or announcement to the investment adviser and that is irregular from year to year. The written agreement must provide for the first examination to occur within six months of becoming subject to this paragraph, except that, if the investment adviser maintains client funds or securities pursuant to this section as a qualified custodian, the agreement must provide for the first examination to occur no later than six months after obtaining the internal control report. The written agreement must require the accountant to:

(A) file a certificate on Form ADV-E with the Securities Commissioner within 120 days of the time chosen by the accountant in paragraph (4) of this subsection, stating that it has examined the funds and securities and describing the nature and extent of the examination;

(B) upon finding any material discrepancies during the course of the examination, notify the Securities Commissioner within one business day of the finding, by means of a facsimile transmission or electronic mail, followed by first class mail, directed to the attention of the Director of the Inspections and Compliance Division; and

(C) upon resignation or dismissal from, or other termination of, the engagement, or upon removing itself or being removed from consideration for being reappointed, file with the Securities Commissioner within four business days Form ADV-E accompanied by a statement that includes:

(i) the date of such resignation, dismissal, removal, or other termination, and the name, address, and contact information of the accountant; and

(ii) an explanation of any problems relating to examination scope or procedure that contributed to such resignation, dismissal, removal, or other termination.

(5) Special rule for limited partnerships and limited liability companies. If the investment adviser or a related person is a general partner of a limited partnership (or managing member of a limited liability company, or holds a comparable position for another type of pooled investment vehicle), the account statements required under paragraph (3) of this subsection must be sent to each limited partner (or member or other beneficial owner).

(6) Investment advisers acting as qualified custodians. If the investment adviser maintains, or if the investment adviser has custody because a related person maintains, client funds or securities pursuant to this subsection as a qualified custodian in connection with advisory services the investment adviser provides to clients:

(A) the independent public accountant the investment adviser retains to perform the independent verification required by paragraph (4) of this subsection must be registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by, the Public Company Accounting Oversight Board in accordance with its rules; and

(B) the investment adviser must obtain, or receive from the investment adviser's related person, within six months of becoming subject to this paragraph and thereafter no less frequently than once each calendar year a written internal control report prepared by an independent public accountant:

(i) the internal control report must include an opinion of an independent public accountant as to whether controls have been placed in operation as of a specific date, and are suitably designed and are operating effectively to meet control objectives relating to custodial services, including the safeguarding of funds and securities held by either the investment adviser or a related person on behalf of the investment adviser's clients, during the year;

(ii) the independent public accountant must verify that the funds and securities are reconciled to a custodian other than the investment adviser or the investment adviser's related person; and

(iii) the independent public accountant must be registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by, the Public Company Accounting Oversight Board in accordance with its rules.

(7) Independent representatives. A client may designate an independent representative to receive, on his or her behalf, notices and account statements as required under paragraphs (2) and (3) of this subsection.

(c) Exceptions.

(1) Shares of an open-end company. With respect to shares of an open-end company (as defined in this section), the investment adviser may use the open-end company's transfer agent in lieu of a qualified custodian for purposes of complying with subsection (b) of this section.

(2) Certain privately offered securities.

(A) The investment adviser is not required to comply with subsection (b)(1) of this section with respect to securities that are:

(i) acquired from the issuer in a transaction or chain of transactions not involving any public offering;

(ii) uncertificated, and ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and

(iii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

(B) Notwithstanding subparagraph (A) of this paragraph, the provisions of this paragraph are available with respect to securities held for the account of a limited partnership (or a limited liability company, or other type of pooled investment vehicle) only if the limited partnership is audited, and the audited financial statements are distributed, as described in paragraph (4) of this subsection.

(3) Fee deduction. Notwithstanding subsection (b)(4) of this section, the investment adviser is not required to obtain an independent verification of client funds and securities maintained by a qualified custodian if:

(A) the investment adviser has custody of the funds and securities solely as a consequence of the investment adviser's authority to make withdrawals from client accounts to pay its advisory fee; and

(B) if the qualified custodian is a related person, the investment adviser can rely on paragraph (6) of this subsection.

(4) Limited partnerships subject to annual audit. The investment adviser is not required to comply with subsection (b)(2) and (b)(3) of this section and the investment adviser shall be deemed to have complied with subsection (b)(4) of this section with respect to the account of a limited partnership (or limited liability company, or another type of pooled investment vehicle) that is subject to audit (as defined in this section):

(A) at least annually and distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) within 120 days of the end of its fiscal year;

(B) by an independent public accountant that is registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by, the Public Company Accounting Oversight Board in accordance with its rules; and

(C) upon liquidation and distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) promptly after the completion of such audit.

(5) Registered investment companies. The investment adviser is not required to comply with this section with respect to the account of an investment company registered under the Investment Company Act of 1940.

(6) Certain related persons. Notwithstanding subsection (b)(4) of this section, the investment adviser is not required to obtain an independent verification of client funds and securities if:

(A) the investment adviser has custody under this rule solely because a related person holds, directly or indirectly, client funds or securities, or has any authority to obtain possession of them, in connection with advisory services the investment adviser provides to clients; and

(B) the investment adviser's related person is operationally independent of the investment adviser.

(d) **Delivery to related person.** Sending an account statement under subsection (b)(5) of this section or distributing audited financial statements under subsection (c)(4) of this section shall not satisfy the requirements of this section if such account statements or financial statements are sent solely to limited partners (or members or other beneficial owners) that themselves are limited partnerships (or limited liability companies, or another type of pooled investment vehicle) and are the investment adviser's related persons.

Source Note: The provisions of this §116.17 adopted to be effective December 21, 2011, 36 TexReg 8510.

§116.18. Special Provisions Relating to Military Applicants.

(a) **Definitions.** The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Current registration--A registration or license that is:

(A) issued by another state, the District of Columbia, or a territory of the United States that has registration requirements that are substantially equivalent to the requirements for a Texas registration in the same capacity;

(B) in good standing; and

(C) in the same capacity as the application for registration in Texas.

(2) Good standing--A registration or license that is effective and unrestricted. A registration or license is considered to be restricted and not in good standing if it is subject to:

(A) an undertaking, special stipulations or agreements relating to payments, limitations on activity or other restrictions;

(B) a pending administrative or civil action; or

(C) an order or other written directive issued pursuant to statutory authority and procedures, including orders of denial, suspension, or revocation.

(3) Military spouse--A person who is married to a military service member.

(4) Military service member--A person who is on active duty.

(5) Military veteran--A person who has served on active duty and who was discharged or released from active duty.

(6) Active duty--Current full-time military service in the armed forces of the United States or active duty military service as a member of the Texas military forces, as defined by Government Code, Section 437.001, or similar military service of another state.

(7) Armed forces of the United States--The Army, Navy, Air Force, Coast Guard, or Marine Corps of the United States or a reserve unit of one of those branches of the armed forces.

(8) Military applicant--A military spouse, military service member, or military veteran.

(b) **Expedited review of an application submitted by a military applicant as authorized by Occupations Code, Sections 55.004 - 55.006.**

(1) A military applicant may use the procedure set out in this subsection if the military applicant:

(A) holds a current registration in another jurisdiction; or

(B) has been registered in Texas in the same capacity within the five years preceding the date of the application for registration.

(2) If the military applicant is not registered within five days of submitting an application, the military applicant may request special consideration of his or her application for registration by filing Form 133.4, Request for Consideration of a Registration Application by a Military Applicant, with the Securities Commissioner ("Commissioner"). Within five business days of receipt of the completed Form 133.4, the military applicant will be notified in writing of the reason(s) for the pending or deficient status assigned to the application.

(3) In addition to the waivers of examination requirements set out in §116.3 of this title (relating to Examination), the Commissioner in his or her discretion is authorized by the Board to grant full or partial waivers of the examination requirements of the Texas Securities Act, Section 13.D, on a showing of alternative demonstrations of competency to meet the requirements for obtaining the registration sought.

(4) A military applicant proceeding under this subsection may be registered despite having pending and/or deficient items ("deficiencies"). The deficiencies will be communicated to the military applicant in writing or by electronic means within five business days from approval of the registration.

(5) The deficiencies noted at the time the registration is granted must be resolved by the military applicant within a 12 month period. Failure to resolve outstanding deficiencies will cause the registration granted under this subsection or any renewal of such registration to automatically terminate 12 months after the date the registration was initially granted pursuant to this subsection.

(c) Waiver or refund of initial application fee and Texas Securities Law Examination fee for a military applicant as authorized by Occupations Code, Section 55.009.

(1) To qualify for a fee waiver or refund, the applicant must be:

(A) a military applicant who holds a current registration in another jurisdiction; or

(B) a military service member or military veteran whose military service, training, or education substantially meets all the requirements for the registration sought who submits Form 133.4, Request for Consideration of a Registration Application by a Military Applicant, with the applicant's registration application.

(2) To request a waiver or refund of a fee previously paid, the applicant must submit Form 133.19, Waiver or Refund Request by a Military Applicant.

(A) If requesting a waiver of the fee to take the Texas Securities Law Examination, Form 133.19 must be submitted when filing the request to take the Texas Securities Law Examination.

(B) If requesting a waiver of the initial application fee, Form 133.19 must be submitted with the initial application.

(C) If requesting a refund of the initial application fee or Texas Securities Law Examination fee that was paid in error, Form 133.19 must be submitted within four years from the date the fee was collected or received.

(d) Registration of persons with military experience as authorized by Occupations Code, Section 55.007.

(1) An applicant who is a military service member or military veteran may request special consideration of verified military service, training, or education towards registration requirements, other than an examination requirement, for the registration sought by submitting Form 133.4, Request for Consideration of a Registration Application by a Military Applicant, with the applicant's registration application.

(2) The procedure authorized by this subsection is not available to a military service member or military veteran who:

(A) is registered in another jurisdiction but such registration is not in good standing; or

(B) has been convicted of a crime that could be the basis for denial of the registration pursuant to the Texas Securities Act, Section 14.A.

(e) Renewals by military service members. If a military service member's registration is not renewed in a timely manner, the military service member may renew the registration pursuant to this subsection.

(1) Renewal of the registration may be requested by the military service member, the military service member's spouse, or an individual having power of attorney from the military service member. The renewal application shall include a current address and telephone number for the individual requesting the renewal.

(2) Renewal may be requested before or within two years after expiration of the registration.

(3) A copy of the official orders or other official military documentation showing that the military service member is or was on active duty shall be submitted to the Securities Commissioner along with the renewal application.

(4) A copy of the power of attorney from the military service member, if any, shall be filed with the Securities Commissioner along with the renewal application if the individual having the power of attorney executes any of the documents required in this subsection.

(5) A renewal application submitted to the Securities Commissioner pursuant to this subsection shall be accompanied by the applicable renewal fee set out in §116.8 of this title (relating to Fee Requirements).

(6) The State Securities Board will not assess any increased fee or other penalty against the military service member for failure to timely renew the registration if it is established to the satisfaction of the Securities Commissioner that all requirements of this subsection have been met.

(f) Other provisions in this chapter.

(1) Unless specifically allowed in this section, an applicant must meet the requirements for registration or renewal specified in this chapter. This includes the requirement that certain filings be made electronically through the IARD.

(2) A one-year period, instead of the 90-day period contained in §116.2 of this title (relating to Application Requirements), will apply to the automatic withdrawal of an application for which a Form 133.4 is properly filed.

(g) Additional information. An applicant receiving special consideration pursuant to this section in connection with a registration application or renewal shall provide any other information deemed necessary by the Commissioner. Such information may include, but is not limited to documentation:

(1) demonstrating status as a military spouse, service member, or military veteran;

(2) to determine whether the applicant meets licensing requirements through some alternative method;

(3) relating to prior military service, training, or education that may be credited towards a registration requirement; or

(4) to determine an investment adviser's financial responsibility or an investment adviser's or investment adviser representative's business repute or qualifications.

(h) Recognition of out-of-state license or registration of a military spouse as authorized by Occupations Code, Section 55.0041.

(1) A military spouse may use the procedure set out in this subsection if he or she holds a current registration in another jurisdiction.

(2) The period covered by this subsection is only for the time during which the military service member to whom the military spouse is married is stationed at a military installation in Texas. This period may not exceed three years from the date the military spouse:

(A) first becomes registered, or makes a notice filing pursuant to §116.1(b)(2) of this chapter (relating to general provisions), in Texas under Option 1, set out in paragraph (3) of this subsection; or

(B) first receives the confirmation from the Registration Division under Option 2, set out in paragraph (4)(C)(ii) of this subsection.

(3) Option 1: registration in Texas, or a notice filing made pursuant to §116.1(b)(2) of this chapter, with waiver or refund of the initial filing fee and renewal fees. If the military spouse is registered or notice filed in Texas, for all or part of the period set out in paragraph (2) of this subsection, he or she may request a waiver or refund of a fee previously paid.

(A) The initial filing fee may be waived or refunded by following the procedure set out in subsection (c) of this section, including filing Form 133.19, Waiver or Refund Request by a Military Applicant.

(B) A renewal fee may be waived by submitting Form 133.22, Waiver or Refund Request by a Military Spouse for a Renewal Fee, at the time the renewal is submitted. A refund of a renewal fee that was paid in error, is requested by submitting Form 133.22 within four years from the date the fee was collected or received.

(4) Option 2: notification and authorization of activity without registration, or notice filing pursuant to §116.1(b)(2) of this chapter. Upon confirmation under subparagraph (C) or (D) of this paragraph, the military spouse will be considered to be notice filed in Texas. Such notice filing expires at the end of the calendar year.

(A) A military spouse may engage in activity without a license or registration under the authority of Occupations Code, §55.0041, and this paragraph, only for the period specified in paragraph (2) of this subsection.

(B) A military spouse who becomes ineligible under Occupations Code, §55.0041, or paragraph (1) or (2) of this subsection prior to the three year period identified in paragraph (2), must notify the Securities Commissioner of such ineligibility within 30 days and immediately cease activity until such time as he or she is registered in Texas, or makes a notice filing pursuant to §116.1(b)(2) of this chapter, in the appropriate capacity to conduct activity in Texas.

(C) Before engaging in an activity requiring registration in Texas, or a notice filing pursuant to §116.1(b)(2) of this chapter, in Texas, the military spouse must initially:

(i) provide notice of his or her intent to engage in activity in Texas and specify the type of activity by filing with the Securities Commissioner:

(I) Form 133.23, Request for Recognition of Out-Of-State License or Registration by a Military Spouse;

(II) proof of his or her residency in Texas; and

(III) a copy of his or her military identification card.

(ii) receive confirmation that the Registration Division:

(I) has verified the individual's license in another jurisdiction; and

(II) authorizes the individual to engage in the specified activity.

(D) To continue to conduct business without registration in Texas, or a notice filing pursuant to §116.1(b)(2) of this chapter, under Option 2, after the expiration of the initial confirmation under subparagraph (C)(ii), the military spouse must renew annually on the same schedule as renewals of registration. This enables the Registration Division to determine that the military spouse remains eligible under Occupations Code, Section 55.0041, to continue to conduct securities activities in Texas without being registered.

(i) A renewal is made by submitting the same documents identified in subparagraph (C)(i) of this paragraph.

(ii) A renewal is not effective until the military spouse receives confirmation that the Registration Division:

(I) has verified the individual's license in another jurisdiction; and

(II) authorizes the individual to engage in specified activity.

Source Note: The provisions of this §116.18 adopted to be effective June 13, 2012, 37 TexReg 4186; amended to be effective March 1, 2014, 39 TexReg 493; amended to be effective February 24, 2016, 41 TexReg 1224; amended to be effective November 12, 2019, 44 TexReg 6865.

§116.19. - §116.20. Reserved for Expansion.

§116.21. System Addressing Suspected Financial Exploitation of Vulnerable Customers Pursuant to the Texas Securities Act, Section 45.

(a) System. Each investment adviser shall establish, maintain, and enforce a written system of policies, programs, plans, or procedures to address suspected financial exploitation of vulnerable adults. The system must be reasonably designed to achieve compliance with the Texas Securities Act, Section 45.

(b) Reporting. The report of suspected financial exploitation (complaint) required by the Texas Securities Act, Section 45.C, must be made in writing to the Securities Commissioner. The complaint may be in the form of a letter or memorandum and submitted electronically, by facsimile, or any other method designed to assure its prompt receipt. A template for submitting the required information is available on the website of the Texas State Securities Board. The complaint shall include:

(1) the name, age, and address of the vulnerable adult;

(2) the name and address of any person responsible for the care of the vulnerable adult;

(3) the nature and extent of the condition of the vulnerable adult;

(4) the basis of the investment adviser's knowledge; and

(5) any other relevant information.

Source Note: The provisions of this §116.21 adopted to be effective June 12, 2018, 43 TexReg 3781.

§116.22. Electronic Submission of Forms and Fees.

(a) This section does not apply to forms or fees required by §116.2 of this chapter (relating to Application Requirements), to be submitted electronically through the IARD System or the CRD System.

(b) Documents and fees submitted by applicants for investment adviser and investment adviser representative registration or notice filing may, at the option of the filer, be submitted electronically to the Securities Commissioner.

(c) Filings made and fees paid by investment advisers or investment adviser representatives may be submitted electronically, as the Agency's system is developed to accept them.

(d) All electronic submissions of forms or fees must be made in accordance with the submission procedures set out on the Agency's website (www.ssb.texas.gov). Please check the Agency's website for a complete list of forms and fees that are currently being accepted electronically.

Source Note: The provisions of this §116.22 adopted to be effective November 12, 2019, 44 TexReg 6868.

§116.23. Notice of Cybersecurity Incident.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Cybersecurity incident--

(A) the unauthorized acquisition of computerized or electronic data that compromises the security, confidentiality, or integrity of sensitive personal information being maintained;

(B) an occurrence that otherwise jeopardizes the security of the information system or the information the system processes, stores or transmits; or

(C) violates the security policies, security procedures or acceptable use policies of the information system owner to the extent such occurrence results from unauthorized or malicious activity.

(2) Information system--a set of applications, services, information technology assets or other information-handling components organized for the collection, processing, maintenance, use, sharing,

dissemination or disposition of electronic information, which is maintained by the investment adviser, an affiliate, or a third party service provider at the direction of the investment adviser.

(3) "Triggering event" means a cybersecurity incident regarding the information system maintained by or on behalf of the investment adviser, that will require:

(A) submission of a notice to a state or federal agency, law enforcement, or to a self-regulatory body; or

(B) sending a data breach notification to customers of the investment adviser under applicable state or federal law, including Business and Commerce Code, Section 521.053, or a similar law of another state.

(b) Notice to the Securities Commissioner. When a triggering event occurs that does or may affect customers or clients of the investment adviser located in Texas, the registered investment adviser must provide notice to the Securities Commissioner at the time the notice or notification identified in paragraph (3)(A) or (3)(B) of subsection (a) of this section occurs.

(c) Content of notice. The notice required by subsection (b) of this section is met by the registered investment adviser forwarding a copy of the notice or notification identified in paragraph (3)(A) or (3)(B) of subsection (a) of this section or other document containing substantially the same information. Additionally, if such information is available to the registered investment adviser at the time the notice is provided, the investment adviser should identify the number of customers located in Texas affected by the triggering event.

Source Note: The provisions of this §116.23 adopted to be effective February 27, 2020, 45 TexReg 1219.

The next page is 123-1.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 123. ADMINISTRATIVE GUIDELINES FOR REGISTRATION OF OPEN-END INVESTMENT COMPANIES.

§123.1. Reserved for Expansion.
§123.2. Reserved for Expansion.
§123.3. Conditional Exemption for Money Market Funds.

. . . . . .

§123.1. Reserved for Expansion.

§123.2. Reserved for Expansion.

§123.3. Conditional Exemption for Money Market Funds.

(a) Introduction.

(1) Certain open-end investment companies commonly known as money market funds have investment characteristics and sales patterns materially different from other types of mutual funds and other securities. These funds, defined in subsection (b) of this section, are designed to attract a large volume of comparatively short-term investments by purchasers. As early redemptions are contemplated by both purchaser and seller, and because these funds continuously offer to repurchase their own securities and issue new securities to new and repeat investors, an excessive amount of fees may be paid under the Texas Securities Act, Section 35.B(2), for the securities issued. Therefore, pursuant to the Act, Section 5.T, the State Securities Board conditionally exempts from the fee provisions of the Texas Securities Act certain investment company securities defined herein provided all the requirements of this section are satisfied.

(2) Nothing in this section shall be construed to relieve any open-end investment company from any condition or requirement of registration under the Texas Securities Act except as specifically stated herein or in Chapter 114 of this title (relating to Federal Covered Securities).

(b) Definition. In this section, a “money market fund” or “fund” is an open-end investment company which must meet all of the following conditions.

(1) The fund must engage in a continuous offering of its securities.

(2) The fund must hold itself out to be a money market fund or an equivalent to a money market fund and must be in compliance with the Investment Company Act of 1940, Rule 2a-7, as revised in Securities and Exchange Commission Release Number IC-31166.

(3) The fund must not pay or charge sales commissions or redemption fees except nominal exchange fees which may not be used for sales expenses or in lieu of initial sales charges or redemption fees.

(4) The fund's total charges against net assets for sales distribution activities and/or the servicing of shareholder accounts must not be in excess of .25% of average net assets per annum.

(5) With the exception of mergers, consolidations, or acquisitions of assets, or as noted in paragraph (6) of this subsection, the fund's investments in other investment companies must be limited to:

(A) 10% of the fund's total assets;

(B) other investment companies with substantially similar investment objectives; and

(C) other investment companies with charges and fees substantially similar to those set forth in paragraphs (3) and (4) of this subsection.

(6) In the case of a master/feeder fund structure:

(A) feeder fund(s) must meet, or invest in a master fund which meets, paragraphs (1)-(4) of this subsection;

(B) when viewed together, the master/feeder fund(s) must meet paragraphs (3) and (4) of this subsection; and

(C) all feeder funds must have investment objectives substantially similar to those of the master fund.

(7) A currently authorized fund which has been granted money market status is not required to comply with this subsection until the fund files its Year End Report of Sales of Federal Covered Securities by a Money Market Fund on Form 133.27, but it is required to comply with the subsection as it was in effect at the time that the fund was designated a money market fund for purposes of this section.

(c) Request for determination.

(1) At the time an applicant submits documents or fees in connection with an authorization to sell federal covered securities, or at any time thereafter, the applicant may request the Securities Commissioner determine that the issuer is a money market fund as defined in this section. The request shall be made in writing on Form 133.26 of this title (relating to Request for Determination of Money Market Fund Status for Federal Covered Securities). The Securities Commissioner shall review the request and any other information the Securities Commissioner deems relevant to the determination of whether the issuer is a money market fund for purposes of this section.

(2) If the request is made after the issuance of the fund's original authorization, an amendment fee as prescribed by the Texas Securities Act, Section 35.A(1) will be required. Additional sales

information will be required since only the federal covered securities authorized and sold after the date the Securities Commissioner determines that the issuer is a money market fund will be subject to the reduced fees under subsection (d) of this section.

(d) Conditional exemption. Subject to the other provisions of this section, federal covered securities issued by money market funds are exempt from the fee imposed by the Texas Securities Act, Section 35.B(2), provided all of the following requirements are satisfied at the time of sale of the federal covered securities.

(1) An applicant has requested that the Securities Commissioner determine that the issuer is a money market fund as defined in this section.

(2) The Securities Commissioner has determined that the issuer is a money market fund as defined in this section.

(3) For each filing of an original, renewal, or amended authorization under the conditional exemption provided by this section, the applicant has paid the filing fee required by the Act, Section 35.A(1), in addition to the reduced fee imposed by paragraph (5) of this subsection.

(4) During the current calendar year, the fund has an aggregate authorized amount of $10 million of federal covered securities for sale in Texas.

(5) The fund has paid the reduced authorization fee imposed by this paragraph for the aggregate amount of federal covered securities proposed to be sold during the current calendar year under this conditional exemption. The reduced authorization fee imposed by this paragraph for authorization of federal covered securities in excess of the first $10 million aggregate amount of securities sold is:

(A) for the next $10 million of federal covered securities authorized, 1/20 of 1.0% of the aggregate amount to be sold;

(B) for the next $30 million of federal covered securities authorized, 1/50 of 1.0% of the aggregate amount to be sold;

(C) for the next $50 million of federal covered securities to be authorized, 1/100 of 1.0% of the aggregate amount to be sold; and

(D) 1/200 of 1.0% of the aggregate amount on the remainder of the federal covered securities authorized to be sold.

(e) Oversales. The reduced authorization fee schedule imposed by subsection (d)(5) of this section shall not apply to any federal covered securities authorized under the Act, Section 35-1. All fees paid for authorization of federal covered securities of money market funds pursuant to Section 35-1 shall be computed as set forth in the Act, Sections 35.A(1), 35.B(2), and 35-1.

(f) Unsold balance at end of calendar year. In any calendar year, the fees required to be paid by a fund for sales that year will be calculated under subsection (d)(4) and (5) of this section without regard to the amount of fees paid or federal covered securities sold in any other year. If, at the end of any

calendar year a money market fund has a remaining unsold balance of federal covered securities authorized to be sold, the dollar amount of fees paid under subsection (d) of this section for authorization of the unsold balance may be reapplied to fees required in the next calendar year, but no unsold balance of authorized but unsold federal covered securities will be carried forward to the subsequent calendar year.

(g) Year end reports. To qualify for the reduced fees accorded to a fund granted money market fund status pursuant to this section, the fund must file a year end report of sales on Form 133.27 of this title (relating to Year End Report of Sales of Federal Covered Securities by a Money Market Fund) in January of each year which reflects the amount of federal covered securities sold in the previous year, the balance of fees paid for authorization of any unsold balance in the previous year and the recalculated balance of authorized federal covered securities at the beginning of the current year. In calculating fees applied to sales during the previous year, fees will first be applied at the higher rates specified in the reduced fee schedule in subsection (d)(5) of this section, and then at more reduced rates as sales volume increases, and not vice versa. Funds should consult Form 133.27 in determining how to compute fees.

(h) Effect of noncompliance. If at any time the business or plan of business of any fund has been altered so that it is no longer a money market fund within subsection (b) of this section, such an issuer shall not be entitled to any reduction of fees as provided in subsection (d)(5) of this section. Such fund shall not be entitled to any reduction in fees as provided in subsection (d)(5) of this section for any sales of its securities from the time at which it ceases to comply with subsection (b) of this section until the Securities Commissioner redetermines in a subsequent calendar year that the issuer is again a money market fund as defined in subsection (b) of this section, and instead fees shall be calculated for such issuer as provided in the Act, Section 35 and Section 35-1.

(i) Appeals. If any person should take exception to an action of the Securities Commissioner in making, failing to make, or revoking a determination whether that person is a money market fund, the aggrieved person may appeal the decision of the Securities Commissioner as provided in the Act, Section 24.

(j) Effect of a prior determination. A fund offering federal covered securities, that was determined to be a money market fund prior to October 11, 1996, will continue to be considered a money market fund for purposes of this section without the necessity of submitting a new request for determination, so long as the fund continues to meet the definition of a “money market fund” in subsection (b) of this section.

Source Note: The provisions of this §123.3 adopted to be effective September 1, 1979, 4 TexReg 2901; amended to be effective February 2, 1983, 8 TexReg 281; amended to be effective December 20, 1993, 18 TexReg 9093; amended to be effective June 8, 1994, 19 TexReg 4196; amended to be effective April 8, 1997, 22 TexReg 3227; amended to be effective February 24, 2004, 29 TexReg 1644; amended to be effective June 14, 2016, 41 TexReg 4251.

The next page is 125-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 125. MINIMUM DISCLOSURES IN CHURCH AND NONPROFIT INSTITUTION BOND ISSUES.

§125.1. Introduction.
§125.2. Name.
§125.3. The Issuer.
§125.4. Description of Terms of Security Offered.
§125.5. Plan of Distribution.
§125.6. Financial Information.
§125.7. Risk Factors.
§125.8. Litigation and Other Material Transactions.

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§125.1. Introduction. In order to be fair, just, and equitable to, and not tend to work a fraud upon, purchasers of securities, those offering for sale or selling securities issued by churches and similar nonprofit institutions should comply with the following guidelines for minimum information to be communicated to each prospective investor.

Source Note: The provisions of this §125.1 adopted to be effective January 1, 1976.

§125.2. Name. The name of the security being offered must be disclosed.

Source Note: The provisions of this §125.2 adopted to be effective January 1, 1976.

§125.3. The Issuer. Background information on the issuer must be given, including the following.

(1) The name, address, state in which organized, date organized, the type of legal entity, and purposes of the issuer.

(2) A brief history of the issuer, and its denominational affiliation, if any.

(3) A description of the general area and location of the issuer.

(4) Accreditation and regulation of the issuer, if any.

(5) A brief summary of the backgrounds of the key employees and those individuals responsible for the management and control of the issuer. In the case of religious organizations, a brief summary of the background of the minister or ministers and name and occupation of other responsible church officials must be included.

(6) A description of any current or past transactions, or of any proposed transactions, between the issuer and such persons mentioned in paragraph (5) of this section, or any affiliate of such persons.

(7) A statement of all direct and indirect remuneration paid by the issuer or received by members of the issuer in connection with the offering.

(8) A statement of any affiliation between the issuer and the broker/dealer, or any officers of either, with any building contractor or supplier who has an interest in or may receive any of the proceeds of the issue.

Source Note: The provisions of this §125.3 adopted to be effective January 1, 1976.

§125.4. Description of Terms of Security Offered.

(a) There must be a description of the indenture under which the securities are to be issued. This description should include information as to:

(1) interest and interest payment dates;

(2) default;

(3) redemption and prepayment;

(4) subordination;

(5) sinking fund;

(6) subsequent issues;

(7) modification of the indenture;

(8) paying agents and trustees including a brief statement concerning the duties of trustees;

(9) insurance coverage on properties of issuer; and

(10) any other material facts regarding the rights of bond holders.

(b) If any organization (it does not matter whether the organization is affiliated with the issuer or not) makes a guarantee of payment for the issue, information describing the ability of that organization to guarantee payment must be furnished, including financial statements. The word "guarantee" should not be used to describe the obligation of the issuer to pay, and it is appropriate only if there is a second obligation by another entity. The guarantee in and of itself may involve the offering of a second security which may require registration.

(c) If the security for the bond issue is in part real estate, the cost (if reasonably ascertainable) and appraised value of said property must be stated; likewise, a statement must be made concerning whether the sale of additional bonds may be authorized for the same underlying security.

Source Note: The provisions of this §125.4 adopted to be effective January 1, 1976.

§125.5. Plan of Distribution.

(a) There must be a statement as to whom the offering is being made.

(b) The names and addresses of those who are compensated to engage in the sale of securities or act as fundraising adviser must be given.

(c) A brief description of the distribution must be given.

(d) A brief description must be included of any underwriting agreement between any known broker-dealer and the issuer, including whether such agreements are “best efforts” or “firm” commitment, and whether “exclusive” or “nonexclusive.”

(e) A clear statement of the responsibilities of the broker-dealer, issuer, and the membership of the issuer under the terms of any underwriting agreement must be made.

(f) All past, present, and anticipated future dealings with broker-dealers must be disclosed. In the case of church bond issues, all past, present, and anticipated future dealings with or without church bond financing organizations must be disclosed.

(g) All expenses of the issue, including the amount of remuneration to be given to those who will engage in the sale of the issue, must be fully disclosed.

(h) If there is to be an escrow of funds, a brief description of the escrow agreement must be given.

(i) All disclosure documents must be dated.

(j) If the issue has not been registered with the Securities and Exchange Commission or under the Texas Securities Act, such must be clearly indicated in the disclosure document.

Source Note: The provisions of this §125.5 adopted to be effective January 1, 1976.

§125.6. Financial Information.

(a) Complete financial (preferably audited), prepared in accordance with generally accepted accounting principles. Complete financials are to include: a statement of assets and liabilities (a balance sheet); comparative figures showing the budget, the number of families giving on a regular basis and their average annual contribution, if applicable and available, and income (revenue) and expense statements for the past

three years; interim statements of church financials for the interim period between the last annual statements and 90 days just preceding the month of the offering.

(b) If any of the above information is not available, a statement to that effect must be made, along with an explanation of why it is not available.

(c) Any information necessary to explain extraordinary or nonrecurring fluctuations in the above-mentioned statements must be supplied.

(d) Obligations, if any, on existing indebtedness must be clearly stated and explained.

(e) An itemized statement showing the major uses of the proceeds of the offering by dollar amount is to be included. In stating the use of the proceeds, when construction costs are not based upon firm contracts, a statement should be made that the costs are estimates only and subject to change. If additional funds are needed to accomplish the stated purposes of the offering, this is to be disclosed, together with a statement showing how such funds will be obtained.

(f) A pay-out or maturity schedule must be included and sinking fund requirements must be indicated. If projected growth in income is used as the basis for increases in later sinking fund payments, great care must be exercised to insure that the estimates used are realistic and all assumptions fully disclosed.

(g) If refinancing is needed when the bonds mature, this needs to be clearly brought out. Unless special circumstances are show, “balloon payments” normally would not be considered fair, just, and equitable.

(h) Anything that is known that will take place in the future, and which could have an adverse effect on the issuer’s ability to pay back the bonds or the interest on the bonds, must be disclosed and explained.

(i) Schedules or charts showing the amount of return to be received when interest coupons are reinvested must be omitted unless there are specific provisions for reinvesting interest received.

(j) The person or persons preparing any appraisals must be identified and their qualifications for serving as such should be indicated along with the method of appraisal.

(k) Where part or all of the proceeds of an issue are to be used to retire outstanding indebtedness against certain property so that the property will serve as collateral for a first mortgage indebtedness, proceeds from the issue must be escrowed to insure that the indebtedness will be retired.

(l) If a legal opinion concerning the validity of the issue has not been rendered by an attorney, this fact shall be stated.

(m) In stating the use of the proceeds of the issue when construction costs are not based upon firm contracts, a statement should be made that the costs are estimates only which are subject to change.

Source Note: The provisions of this §125.6 adopted to be effective January 1, 1976.

§125.7. Risk Factors. Mention must be made of appropriate risk factors. Statements made concerning the risks or lack thereof in purchasing the securities must be made in the light of the financial information concerning the particular issuer. In the case of church bond offerings, it must be stated that church bonds may be offered by other issuers (of the same or other denominations) offering similar terms for greater security and less risk. Statements to the effect that little or no risk is involved in buying church bonds will be regarded as material misrepresentation. Likewise, comparisons with other investments made solely on the basis of the interest return paid will be considered misleading, unless other comparative aspects of these investments are also described. The disclosure document involved must make prominent reference to the risk factors, along with a notation as to the page number in which these risk factors may be found. The risk factors which are to be disclosed shall not be limited to the following.

(1) The issuer is primarily dependent upon contributions of the membership to meet the expenses of operation and the payment of the principal and interest on the securities. Due to population shifts or other factors, the issuer may not receive sufficient funds to meet its obligations.

(2) There has been no quoted market for the issuer's debt securities; however, the broker-dealer may effect secondary market transactions upon compliance with applicable securities laws. Neither the issuer nor the broker-dealer is obligated to repurchase the securities at the request of the holder thereof. Consequently, investors may not be able to resell any securities purchased should they need or wish to do so for emergency purposes or otherwise.

(3) (If the entity does not have a fixed price contract for the proposed construction, the following disclosure must be included.) A fixed price contract has not been obtained; consequently sufficient funds may not be available for completion of the project.

(4) If the entity has defaulted on previous issues and this issue is to refinance such a default, then such should be disclosed.

(5) If appropriate, the trust indenture permits the issuer to further encumber the property securing the bonds of this issue through the issuance and sale of additional bonds at some future date, the maximum debt-to-property valuation ratio and the debt-to-income ratio, in such event, should be set forth under section called "additional bond issues."

(6) If appropriate, issuer's financial statements as shown under "financial statements and statistical data" may be unaudited and prepared on a cash basis.

(7) Bonds of this issue will be offered to the general public and therefore must compete with other investment opportunities which may be of more or less risk by comparison and similarly provide higher or lower interest yields.

(8) The total value of the security for payment of bonds of this issue is based upon the market value appraisal of the land as shown under "security for payment of bonds" and the anticipated cost of the proposed facility to be constructed as shown under "purpose of bond issue." There is no assurance that the facility (its construction being for the most part single purpose) and land could be sold for the values stated therein in the event of a default.

Source Note: The provisions of this §125.7 adopted to be effective January 1, 1976.

§125.8. Litigation and Other Material Transactions.

(a) Any pending or threatened litigation which may materially affect the issuer's ability to pay back the bonds, or the interest on them, must be mentioned.

(b) Any transactions to which the issuer is a party which may materially affect this offering, and which have not been mentioned in subsection (a) of this section, must be fully disclosed.

Source Note: The provisions of this §125.8 adopted to be effective January 1, 1976.

The next page is 127-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 127. MISCELLANEOUS.

§127.1. Enforcement.
§127.2. Alternative Dispute Resolution.
§127.3. Seal of the State.
§127.4. Prosecutorial Assistance to County or District Attorneys.

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§127.1. Enforcement.

(a) Complaints signed by investigators. Investigators or other members of the staff, on instructions from the commissioner, may sign complaints before appropriate district or county attorneys where there is sufficient evidence of a violation of the penal section of the Act and where no complaint of such violation has been made by any other person.

(b) Disclosure of section 28 testimony. The language ". . . that all information of every kind and nature contained therein shall be treated as confidential by the Commissioner and shall not be disclosed to the public except under order of court; but nothing in this section shall be interpreted to prohibit or limit the publication of rulings or decisions of the Commissioner nor shall this limitation apply to hearings provided for in sections 24 and 25 of this Act . . . ," in section 28 of the Securities Act prohibits the commissioner and staff from permitting a witness in an investigative proceeding under section 28 to have a copy of his own statement and from permitting the distribution or dissemination of testimony to anyone except under order of court, or permitting tape recorders or private court reporters to be present at any hearing or investigation.

Source Note: The provisions of this §127.1 adopted to be effective January 1, 1976.

§127.2. Alternative Dispute Resolution.

(a) Policy. It is the Board's policy to encourage the fair and expeditious resolution of disputed matters, internal and external, through voluntary and informal settlement negotiations. This section sets out the Agency's alternative dispute resolution (ADR) procedures to be used when proceeding under Chapter 2009 of the Government Code. However, the ADR procedures in this section are intended to supplement and do not limit the use of any other informal dispute resolution or negotiated settlement procedures available to the Agency.

(b) Resolution and costs. Any resolution reached as a result of ADR procedures is intended to be through the voluntary agreement of the parties. The allocation of the costs of ADR are subject to negotiation and agreement between the parties. The party who requests ADR may be liable for the cost of any third-party mediator, moderator, arbitrator, or ombudsman and shall otherwise bear his or her own costs arising from the use of ADR.

(c) Coordinator. The Securities Commissioner shall designate at least one employee of the Agency to serve as the Agency's ADR coordinator to:

(1) coordinate the implementation of the Agency's ADR policies;

(2) serve as a resource for any training needed to implement the procedures for ADR; and

(3) collect data concerning the effectiveness of the ADR procedures as implemented by the Agency.

(d) Statutory requirements. ADR must be consistent with the Government Code, Chapter 2009; Civil Practice and Remedies Code, Chapter 154; and the Administrative Procedure Act, Government Code, Chapter 2001. Confidentiality of records and communications related to the subject matter of an ADR proceeding shall be governed by Civil Practices and Remedies Code, Section 154.073.

(e) State Office of Administrative Hearings (SOAH).

(1) SOAH mediators may be assigned to disputed matters or contested cases as needed. If the mediator is a SOAH Administrative Law Judge (ALJ), that person will not also sit as the ALJ for the case if the disputed matter or contested case goes to public hearing.

(2) When ADR procedures do not result in the full settlement of a contested matter, the participants, in conjunction with the mediator, shall limit the contested issues which will be tried at SOAH through the entry of written stipulations. Such stipulations shall be forwarded or formally presented to the ALJ assigned to conduct the hearing and shall be included in the hearing record.

(f) Contract claims.

(1) In addition to the requirements of Government Code, Chapter 2009, ADR for contracting claims must also be consistent with the Government Code, Chapter 2260; and the Office of the Attorney General's rules for negotiation and mediation of certain contract disputes (1 TAC Chapter 68).

(2) Upon receipt of notice of a contract claim under Government Code Chapter 2260, the Securities Commissioner, in consultation with the ADR coordinator and the Director of Staff Services, or their designees, shall determine whether use of an ADR procedure is a required or appropriate method for resolving the contract dispute.

(3) If ADR procedures are determined to be the appropriate method for resolving a contract claim, the Securities Commissioner, or the Commissioner's designee, shall recommend to the claimant that the parties use ADR to resolve the dispute.

(4) The ADR coordinator and Director of Staff Services will collaborate with the claimant to select an appropriate procedure for ADR, and implement the agreed upon procedure consistent with the applicable statutory requirements and the guidelines established by the Office of the Attorney General and SOAH.

(g) Contested cases.

(1) A contested case pending before SOAH may be submitted for ADR if both the respondent and the Director of the Division signing the notice of hearing agree that ADR would be an appropriate means to attempt to reach a negotiated settlement of the matter.

(2) ADR will be conducted before SOAH. The parties to the contested case shall collaborate to select an appropriate procedure for ADR and implement the agreed upon procedure consistent with SOAH's model guidelines.

(3) The full resolution of a contested case reached as a result of ADR must be in writing and signed by all of the parties and submitted to the Securities Commissioner for review and approval.

(4) "Party" as used in this subsection shall have the same meaning as set forth in the Administrative Procedure Act, Government Code, Chapter 2001.

Source Note: The provisions of this §127.2 adopted to be effective February 27, 2020, 45 TexReg 1219.

§127.3. Seal of the State. The term "state seal" as used in the Securities Act, Section 30, includes the official seal of the State Securities Board.

Source Note: The provisions of this §127.3 adopted to be effective January 1, 1976; amended to be effective March 17, 1994, 19 TexReg 1543.

§127.4. Prosecutorial Assistance to County or District Attorneys.

(a) Prior to referring a case to a county or district attorney for prosecution pursuant to the Texas Securities Act, Section 3.A, the Commissioner shall make a determination of:

(1) the Agency resources, including the number and types of Agency employees, that would potentially be needed to assist in the prosecution of the case; and

(2) the availability of Agency employees and other resources necessary to carry out any request for assistance.

(b) In making the determination in subsection (a) of this section, the Commissioner must consider:

(1) whether resources are available after taking into account any ongoing Board investigations, investigations under Section 28 of this Act, and criminal prosecutions for which assistance is being provided;

(2) the seriousness of the alleged violation or violations in the case, including the severity of the harm and number of victims involved; and

(3) the state's interest in the prosecution of a particular case and the availability of other methods of redress for the alleged violations, including the pursuit of a civil action.

(c) If a change in circumstances occurs after the time of the determination under subsection (a) of this section, the Commissioner may reconsider the determination and may increase or reduce the number of Board employees or other resources to be made available for a case using the process established in this section.

Source Note: The provisions of this §127.4 adopted to be effective February 27, 2020, 45 TexReg 1221.

The next page is 131-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 131. GUIDELINES FOR CONFIDENTIALITY OF INFORMATION.

§131.1. Information Sharing.

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§131.1. Information Sharing.

(a) The Board recognizes the need for cooperative law enforcement among agencies responsible for the prevention, detection, and prosecution of white collar crime, for the regulation and policing of persons who offer and sell securities, and for the regulation of offerings of securities. Pursuant to the authority given the Board under the Texas Securities Act, Section 28, the Board authorizes the Securities Commissioner in his or her discretion to supply any confidential information in the Commissioner's possession to:

(1) any governmental or regulatory authority, including any bankruptcy trustee, receiver, or other official appointed by a state or federal court in a proceeding involving a governmental or regulatory authority; or

(2) any association of governmental or regulatory authorities.

(b) Disclosure for limited purposes. Disclosure of the confidential information referred to in subsection (a) of this section will be made only for the purpose(s) of assisting in the detection or prevention of violations of law or to further administrative, civil, or criminal action.

Source Note: The provisions of this §131.1 adopted to be effective September 18, 1977, 2 TexReg 3401; amended to be effective February 23, 1993, 18 TexReg 835; amended to be effective September 22, 1995, 20 TexReg 7189; amended to be effective June 12, 2002, 27 TexReg 4935; amended to be effective August 18, 2011, 36 TexReg 5096.

The next page is 133-1.

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TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 133. FORMS.

Form 133.1. Reserved for Expansion.
Form 133.2. Public Information Charges--Billing Detail.
Form 133.3. ADA Accommodations Request Form.
Form 133.4. Request for Consideration of a Registration Application by a Military Applicant.
Form 133.5. Secondary Trading Exemption Notice.
Form 133.6. Secondary Trading Exemption Renewal Notice.
Form 133.7. Application for Registration of Securities.
Form 133.8. Consent to Service.
Form 133.9. Notice Filing for Third Party Brokerage Arrangements on Financial Entity Premises.
Form 133.10. Investment Company Report of Sales.
Form 133.11. Sales Report for Non-continuous Offerings.
Form 133.12. Renewal Application for Mutual Funds and Other Continuous Offerings.
Form 133.13. Application for Renewal Permit.
Form 133.14. Consent of Independent Accountants.
Form 133.15. Texas Crowdfunding Portal Registration.
Form 133.16. Texas Crowdfunding Portal Withdrawal of Registration.
§133.17. Reserved for Expansion.
Form 133.18. Certification of Balance Sheet by Principal Financial Officer.
Form 133.19. Waiver or Refund Request by a Military Applicant.
Form 133.20. Texas Crowdfunding Portal Registration by an Authorized Small Business Development Entity.
Form 133.21. Crowdfunding Exemption Notice (SEC Rule 147A Offerings Using §139.26).
Form 133.22. Waiver or Refund Request by a Military Spouse for a Renewal Fee.
Form 133.23. Request for Recognition of Out-Of-State License or Registration by a Military Spouse.
§133.24. Reserved for Expansion.
§133.25. Reserved for Expansion.
Form 133.26. Request for Determination of Money Market Fund Status for Federal Covered Securities
Form 133.27. Year-End Report of Sales of Federal Covered Securities by a Money Market Fund (Pursuant to §123.3).
§133.28. Reserved for Expansion.
Form 133.29. Intrastate Exemption Notice.
Form 133.30. Information Concerning Projected Market Prices and Related Market Information.
§133.31. Reserved for Expansion.
§133.32. Reserved for Expansion.
§133.33. Uniform Forms Accepted, Required, or Recommended.
Form 133.34. Undertaking Regarding Non-issuer Sales.
Form 133.35. Application for Designation as Matching Service under §109.15.
Form 133.36. Request for Reduced Fees for Certain Persons Registered in Multiple Capacities.

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§133.1. Reserved for Expansion.

§133.2. Public Information Charges--Billing Detail. The State Securities Board adopts by reference the public information charges--billing detail form. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167.

Source Note: The provisions of this §133.2 adopted to be effective July 14, 2005, 30 TexReg 3990.

§133.3. ADA Accommodations Request Form. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167.

Source Note: The provisions of this §133.3 adopted to be effective December 21, 2011, 36 TexReg 8513.

§133.4. Request for Consideration of a Registration Application by a Military Applicant. The State Securities Board adopts by reference Form 133.4, Request for Consideration of a Registration Application by a Military Applicant. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.state.tx.us.

Source Note: The provisions of this §133.4 adopted to be effective February 24, 2016, 41 TexReg 1225.

§133.5. Secondary Trading Exemption Notice. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3161 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.5 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.6. Secondary Trading Exemption Renewal Notice. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3161 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.6 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.7. Application for Registration of Securities. The State Securities Board adopts by reference the application for registration of securities form. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167.

Source Note: The provisions of this §133.7 adopted to be effective February 21, 2008, 33 TexReg 1321.

§133.8. Consent to Service. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.8 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.9. **Notice Filing for Third Party Brokerage Arrangements on Financial Entity Premises.** The State Securities Board adopts by reference the Notice Filing for Third Party Brokerage Arrangements on Financial Entity Premises form. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711 and at www.ssb.state.tx.us.

Source Note: The provisions of this §133.9 adopted to be effective August 16, 2010, 35 TexReg 7051.

§133.10. **Investment Company Report of Sales.** The State Securities Board adopts by reference the investment company report of sales form. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711.

Source Note: The provisions of this §133.10 adopted to be effective September 22, 1995, 20 TexReg 7190.

§133.11. **Sales Report for Non-continuous Offerings.** The State Securities Board adopts by reference the Sales Report for Non-continuous Offerings form. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711 and at www.ssb.state.tx.us.

Source Note: The provisions of this §133.11 adopted to be effective August 16, 2010, 35 TexReg 7051.

§133.12. **Renewal Application for Mutual Funds and Other Continuous Offerings.** This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.12 adopted to be effective November 12, 2004, 44 TexReg 6869.

§133.13. **Application for Renewal Permit.** This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.13 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.14. **Consent of Independent Accountants.** The State Securities Board adopts the attached consent of independent accountants. This form is available from the Securities Board, P.O. Box 13167, Capitol Station, Austin, Texas 78711.

Source Note: The provisions of this §133.14 adopted to be effective February 16, 1979, 4 TexReg 396.

§133.15. **Texas Crowdfunding Portal Registration.** This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.state.tx.us.

Source Note: The provisions of this §133.15 adopted to be effective June 12, 2018, 43 TexReg 3781.

§133.16. Texas Crowdfunding Portal Withdrawal of Registration. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.16 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.17. Reserved for Expansion.

§133.18. Certification of Balance Sheet by Principal Financial Officer. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.18 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.19. Waiver or Refund Request by a Military Applicant. The State Securities Board adopts by reference Form 133.19, Waiver or Refund Request by a Military Applicant. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.state.tx.us.

Source Note: The provisions of this §133.19 adopted to be effective February 24, 2016, 41 TexReg 1225.

§133.20. Texas Crowdfunding Portal Registration by an Authorized Small Business Development Entity. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.20 adopted to be effective June 12, 2018, 43 TexReg 3781.

§133.21. Crowdfunding Exemption Notice (SEC Rule 147A Offerings Using §139.26). This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.21 adopted to be effective June 12, 2018, 43 TexReg 3782.

§133.22. Waiver or Refund Request by a Military Spouse for Renewal Fee. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.22 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.23. Request for Recognition of Out-Of-State License or Registration by a Military Spouse. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.23 adopted to be effective November 12, 20196, 44 TexReg 6869.

§133.24. - §133.25. Reserved for Expansion.

§133.26. Request for Determination of Money Market Fund Status for Federal Covered Securities. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.26 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.27. Year-End Report of Sales of Federal Covered Securities by a Money Market Fund (Pursuant to §123.3). The State Securities Board, in March 1997, adopts by reference the year-end report of sales of federal covered securities by a money market fund (pursuant to §123.3) form. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167.

Source Note: The provisions of this §133.27 adopted to be effective April 8, 1997, 22 TexReg 3228.

§133.28. Reserved for Expansion.

§133.29. Intrastate Exemption Notice. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3161 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.29 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.30. Information Concerning Projected Market Prices and Related Market Information. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3161 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.30 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.31. - §133.32. Reserved for Expansion.

§133.33. Uniform Forms Accepted, Required, or Recommended.

(a) Assuming the appropriate exhibits and supplements are filed, the State Securities Board will accept for filing the following "Uniform Forms" in lieu of the requisite Texas form, if any.

(1) U-1. Uniform Application to Register Securities.

(2) U-2. Uniform Consent to Service of Process.

(3) U-4. Uniform Application for Securities Industry Registration or Transfer.

(4) U-5. Uniform Termination Notice for Securities Industry Registration.

(5) ADV. Uniform Application for Investment Adviser Registration.

(6) BD. Uniform Application for Broker-Dealer Registration.

(7) USR-1. Investment Company Report of Sales.

(8) U-7. Small Company Offerings Registration Form may be used as a disclosure guide when making a small company offering of securities pursuant to an exemption under the Act or when making small public offerings pursuant to the Act, Section 7.A.

(9) NF. Uniform Investment Company Notice Filing.

(10) Model Accredited Investor Exemption Uniform Notice of Transaction.

(11) BR. Uniform Branch Office Registration Form.

(12) Regulation A - Tier 2 Form.

(b) The following "Uniform Forms" may be filed with this agency as appropriate.

(1) ADV-W. Notice of Withdrawal from Registration as Investment Adviser.

(2) BDW. Uniform Request for Withdrawal from Registration as a Broker-Dealer.

(3) ADV-E. Certificate of Accounting of Client Securities and Funds in the Possession or Custody of an Investment Adviser.

(c) Section 109.13(k) of this title (relating to Limited Offering Exemptions) and §114.4(b)(1) of this title (relating to Filings and Fees) require the filing of a Form D, "Notice of Exempt Offering of Securities."

Source Note: The provisions of this §133.33 adopted to be effective November 29, 1989, 14 TexReg 6079; amended to be effective April 21, 1995, 20 TexReg 2621; amended to be effective April 8, 1997, 22 TexReg 3228; amended to be effective December 2, 1997, 22 TexReg 11668; amended to be effective August 10, 2003, 28 TexReg 5992; amended to be effective January 8, 2006, 30 TexReg 8869; amended to be effective December 21, 2011, 36 TexReg 8513; amended to be effective December 23, 2018, 43 TexReg 8090; amended to be effective November 12, 2019, 44 TexReg 6870.

§133.34. Undertaking Regarding Non-issuer Sales. This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3161 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.34 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.35. **Application for Designation as Matching Service under §109.15.** This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.35 adopted to be effective November 12, 2019, 44 TexReg 6869.

§133.36. **Request for Reduced Fees for Certain Persons Registered in Multiple Capacities.** This form is available from the State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 and at www.ssb.texas.gov.

Source Note: The provisions of this §133.46 adopted to be effective November 12, 2019, 44 TexReg 6869.

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Form
133.2

Texas State Securities Board

Public Information Charges - Billing Detail

Description of Information _____ Date _____

Agency/Company _____ Method of Payment:

Address _____ Cash _____

_____ Check _____

Telephone No. _____ Other _____

	Number		Total
Standard-size Paper Copies	_____	@$0.10/page	$_____
Nonstandard-size Copies			
-CD	_____	@$1.00/ea.	$_____
-Diskette	_____	@$1.00/ea.	$_____
-Magnetic Tape	_____	(actual cost)	$_____
-Audio Cassette	_____	@$1.00/ea.	$_____
-Paper	_____	@$0.50/ea.	$_____
-Other		(actual cost)	$_____
Personnel Charges:			
-Programming	_____	@$28.50/hr.	$_____
-Other	_____	@$15.00/hr.	$_____
Overhead Charges:			
(20% of Total Personnel Charges)	_____	x 20%	$_____
Computer Resource Charges:			
-PC or LAN	_____	@$1.00/hr.	$_____
-Mainframe	_____	@$10.00/min.	$_____
Postage/Shipping Charges		(actual cost)	$_____
Other Charges:			
(Description:_____)	_____		$_____

TOTAL CHARGES: $_____

07-14-2005

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Form
133.3

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167
(512) 305-8300

ADA Accommodations Request Form

The Texas State Securities Board ("TSSB") complies with the Americans with Disabilities Act of 1990, as amended. To ensure equal opportunity for all qualified applicants with disabilities, TSSB will not pay any costs an applicant may incur in obtaining the required evaluation, diagnosis, and recommendations.

Note: This form must be submitted each time the applicant requests to take an examination.

1. **Biographical Information:**

Name: _____

Date of Birth: _____ CRD Number: _____

Mailing Address (Street or P.O. Box): _____

City: _____ State: _____ Zip Code: _____

Telephone: _____ Fax: _____ Email: _____

2. **Examination Information:**

Requested examination date or window: _____

Have you previously taken this examination? ☐ Yes ☐ No

If yes, please provide:

Date of last examination: _____

Location of last examination: _____

Were you provided special accommodations? ☐ Yes ☐ No

If yes, what type of accommodations were provided? _____

_____

_____

_____

What is your requested accommodation? (Attach separate sheet if more space is needed.)

_____
_____
_____
_____
_____
_____

3. **Information regarding disability.** Supporting documentation, that is no more than three years old, must be submitted with this form. Please see guidelines on the following page.

What is the disability that limits one or more of your major life activities (e.g., walking, hearing, speaking, seeing, reading or writing?) _____
_____
_____
_____
_____
_____

Please describe the special accommodations needed and include written documentation supporting the accommodation that you are requesting. (Attach separate sheet if more space is needed.) _____
_____
_____
_____
_____
_____

Supporting documentation must comply with the following:

a. Be on official letterhead from a licensed or certified health professional appropriate for diagnosing and treating the disability;

b. Make a recommendation for the specific accommodations with current, detailed documentation supporting the request;

c. Provide evidence that similar accommodations have been made for you in other educational or testing situations or in employment settings, or describe why no such accommodation was made in the past but is now required;

d. Be dated within the last three years; **AND**

e. Be received by the application deadline.

Form
133.3

Disability Documentation Guidelines

These guidelines are developed to ensure candidates are protected under Title II of the Americans with Disabilities Act of 1990, as amended. The Securities Commissioner will evaluate all requests for examination modifications to determine whether the applicant: 1) has a disability, as defined by the ADA, and 2) is qualified for protection under Title II. Such modifications must maintain the security of the examination. Exam modifications that fundamentally alter the nature or security of the exam are not permitted.

The following guidelines describe the necessary components of acceptable evidence required to validate a disability and the current need for testing accommodations. A prior history of accommodations, without demonstration of a current need, will not necessarily warrant approval of testing modifications. To avoid unnecessary delays, ensure the submission of all information and documentation by the application deadline and in accordance with these guidelines.

Qualified individuals with disabilities are required to request accommodations every time they apply to take an examination by the application deadline for the respective examination. This requirement allows the Securities Commissioner to determine if the individual is "disabled" under the ADA. It also provides enough time to arrange reasonable and appropriate accommodations and services before the administration of the examination. Consequently, it is in the applicant's best interests to provide recent and appropriate documentation that clearly defines the extent and impact of the impairment(s) upon current levels of academic and physical functioning.

- Requests for accommodations and appropriate, supporting documentation, which is complete, must be submitted by the application deadline.

- Documentation should provide evidence of a substantial current limitation to physical or academic functioning.

- Clinical evaluations should be performed by a licensed or qualified professional (e.g. physician, psychologist, or educator) who has conducted an examination of the candidate and has diagnosed a physical or mental impairment. Details about the professional's area of specialization and professional credentials, including certification and licensure, should be provided.

- Documentation must be submitted on official letterhead from a licensed or qualified professional who has examined the candidate and diagnosed a physical or mental impairment. Depending on the disability and written evaluation, documentation may include a letter from a physician or a detailed report.

- Documentation should not be more than three years old.

- Documentation for all disabilities should describe the extent of the disability, the criteria for the diagnosis, the diagnosis, the type and length of treatment and the recommended accommodation. Terms such as "problems," "deficiencies," "weaknesses," "differences,"

and "learning disabilities" are not the equivalent of a diagnosed specific disability (such as ADD, Dyslexia, Multiple Sclerosis, etc). The disability must be specific. The accommodation must also be specific. "Extended time" or "unlimited time" is not sufficient. The recommendation must be specific, such as an extra thirty minutes per session, time and one-half over one day, etc.

- Indicate why specific accommodations are needed and how the effects of the specific disability are mediated by the recommended accommodations.

- Indicate any medication currently being taken that is directly linked to the disability and any effect that medication may have relating to the major life activity affected by the disability.

- All accommodations must be approved by the Securities Commissioner. Once accommodations have been granted, they may not be altered during the examination unless prior approval of the Securities Commissioner is obtained.

Information Relating To Tests

The following information should be shared with the health professional. This information will help them in formulating their response as it relates to each individual test.

The TEXAS SECURITIES LAW EXAMINATION ("TSLE") consists of 25 multiple choice questions and is a timed exam. The applicant has 30 minutes to complete the examination. While taking the TSLE, the applicant may have for reference a clean copy of The Texas Securities Act, which will be provided by the TSSB at the time of examination. No other reference materials are allowed to be used by applicants during the examination. The testing facility is kept as quiet as possible to reduce distractions. The test is completed on paper and each applicant is alone in the room except for a proctor. For additional information regarding what the exam covers, please contact the Registration Division by calling (512) 305-8300.

I hereby affirm that I have read and agree to all of the information provided above.

_____ _____

Applicant's Signature Date

Please keep a copy of all documentation, including this form, for your records.

Return this form, along with documentation, to:

Texas State Securities Board
Attention: ADA Coordinator
P.O. Box 13167
Austin, TX 78711-3167

Form
133.4

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Request for Consideration of a Registration Application by a Military Applicant
(§115.18 or §116.18)

1. Name of Applicant: _____

2. Application Type (check all that apply):

   ☐ Dealer ☐ Agent
   ☐ Investment Adviser ☐ Investment Adviser Representative

3. CRD No. of Applicant (if applicable): _____

4. SSN of Applicant: _____

5. Name of Employer: _____

   CRD or IARD No. of the Employer, if applicable: _____

6. Applicant: (check all that apply)

   ○ is a ☐ military service member; ☐ military spouse; ☐ military veteran; as those terms are defined in §115.18(a) or §116.18(a).

   ○ holds a current registration issued by another state, the District of Columbia, or a territory of the United States. Please list all such jurisdictions where the applicant holds a comparable current registration:

   _____
   _____
   _____

   ○ was previously registered in Texas within the last five years preceding the date of the application for registration for which expedited review is requested.

   ○ wishes to resolve any pending and/or deficient items identified in connection with my registration before my registration becomes effective.

   ○ wishes to become registered at the earliest possible date and acknowledges that any pending and/or deficient items identified in connection with my registration application must be corrected within 12 months after my registration is granted or my registration will be automatically terminated after that 12-month period.

○ has attached verification of the military service, training, or education that I wish to apply towards the Texas registration requirements, other than the Texas examination requirements contained in §115.3 or §116.3 of the Board rules.

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

Date: _____ _____

(Signature)

_____

(Printed name)

Form
133.5

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Secondary Trading Exemption Notice
(Section 5.O, Texas Securities Act)

FILING FEE $500.00

1. Name of Issuer: _____
State of incorporation: _____
Address and principal place of business: _____
_____
_____

Location of books and records: _____
_____

Correspondent: _____
Firm: _____
Address: _____
_____

Telephone: _____

2. Attach Forms 10, 10-K, 8-K, and 10-Q for last 3 years, if any. (Answers to any of the following items may be cross-referenced to the appropriate pages of these documents if the cross-reference fully and adequately supplies the information required by the item).

3. Describe history of Issuer. Include state of incorporation, date of incorporation, dates of consolidation, mergers, or spin offs. Give names of companies, partnerships, etc., involved:
_____
_____
_____
_____
_____
_____
_____
_____
_____

4. Description of business: _____

_____

5. Property and location: _____

_____

6. Subsidiaries: _____

7. (a) Names and addresses of current officers and directors: _____

_____

_____

_____

Names and addresses of any other officers and/or directors who have held office within the past 5 years: _____

_____

_____

_____

(b) Has the Issuer or any person named in Item 7(a):

(1) been charged, indicted or convicted of any felony or misdemeanor of which fraud is an essential element?

☐ No ☐ Yes If yes, give details in an attached statement. Include identification of court, pertinent dates, style and number of case, charge, and disposition of case.

(2) been subject to a permanent or temporary injunction instituted by any court?

☐ No ☐ Yes If yes, give details in an attached statement. Include identification of court, pertinent dates, style and number of case, charge, and disposition of case.

8. Name and address of transfer agent: _____

_____

9. Date of annual meeting: _____

10. Number of stockholders on recent date. Specify date: _____

11. Number of employees on recent date. Specify date: _____

12. Attach all financial statements (consolidated, if applicable) prepared in accordance with Section 7.A(1) of the Texas Securities Act - although the statements need not reflect the financial condition of the Issuer on a day not less than 90 days before the date this notice is filed - including the following:

    (a) a balance sheet for the most recent fiscal year available, and as of a date not more than 18 months before the date of filing, that is certified by independent certified public accountants or independent public accountants; and

    (b) statements of income, changes in stockholders' equity and statements of cash flow for the 3 years ended as of the balance sheet date (or for the period of existence of the Issuer, if such period is less than 3 years) that are certified by independent certified public accountants or independent public accountants.

13. Record of dividends paid (cash, stock and property): _____

_____

_____

14. Public offerings - if any:

    Dates securities issued to public in the following states: _____

    _____

    Number of shares, price per share, net proceeds to the company, date of offering, name and address of underwriter (prices per share adjusted to reflect the present capitalization):

    _____

    _____

    _____

    _____

    _____

    Furnish copies of the latest prospectus, annual report and proxy statement.

15. Disclose all facts pertaining to the issuance of securities in transactions other than those described in Item 14. Include a description of all warrants and options that have been granted or authorized but not yet exercised: _____

_____

_____

_____

_____

_____

_____

16. Is there an existing over-the-counter market for the Issuer's securities?

☐ No ☐ Yes If yes, the Issuer's transfer agent must furnish the following justification of the market for the previous 12 months (excluding trades by insiders and control persons):

Sales Transactions For

	First Quarter Ending _____ (Date)	Second Quarter Ending _____ (Date)	Third Quarter Ending _____ (Date)	Fourth Quarter Ending _____ (Date)
Number of shares	_____	_____	_____	_____
Number of transactions	_____	_____	_____	_____
High bid price	_____	_____	_____	_____
Low bid price	_____	_____	_____	_____

17. Names and addresses of dealers making a market in the securities: _____

18. Names of the registered Texas dealers who have agreed to make a market in the securities. Include copies of their agreements: _____

19. (a) Class(es) of security(ies) for which exemption is sought: _____

(b) Number of shares or units eligible for secondary trading without benefit of registration under the Securities Act of 1933: _____

20. Include a statement from an officer of the Issuer that to the best of his or her knowledge and belief there has been no material adverse change in the financial condition of the Issuer since the date of the last audited financial statement.

21. In an attached statement, describe reason exemption is being sought.

The undersigned and the Applicant (if different from the undersigned) certify that the securities proposed to be sold under this exemption are not a part of an unsold allotment or subscription in the distribution of such securities by the Applicant; that securities of the same class, of the same issuer, are outstanding in the hands of the public; that no part of the proceeds of such sale will be paid directly or indirectly to the Applicant of such securities; that such sale is not directly or indirectly for the purpose of providing or furthering any scheme to violate or evade any provision of The Texas Securities Act; and that the Applicant of such securities is a going concern actually engaged in business and is neither in an organizational stage nor in receivership or bankruptcy.

The undersigned and the Applicant (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Applicant to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this notice on behalf of, and with the authority of the Applicant. The undersigned and the Applicant represent that we have read this notice, that we understand it and are familiar with its contents, and that the information and statements therein are current, true and complete to the best of our knowledge, information and belief and that any documents submitted with this notice are true copies of the originals. The undersigned and Applicant further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the ___ day of _____, 20___.

By: _____
Signature

_____
Printed name

_____
Title

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Form
133.6

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Secondary Trading Exemption Renewal Notice
(Section 5.O, Texas Securities Act)

FILING FEE $500.00

1. Name of Issuer: _____
State of incorporation: _____
Address and principal place of business: _____
_____
_____

Location of books and records: _____
_____

Correspondent: _____
Firm: _____
Address: _____
_____

Telephone: _____

2. Attach all Forms 10, 10-K, 8-K, and 10-Q not previously filed with the last filing for Secondary Trading Exemption.

3. Furnish copies of latest prospectus (if any), annual report and proxy statement.

4. (a) Names and addresses of current officers and directors: _____
_____
_____
_____
_____
_____

Names and addresses of new officers and directors since last filing for Secondary Trading Exemption: _____
_____
_____
_____

Names and addresses of any other officers and/or directors who have held office within the past 5 years, who have not been named in any prior Secondary Trading Exemption Notices: _____

_____
_____
_____
_____
_____
_____
_____
_____

(b) Has the Issuer or any person named in Item 4(a):

(1) been charged, indicted or convicted of any felony or misdemeanor of which fraud is an essential element?

☐ No ☐ Yes If yes, give details in an attached statement. Include identification of court, pertinent dates, style and number of case, charge, and disposition of case.

(2) been subject to a permanent or temporary injunction instituted by any court?

☐ No ☐ Yes If yes, give details in an attached statement. Include identification of court, pertinent dates, style and number of case, charge, and disposition of case.

5. Name and address of transfer agent: _____

_____
_____
_____
_____

6. Attach certified financial statements of the Issuer. Such financial statements (consolidated, if applicable) shall include a balance sheet for the most recent fiscal year and the related statements of income, changes in stockholders' equity and statements of cash flow for the 3 years ending as of the balance sheet date (or for the period of existence of the Issuer, if such period is less than 3 years).

7. Is there an existing over-the-counter market for the Issuer's securities?

☐ No ☐ Yes If yes, the Issuer's transfer agent must furnish the following justification of the market for the previous 12 months (excluding trades by insiders and control persons):

Sales Transactions For

	First Quarter Ending _____ (Date)	Second Quarter Ending _____ (Date)	Third Quarter Ending _____ (Date)	Fourth Quarter Ending _____ (Date)
Number of shares	_____	_____	_____	_____
Number of transactions	_____	_____	_____	_____
High bid price	_____	_____	_____	_____
Low bid price	_____	_____	_____	_____

8. Names and addresses of dealers making a market in the securities: _____

_____

_____

_____

_____

9. (a) Class(es) of security(ies) for which exemption is sought: _____

_____

(b) Number of shares or units eligible for secondary trading without benefit of registration under the Securities Act of 1933:

_____

10. Include a statement from an officer of the Issuer that to the best of his or her knowledge and belief there has been no material adverse change in the financial condition of the Issuer since the date of the last audited financial statement.

The undersigned and the Applicant (if different from the undersigned) certify that the securities proposed to be sold under this exemption are not a part of an unsold allotment or subscription in the distribution of such securities by the Applicant; that securities of the same class, of the same issuer, are outstanding in the hands of the public; that no part of the proceeds of such sale will be paid directly or indirectly to the Applicant of such securities; that such sale is not directly or indirectly for the purpose of providing or furthering any scheme to violate or evade any provision of The Texas

Securities Act; and that the Applicant of such securities is a going concern actually engaged in business and is neither in an organizational stage nor in receivership or bankruptcy.

The undersigned and the Applicant (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Applicant to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this renewal notice on behalf of, and with the authority of the Applicant. The undersigned and the Applicant represent that we have read this renewal notice, that we understand it and are familiar with its contents, and that the information and statements therein are current, true and complete to the best of our knowledge, information and belief and that any documents submitted with this renewal notice are true copies of the originals. The undersigned and Applicant further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the ___ day of _____, 20___.

By: _____
Signature

_____
Printed name

_____
Title

Form
133.7

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Application for Registration of Securities,
Section 7, Article 581, Vernon's Annotated Civil Statutes
The Texas Securities Act

ANSWER ALL QUESTIONS. IF NOT APPLICABLE, SO STATE.

1. Name of applicant. If the applicant is not the issuer, state the capacity in which the application is made (e.g., licensed dealer): _____

_____

_____

2. Correspondent: _____
Firm: _____
Address: _____

_____

Telephone: (_____) _____

3. Name of Issuer: _____

(a) Address of Issuer's principal office: _____

_____

(b) Address of Issuer's principal office in Texas: _____

_____

4. Is the filing under the Texas Securities Act, Section 7.A ☐, 7.B ☐, or 7.C ☐?

NOTE: An applicant filing under the Texas Securities Act, Section 7.A, is cautioned to observe the audited financial statement requirements of Sections 7.A(1)f and 7.D, unless the issuer is a "small business issuer" as defined in Rule 113.5. (See Rule 113.5 for financial statement requirements.)

5. Date of Issuer's fiscal year end: _____

6. Describe the securities to be offered in Texas:

Quantity of Securities	Type of Securities	Maximum Price Per Unit	Aggregate Maximum Offering Price

Describe the securities to be offered in the total offering:

Quantity of Securities	Type of Securities	Maximum Price Per Unit	Aggregate Maximum Offering Price

7. Maximum commissions: _____%. Estimate other offering expenses: _____

8. Amount of fees submitted with this application: $ _____

NOTE: Fees are 1/10 of 1% of the aggregate amount of securities to be sold to Texas residents plus the applicable filing fee. Current information on fees is available on the Agency's web site (www.ssb.state.tx.us) or by contacting the Texas State Securities Board.

9. If registration application has been made with the Securities and Exchange Commission, state the effective date thereof or the expected date of effectiveness: _____

_____

10. Submit one copy of each of the following documents and indicate the documents submitted. Include:

(a) Securities and Exchange Commission Registration Statement;

(b) preliminary prospectus and all amendments thereto;

(c) each of the following, which may be in preliminary form, with a definitive copy furnished when available:

Issuer's charter and all amendments;
Issuer's bylaws and all amendments;
Underwriting agreement;
Agreement among underwriters and dealers;
Opinion of counsel;
Specimen copy of security; and
Firm offering price commitment from managing underwriter;

(d) all advertising to be used in connection with the offering of the securities in Texas; and

(e) if the Issuer is organized under the laws of any other state, territory, or government, or domiciled in any other state than Texas, a consent to service of process under proper resolution or authority of the governing body of the Issuer.

11. (a) List the states in which it is proposed to offer the securities for sale to the public:

_____

_____

_____

(b) List the states, if any, in which the securities are eligible for sale to the public:

_____

_____

_____

(c) List the states, if any, which have refused, by order or otherwise, to authorize sales of the securities to the public, or have revoked or suspended the right to sell the securities, or in which an application has been withdrawn: _____

_____

_____

_____

12. Describe any stop order, denial, order to show cause, suspension or revocation order, injunction or restraining order, withdrawal order or permission, or similar order issued to date by any state regulatory body, or other governmental authority, or by any court, concerning the securities covered by this application, or other securities of the issuer currently being offered to the public, and attach copies of any materials pertaining to any such orders: _____

_____

_____

_____

_____

_____

13. The applicant agrees:

(a) that any changes or amendments in the prospectus or registration statement shall be furnished with changes, additions, or deletions marked;

(b) that within two days after the filing under the Securities Act of 1933 of the final prospectus or of any further amendments or supplements thereto, whether post-effective or otherwise, one copy thereof will be filed with the Texas State Securities Board;

(c) that upon receipt of notice by the issuer or applicant of any orders of the Securities and Exchange Commission issued under Section 8(b) (Refusal Order Proceeding) or Section 8(d) (Stop Order Proceeding) of the Securities Act of 1933, in connection with the registration of the securities thereunder, and of any notice of effectiveness of said registration, notice thereof will be given to the Texas State Securities Board by any means of electronic submission, such as graphic scanning, modem or facsimile, provided, however, that the office of the Texas State Securities Board has the necessary equipment to accept such a transmission;

(d) that upon receipt of notice by the issuer or applicant of any stop order, denial, order to show cause, suspension or revocation order, injunction or restraining order, withdrawal order or permission, or similar order issued by any state regulatory body, or other governmental authority, or by any court, concerning the securities covered by this application, or other securities of the issuer currently being offered to the public, notice thereof will be given to the Texas State Securities Board by any means of electronic submission, such as graphic scanning, modem or facsimile; provided, however, that the office of the Texas State Securities Board has the necessary equipment to accept such a transmission; and

(e) that it will promptly furnish all such additional information and documents regarding the issuer or the securities covered by this application as may be requested by the Securities Commissioner prior to registration.

Signed and sealed this _____ day of _____, 20 _____

_____
(Name of Applicant)

By: _____
(Title)

Attest: _____
(Secretary or Partner)

STATE OF _____

COUNTY OF _____

The undersigned, being duly sworn, deposes and says that he or she executed the foregoing application for and on behalf of the applicant named therein; that he or she is _____ _____ (title) of such applicant and is fully authorized to execute and file such application; that he or she is familiar with such application; that to the best of his or her knowledge, information and belief the statements made in such application are true and the

documents submitted therewith are true copies of the original thereof; and that to date, unless the Texas State Securities Board has been otherwise notified, no stop order, denial, order to show cause, suspension or revocation order, injunction or restraining order, withdrawal order or permission, or similar order has been issued by any state regulatory body, or other governmental authority, or by any court, concerning the securities covered by this application, or other securities of the issuer currently being offered to the public.

_____
(Signature)

_____
(Capacity)

Subscribed and sworn to before me the _____ day of _____, 20____

_____

Notary Public in and for the County of _____

State of _____

(NOTARY SEAL) My commission expires: _____

The Texas State Securities Board will mail the correspondent a notice of receipt of the application.

Pursuant to the requirements of the Texas Government Code, Chapter 2005, the Rules and Regulations of the Texas State Securities Board, Chapter 104, set forth time periods for processing applications and a process for appeal where, without good cause, an application is not processed within the time periods prescribed.

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Form
133.8

CONSENT TO SERVICE

BE IT KNOWN:

That the undersigned _____, (a corporation), (a partnership), (a) organized under the laws of _____ , or (an individual/sole proprietor, a resident of the State of _____), hereby irrevocably appoints the Securities Commissioner of Texas, and the Commissioner's successors in office, its attorney in Texas upon whom may be served any notice, process, or pleading in any action or proceeding arising out of any transaction subject to the Texas Securities Act, in accordance with all applicable laws of the State of Texas; and the undersigned hereby agrees that any proceeding against it may be commenced in any court of competent jurisdiction and proper venue within Texas by service of process upon the Securities Commissioner of Texas, and the Commissioner's successors in office, with the same effect as if the undersigned was organized or created under the laws of Texas, or was a resident of Texas, and had been lawfully served with process in Texas.

A copy of any notice, process, or pleading served hereunder will be mailed to the undersigned's address of record on file with the Securities Commissioner as of the date of service.

This Consent to Service is made in compliance with the provisions of the Texas Securities Act, Tex. Rev. Civ. Stat. Ann. art. 581-1 et seq.

Strike out inapplicable terminology and fill in blanks, as appropriate.

The undersigned and the Applicant (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Applicant to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this Consent to Service on behalf of, and with the authority of the Applicant. The undersigned and the Applicant represent that we have read this Consent to Service, that we understand it and are familiar with its contents, and that the information and statements therein are current, true and complete to the best of our knowledge, information and belief and that any documents submitted with this Consent to Service are true copies of the originals.

Form
133.8

The undersigned and Applicant further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the ___ day of _____, 20___.

By: _____
Signature

_____
Printed name

_____
Title

By: _____
Secretary ( )

_____
Printed name

INSTRUCTIONS FOR FORM 133.8 - CONSENT TO SERVICE

1. As part of the application for registration in Texas filed by a dealer or issuer, every entity not organized under the laws of Texas, or that has its principal place of business outside Texas, and any individual/sole proprietor applicant who is not a Texas resident, must complete a Consent to Service form. This form allows for service of process upon the dealer or issuer by service upon the Securities Commissioner as the attorney in fact for the dealer or issuer in any action or proceeding against the dealer or issuer arising out of any transaction subject to the Texas Securities Act. (Note: Texas will accept Form U-2 in lieu of this Form 133.8.)

2. Issuers seeking to register securities for sale in Texas are not required to file this form if the issuer's application is filed by a registered dealer acting as a principal in a firm commitment underwriting.

3. For entities other than natural persons, the forms must be completed using the **exact** name of the entity as used in the document that created the entity (e.g., articles of incorporation, partnership agreement, etc.). Abbreviations may not be used unless they are also used in the document that created the entity. Applicants **will be required to re-execute** the form if the names are not identical.

4. **CORPORATIONS ONLY.** If a corporate seal is used, any two officers may sign the forms. If no corporate seal is used, the president and the secretary **must** sign as directed on the power of attorney page. If the bylaws of the corporation do not allow the president and the secretary to be the same person, then the appointed secretary and president who execute the form as directed **must** be two different persons. Corporate applicants who do not follow this instruction **will be required to re-execute** the form.

5. **LIMITED LIABILITY COMPANIES ONLY.** The forms must be signed by members with managing authority for the company, in accordance with its articles of organization.

6. The first page, labeled **CONSENT TO SERVICE**, should be completed by all applicants meeting the above criteria, including both natural persons and entities. If a series of choices is listed within parentheses or brackets, applicants should strike out inapplicable terminology and fill in blanks with the correct terms. For sole proprietors, the signature of the sole proprietor is sufficient and no second signature is required. For general partnerships, the signature of one general partner will be sufficient, unless the partnership agreement requires otherwise. For limited partnerships, the signature of one general partner may be sufficient, but if the general partner is not an individual or partnership itself, it must follow the directions for a corporation or other entity, as appropriate.

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Form
133.9

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Notice Filing for Third Party Brokerage Arrangements on Financial Entity Premises (§139.20)

1. Name of Financial Entity: _____

_____

2. Address of Financial Entity: _____

_____

_____

3. Designated Officer/Contact: _____

4. Name of Registered General Dealer Providing Services: _____

_____

_____

5. Is the financial entity currently the subject of any litigation or arbitration relating in any way to the offer or sale of securities? ☐ Yes ☐ No

6. Please Attach the Following Fees:
   ☐ Financial Entity (Same as dealer registration fee)
   ☐ Designated Officer (contact person) (Same as agent registration fee)

By: _____
(Full Name - Printed or Typed)

_____
(Signature)

Date: _____

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Form
133.10

TEXAS PERMIT NO. _____
F.Y. END DATE _____

INVESTMENT COMPANY REPORT OF SALES

IN THE STATE OF

TEXAS

For the 12 month period beginning _____ Ending _____

Fund _____

Address _____

_____

Contact Person _____

Telephone _____

BEGINNING BALANCE	$ _____
ADDITIONAL AMOUNTS AUTHORIZED DURING THIS PERIOD (if any)	$ _____
TOTAL AVAILABLE FOR SALE	$ _____
SALES DURING THE PERIOD	$ _____
ENDING BALANCE	$ _____

We certify that the foregoing is a complete report of sales for this Fund during the period specified.

Date: _____ _____
(Fund)

By: _____
(Authorized signature)

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Form
133.11

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Sales Report for Non-continuous Offerings

In order to comply with §113.10, you should furnish the information requested in the tabulation below. If this is to be a final sales report indicate the total expenses of the offering.*

PERMIT NO. _____ FINAL REPORT: ☐ Yes ☐ No

For the Period: FROM _____ TO _____

	# Shares	$ Consideration
1. Balance UNSOLD in Texas Beginning Period[1]	_____	_____
2. Add: Increase of Offering in Texas by Permit Amendment During the Period[2]	_____	_____
3. Deduct: Amount SOLD in Texas During Period[3]	_____	_____
4. Balance of Authorization in Texas UNSOLD on (Date) _____	_____	_____
*Total Offering Expenses (to be completed in Final Report ONLY)	_____	_____
Total Sales in all States including Texas	_____	_____

Name of Issuer: _____

By: _____

Date: _____

---

[1] The offering UNSOLD at the beginning of a report period is the BALANCE of authorization UNSOLD at the previous reporting period. For first year Permits this total is the aggregate authorization of the original Permit.

[2] Increase to authorized offerings result only from formal amendments to Permits.

[3] This deduction is the TOTAL amount of any commitments for SHARES SOLD. Liquidations, abandonments or cancellations may not be deducted from the amount of certificates SOLD, nor added to any authorized UNSOLD balance.

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Form
133.12

TEXAS PERMIT NO. _____
EXPIRATION DATE _____
F.Y. END DATE _____

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Renewal Application for Mutual Funds and Other Continuous Offerings

Must be submitted with the applicable renewal fee.
[This form must be filed at least one month before the expiration of a current permit.]

1. Name of Issuer. This name must be the same as that shown on Texas permit: _____

_____

2. Principal address of Issuer: _____

_____

_____

3. Correspondent: _____

Firm: _____

Address: _____

_____

_____

Telephone: ( ) _____

4. Describe any legal or administrative proceedings of a material nature that have been instituted in which the Issuer, its advisor, or any affiliate was named as a party. If you have not previously notified the State Securities Board of such proceedings, please attach a summary or copy of the pleadings. _____

_____

_____

_____

The undersigned certifies that he or she is an authorized representative of the above-named registrant, having full authority in said capacity to agree to the following undertakings as evidenced by his or her signature below in consideration of a renewed registration. The registrant agrees:

(1) to file one copy of each new, revised, or amended prospectus as soon as it is available, with such copy marked to show changes;

(2) to continue to file single copies of all advertising literature as required by the Texas Securities Act, Section 22;

(3) to continue to file sales reports of securities sold and to maintain an adequate authorization based upon the rate of sales in Texas;

(4) to terminate security sales immediately if a licensed Texas dealer is no longer authorized to make sales; and

(5) to notify the State Securities Board immediately of any material adverse change in the registrant's plan of business or financial condition.

The undersigned further certifies that unless the State Securities Board has been notified otherwise, no legal or administrative proceedings of a material nature have been instituted in which the Issuer, its advisor, or any affiliate thereof was a party since publication of the Issuer's most recent prospectus.

The undersigned and the Registrant (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Registrant to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this renewal application on behalf of, and with the authority of the Registrant. The undersigned and the Registrant represent that we have read this renewal application, that we understand it and are familiar with its contents, and that the information and statements therein are current, true and complete to the best of our knowledge, information and belief and that ay documents submitted with this renewal application are true copies of the originals. The undersigned and the Registrant further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

Form
133.12

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the ___ day of _____, 20___.

By: _____
Signature

_____
Printed name

_____
Title

This page intentionally left blank.

Form
133.13

TEXAS PERMIT NO. _____
EXPIRATION DATE _____

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Application for Renewal Permit

Must be submitted with the applicable renewal fee.

This application may be completed by the issuer or by a registered dealer. Each of the following items must be completed to effect a renewal permit.

1. Name of Issuer: _____

2. Principal office of Issuer: _____

   _____

3. Issuer's principal office in Texas (if any): _____

   _____

4. Correspondent: _____

   Firm: _____

   Address: _____

   _____

   Telephone: ( ) _____

5. Issuer's form of organization (e.g., corporation, trust, partnership, etc.): _____

   _____

6. State of incorporation (if applicable): _____

7. Date of incorporation (if applicable): _____

8. Describe any legal or administrative proceedings of a material nature that have been instituted in which the Issuer, its advisor, or any affiliate was named as a party. If you have not

previously notified the State Securities Board of such proceedings, please attach a summary or copy of the pleadings.

_____

_____

9. Describe the securities registered in Texas (e.g., quantity, type, price per unit, offering price):

_____

_____

10. Number of shares and dollar amount of securities sold in Texas under current permit:

_____

For the period from: _____ to: _____

11. Number of shares and dollar amount of securities sold elsewhere under current permit:

_____

For the period from: _____ to: _____

12. Is the renewal fee enclosed? Yes ☐ No ☐
If this fee is not enclosed, a renewal permit will not be issued.

13. Submit one copy of each of the following exhibits:

(a) opinion of either an independent public accountant or an independent certified public accountant;

(b) the most recent financial statement required by the applicable provisions of the Texas Securities Act, Section 7. If these statements are as of a date more than 90 days prior to the permit expiration date, interim statements as of a date within the 90-day period should be filed; and

(c) up-to-date current prospectus including all material changes and current financial statements as described in (b) above.

The undersigned certifies that unless the State Securities Board has been notified otherwise, no legal or administrative proceedings of a material nature have been instituted in which the Issuer, its advisor, or any affiliate thereof was a party since publication of the Issuer's most recent prospectus.

The undersigned and the Issuer (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be

grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Issuer to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this renewal application on behalf of, and with the authority of the Issuer. The undersigned and the Issuer represent that we have read this renewal application, that we understand it and are familiar with its contents, and that the information and statements therein are current, true and complete to the best of our knowledge, information and belief and that any documents submitted with this renewal application are true copies of the originals. The undersigned and Issuer further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the ___ day of _____, 20___.

By: _____
Signature

_____
Printed name

_____
Title

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Form
133.14

CONSENT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF _____ COMPANY:

We hereby consent to the use in the Registration Statement and Prospectus to be used in connection with a public offering of securities, which you are filing with the Texas State Securities Board, of our Opinion dated _____, relating to the Financial Statements of _____, Company, and subsequently included in the Prospectus, constituting a part of the Registration Statement. We also consent to the reference to us in the Prospectus under the heading "EXPERTS."

_____
(Name)

_____
(Address)

_____
(Date)

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Form 133.15

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Texas Crowdfunding Portal Registration
(§115.19)

Notice: This form is for use in filing an original application for registration as a Texas crowdfunding portal that acts as an intermediary in a transaction pursuant to §139.25, relating to the Intrastate Crowdfunding Exemption, and/or §139.26, relating to Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings, and to file amendments and supplementary information with the Securities Commissioner as necessary to keep this form current. Any material change to the information or responses to questions herein must be updated within 30 days of the change by filing an amendment with the Securities Commissioner.

☐ Application ☐ Amendment

☐ Schedule A ☐ Schedule B ☐ Schedule C

1. Applicant information:

A. Full name of the Applicant: _____

B. IRS Employer Identification Number: _____

C. Name(s) under which business is conducted, if different from Item 1A: _____

_____

D. If this filing makes a name change on behalf of the Applicant, enter the new name: _____

_____

and specify whether the name change is of the ☐ Applicant name (1.A.) or ☐ Business name (1.C.).

E. Applicant's main address (do not use a P.O. Box): _____

_____

(Other business locations must be reported on Schedule C)

F. Telephone Number: _____ Website(s) URL: _____

G. Contact employee: Email Address: _____

Name and Title: _____

Direct Telephone Number: _____

2. Form of Organization. Indicate the legal status of Applicant.

☐ Texas Corporation ☐ Texas Partnership

☐ Texas Limited Liability Company ☐ Other (specify): _____

Date of Formation: _____

3. Successions. Is the Applicant at the time of this filing succeeding to the business of a currently-registered Applicant? If yes, provide name of acquired Applicant: _____

_____

4. Owners, Officers, Directors and Control Persons. If this is an initial application, the Applicant must complete Schedule A providing information about these persons. If this is an amendment to update information previously filed on Schedule A, Schedule B must be completed.

5. Disclosure Information. Provide information about the Applicant's disciplinary history and the disciplinary history for any person listed on Schedule A or B. One event may result in the requirement to answer "yes" to more than one of the questions below.

If the answer is "yes" to a question in any part of Item 5, detailed information must be submitted as part of the application or amendment including:

Criminal Actions: Docket/case number, whether felony or misdemeanor, jurisdiction where charges were brought, detailed description of the offense and circumstances leading to the charge, relevant dates when the conduct occurred that was the subject of the charge, disposition of the case, and date of disposition.

Regulatory Actions and Self-Regulatory Organization Actions: Docket/case number, filing date of action, agency/organization initiating regulatory action, sanctions, date of sanctions, detailed description of the case and circumstances leading to the action, relevant dates when the conduct occurred that was the subject of the action, disposition of the case, and date of disposition.

Civil Judicial Actions: Docket/case number, filing date of court action, detailed description of the case and circumstances leading to the litigation, current status, resolution date, detailed description of the resolution and sanctions.

5.A. Criminal Actions. Check all that apply.	**Yes**	**No**
1. In the past 10 years has the Applicant or any person on Schedule A or B been convicted of any felony, or pled guilty or nolo contendere ("no contest") to any charge of a felony, in a domestic, foreign, or military court?	☐	☐
2. Is the Applicant or any person on Schedule A or B currently charged with any felony in a domestic, foreign, or military court?	☐	☐

3.	In the past 10 years has the Applicant or any person on Schedule A or B been convicted of any misdemeanor, or pled guilty or nolo contendere ("no contest"), in a domestic, foreign, or military court to any charge of a misdemeanor in a case involving investment-related business, fraud, false statements, omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?	☐	☐
4.	Is the Applicant or any person on Schedule A or B currently charged with any misdemeanor in a domestic, foreign, or military court involving investment-related business, fraud, false statements, omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?	☐	☐
5.B.	**Regulatory Actions.** Check all that apply. Has any state, federal, or foreign financial regulatory authority ever:	**Yes**	**No**
1.	found the Applicant or any person on Schedule A or B to have made a false statement or omission, or been dishonest, unfair, or unethical?	☐	☐
2.	found the Applicant or any person on Schedule A or B to have been involved in a violation of any regulation or statute?	☐	☐
3.	found the Applicant or any person on Schedule A or B to have been a cause of the denial, suspension, revocation, or restriction of the authorization of an investment-related business to operate?	☐	☐
4.	entered an order against the Applicant or any person on Schedule A or B in connection with investment-related activity?	☐	☐
5.	imposed a civil money penalty on the Applicant or any person on Schedule A or B, or ordered the Applicant or any person on Schedule A or B to cease and desist from any activity?	☐	☐
6.	denied, suspended, or revoked the registration or license of the Applicant or any person on Schedule A or B, or otherwise restricted the activities of the Applicant or any person on Schedule A or B?	☐	☐
5.C.	**Self-Regulatory Organization Actions**. Check all that apply. Has any self-regulatory organization ever:	**Yes**	**No**
1.	found the Applicant or any person on Schedule A or B to have made a false statement or omission?	☐	☐
2.	found the Applicant or any person on Schedule A or B to have been involved in a violation of its rules?	☐	☐
3.	found the Applicant or any person on Schedule A or B to have been the cause of a denial, suspension, revocation, or restriction of the authorization of an investment-related business to operate?	☐	☐

4.	disciplined the Applicant or any person on Schedule A or B by expelling, suspending, or otherwise restricting the activities of the Applicant or any person on Schedule A or B?	☐	☐
5.D.	Is the Applicant or any person on Schedule A or B currently the subject of any proceeding that could result in a "yes" answer to any part of Item 5.B or 5.C?	**Yes** ☐	**No** ☐
5.E.	**Civil Judicial Actions**. Check all that apply.	**Yes**	**No**
1.	In the past 10 years has any domestic or foreign court enjoined the Applicant or any person on Schedule A or B in connection with any investment-related activity?	☐	☐
2.	In the past 10 years has any domestic or foreign court ever found that the Applicant or any person on Schedule A or B was involved in a violation of investment-related statutes or regulations?	☐	☐
3.	In the past 10 years has any domestic or foreign court ever dismissed, pursuant to a settlement agreement, an investment-related civil action brought against the Applicant or any person on Schedule A or B by a state or foreign financial regulatory authority?	☐	☐
4.	Is the Applicant or any person on Schedule A or B now the subject of any civil proceeding that could result in a "yes" answer to any part of Items 5.E.1, 5.E.2, or 5.E.3?	☐	☐
5.	Is the Applicant or any person on Schedule A or B currently the subject of any unsatisfied judgments or liens?	☐	☐
5.F.	Has the Applicant or any person on Schedule A or B ever had an authorization to act as an attorney, accountant, or state or federal contractor revoked or suspended?	**Yes** ☐	**No** ☐
6.	**Non-Securities Related Business.** Does the Applicant engage in any non-securities related business?	**Yes** ☐	**No** ☐

If "yes," briefly describe the non-securities business: _____

_____

_____

_____

EXECUTION

The undersigned hereby represents that he/she has executed this form on behalf of the Applicant and that the information contained herein and other information filed herewith, all of which are made a part hereof, are current, accurate and complete. The undersigned and the Applicant further represent that, to the extent that any information previously submitted is not amended, such information is currently accurate and complete.

_____
(Name of Applicant)

By: _____
(Signature)

_____
(Print name and title)

Subscribed and sworn to before me this _____ day of _____, 20_____.

_____

Notary Public in and for the County of _____

State of _____

My commission expires _____

SCHEDULE A, Owners, Officers, Directors and Control Persons

1. ***Complete Schedule A only if submitting an initial application.*** Schedule A asks for information about the Applicant's owners, officers, directors and control persons. Use Schedule B to amend this information.

2. List below the names of:

   a. Each officer, director, or other person having the power, directly or indirectly, to direct the management or policies of the Applicant, whether by contract or otherwise;

   b. If the Applicant is a corporation, each person that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of 25% or more of a class of the Applicant's voting securities. For purposes of this Schedule, a person beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security;

   c. If the Applicant is organized as a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 25% or more of the Applicant's capital;

   d. In the case of a trust, (i) a person that directly owns 25% or more of a class of the Applicant's voting securities, or that has the right to receive upon dissolution, or has contributed, 25% or more of the Applicant's capital, (ii) the trust, and (iii) each trustee; and

   e. If the Applicant is organized as a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 25% or more of the Applicant's capital, and (ii) if managed by elected managers, all elected managers.

3. Complete the Title or Status column by entering board/management titles; status as partner, trustee, sole proprietor, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).

4. Enter an ownership code if applicable. Ownership codes are:
   A - Less than 25%
   B - 25% or more but less than 50%
   C - 50% or more but less than 75%
   D - 75% or more

5. Enter the social security number and date of birth of the person or, if a business entity, the IRS Tax ID number or Employer ID number.

Form 133.15

SCHEDULE A, Owners, Officers, Directors and Control Persons

Full Name	Title / Status	Ownership Code	SSN and Date of Birth / IRS Tax No. or Employer ID No.

SCHEDULE B, Amendments to Schedule A

1. ***Use Schedule B only to amend information requested on Schedule A.*** Refer to Schedule A for specific instructions for completing Schedule B. Complete each column. File with a completed Execution Page.

2. In the first column, indicate "A" (addition), "D" (deletion), or "C" (change in information about the same person).

A, D, or C	Full Name	Title / Status	Ownership Code	SSN and Date of Birth / IRS Tax No. or Employer ID No.

SCHEDULE C, Other Business Locations

1. ***Initial Applications.*** Use Schedule C to report business locations of the Applicant other than the main address designated in the application.

2. ***Amendments.*** Use Schedule C to update information previously reported for the main office or other business locations of the crowdfunding portal.

☐ Application ☐ Amendment

1. Full name of the Applicant: _____

2. Applicant's main address (do not use a P.O. Box): _____

_____

3. Other business locations:

Address	Contact Person	Telephone No.

INSTRUCTIONS FOR FORM 133.15

A. GENERAL INSTRUCTIONS

1. EXPLANATION OF FORM

- This is the form that a Texas crowdfunding portal ("portal") must use to register with the Texas State Securities Board and to amend its registration as a portal. Form 133.16 must be used to withdraw from registration as a portal.
- Information on this form, including amendments, with the exception of certain personally identifiable information (such as social security numbers) is available to the public upon request.

2. WHEN TO FILE FORM 133.15

- A portal's registration must become effective before offering or selling any securities in reliance on §139.25, the Intrastate Crowdfunding Exemption, and/or §139.26, the Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings.
- A portal must promptly (within 30 days) file an amendment to Form 133.15 when any information previously submitted on the form becomes inaccurate or incomplete for any reason.
- A successor portal may succeed to the registration of a registered portal by filing a registration on Form 133.15 within 30 days after the succession.
- If a portal succeeds to and continues the business of a registered portal and the succession is based solely on a change of the predecessor's date of incorporation, form of organization, or composition of a partnership or similar reason, the successor may, within 30 days of the succession, amend the registration on Form 133.15 to reflect these changes.
- A portal must also file a withdrawal on Form 133.16 promptly upon ceasing to operate as a portal.
- A Form 133.15 filing will not be considered complete unless it complies with all applicable requirements.

3. CONTACT EMPLOYEE--The individual listed as the contact employee must be authorized to receive all compliance information, communications, and mailings, and be responsible for disseminating it within the applicant's organization.

4. REQUESTED INFORMATION

- Items 1-6 must be answered and all fields requiring a response must be completed before the filing will be accepted.
- Detailed information relating to an item reportable under Item 5 must be included in a separate document submitted as part of the application or amendment.
- Specific instructions for Schedules A, B, and C are set forth at the beginning of each of those sections in Form 133.15.
- The execution page must be signed in the presence of a notary. The applicant and individual signing the execution page certify that the information contained in the form is current, accurate and complete and that, to the extent any information previously submitted is not amended, such information is currently accurate and complete.

5. FILING INSTRUCTION--The original application, amendment, and other information included as part of the filing must be submitted along with any applicable fees to the Securities Commissioner, Attn: Registration Division, P.O. Box 13167, Austin, Texas 78711. A copy of the initial Form

133.15 filing, amendments, and disclosure reporting information must be retained by the applicant and be made available for inspection by the Securities Commissioner upon request.

B. EXPLANATION OF TERMS

1. GENERAL

APPLICANT--The portal applying on or amending this form.

TEXAS CROWDFUNDING PORTAL ("PORTAL")--One acting as an intermediary in a transaction involving the offer or sale of securities in reliance on §139.25, Intrastate Crowdfunding Exemption, and/or §139.20, Instrastate Crowdfunding Exemption for SEC Rule 147A Offerings, and in compliance with the requirements of §115.19, Texas Crowdfunding Portal Registration and Activities.

PERSON--An individual, partnership, corporation, trust, or other organization.

SELF-REGULATORY ORGANIZATION ("SRO")--The Financial Industry Regulatory Authority (''FINRA'') or any other national securities association registered with the Securities and Exchange Commission or any national securities exchange or registered clearing agency, as such terms are defined in Section 3 of the Exchange Act.

SUCCESSOR--A portal that assumes or acquires substantially all of the assets and liabilities, and that continues the business of, a registered predecessor portal that ceases its portal activities.

2. FOR THE PURPOSE OF ITEM 5

CHARGED--Being accused of a crime in a formal complaint, information, or indictment (or equivalent formal charge).

ENJOINED--Includes being subject to a mandatory injunction, prohibitory injunction, preliminary injunction, or temporary restraining order.

FELONY--For jurisdictions that do not differentiate between a felony and a misdemeanor, a felony is an offense punishable by a sentence of at least one year imprisonment and/or a fine of at least $1,000. The term also includes a general court martial.

FOREIGN FINANCIAL REGULATORY AUTHORITY--Includes (1) a foreign securities authority; (2) other governmental body or foreign equivalent of a SRO empowered by a foreign government to administer or enforce its laws relating to the regulation of investment or investment-related activities; and (3) a foreign membership organization, a function of which is to regulate the participation of its members in the activities listed above.

FOUND--Includes adverse final actions, including consent decrees in which the respondent has neither admitted nor denied the findings, but does not include agreements, deficiency letters, examination reports, memoranda of understanding, letters of caution, admonishments, and similar informal resolutions of matters.

INVESTMENT or INVESTMENT-RELATED--Pertaining to securities, commodities, banking, savings association activities, credit union activities, insurance, or real estate (including, but not limited to, acting as or being associated with a funding portal broker-dealer, portal, municipal

securities dealer, government securities broker or dealer, issuer, investment company, investment adviser, futures sponsor, bank, security-based swap dealer, major security-based swap participant, savings association, credit union, insurance company, or insurance agency).

INVOLVED--Doing an act or aiding, abetting, counseling, commanding, inducing, conspiring with or failing reasonably to supervise another in doing an act.

JURISDICTION--Any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, any other territory of the United States, or any subdivision or regulatory body thereof.

MISDEMEANOR--For jurisdictions that do not differentiate between a felony and a misdemeanor, a misdemeanor is an offense punishable by a sentence of less than one year imprisonment and/or a fine of less than $1,000. The term also includes a special court martial.

ORDER--A written directive issued pursuant to statutory authority and procedures, including orders of denial, suspension, or revocation; does not include special stipulations, undertakings or agreements relating to payments, limitations on activity or other restrictions unless they are included in an order.

PROCEEDING--Includes a formal administrative or civil action initiated by a governmental agency, SRO or a foreign financial regulatory authority; a felony criminal indictment or information (or equivalent formal charge); or a misdemeanor criminal information (or equivalent formal charge). Does not include other civil litigation, investigations, or arrests or similar charges effected in the absence of a formal criminal indictment or information (or equivalent formal charge).

Form 133.16

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Texas Crowdfunding Portal
Withdrawal of Registration

1. Date the Texas crowdfunding portal ("portal") ceased business or the Applicant withdrew its registration request:

   _____

2. Location of Books and Records after Registration Withdrawal. Complete the following information for the location at which the portal will keep books and records after withdrawing its registration:

   Name of the Custodian of Records: _____

   Contact person: _____

   Address: _____

   Telephone Number: _____ Email: _____

3. This is (check one): ☐ one of the portal's other business locations or affiliates.
   ☐ a third-party unaffiliated recordkeeper.
   ☐ other.

4. If this address is a private residence, check this box: ☐

5. Briefly describe the books and records kept at this location: _____

   _____

   _____

6. Is the portal now the subject of or named in any investment-related:

   a. Investigation? ☐ Yes ☐ No

   b. Investor initiated complaint? ☐ Yes ☐ No

   c. Private civil litigation? ☐ Yes ☐ No

The undersigned and Texas crowdfunding portal or Applicant named below ("portal") represent that the portal's books and records will hereinafter be preserved and available for inspection by the Commissioner as required by law.

The undersigned and the portal (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading

information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the portal to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this form on behalf of, and with the authority of the portal. The undersigned and the portal represent that we have read the form, that we understand it and are familiar with its contents, and that the information and statements therein are current, true and complete to the best of our knowledge, information and belief and that any documents submitted with this form are true copies of the originals. The undersigned and the portal further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the ___ day of _____, 20___.

_____
Name of Texas Crowdfunding Portal or Applicant

By: _____
Signature

_____
Printed name

_____
Title

Form 133.18

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Certification of Balance Sheet by Principal Financial Officer
(§115.2(a)(4) or §116.2(a)(2)(B))

1. Name of Applicant : _____
(Name of Firm or Advisory Business Name)

2. Application Type (Check all that apply): ☐ Dealer ☐ Investment adviser

3. Form of Entity (Check only one):

☐ Sole Proprietor ☐ Corporation (includes LLC) ☐ Partnership (includes GP, LP, and LLP)

I, the undersigned, am the principal financial officer of the Applicant. I do certify that the accompanying balance sheet has been prepared under my direction and control. I have carefully examined the balance sheet and, to the best of my knowledge and belief, declare that the balance sheet presents accurately the assets, liabilities, capital, and retained earnings of the Applicant and fairly reflects the financial position of the Applicant as of the dates indicated.

The undersigned and the Applicant (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Applicant to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

I represent that I have read this form, that I understand it and am familiar with its contents, and that the information and statements contained in this form filed, are current, true and complete to the best of my knowledge, information and belief and that any documents submitted with this form are true copies of the originals. I further represent that to the extent any information previously submitted with this form is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the __ day of _____, 20____.

_____
Signature

_____
Printed name

_____
Title

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Form
133.19

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Waiver or Refund Request by a Military Applicant
(§115.18(c) or §116.18(c))

A waiver or refund of an initial registration fee or the fee to take the Texas Securities Law Examination may only be claimed in connection with a registration or notice filing that is filed on or after September 1, 2015.

1. Name of Applicant: _____

2. Application Type (check all that apply):

   ☐ Dealer ☐ Agent
   ☐ Investment Adviser ☐ Investment Adviser Representative

3. CRD No. of Applicant (if applicable): _____

4. SSN of Applicant: _____

5. Name of Employer: _____

   CRD or IARD No. of the Employer, if applicable: _____

6. Applicant: (check all that apply)

   ○ is a ☐ military service member; ☐ military spouse; ☐ military veteran; as those terms are defined in §115.18(a) or §116.18(a).

   ○ holds a current registration issued by another state, the District of Columbia, or a territory of the United States. Please list all such jurisdictions where the applicant holds a comparable current registration:

   _____
   _____
   _____

   ○ has filed Form 133.4 and provided verification of the military service, training, or education that I wish to apply towards the Texas registration requirements.

7. Applicant is requesting: (check all that apply)

   ○ WAIVER of the: ☐ initial registration fee; ☐ fee to take the Texas Securities Law Examination.

Form
133.19

○ REFUND of the: ☐ initial registration fee; ☐ fee to take the Texas Securities Law Examination. A refund request must be made within four years from the date the fee was collected or received by the Texas State Securities Board (Agency).

Please provide the following information to assist in processing the request for refund:

a. Person who tendered the fee (Original Payee). This may be different from the Applicant if the fee was paid by a third party (usually an employer) on the Applicant's behalf. State law and procedures require that payment refunds be processed for repayment to the original payee.

_____

b. Date the fee was collected or received by the Agency: _____

c. Amount of the fee: _____

d. If the Applicant is not the Original Payee:

Name of correspondent for the Original Payee: _____

Telephone number of correspondent: _____

Address of the Original Payee: _____

_____

_____

_____

e. Please provide the Texas Identification Number for the Original Payee:

_____

If not providing a Texas Identification Number, the Original Payee will need to complete Form AP-152 Application for Texas Identification Number (available on the Texas Comptroller's website: comptroller.texas.gov) and submit it to the Agency with this refund request.

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

Date: _____ _____

(Signature)

_____

(Printed name)

Form 133.20

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Texas Crowdfunding Portal Registration by an Authorized Small Business Development Entity (§115.20)

Notice: This form is for use by an Authorized Small Business Development Entity in filing an original application for registration as a Texas Crowdfunding Portal that acts as an intermediary in a transaction pursuant to §139.25, relating to the Intrastate Crowdfunding Exemption, and/or §139.26, relating to Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings, and to file amendments and supplementary information with the Securities Commissioner as necessary to keep this form current. Any material change to the information or responses to questions herein must be updated within 30 days of the change by filing an amendment with the Securities Commissioner.

☐ Application ☐ Amendment

☐ Schedule A ☐ Schedule B ☐ Schedule C ☐ Schedule D

1. Applicant information.

A. Full name of the Applicant: _____

B. IRS Employer Identification Number: _____

C. Name(s) under which business is conducted, if different from Item 1.A: _____

_____

D. If this filing makes a name change on behalf of the Applicant, enter the new name: _____

_____

and specify whether the name change is of the ☐ Applicant name (1.A) or ☐ Business name (1.C).

E. Applicant's main address (do not use a P.O. Box): _____

_____

(Other business locations must be reported on Schedule C)

F. Telephone Number: _____ Website(s) URL: _____

G. Contact employee: Email Address: _____

Name and Title: _____

Direct Telephone Number: _____

2. **Form of Organization.** Indicate the legal status of Applicant.

☐ Type A corporation authorized under Chapter 504, Local Government Code.

☐ Type B corporation authorized under Chapter 505, Local Government Code.

☐ Texas municipal corporation.

☐ Texas Veterans Commission.

☐ nonprofit organization authorized by an agency or authority of the federal government to distribute housing and community development block grants. Agency or authority authorizing the applicant:

_____

☐ nonprofit community development financial institution certified by the Community Development Financial Institutions Fund. (Attach copy of the certification.)

Date of Formation: _____

3. **Successions.** (To be completed if the Applicant is a nonprofit organization or nonprofit community development financial institution.) Is the Applicant at the time of this filing succeeding to the business of a currently-registered Applicant? If yes, provide name of acquired Applicant:

_____

4. **Owners, Officers, Directors and Control Persons.** (To be completed if the Applicant is a nonprofit organization or nonprofit community development financial institution.) If this is an initial application, the Applicant must complete Schedule A providing information about these persons. If this is an amendment to update information previously filed on Schedule A, Schedule B must be completed.

5. **Disclosure Information.** (To be completed if the Applicant is a nonprofit organization or nonprofit community development financial institution.) Provide information about the Applicant's disciplinary history and the disciplinary history for any person listed on Schedule A or B. One event may result in the requirement to answer "yes" to more than one of the questions below.

If the answer is "yes" to a question in any part of Item 5, detailed information must be submitted as part of the application or amendment including:

Criminal Actions: Docket/case number, whether felony or misdemeanor, jurisdiction where charges were brought, detailed description of the offense and circumstances leading to the charge, relevant dates when the conduct occurred that was the subject of the charge, disposition of the case, and date of disposition.

Regulatory Actions and Self-Regulatory Organization Actions: Docket/case number, filing date of action, agency/organization initiating regulatory action, sanctions, date of sanctions, detailed description of the case and circumstances leading to the action, relevant dates when the conduct occurred that was the subject of the action, disposition of the case, and date of disposition.

Civil Judicial Actions: Docket/case number, filing date of court action, detailed description of the case and circumstances leading to the litigation, current status, resolution date, detailed description of the resolution and sanctions.

5.A.	**Criminal Actions.** Check all that apply.	**Yes**	**No**
1.	In the past 10 years has the Applicant or any person on Schedule A or B been convicted of any felony, or pled guilty or nolo contendere ("no contest") to any charge of a felony, in a domestic, foreign, or military court?	☐	☐
2.	Is the Applicant or any person on Schedule A or B currently charged with any felony in a domestic, foreign, or military court?	☐	☐
3.	In the past 10 years has the Applicant or any person on Schedule A or B been convicted of any misdemeanor, or pled guilty or nolo contendere ("no contest"), in a domestic, foreign, or military court to any charge of a misdemeanor in a case involving investment-related business, fraud, false statements, omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?	☐	☐
4.	Is the Applicant or any person on Schedule A or B currently charged with any misdemeanor in a domestic, foreign, or military court involving investment-related business, fraud, false statements, omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?	☐	☐

5.B.	**Regulatory Actions.** Check all that apply. Has any state, federal, or foreign financial regulatory authority ever:	**Yes**	**No**
1.	found the Applicant or any person on Schedule A or B to have made a false statement or omission, or been dishonest, unfair, or unethical?	☐	☐
2.	found the Applicant or any person on Schedule A or B to have been involved in a violation of any regulation or statute?	☐	☐
3.	found the Applicant or any person on Schedule A or B to have been a cause of the denial, suspension, revocation, or restriction of the authorization of an investment-related business to operate?	☐	☐
4.	entered an order against the Applicant or any person on Schedule A or B in connection with investment-related activity?	☐	☐
5.	imposed a civil money penalty on the Applicant or any person on Schedule A or B, or ordered the Applicant or any person on Schedule A or B to cease and desist from any activity?	☐	☐
6.	denied, suspended, or revoked the registration or license of the Applicant or any person on Schedule A or B, or otherwise restricted the activities of the Applicant or any person on Schedule A or B?	☐	☐

		Yes	No
5.C.	**Self-Regulatory Organization Actions**. Check all that apply. Has any self-regulatory organization ever:		
1.	found the Applicant or any person on Schedule A or B to have made a false statement or omission?	☐	☐
2.	found the Applicant or any person on Schedule A or B to have been involved in a violation of its rules?	☐	☐
3.	found the Applicant or any person on Schedule A or B to have been the cause of a denial, suspension, revocation, or restriction of the authorization of an investment-related business to operate?	☐	☐
4.	disciplined the Applicant or any person on Schedule A or B by expelling, suspending, or otherwise restricting the activities of the Applicant or any person on Schedule A or B?	☐	☐

		Yes	No
5.D.	Is the Applicant or any person on Schedule A or B currently the subject of any proceeding that could result in a "yes" answer to any part of Item 5.B or 5.C?	☐	☐

		Yes	No
5.E.	**Civil Judicial Actions**. Check all that apply.		
1.	In the past 10 years has any domestic or foreign court enjoined the Applicant or any person on Schedule A or B in connection with any investment-related activity?	☐	☐
2.	In the past 10 years has any domestic or foreign court ever found that the Applicant or any person on Schedule A or B was involved in a violation of investment-related statutes or regulations?	☐	☐
3.	In the past 10 years has any domestic or foreign court ever dismissed, pursuant to a settlement agreement, an investment-related civil action brought against the Applicant or any person on Schedule A or B by a state or foreign financial regulatory authority?	☐	☐
4.	Is the Applicant or any person on Schedule A or B now the subject of any civil proceeding that could result in a "yes" answer to any part of Items 5.E.1, 5.E.2, or 5.E.3?	☐	☐
5.	Is the Applicant or any person on Schedule A or B currently the subject of any unsatisfied judgments or liens?	☐	☐

		Yes	No
5.F.	Has the Applicant or any person on Schedule A or B ever had an authorization to act as an attorney, accountant, or state or federal contractor revoked or suspended?	☐	☐

		Yes	No
6.	**Subcontract for portal operation.** Has the Applicant contracted with a Third Party Operator to operate the Crowdfunding Web Portal?	☐	☐

If yes, provide a copy of the written agreement with the Third Party Operator and complete Schedule D. If a written agreement is entered into at a later date, it must be filed with the Securities Commissioner as required by §115.20(h) and information about the Third Party Operator provided or updated on Schedule D.

EXECUTION

The undersigned hereby represents that he/she has executed this form on behalf of the Applicant and that the information contained herein and other information filed herewith, all of which are made a part hereof, are current, accurate and complete. The undersigned and the Applicant further represent that, to the extent that any information previously submitted is not amended, such information is currently accurate and complete.

_____
(Name of Applicant)

By: _____
(Signature)

_____
(Print name and title)

Subscribed and sworn to before me this _____ day of _____, 20_____.

_____

Notary Public in and for the County of _____

State of _____

My commission expires _____

SCHEDULE A, Owners, Officers, Directors and Control Persons

1. ***Complete Schedule A only if submitting an initial application.*** Schedule A asks for information about the Applicant's owners, officers, directors and control persons. Use Schedule B to amend this information. *(Schedule A need be completed only if the Applicant is a nonprofit organization or nonprofit community development financial institution.)*

2. List below the names of:

   a. Each officer, director, or other person having the power, directly or indirectly, to direct the management or policies of the Applicant, whether by contract or otherwise;

   b. If the Applicant is a corporation, each person that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of 25% or more of a class of the Applicant's voting securities. For purposes of this Schedule, a person beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security;

   c. If the Applicant is organized as a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 25% or more of the Applicant's capital;

   d. In the case of a trust, (i) a person that directly owns 25% or more of a class of the Applicant's voting securities, or that has the right to receive upon dissolution, or has contributed, 25% or more of the Applicant's capital, (ii) the trust, and (iii) each trustee; and

   e. If the Applicant is organized as a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 25% or more of the Applicant's capital, and (ii) if managed by elected managers, all elected managers.

3. Complete the Title or Status column by entering board/management titles; status as partner, trustee, sole proprietor, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).

4. Enter an ownership code if applicable. Ownership codes are:
   A - Less than 25%
   B - 25% or more but less than 50%
   C - 50% or more but less than 75%
   D - 75% or more

5. Enter the social security number and date of birth of the person or, if a business entity, the IRS Tax ID number or Employer ID number.

Form 133.20

SCHEDULE A, Owners, Officers, Directors and Control Persons

Full Name	Title / Status	Ownership Code	SSN and Date of Birth / IRS Tax No. or Employer ID No.

SCHEDULE B, Amendments to Schedule A

1. ***Use Schedule B only to amend information requested on Schedule A.*** Refer to Schedule A for specific instructions for completing Schedule B. Complete each column. File with a completed Execution Page. *(Schedule B need be completed only if the Applicant is a nonprofit organization or nonprofit community development financial institution that has previously filed a Schedule A.)*

2. In the first column, indicate "A" (addition), "D" (deletion), or "C" (change in information about the same person).

A, D, or C	Full Name	Title / Status	Ownership Code	SSN and Date of Birth / IRS Tax No. or Employer ID No.

SCHEDULE C, Other Business Locations

1. ***Initial Applications.*** Use Schedule C to report business locations of the Applicant other than the main address designated in the application.

2. ***Amendments.*** Use Schedule C to update information previously reported for the main office or other business locations of the crowdfunding portal.

☐ Application ☐ Amendment

1. Full name of the Applicant: _____

2. Applicant's main address (do not use a P.O. Box): _____

_____

3. Other business locations:

Address	Contact Person	Telephone No.

SCHEDULE D, Third Party Operator - Owners, Officers, Directors and Control Persons

1. ***Complete Schedule D only if using a Third Party Operator for the Crowdfunding Web Portal.*** Schedule D asks for information about the Third Party Operator's owners, officers, directors and control persons. Also use Schedule D to amend this information.

2. List below the names of:

   a. Each officer, director, or other person having the power, directly or indirectly, to direct the management or policies of the Third Party Operator, whether by contract or otherwise;

   b. If the Third Party Operator is a corporation, each person that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of 25% or more of a class of the Third Party Operator's voting securities. For purposes of this Schedule, a person beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security;

   c. If the Third Party Operator is organized as a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 25% or more of the Third Party Operator's capital;

   d. In the case of a trust, (i) a person that directly owns 25% or more of a class of the Third Party Operator's voting securities, or that has the right to receive upon dissolution, or has contributed, 25% or more of the Third Party Operator's capital, (ii) the trust, and (iii) each trustee; and

   e. If the Third Party Operator is organized as a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 25% or more of the Third Party Operator's capital, and (ii) if managed by elected managers, all elected managers.

3. Complete the Title or Status column by entering board/management titles; status as partner, trustee, sole proprietor, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).

4. Enter an ownership code if applicable. Ownership codes are:
   A - Less than 25%
   B - 25% or more but less than 50%
   C - 50% or more but less than 75%
   D - 75% or more

5. Enter the social security number and date of birth of the person or, if a business entity, the IRS Tax ID number or Employer ID number.

Form 133.20

SCHEDULE D, Third Party Operator - Owners, Officers, Directors and Control Persons

☐ Application ☐ Amendment

Name of Third Party Operator: _____

Term of the agreement:
Beginning date: _____ Ending date: _____

Full Name	Title / Status	Ownership Code	SSN and Date of Birth / IRS Tax No. or Employer ID No.

INSTRUCTIONS FOR FORM 133.20

A. GENERAL INSTRUCTIONS

1. EXPLANATION OF FORM

- This is the form that an Authorized Small Business Development Entity must use to register as a Texas crowdfunding portal ("portal") with the Texas State Securities Board and to amend its registration as a portal. Form 133.16 must be used to withdraw from registration as a portal.
- Information on this form, including amendments, with the exception of certain personally identifiable information (such as social security numbers) is available to the public upon request.

2. WHEN TO FILE FORM 133.20

- An Authorized Small Business Development Entity's registration as a portal must become effective before offering or selling any securities in reliance on §139.25, the Intrastate Crowdfunding Exemption, and/or §139.26, the Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings.
- A Registered Small Business Development Entity must promptly (within 30 days) file an amendment to Form 133.20 when any information previously submitted on the form or schedules becomes inaccurate or incomplete for any reason.
- A successor portal may succeed to the registration of a registered portal by filing a registration on Form 133.20 within 30 days after the succession.
- If a portal succeeds to and continues the business of a registered portal and the succession is based solely on a change of the predecessor's date of incorporation, form of organization, or composition of a partnership or similar reason, the successor may, within 30 days of the succession, amend the registration on Form 133.20 to reflect these changes.
- A Registered Small Business Development Entity must also file a withdrawal on Form 133.16 promptly upon ceasing to operate as a portal.
- A Form 133.20 filing will not be considered complete unless it complies with all applicable requirements.

3. CONTACT EMPLOYEE--The individual listed as the contact employee must be authorized to receive all compliance information, communications, and mailings, and be responsible for disseminating it within the applicant's organization.

4. REQUESTED INFORMATION

- Items 1-6 must be answered and all fields requiring a response must be completed before the filing will be accepted.
- Detailed information relating to an item reportable under Item 5 must be included in a separate document submitted as part of the application or amendment.
- Specific instructions for Schedules A, B, C, and D are set forth at the beginning of each of those sections in Form 133.20.
- The execution page must be signed in the presence of a notary. The applicant and individual signing the execution page certify that the information contained in the form is current, accurate and complete and that, to the extent any information previously submitted is not amended, such information is currently accurate and complete.

5. FILING INSTRUCTION--The original application, amendment, and other information included as part of the filing must be submitted along with any applicable fees to the Securities Commissioner, Attn: Registration Division, P.O. Box 13167, Austin, Texas 78711-3167. A copy of the initial Form 133.20 filing, amendments, and disclosure reporting information must be retained by the applicant and be made available for inspection by the Securities Commissioner upon request.

B. EXPLANATION OF TERMS

1. GENERAL

APPLICANT--The Authorized Small Business Development Entity applying on or amending this form.

TEXAS CROWDFUNDING PORTAL ("PORTAL")--One acting as an intermediary in a transaction involving the offer or sale of securities in reliance on §139.25, Intrastate Crowdfunding Exemption, and/or §139.26, Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings, and in compliance with the requirements of §115.20, Texas Crowdfunding Portal Registration and Activities of Authorized Small Business Development Entities.

PERSON--An individual, partnership, corporation, trust, or other organization.

SELF-REGULATORY ORGANIZATION ("SRO")--The Financial Industry Regulatory Authority ("FINRA") or any other national securities association registered with the Securities and Exchange Commission or any national securities exchange or registered clearing agency, as such terms are defined in Section 3 of the Exchange Act.

SUCCESSOR--A portal that assumes or acquires substantially all of the assets and liabilities, and that continues the business of, a registered predecessor portal that ceases its portal activities.

2. FOR THE PURPOSE OF ITEM 5

CHARGED--Being accused of a crime in a formal complaint, information, or indictment (or equivalent formal charge).

ENJOINED--Includes being subject to a mandatory injunction, prohibitory injunction, preliminary injunction, or temporary restraining order.

FELONY--For jurisdictions that do not differentiate between a felony and a misdemeanor, a felony is an offense punishable by a sentence of at least one year imprisonment and/or a fine of at least $1,000. The term also includes a general court martial.

FOREIGN FINANCIAL REGULATORY AUTHORITY--Includes (1) a foreign securities authority; (2) other governmental body or foreign equivalent of a SRO empowered by a foreign government to administer or enforce its laws relating to the regulation of investment or investment-related activities; and (3) a foreign membership organization, a function of which is to regulate the participation of its members in the activities listed above.

FOUND--Includes adverse final actions, including consent decrees in which the respondent has neither admitted nor denied the findings, but does not include agreements, deficiency letters,

examination reports, memoranda of understanding, letters of caution, admonishments, and similar informal resolutions of matters.

INVESTMENT or INVESTMENT-RELATED--Pertaining to securities, commodities, banking, savings association activities, credit union activities, insurance, or real estate (including, but not limited to, acting as or being associated with a funding portal broker-dealer, portal, municipal securities dealer, government securities broker or dealer, issuer, investment company, investment adviser, futures sponsor, bank, security-based swap dealer, major security-based swap participant, savings association, credit union, insurance company, or insurance agency).

INVOLVED--Doing an act or aiding, abetting, counseling, commanding, inducing, conspiring with or failing reasonably to supervise another in doing an act.

JURISDICTION--Any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, any other territory of the United States, or any subdivision or regulatory body thereof.

MISDEMEANOR--For jurisdictions that do not differentiate between a felony and a misdemeanor, a misdemeanor is an offense punishable by a sentence of less than one year imprisonment and/or a fine of less than $1,000. The term also includes a special court martial.

ORDER--A written directive issued pursuant to statutory authority and procedures, including orders of denial, suspension, or revocation; does not include special stipulations, undertakings or agreements relating to payments, limitations on activity or other restrictions unless they are included in an order.

PROCEEDING--Includes a formal administrative or civil action initiated by a governmental agency, SRO or a foreign financial regulatory authority; a felony criminal indictment or information (or equivalent formal charge); or a misdemeanor criminal information (or equivalent formal charge). Does not include other civil litigation, investigations, or arrests or similar charges effected in the absence of a formal criminal indictment or information (or equivalent formal charge).

Form 133.21

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Crowdfunding Exemption Notice
(SEC Rule 147A offerings using §139.26)

The exemption provided in §139.26 is available only to issuers that are residents of Texas and doing business in Texas. All sales of securities under the exemption are limited to persons the issuer reasonably believes to be Texas residents. This form is due before any Internet website is used in connection with an offering of securities in reliance on §139.26. All provisions of §139.26 should be reviewed carefully for compliance with the rule.

1. Issuer and offering information (the issuer is the entity issuing securities):

Name of issuer: _____

Address: _____

_____

Telephone: _____ Email: _____

Website address where the issuer's securities will be offered: _____

_____

Identify the general dealer or Texas crowdfunding portal operating the website: _____

_____

Amount of the offering: $ _____

Name and address of the bank or other depository institution where investors' funds are to be deposited:

_____

2. Contact to whom communications regarding this Notice should be directed:

Name: _____

Address: _____

_____

Telephone: _____ Email: _____

3. Issuer's predecessors, owners, officers, directors, and control persons. In the chart that follows, list the names of the following persons:
   a. Any predecessor of the issuer;
   b. Each officer, director, or other person having the power, directly or indirectly, to direct the management or policies of the Issuer, whether by contract or otherwise; and
   c. Each person that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of 20% or more of a class of the Issuer's voting securities. For purposes of this provision, a person beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security.

Complete the Title/Status column by entering predecessor or board/management titles; status as partner, trustee, sole proprietor, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).

Enter an ownership code if applicable. Ownership codes are:

A - Less than 20% B - 20% or more but less than 50%
C - 50% or more but less than 75% D - 75% or more

Full Name	**Title / Status**	**Ownership Code**

Full Name	Title / Status	Ownership Code

By filing this Crowdfunding Exemption Notice, the issuer of these securities hereby represents that the issuer; the issuer's predecessors; any affiliated issuer; the issuer's directors, officers, control persons:

- has not within the last five years, filed a registration statement which is the subject of a currently effective registration stop order entered by any state securities administrator or the United States Securities and Exchange Commission;
- has not within the last five years, been convicted of any criminal offense in connection with the offer, purchase, or sale of any security, or involving fraud or deceit;
- is not currently subject to any state or federal administrative enforcement order or judgment, entered within the last five years, finding fraud or deceit in connection with the purchase or sale of any security; or
- is not currently subject to any order, judgment, or decree of any court of competent jurisdiction, entered within the last five years, temporarily, preliminarily, or permanently restraining or enjoining such party from engaging in or continuing to engage in any conduct or practice involving fraud or deceit in connection with the purchase or sale of any security.

The undersigned represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the exemption provided by Rule 139.26 and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied. The issuer has read this Notice and knows the contents to be true and has duly caused this Notice to be signed on its behalf by the undersigned duly authorized person.

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

Date:_____ Representative of Issuer: _____
(Title)

_____ _____
(Printed name) (Signature)

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Form
133.22

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Waiver or Refund Request by a Military Spouse for a Renewal Fee
(§115.18(h) or §116.18(h))

A waiver or refund of a renewal fee may only be claimed in connection with a registration or notice filing that is filed on or after September 1, 2019.

1. Name of Applicant: _____

2. Application Type (check all that apply):

   ☐ Dealer (sole proprietor) ☐ Agent
   ☐ Investment Adviser (sole proprietor) ☐ Investment Adviser Representative

3. CRD No. of Applicant (if applicable): _____

4. SSN of Applicant: _____

5. Name of Employer: _____

   CRD or IARD No. of the Employer, if applicable: _____

6. Applicant: (check all that apply)

   ○ is a military spouse as that term is defined in §115.18(a) or §116.18(a).

   ○ holds a current registration issued by another state, the District of Columbia, or a territory of the United States. Please list all such jurisdictions where the applicant holds a comparable current registration:

   _____
   _____
   _____

7. Applicant is requesting: (check all that apply)

   ○ WAIVER of the renewal fee.

   ○ REFUND of the renewal fee. A refund request must be made within four years from the date the fee was collected or received by the Texas State Securities Board (Agency).

   Please provide the following information to assist in processing the request for refund:

   a. Person who tendered the fee (Original Payee). This may be different from the

Applicant if the fee was paid by a third party (usually an employer) on the Applicant's behalf. State law and procedures require that payment refunds be processed for repayment to the original payee.

_____

b. Date the fee was collected or received by the Agency: _____

c. Amount of the fee: _____

d. If the Applicant is not the Original Payee:

Name of correspondent for the Original Payee: _____

Telephone number of correspondent: _____

Address of the Original Payee: _____

_____

_____

_____

e. Please provide the Texas Identification Number for the Original Payee:

_____

If not providing a Texas Identification Number, the Original Payee will need to complete Form AP-152 Application for Texas Identification Number (available on the Texas Comptroller's website: comptroller.texas.gov) and submit it to the Agency with this refund request.

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

Date: _____ _____

(Signature)

_____

(Printed name)

Form
133.23

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Request for Recognition of Out-Of-State License or Registration by a Military Spouse
(§115.18(h) or §116.18(h))

1. Name of Applicant: _____

2. Capacity (check all that apply):

   ☐ Dealer (sole proprietor) ☐ Agent
   ☐ Investment Adviser (sole proprietor) ☐ Investment Adviser Representative

3. CRD No. of Applicant (if applicable): _____

4. SSN of Applicant: _____

5. Name of Employer: _____

   CRD or IARD No. of the Employer, if applicable: _____

6. Applicant: (check all that apply)

   ○ is a military spouse, as that term is defined in §115.18(a) or §116.18(a).

   ○ holds a current registration issued by another state, the District of Columbia, or a territory of the United States. Please list all such jurisdictions where the applicant holds a comparable current registration:

   _____
   _____
   _____

7. Please attach proof of residency in Texas and provide a copy of your military identification card.

I acknowledge that, before I will engage in business in the State of Texas in the capacity designated above, that I must first receive confirmation from the Texas State Securities Board that I am authorized to engage in such activity in accordance with Occupations Code, Section 55.0041, and Board Rule 115.18(h) (if capacity is as a dealer or agent) or Board Rule 116.18(h) (if capacity is as an investment adviser or investment adviser representative). As required by Occupations Code, Section 55.0041(c), I shall comply with all other laws and regulations applicable to persons registered in the designated capacity in this state. If recognized in the capacity of a dealer or investment adviser, this includes being subject to inspection pursuant to Section 13-1 of the Texas Securities Act. I will notify the Securities Commissioner within 30 days if I become ineligible under Occupations Code, Section 55.0041, and Board Rule 115.18 or 116.19 to engage in business in Texas without registration.

Form
133.23

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

Date: _____ _____

(Signature)

_____

(Printed name)

Form
133.26

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Request For Determination of Money Market Fund Status for Federal Covered Securities (Pursuant to §123.3(c))

1. Texas Authorization Number (if any): _____

2. Issuer: _____

3. Correspondent: _____

   Firm: _____

   Address: _____

   Telephone: ( ) _____

4. Enclose a copy of the most recent prospectus and statement of additional information.

5. Enclose the filing fee if the issuer already has a Texas Authorization in effect.

6. The Issuer hereby requests that the Securities Commissioner determine that it is a "money market fund" for purposes of §123.3, and hereby undertakes that it meets all of the following conditions:

   (a) The fund must engage in a continuous offering of its securities.

   (b) The fund must hold itself out to be a money market fund or an equivalent of a money market fund and must be in compliance with the Investment Company Act of 1940, Rule 2a-7, as made effective in Securities and Exchange Commission Release No. IC-13380 and as amended in Release Nos. IC-14606, IC-14983, IC-18005, IC-18177, and IC-21837.

   (c) The fund must not pay or charge sales commissions or redemption fees except nominal exchange fees which may not be used for sales expenses or in lieu of initial sales charges or redemption fees.

   (d) The fund's total charges against net assets for sales distribution activities and/or the servicing of shareholder accounts must not be in excess of .25% of average net assets per annum.

(e) With the exception of mergers, consolidations, or acquisitions of assets, or as noted in Item (f) below, the fund's investments in other investment companies must be limited to:

(1) 10% of the fund's total assets;

(2) other investment companies with substantially similar investment objectives; and

(3) other investment companies with charges and fees substantially similar to those set forth in Items (c) and (d) above.

(f) In the case of a master/feeder fund structure:

(1) feeder fund(s) must meet, or invest in a master fund which meets, Items (a)-(d) above;

(2) when viewed together, the master/feeder fund(s) must meet Items (c) and (d) above; and

(3) all feeder funds must have investment objectives substantially similar to those of the master fund.

(g) If money market status is granted pursuant to §123.3, the Issuer further undertakes to monitor its policies constantly and immediately notify the Securities Commissioner if it no longer meets the terms of this undertaking. It also agrees that all future sales shall be calculated pursuant to §123.3.

The undersigned and the Issuer (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Issuer to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this form on behalf of, and with the authority of the Issuer. The undersigned and the Issuer represent that we have read this form, that we understand it and are familiar with its contents, and that the information and statements therein are current, true and complete to the best of our knowledge, information and belief and that any documents submitted with this form are true copies of the originals. The undersigned and Issuer further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the ___ day of _____, 20___.

By: _____
Signature

_____
Printed name

_____
Title

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Form
133.27

State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Year-End Report of Sales of Federal Covered Securities by a Money Market Fund (Pursuant to §123.3)

1. Texas Authorization Number: _____

2. Issuer: _____

3. Correspondent: _____
   Firm: _____
   Address: _____
   _____
   _____
   Telephone: _____

4. For the year ended December 31, _____

   Beginning balance in Texas -- the amount federally covered securities authorized on January 1 by the Unapplied Fees in the prior year: _____

5. Enter the dollar amount of fund shares authorized during the year and the fees paid (including the beginning balance above). Do not include fees paid in order to register shares in connection with an Oversale pursuant to Section 35-1 of the Act.

	Total Shares Authorized			Fees Paid
(a)	First $0 - $10,000,000 authorized. Amount authorized at this level: _____	x .001	=	_____
(b)	Next $10,000,001 - $20,000,000. Amount authorized at this level: _____	x .0005	=	_____
(c)	Next $20,000,001 - $50,000,000. Amount authorized at this level: _____	x .0002	=	_____
(d)	Next $50,000,001 - $100,000,000. Amount authorized at this level: _____	x .0001	=	_____
(e)	Next $100,000,001 and above. Amount authorized at this level: _____	x.00005	=	_____
(f)	Enter total (a) through (e): _____			_____

6. Enter the amount of fund shares sold and determine the fees applied for shares sold during the year.

	Total Shares Sold			Fees Applied
(a)	First $0 - $10,000,000 shares sold. Amount sold at this level: _____	x .001	=	_____
(b)	Next $10,000,001 - $20,000,000 sold. Amount sold at this level: _____	x .0005	=	_____
(c)	Next $20,000,001 - $50,000,000 sold. Amount sold at this level: _____	x .0002	=	_____
(d)	Next $50,000,001 - $100,000,000 sold. Amount sold at this level: _____	x .0001	=	_____
(e)	Next $100,000,001 and above sold. Amount sold at this level: _____	x .00005	=	_____
(f)	Enter total (a) through (e) _____			_____

7. Subtract the total amount of fees applied in Item 6(f) from the total amount of fees paid in Item 5(f): _____ (Item 7 represents the amount of Unapplied Fees for the new year.)

NOTE: If the amount of Unapplied Fees (Item 7) is negative, the fund has an Oversale. Oversold securities should be retroactively authorized pursuant to §123.3 of the Rules.

8. Apply the Unapplied Fees to authorize fund shares as of January 1 of the new year.

	Application of Unapplied Fees			Shares Authorized
(a)	First $0 - $10,000 in Unapplied Fees. Amount at this level: _____	÷ .001	=	_____
(b)	Next $10,001 - $15,000 in Unapplied Fees. Amount at this level: _____	÷ .0005	=	_____
(c)	Next $15,001 - $21,000 in Unapplied Fees. Amount at this level: _____	÷ .0002	=	_____
(d)	Next $21,001 - $26,000 in Unapplied Fees. Amount at this level: _____	÷ .0001	=	_____
(e)	Next $26,001 and above in Unapplied Fees. Amount at this level: _____	÷ .00005	=	_____
(f)	Enter total (a) through (e): _____		=	_____

The amount of Shares Authorized in Item 8(f) is the amount of fund shares to be authorized as of January 1 of the new year.

9. Report of Oversale amounts authorized during the past year. Please itemize the Oversale amounts authorized pursuant to §123.3 of the Rules during the past year. Oversale amounts should not be included in any of the above computations.

   (a) Amount of Oversale Authorized: _____
   Authorization No.: _____
   Date of Oversale: _____

   (b) Amount of Oversale Authorized: _____
   Authorization No.: _____
   Date of Oversale: _____

   (c) Amount of Oversale Authorized: _____
   Authorization No.: _____
   Date of Oversale: _____

   NOTE: It is the Fund's obligation to file timely year-end reports of sales (§123.3). Failure to comply with the guidelines governing continued registration of money market shares could place in jeopardy the Fund's status as a money market fund under §123.3.

10. Attestation regarding continuing status as a money market fund. By executing this form the signatory attests that the Fund continues to meet all the requirements of §123.3 such that it remains entitled to pay the reduced registration fees set forth in §123.3.

    The undersigned has executed this report for and on behalf of the Fund named herein; is duly authorized to execute and file this report; and that, to the best of the undersigned's knowledge, the statements made herein are true.

By: _____
(Full Name - Printed or Typed)

_____
(Signature)

Date: _____

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Form
133.29

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Intrastate Exemption Notice
(§109.13(l))

This form is used to notify the Texas State Securities Board of an issuer's intent to sell securities under §109.13(l).

All answers required by this form must be completed and this form must be submitted to the Texas State Securities Board at least 10 business days before any sale may be consummated under §109.13(l).

Where needed, please attach answers on a separate sheet of paper and number answers to correspond to the numbers on this Form.

Name of issuer: _____

Contact persons and telephone numbers: _____

_____

_____

_____

State of organization: _____

Address of principal place of business: _____

_____

1. Description of the issuer's plan of business: _____

_____

_____

_____

_____

_____

2. Information on securities to be sold:

   (a) Description of securities to be sold (including title and class): _____

   _____

(b) Total number of shares or units proposed to be sold: _____

_____

(c) Offering price per unit at which the securities are to be sold: _____

_____

(d) Aggregate dollar amount of securities to be sold: _____

3. Section 35 of the Texas Securities Act requires payment of a fee that is equal to one-tenth of one percent (1/10 of 1%) of the aggregate amount of securities described as being offered for sale, but in no case more than $500. Please indicate the amount of fees remitted. _____

_____

4. List present officers, directors, partners, members, trustees or managers. Give complete names, dates of birth, home addresses, and business addresses: _____

_____
_____
_____
_____
_____
_____

5. List all persons who will actually engage in selling securities. Give complete names, dates of birth, and addresses: _____

_____
_____
_____
_____
_____

6. State whether the issuer or the registered dealer (as such terms are defined in §109.13(l)):

(a) is currently subject to any administrative order issued by state or federal authorities within 5 years of the expected offer and sale of securities in reliance upon this exemption, and the order:

(1) is based upon a finding that such person has engaged in fraudulent conduct; or

(2) has the effect of enjoining such person from activities governed by federal or state statutes designed to protect investors or consumers against unlawful or deceptive practices involving securities, insurance, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services.

☐ No ☐ Yes If yes, give details in an attached statement, including pertinent dates, style and number of case, and disposition of case.

(b) has been convicted within 5 years prior to commencement of the offering:

(1) of any felony or misdemeanor of which fraud is an essential element, or which is a violation of the securities laws or regulations of this state, any other state of the United States, the United States, or any foreign jurisdiction;

(2) of a crime involving moral turpitude; or

(3) of a criminal violation of statutes designed to protect consumers against unlawful practices involving insurance, securities, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods or other goods and services.

☐ No ☐ Yes If yes, give details in an attached statement, including identification of court, style and number of case, charge, and disposition of case.

(c) is subject to any order, judgment or decree entered within 5 years prior to commencement of the offering by any court of competent jurisdiction which:

(1) temporarily or permanently restrains or enjoins such person from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving any false filing with any state; or

(2) restrains or enjoins such person from activities governed by federal or state statutes designed to protect consumers against unlawful or deceptive practices involving insurance, commodities or commodity futures, real estate, franchises, business opportunities, consumer goods, or other goods and services.

☐ No ☐ Yes If yes, give details in an attached statement, including identification of court, style and number of case, and disposition of case.

The undersigned and the Issuer (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Issuer to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this form on behalf of, and with the authority of the Issuer. The undersigned and the Isuer represent that we have read this form, that we understand it and are familiar with its contents, and that the information and statements therein are current, true

and complete to the best of our knowledge, information and belief and that any documents submitted with this form are true copies of the originals. The undersigned and the Issuer further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the __ day of _____, 20____.

By: _____
Signature

_____
Printed name

_____
Title

Form
133.30

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Information Concerning Projected Market Prices and Related Market Information
(§109.7 and Section 5.O(3), Texas Securities Act)
(Supplement to Form 133.5 or Form 133.6)

Section 5.O(3) provides that securities should be offered for sale at prices reasonably related to the current market price of such security at the time of sale. The Texas Securities Board has interpreted the language "at prices reasonably related to the current market price of such security at the time of sale" to mean that the market price of such security in the existing secondary market must have a basis supported by a substantial volume of bona fide sales transactions within or without this state. Additionally, the Board policy provides that in the absence of a going market or where there have been only casual transactions, it shall be incumbent on the person filing the Section 5.O Exemption Notice to prove to the Commissioner that the security will have a market price that has been fairly determined and justified at inception with reasonable assurance of continuity of the market into the future.

This procedure would include consideration by the Commissioner of criteria established in the items set out below. If additional space is needed to complete any item, please submit attached sheets, identifying each item by number.

(Note: If the requested information is contained in a 10-K or 10-Q report submitted to our Agency, answers may be made by appropriate references.)

1. Describe the nature and extent of the business operations of the issuer and its predecessor, if any, and the period of time during which the issuer and its predecessor, if any, has been continuously engaged in business. _____

2. The net asset value of the stock per share. _____

3. If there is a record of earnings for the issuer, the value per share of the stock based upon a reasonable times-earnings factor (setting out the factor used) related to the industry represented by the issuer. _____

4. Any other basis for full justification of the value per share of the stock. _____

5. Attach a written undertaking by the issuer to furnish to its shareholders and dealers deemed by the issuer to be likely to trade the securities of the issuer a current balance sheet, a comparative 3-year income statement and analysis of shareholder's equity (or for the period of the existence of the issuer, if such period of existence is less than 3 years), and annual financial statements thereafter.

6. Attach a written undertaking by a registered Texas securities dealer who is financially able, setting out:

   (a) The dealer’s willingness to make a market in the issue of securities;

   (b) The price at which the dealer will begin the market; and

   (c) The procedures which the dealer intends to follow for the purpose of assuring an orderly market.

7. Supplementary data to assist in determining the character of the share distribution and the number of publicly held shares;

   (a) Identification of 10 largest holders of record, including beneficial owners (if known) of holdings of record by nominees;

Name of Holder	# Shares	Name of Holder	# Shares

(b) List of holdings of 1,000 shares or more in the names of registered dealers and unregistered out-of-state dealers;

Name of Dealer	# Shares	Name of Dealer	# Shares

(c) Number of transfers and shares transferred of record during the last 2 years (or period of existence of the issuer, if shorter). _____

(d) Summary, by principal groups, of stock, owned or controlled by:

(1) Officers or directors and their immediate families. _____

(2) Other concentrated holdings of 10% or more. _____

(e) Estimates of number of non-officer employees owning stock and the total shares held.

(f) Company shares held in profit-sharing, savings, pension, or other similar funds or trusts established for the benefit of officers or employees. _____

(g) Number of round-lot and number of odd-lot holders of record and aggregate numbers of shares so held. _____

The undersigned certifies that the securities proposed to be sold under this exemption are not a part of an unsold allotment or subscription in the distribution of such securities by the Issuer; that securities of the same class, of the same issuer, are outstanding in the hands of the public; that no part of the proceeds of such sale will be paid directly or indirectly to the Issuer of such securities; that such sale is not directly or indirectly for the purpose of providing or furthering any scheme to violate or evade any provision of the Texas Securities Act; and that the Issuer of such securities is a going concern actually engaged in business and is neither in an organizational stage nor in receivership or bankruptcy.

The undersigned and the Issuer (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Applicant to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

I represent that I have read this form, that I understand it and am familiar with its contents, and that the information and statements contained in this form filed, are current, true and complete to the best of my knowledge, information and belief and that any documents submitted with this form are true copies of the originals. I further represent that to the extent any information previously submitted with this form is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the __ day of _____, 20____.

_____
Signature

_____
Printed name

_____
Title

Form
133.34

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Undertaking Regarding Non-issuer Sales
(§139.14)

Re: Sales of _____ securities.
(Name of Issuer)

The undersigned, (Check one or more as applicable)

- ☐ director
- ☐ executive officer
- ☐ owner of 15% or more of a class of voting securities or other ownership interests

of the issuer of the securities sought to be sold pursuant to §139.14, hereby affirms that none of the proceeds from the sale(s) of such securities will inure to the benefit of the issuer.

The undersigned and the Filer (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Filer to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

I represent that I have read this form, that I understand it and am familiar with its contents, and that the information and statements contained in this form filed, are current, true and complete to the best of my knowledge, information and belief and that any documents submitted with this form are true copies of the originals. I further represent that to the extent any information previously submitted with this form is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the __ day of _____, 20____.

By: _____

Signature

_____

Printed name

_____

Title

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Form
133.35

State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Application for Designation as Matching Service Under §109.15

1. Applicant's name: _____
Address: _____
_____
Principal place of business (if applicable): _____
Telephone: _____

Applicant is (check one):

Governmental entity _____ Type: _____
Statutory authority: _____

Quasi-governmental entity _____ Type: _____
Statutory authority: _____

Institution of
Higher Education _____ Type: _____
Accrediting agency: _____

Nonprofit corporation _____
If nonprofit corporation, describe in detail nature of association with governmental or quasi-governmental entity, or institution of higher education, identify entity and, if applicable, cite statutory authority:
_____
_____
_____
_____
_____
_____

2. Correspondent's name: _____
Firm (if applicable): _____
Address: _____
_____

Telephone: ( ) _____

3. Describe in detail, on separate sheets of paper, the matching service facility operated or proposed to be operated by the applicant. Address, among other things, how investor and issuer members are identified and made aware of the facility and how the operations of the facility and the presentation of business plans are limited to ensure compliance with §109.15. Demonstrate that the facility and its employees do not and will not have any business relationship with any investor or issuer member, other than as permitted in §109.15. If the applicant currently operates a facility, describe the history of operations. Provide copies of all materials generated or maintained by the applicant demonstrating that the matching service is limited to providing investor members with summary business plans and identities of issuer members.

4. Describe in detail, on separate sheets of paper, the nature of the inquiry the applicant undertakes to determine whether investor members are properly qualified.

5. State the number of employees engaged in operating the facility, describe the functions of each employee, and describe how employees are compensated: _____

6. Affirm that no employee is required under The Securities Act to be a registered dealer, salesman or agent. If any employee, officer, director, or control person, has, at any time within the past five years, been engaged in the offer or sale of securities as a dealer, salesman or agent, identify such employee(s), officer(s), director(s), or control person(s), describe the nature of the securities-related activities, and firm affiliation (if any, with dates): _____

7. If any employee, officer, director, or control person of the applicant is subject to any disqualification set forth in §109.13(k)(2)(A)-(E) of this title, give the name of such employee, officer, director, or control person and all particulars in an attached statement.

8. What fees are charged members for use of the facility? _____

_____

9. How are fees calculated? _____

_____

_____

_____

_____

10. Provide information demonstrating that fees are not in excess of amount necessary to cover reasonable operating costs and are in no way related to the amount of money being raised by any issuer member or the amount of securities sold by any issuer member.

11. If applicable, describe in detail how the facility is advertised or proposed to be advertised. Include text of any advertisement pertaining to the facility: _____

_____

_____

_____

_____

_____

_____

_____

_____

_____

The undersigned certifies that if the applicant is designated as a matching service for purposes of §109.15, he or she agrees, on behalf of the applicant, to limit advertisement of the service facility as set out in §109.15(c)(8) and, on objection of the Securities Commissioner, to cease any such advertisement.

The undersigned and the Applicant (if different from the undersigned) acknowledge that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned and/or the Applicant to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

The undersigned certifies that she/he has executed this form on behalf of, and with the authority of the Applicant. The undersigned and the Applicant represent that we have read this form, that we understand it and are familiar with its contents, and that the information and statements therein are current, true and complete to the best of our knowledge, information and belief and that any documents submitted with this form are true copies of the originals. The undersigned and Applicant

further represent that to the extent any information previously submitted is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the ___ day of _____, 20___.

By: _____
Signature

_____
Printed name

_____
Title

Form
133.36

Texas State Securities Board
P.O. Box 13167
Austin, Texas 78711-3167

Request for Reduced Fees for Certain Persons Registered in Multiple Capacities

Name: _____

Address: _____

_____

Telephone: _____ Date of Birth: _____

CRD Number: _____

Applicant's Dealer or name under which applicant will conduct business as a sole proprietor Dealer: _____

Applicant's Investment Adviser or name under which applicant will conduct business as a sole proprietor Investment Adviser: _____

The undersigned certifies that he or she is currently registered in Texas as either an agent of the above named dealer or as the above named sole proprietor dealer and that he/she is seeking to be or currently is registered in Texas as either an investment adviser representative of the above named investment adviser which has less than five investment adviser representatives or as the above named sole proprietor investment adviser who has less than five investment adviser representatives. The undersigned hereby requests that the Securities Commissioner, pursuant to §115.8 and §116.8, grant a reduction in my registration fees. The undersigned further certifies that he/she will notify the Securities Commissioner, within 30 days, of any cessation of dual registration or if any of the criteria enumerated in these Board Rules cease to be applicable.

The undersigned acknowledges that making a false or misleading statement in a document filed with the Securities Commissioner or submitting false or misleading information or omitting pertinent or material information in connection with any document filed with the Commissioner may constitute a violation of The Texas Securities Act, be grounds for discipline under The Texas Securities Act, and may subject the undersigned to other legal sanctions, including administrative, civil or criminal penalties, including being deemed guilty of a felony of a third degree as provided in Section 29.E of The Texas Securities Act.

I represent that I have read this form, that I understand it and am familiar with its contents, and that the information and statements contained in this form filed, are current, true and complete to the best of my knowledge, information and belief and that any documents submitted with this form

are true copies of the originals. I further represent that to the extent any information previously submitted with this form is not amended, such information is accurate and complete.

I declare under penalty of perjury under the laws of Texas that the foregoing is true and correct.

Executed the __ day of _____, 20 ____.

_____
Signature

_____
Printed name

_____
Title

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 135. INDUSTRIAL DEVELOPMENT CORPORATIONS AND AUTHORITIES.

§135.1. Exemption.
§135.2. Dealer and Agent Registration.
§135.3. Anti-fraud Provisions.

. . . . . .

§135.1. Exemption. The State Securities Board, pursuant to the Texas Securities Act, Section 5.T, exempts from the securities registration requirements of the Act, securities issued pursuant to the Development Corporation Act, Texas Local Government Code, Title 12, Subtitle C1.

Source Note: The provisions of this §135.1 adopted to be effective November 7, 1999, 24 TexReg 9609; amended to be effective April 3, 2012, 37 TexReg 2167.

§135.2. Dealer and Agent Registration. Any person who acts as an agent of the issuer in connection with a sale to any prospective purchaser in a transaction exempt from securities registration by virtue of this section shall be registered as either a dealer or agent under the Texas Securities Act, as applicable.

Source Note: The provisions of this §135.2 adopted to be effective November 7, 1999, 24 TexReg 9609.

§135.3. Anti-fraud Provisions. Nothing in this section relieves issuers or persons acting on their behalf from the duty to disclose to prospective investors information to satisfy the anti-fraud provisions of the Texas Securities Act.

Source Note: The provisions of this §135.3 adopted to be effective November 7, 1999, 24 TexReg 9609.

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The next page is 137-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 137. ADMINISTRATIVE GUIDELINES FOR REGULATION OF OFFERS.

§137.1. Application.
§137.2. Filing Requirements.
§137.3. Preliminary Prospectus.
§137.4. Tombstone Advertisements.
§137.5. Materials for Dealer Use.
§137.6. Standards for Supplemental Advertising.
§137.7. Advertisements in Texas Publications.

. . . . . .

§137.1. Application.

This chapter relates to offers to sell securities which must be filed with the Commissioner under the Texas Securities Act, Section 22. This chapter does not apply to advertising for sales made in reliance upon exemptions contained in the Act, Section 5 or Section 6, including exemptions by rule adopted by the State Securities Board pursuant to the Texas Securities Act, Section 5.T. This chapter does not require the filing of any offering documents, prepared by or on behalf of the issuer, in connection with the offer of federal covered securities, as that term is defined in §107.2 of this title (relating to Definitions). The Act, Sections 29, 32, and 33, prohibits fraud or fraudulent practices in connection with the purchase or sale of any security, whether exempt or not. The Agency has jurisdiction to investigate and bring enforcement actions with respect to fraud or deceit, or unlawful conduct by a dealer or agent, in connection with any securities subject to the Texas Securities Act, including federal covered securities or transactions involving federal covered securities.

Source Note: The provisions of this §137.1 adopted to be effective August 12, 1980, 5 TexReg 3043; amended to be effective May 16, 1991, 16 TexReg 2472; amended to be effective April 8, 1997, 22 TexReg 3229.

§137.2. Filing Requirements.

(a) Written or printed offers required to be filed with the commissioner pursuant to the Securities Act, Section 22.A(1), must be received by the commissioner within 10 days after the date of their first use in Texas, including distribution of the offers to dealers; provided this shall not apply to offers by preliminary or final prospectus or to tombstone ads. Material filed under this section may be used unless expressly prohibited by the commissioner.

(b) Draft copies of material, galley proofs, and scripts of film or slide presentations may be submitted to the commissioner to satisfy the filing requirement of Section 22.A(1), but true, final copies of any such material or filmed presentation must be provided to the commissioner, and adequate equipment or facilities made available to actually view the material or presentation, within 10 days after the date of their first use in Texas.

(c) "Generic" advertisements, which under Rule 135A of the SEC are not deemed to offer any security for sale, need not be filed pursuant to this section.

(d) If with respect to any issues of securities which are part of a series of offerings of similar nature, an advertisement is proposed to be used in substantially the same form for more than one issue of securities in the series, the offeror or sponsor may file within 10 days after the date of its first use in Texas a final copy of each such advertisement with the commissioner.

Source Note: The provisions of this §137.2 adopted to be effective August 12, 1980, 5 TexReg 3043; amended to be effective January 7, 1985, 9 TexReg 6475; amended to be effective December 23, 1988, 13 TexReg 6075.

§137.3. Preliminary Prospectus. The language adopted by the Securities and Exchange Commission in paragraph (b)(10) of Item 501 of Regulation S-K (17 Code of Federal Regulations §229.501) meets the requirements of the Texas Securities Act, Section 22.A(4)(b), and is approved for use on preliminary prospectuses in Texas.

Source Note: The provisions of this §137.3 adopted to be effective August 12, 1980, 5 TexReg 3043; amended to be effective June 8, 1994, 19 TexReg 4196; amended to be effective November 7, 1999, 24 TexReg 9609.

§137.4. Tombstone Advertisements. "Tombstone" advertisements need not be filed pursuant to §137.2(a) of this title (relating to Filing Requirements) and are not subject to the requirements of §137.6(a) of this title (relating to Standards for Supplemental Advertising) if they contain no more than one or more of the following:

(1) date of issuance or release;

(2) name and address of issuer;

(3) identity or title of securities;

(4) per unit offering price;

(5) amount of offering;

(6) brief statement of character or business taken from summary in the preliminary or final prospectus;

(7) names of the underwriters;

(8) address where prospectus or offering circular may be obtained; or

(9) any statement or legend required by state law or administrative authority.

Source Note: The provisions of this §137.4 adopted to be effective August 12, 1980, 5 TexReg 3043.

§137.5. **Materials for Dealer Use.** Materials intended for dissemination to dealers only must bear a legend stating that the materials are not for public dissemination and are intended only for the use of dealers.

Source Note: The provisions of this §137.5 adopted to be effective August 12, 1980, 5 TexReg 3043.

§137.6. **Standards for Supplemental Advertising.**

(a) Advertising or sales material, other than tombstone ads, must be consistent with and conform to disclosures contained in the prospectus. Advertising and sales materials which depict predominately the positive elements of an offering and exclude such negative elements as are required to be disclosed in the offering prospectus may be found by the commissioner to be false, misleading, and likely to deceive a reader thereof. Sales materials which refer to specific issuers of securities by name must be accompanied by or preceded by a prospectus. Sales materials that include comparisons to other investment vehicles or indexes which are unwarranted or not fully explained may be considered misleading.

(b) References in advertising or sales materials to an exemption from or reduction in taxation under any laws should be consistent with the information or summaries of information which are contained in the prospectus.

(c) Projections, generalizations, conclusions, and opinions which tend to be misleading or likely to deceive a reader thereof shall not be permitted.

(d) All advertisements of and oral invitations to group sales meetings or "seminars" at which specific issue(s) of securities are to be offered or sold shall clearly indicate that the purpose of the meeting is to offer such securities for sale and shall disclose the name of the sponsor, underwriter, or selling agent.

(e) Any bonus, prize, gift, or similar consideration which is offered to investors as an inducement to buy securities or offered to dealers or salesmen as an inducement to sell a specific offering or issue of securities (but not as an inducement in connection with general public relations or goodwill-building activities unrelated to the sale of a specific issue) must be fully disclosed to investors and to the commissioner.

Source Note: The provisions of this §137.6 adopted to be effective August 12, 1980, 5 TexReg 3043.

§137.7. **Advertisements in Texas Publications.** Advertisements in newspapers or periodicals whose circulation is directed primarily to residents of Texas or placed solely in a local edition of an otherwise nationally distributed newspaper or periodical which offer securities which may not be legally offered to Texas residents should indicate in the text of the advertisement that the securities are not offered for sale to Texas residents.

Source Note: The provisions of this §137.7 adopted to be effective August 12, 1980, 5 TexReg 3043.

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The next page is 139-1.

TEXAS ADMINISTRATIVE CODE
TITLE 7 BANKING AND SECURITIES
PART 7 STATE SECURITIES BOARD

CHAPTER 139. EXEMPTIONS BY RULE OR ORDER.

§139.1. Policies.
§139.2. Professional Associations.
§139.3. Blue Chip Exemption.
§139.4. Mexican Securities.
§139.5. Canadian Securities.
§139.6. Distributions by Liquidating Trustees.
§139.7. Sale of Securities to Nonresidents.
§139.8. Sales to Underwriters.
§139.9. Bank Holding Companies.
§139.10. Exchange Offers.
§139.11. Transactions in United States Savings Bonds.
§139.12. Oil and Gas Auction Exemption.
§139.13. Resales under SEC Rule 144 and Rule 145(d).
§139.14. Non-Issuer Sales.
§139.15. Credit Enhancements.
§139.16. Sales to Individual Accredited Investors.
§139.17. Offers Disseminated Through the Internet.
§139.18. Dealer and Investment Adviser Use of the Internet To Disseminate Information on Products and Services.
§139.19. Accredited Investor Exemption.
§139.20. Third Party Brokerage Arrangements on Financial Entity Premises.
§139.21. Dealer, Agent, and Securities Exemptions for Canadian Accounts.
§139.22. Exemption for Investment Adviser to a High Net Worth Family Entity.
§139.23. Registration Exemption for Investment Advisers to Private Funds.
§139.24. Charitable Organizations Assisting Economically Disadvantaged Clients with Texas Qualified Tuition Program Plans.
§139.25. Reserved for Expansion.
§139.26. Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings.
§139.27. Mergers and Acquisitions Dealer Exemption.

. . . . . .

§139.1. Policies.

(a) It is the policy of the State Securities Board to refuse to grant any exemptions by order under Section 5.T of the Securities Act for specific individual transactions or issuers.

(b) The company or person engaged in a transaction exempt under a rule adopted pursuant to the Securities Act, Section 5.T, shall not be deemed a dealer within the meaning of the Act unless the rule by its terms indicates otherwise.

Source Note: The provisions of this §139.1 adopted to be effective April 15, 1980, 5 TexReg 1285; amended to be effective October 4, 1984, 9 TexReg 4974.

§139.2. Professional Associations. The sale, issuance, or offering of any securities of a professional association organized pursuant to Texas Civil Statutes, Article 1528(f), to persons permitted by the provisions of such article to own such securities are hereby exempted from the securities registration and dealer registration requirements of the Act; and the sale, issuance, or offering of any such securities to such persons shall be legal without any action or approval whatsoever on the part of the board or the commissioner.

Source Note: The provisions of this §139.2 adopted to effective April 15, 1980, 5 TexReg 1285.

§139.3. Blue Chip Exemption. The sale of any security by the issuer itself or by a registered dealer is exempt from the registration requirements of the Securities Act if all of the following conditions are met:

(1) If the issuer is not organized under the laws of the United States or a state, it has appointed a duly authorized agent in the United States for service of process, and has set forth the name and address of such agent in its prospectus, offering memorandum or similar disclosure document.

(2) The security is senior to or on a parity with a class of the issuer's securities registered under section 12 of the Securities Exchange Act of 1934, and the class of securities has been so registered for the three years immediately preceding the offering date.

(3) Neither the issuer nor a subsidiary, which accounts for more than 15% of assets or revenues on a consolidated basis, has had a default that exceeded 5.0% of total assets on a consolidated basis during the last seven years (or the issuer's existence if less than seven years) in the payment of:

(A) principal, interest, dividend, or sinking fund installment on preferred stock or indebtedness for borrowed money; or

(B) rentals under leases with terms of three years or more.

(4) The issuer has had consolidated net income after taxes (but before extraordinary items and the cumulative effect of accounting changes) of at least $1 million in each of four of its last five fiscal years including its last fiscal year. In addition, if the offering is of interest-bearing securities, the issuer must have had net income for its last fiscal year (but before deduction for income taxes and depreciation) of at least 1-1/2 times the issuer's annual interest expense, giving effect to the proposed offering and the intended use of the proceeds. 'Last fiscal year' means the most recent year for which audited financial statements are available, provided that such statements cover a fiscal period ended not more than 12 months from the commencement of the offering.

(5) If the offering is of stock or shares, other than preferred stock or shares, such securities have voting rights and such rights include:

(A) the right to have at least as many votes per share; and

(B) the right to vote on at least as many general corporate decisions, as each of the issuer's outstanding classes of stock or shares, except as otherwise required by law.

(6) If the offering is of stock or shares, other than preferred stock or shares, such securities are owned beneficially or of record, on any date within six months prior to the commencement of the offering, by at least 1,200 persons, and on such date there are at least 750,000 such shares outstanding with an aggregate market value, based on the average bid price for that day, of at least $3,750,000. In connection with the determination of the number of persons who are beneficial owners of the stock or shares of an issuer, the issuer or broker dealer may rely in good faith for the purposes of this section upon written information furnished by the record owners.

(7) Any security issued or guaranteed as to both principal and interest by an international bank of which the United States is a member is exempted without regard to the conditions in this section.

(8) If the offering is of interest-bearing securities of a finance company with liquid assets of at least 105% of its liabilities (other than deferred income taxes, deferred investment tax credits, capital stock, and retained earnings) at the end of each of its last five fiscal years, the applicable net income requirements of paragraph (4) of this section, but before deduction for interest expense, shall be 1-1/4 times the issuer's annual interest expense. 'Finance company' means a company engaged primarily in the business of wholesale, retail, installment, mortgage, commercial, industrial, and consumer financing, banking, or factoring. 'Liquid assets' means cash, receivables payable on demand or not more than 12 years following the close of the company's last fiscal year, and readily marketable securities; in each case, less applicable reserves and unearned income.

(9) The issuer is not in bankruptcy.

Source Note: The provisions of this §139.3 adopted to be effective October 29, 1980, 5 TexReg 4146.

§139.4. Mexican Securities. Any security either issued or guaranteed by the federal government of Mexico shall be exempt from the securities registration requirements of the Act when offered for sale, sold, or dealt in by a registered dealer.

Source Note: The provisions of this §139.4 adopted to be effective May 24, 1993, 18 TexReg 3047.

§139.5. Canadian Securities. Any security, issued or guaranteed by Canada or any Canadian province or political subdivision thereof whose power of taxation or assessment will underlie the obligations evidenced by such securities, shall be exempt from the securities registration requirements of the Act when offered for sale, sold, or dealt in by a registered dealer.

Source Note: The provisions of this §139.5 adopted to be effective January 20, 1981, 6 TexReg 48.

§139.6. Distributions by Liquidating Trustees. The distribution to security holders of record at the time of the corporation's dissolution or liquidation of securities held by the liquidating trustee shall be exempt from the securities registration and dealer registration requirements of the Act. The distribution of such securities,

as part of their pro rata share of assets, to the security holders of record shall be exempt, provided that either articles of dissolution of the dissolving corporation have been or will be filed pursuant to a plan of complete liquidation or dissolution approved by the shareholders or a court of competent jurisdiction orders the dissolution and no security holder is obligated to pay or give any consideration other than the surrender of his shares of the dissolved corporation.

Source Note: The provisions of this §139.6 adopted to be effective January 20, 1981, 6 TexReg 48; amended to be effective June 23, 1992, 17 TexReg 4173.

§139.7. Sale of Securities to Nonresidents.

(a) The offer and sale of securities by an issuer or its selling agent to a non-Texas resident not present in Texas when the offer is made is exempt from the securities registration provisions of the Securities Act. (The Securities Act provides exemptions from the securities registration requirements which might be available to some issuers or selling agents offering or selling to non-Texas residents present in the state.)

(b) An issuer or selling agent who makes an offer or sale from Texas, by any means, including use of the mail or telephone, is a dealer and must comply with the dealer registration requirements of the Securities Act. (The Securities Act provides exemptions from the dealer registration requirements which might be available to some issuers or selling agents.) An offer is not deemed to be made from Texas merely because offering material is prepared in Texas, if such material is still in the possession of the issuer or its selling agent when it leaves the state. A sale is not deemed to be made in Texas merely because a purchaser sends his purchase money to Texas, or because clerical functions connected with the closing of a sale are performed in Texas.

Source Note: The provisions of this §139.7 adopted to be effective July 22, 1981, 6 TexReg 2383.

§139.8. Sales to Underwriters. Any transaction between the issuer, or other person on whose behalf the offering is made, and an underwriter, or among underwriters, is hereby exempted from the securities registration requirements of the Securities Act, Section 7.

Source Note: The provisions of this §139.8 adopted to be effective March 19, 1984, 9 TexReg 1440; amended to be effective October 4, 1984, 9 TexReg 4975.

§139.9. Bank Holding Companies. A bank holding company with fewer than 500 shareholders that owns the majority of the voting shares of a bank domiciled in Texas is hereby exempted from the dealer registration requirements of the Securities Act, Section 12, with respect to its participation in a sale or other transaction involving its own securities or the securities of a bank where the bank holding company owns a majority of the voting shares of such bank.

Source Note: The provisions of this §139.9 adopted to be effective January 12, 1984, 8 TexReg 5532.

§139.10. Exchange Offers. The offer or sale by the issuer of common stock in exchange for units of limited partnership or interests in oil, gas, or mineral leases, fees, or titles is hereby exempted from the securities registration requirements of the Securities Act, Section 7, if all of the following conditions are met:

(1) the units of limited partnership or interests in oil, gas, or mineral leases, fees, or titles for which the offer is made have been issued and outstanding for more than 36 months;

(2) the shares of common stock to be exchanged are registered for sale with the Securities and Exchange Commission;

(3) all sales to exchanging Texas residents are made by or through a registered dealer, who may be the issuer;

(4) the exchanging unit holders are not obligated to pay any consideration for the common stock issued to them other than the units of limited partnership or interests in oil, gas, or mineral leases, fees, or titles held by them;

(5) the shares of common stock received pursuant to the exchange are fully tradeable without restrictions; and

(6) at the close of the offering, the securities meet all of the criteria for trading on The National Association of Securities Dealers Automatic Quotations (NASDAQ).

Source Note: The provisions of this §139.10 adopted to be effective March 9, 1984, 9 TexReg 1441.

§139.11. Transactions in United States Savings Bonds. The State Securities Board, pursuant to the Securities Act, Section 5.T and Section 12.B, exempts from the securities and dealer registration requirements of the Act, the sale of any United States Series EE Savings Bond if no commission or other remuneration is paid or given or is to be paid or given, directly or indirectly, in connection with the sale. For purposes of this section, 'commission or other remuneration' does not include a fee paid by the United States Treasury.

Source Note: The provisions of this §139.11 adopted to be effective December 27, 1995, 20 TexReg 10593.

§139.12. Oil and Gas Auction Exemption. For purposes of this rule only, the term 'mineral interest' means an interest in or under an oil, gas, or mining lease, fee, or title, including real property from which the minerals have not been severed, or contracts relating thereto. The offer and sale of a mineral interest, at an auction, by the seller itself, or a registered dealer or agent acting on behalf of the seller, is exempt from the securities registration requirements of the Texas Securities Act, Section 7, if all of the following conditions are met.

(1) Auctioneer. The auctioneer or associate auctioneer through which the mineral interest is offered or sold must be licensed as a dealer under the Texas Securities Act and licensed by the Texas Department of Licensing and Regulation in accordance with Texas Occupations Code, Section 1802.001 et. seq.

(2) Seller.

(A) Intent. The seller did not acquire the mineral interest with a view to resale, unless the seller was forced to acquire the mineral interest in a package in order to obtain other properties in the package.

(B) No fractionalization of mineral interests.

(i) The seller has the full right and authority to sell the mineral interest, and is selling 100% of its mineral interest, except that retention by the seller of a royalty or overriding royalty or the horizontal severance of the property is permissible as indicated in clause (ii) of this subparagraph.

(ii) The seller must not be creating undivided interests out of its mineral interest for the purpose of resale. Where all the seller owns is a partial interest (such as a royalty, overriding royalty, or undivided fractional working interest), this requirement is met if the seller sells all of that interest. However, the seller shall not be considered to be fractionalizing its interest in sales where the seller retains only a royalty or overriding royalty, or where the seller horizontally severs the property by retaining all of its existing rights in certain formations or depths under the whole property.

(3) Not applicable to investment contracts. The mineral interest offered or sold does not constitute an investment contract.

(4) Purchaser.

(A) Knowledge and experience. The purchaser or its representative is engaged in the business of exploring for or producing oil or gas or other minerals as an ongoing business. By reason of this knowledge and experience, the purchaser or its representative has evaluated the merits and risks of the mineral interest to be purchased at auction and has formed an opinion based solely upon his knowledge and experience and not upon any statement, representation, or printed material provided or made by auctioneer or seller. If a purchaser representative is used, such purchaser representative:

(i) has no business relationship with the seller;

(ii) represents only the purchaser and not the seller; and

(iii) is compensated only by the purchaser.

(B) Financial ability. The purchaser has sufficient financial resources in order to bear the risk of loss attendant to the purchase of the property.

(C) Suitability. In all sales to purchasers in this state, the seller or any person acting on its behalf shall have reasonable grounds to believe and after making reasonable inquiry shall believe that the purchaser satisfies the requirements set forth in subparagraphs (A) and (B) of this paragraph. This requirement could be met by obtaining a document signed by the purchaser to the effect that the purchaser meets these conditions.

(5) **Auction.** For purposes of this rule only, auction shall mean the sale of the seller's mineral interest by public outcry.

(6) **Information not prohibited.** The use of statistical information in trade journals and data bases as well as auction pamphlets concerning the mineral interests to be offered pursuant to this rule is not prohibited.

Source Note: The provisions of this §139.12 adopted to be effective August 23, 1991, 16 TexReg 4352; amended to be effective June 12, 2002, 27 TexReg 4936; amended to be effective February 24, 2016, 41 TexReg 1225.

§139.13. **Resales under SEC Rule 144 and Rule 145(d).**

(a) **Exemption from securities registration.** Offers to resell and resales of any security by the owner thereof, or any person acting on behalf of the owner, shall be exempt from the securities registration requirements of the Texas Securities Act, Section 7, pursuant to Section 5.T, if the offers to resell and resales of securities are made in compliance with either:

(1) Rule 144 promulgated by the Securities and Exchange Commission (SEC) under the Securities Act of 1933, as amended (1933 Act), as made effective in SEC Release Number 33-5223, as amended in Release Numbers 33-5307, 33-5452, 33-5452A, 33-5560, 33-5613, 33-5717, 33-5979, 33-5995, 33-6032, 33-6180, 34-16589, 33-6286, 33-6389, 33-6488, 33-6768, 33-6862, 33-7285, and 33-7390; or

(2) Rule 145(d) promulgated by the SEC under the 1933 Act as made effective in SEC Release Number 33-5316, as amended in Release Numbers 33-5932, 33-6508, 33-6578, 33-6579, 33-6611, 33-6862, and 33-7390.

(b) **Dealer and agent registration.** Any person (other than the owner) who acts as an agent of the owner in connection with a sale to any prospective purchaser in a transaction exempt from securities registration by virtue of this section shall be registered as either a dealer or agent under the Act, as applicable.

Source Note: The provisions of this §139.13 adopted to be effective August 28, 1992, 17 TexReg 5681; amended to be effective August 24, 1998, 23 TexReg 8672.

§139.14. **Non-Issuer Sales.** The State Securities Board, pursuant to the Securities Act, Section 5.T, exempts from the securities registration requirements of the Securities Act, Section 7, the offer and sale of any securities, provided the following conditions are met.

(1) **Who may sell.** Offers or sales may be made by an owner of the securities, or any person acting on the owner's behalf, so long as the owner is not the issuer of the securities.

(2) **Dealer and agent registration.** Any person (other than the owner) who acts as an agent of the owner in connection with a sale to any prospective purchaser in a transaction exempt from securities registration by virtue of this section shall be registered as either a dealer or agent under the Act, as applicable.

(3) **Use of proceeds.** The proceeds of the sale shall be for the benefit of the owner and not directly or indirectly for the benefit of the issuer of the securities.

(4) **Number of sales.**

(A) Except as the allowable number of sales may be increased as provided in subparagraph (B) of this paragraph, the owner, together with any persons acting in concert with the owner, may make no more than 15 sales in any 12-month period under and in reliance on this section, exclusive of sales made:

(i) to the issuer;

(ii) in compliance with the Act, Sections 5.O, 6.F, or 5.H; or

(iii) in compliance with the following:

(I) §109.4 of this title (relating to Securities Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors);

(II) §139.7 of this title (relating to Sales of Securities to Nonresidents); or

(III) §139.13 of this title (relating to Resales under SEC Rule 144 and Rule 145(d)).

(B) The number of sales that may be made under subparagraph (A) of this paragraph may be increased to a higher number as approved by the Securities Commissioner in response to a written request based on the particular circumstances of a specific transaction. If the Securities Commissioner approves a higher number of sales in accordance with the provisions of this subparagraph, then in the particular case addressed by the written request, the higher number of approved sales will be allowed.

(C) The exemption provided by this section may not be combined with sales made pursuant to the Act, Section 5.C(1), to exceed sales otherwise allowable under this section.

(5) **Filing requirement for certain persons.** Any person who is a director, executive officer, or owner of 15% or more of a class of voting securities or other ownership interests of the issuer who wishes to make sales under and in reliance on this section must file a Form 133.34 with the Securities Commissioner no later than 15 days after the first receipt of any portion of the consideration for the securities being sold.

(6) **Anti-fraud provisions.** Nothing in this section relieves owners or persons acting on behalf of owners from the duty to disclose to prospective investors information adequate to satisfy the anti-fraud provisions of the Act.

Source Note: The provisions of this §139.14 adopted to be effective August 28, 1992, 17 TexReg 5681; amended to be effective June 8, 1994, 19 TexReg 4196; amended to be effective January 8, 2006, 30 TexReg 8869.

§139.15. Credit Enhancements.

(a) Any 'qualified credit enhancement' need not be registered as a separate security when no additional consideration is required to receive the enhancement and the enhancement is offered and sold in conjunction with, and is not tradeable separately from, securities that are:

(1) registered pursuant to the Securities Act, Section 7;

(2) exempt under the Securities Act, Section 6; or

(3) included within a transaction exempt under the Securities Act, Section 5.

(b) For purposes of this section, the term 'qualified credit enhancement' means:

(1) a letter of credit issued by a domestic branch or agency of a foreign bank if the nature and extent of the regulation and supervision of the particular branch or agency is substantially equivalent to that applicable to federal or state chartered domestic banks doing business in the same domestic jurisdiction; or

(2) a municipal bond insurance policy or guarantee issued by an insurance company licensed or supervised by the Texas Department of Insurance.

Source Note: The provisions of this §139.15 adopted to be effective September 14, 1994, 19 TexReg 6842.

§139.16. Sales to Individual Accredited Investors.

(a) In general. The State Securities Board, pursuant to the Securities Act, Section 5.T, exempts from the securities registration requirements of the Securities Act, Section 7, the offer and sale by the issuer or a registered dealer without advertising of any security to an individual accredited investor, or to any purchaser who the issuer has reasonable grounds to believe and after making reasonable inquiry shall believe to be an individual accredited investor, provided that such security is not part of the same distribution or offering as securities of the same issuer which have been registered or are proposed to be registered by pending application under the Securities Act, Section 7. 'Advertising,' as used in this subsection, does not include the use of limited use advertisements under subsection (e) of this section or the use of the type of printed material as permitted by §109.13(b) of this title (relating to Limited Offering Exemptions) in connection with an offering under the Act, Section 5.I.

(b) Who may purchase; who constitutes the issuer for purposes of selling securities.

(1) Individual accredited investors. The term 'individual accredited investor' is defined in §107.2 of this title (relating to Definitions). For purposes of this section, the term 'individual accredited investor' also includes any self-directed employee benefit plan with investment decisions made solely by persons that are 'individual accredited investors' as defined in §107.2 of this title and the individual retirement account of any such individual accredited investor.

(2) Issuer. For the purposes of subsection (a), the term 'issuer' includes any director, officer, or employee of the issuer provided all the following conditions are satisfied:

(A) the director, officer, or employee was not hired for the purpose of offering or selling such securities;

(B) the director's, officer's, or employee's activity involving the offer and sale of such securities is strictly incidental to his or her bona fide primary non-securities related work duties; and

(C) the director's, officer's, or employee's compensation is based solely on the performance of other such duties, i.e., the director, officer, or employee does not receive any compensation for offering for sale, selling, or otherwise aiding in the sale of securities.

(c) Disqualifications.

(1) No exemption under this section shall be available for the securities of any issuer if the issuer or registered dealer:

(A) within the last five years, has filed a registration statement which is the subject of a currently effective registration stop order entered by the United States Securities and Exchange Commission or any state securities administrator;

(B) within the last five years, has been convicted of any felony in connection with the offer, purchase, or sale of any security or any felony involving fraud or deceit;

(C) is currently subject to any state or federal administrative enforcement order, entered within the last five years, finding fraud or deceit in connection with the purchase and sale of any security; or

(D) is currently subject to any order, judgment or decree of any court of competent jurisdiction, entered within the last five years, permanently restraining or enjoining such party from engaging in or continuing to engage in any conduct or practice involving fraud or deceit in connection with the purchase and sale of any security.

(2) For purposes of this subsection and subsection (d) of this section only, the term 'issuer' includes:

(A) any of the issuer's predecessors or any affiliated issuer;

(B) any of the issuer's directors, officers, general partners, or beneficial owners of 10% or more of any class of its equity securities (beneficial ownership meaning the power to vote or direct the vote and/or the power to dispose or direct the disposition of such securities);

(C) any of the issuer's promoters presently connected with the issuer in any capacity, including:

(i) any person who, acting alone or in conjunction with one or more other persons, directly or indirectly takes initiative in founding and organizing the business or enterprise of an issuer; or

(ii) any person who, in connection with the founding and organizing of the business or enterprise of an issuer, directly or indirectly receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of such securities; however, a person who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this clause if such person does not otherwise take part in founding and organizing the enterprise; or

(D) any underwriter of the issuer.

(3) For purposes of this subsection and subsection (d) of this section only, the term 'registered dealer' includes any of the registered dealer's partners, directors, executive directors, or beneficial owners of 10% or more of any class of its equity securities (beneficial ownership meaning the power to vote or direct the vote and/or the power to dispose or direct the disposition of such securities).

(d) **Exceptions from disqualifications.** The prohibitions of subsection (c) of this section shall not apply if:

(1) the party subject to the disqualification is duly licensed or registered to conduct securities related business in the state in which the order, judgment, or decree creating the disqualification was entered against such party; or

(2) before the first offer under this section, the Securities Commissioner, or the court or regulatory authority that entered the order, judgment, or decree, waives the disqualification upon a showing of good cause.

(e) **Limited use advertisements.** Any limited use advertisement used in connection with an offering under this section must be filed with the Securities Commissioner ten days prior to use in this state. A limited use advertisement may be disseminated by any means, direct or indirect. A limited use advertisement shall contain only the statements required or permitted to be included therein by this subsection.

(1) A limited use advertisement shall contain the following items of information:

(A) a brief description of the securities to be offered (e.g., description of class, size of offering, price, percentage of commission);

(B) the name, address, and telephone number of the person to contact for additional information concerning the offering;

(C) the address where offering material may be obtained; and

(D) the following statement: 'The securities have not been registered with or approved by the Texas Securities Commissioner and are being offered and sold pursuant to the exemption

provided by §139.16 of the Rules and Regulations of the State Securities Board. This advertisement was filed with the Texas Securities Commissioner on or about (fill in date). The securities are being offered to, and may be purchased by, only those natural persons whose individual net worth, or joint net worth with that person's spouse, at the time of purchase of the securities, exceeds $1 million, excluding the value of the person's primary residence, or natural persons who have an individual income in excess of $200,000 in each of the two most recent years, or joint income with that person's spouse in excess of $300,000 in each of those years, and who have a reasonable expectation of reaching that same income level in the current year.'

(2) A limited use advertisement may include any one or more of the following items of information:

(A) the name and address of the issuer of the securities;

(B) a brief description of the business of the issuer; and

(C) the name and address of the registered dealer(s) acting on the issuer's behalf in connection with the offering.

(f) Any issuer relying on this exemption shall, upon written request, furnish to the Securities Commissioner the information furnished by the issuer or registered dealer to offerees. Any issuer relying on this exemption must maintain, for a period of at least three years, evidence of the basis for its belief that all purchasers were accredited investors at the time of purchase.

(g) Transactions exempt under this section may be combined with offers and sales exempt under the Securities Act, Section 5.H, and §109.4 of this title (relating to Securities Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors). In this event, the statement required by subsection (e)(1)(D) of this section may be modified to indicate that the securities are also being offered to eligible purchasers under Section 5.H and §109.4 of this title (relating to Securities Registration Exemption for Sales to Financial Institutions and Certain Institutional Investors).

(h) Because this exemption permits limited use advertisements, use of this exemption under certain circumstances could result in other exemptions not being available for other sales due to prohibitions in such exemptions against public solicitation and advertisements. Therefore, issuers or registered dealers who use this exemption should take all necessary steps to document that any sales to persons who are not individual accredited investors, as defined, were not made in response to a limited use advertisement. Users of this section should consult with experienced securities counsel, especially if they anticipate selling, within six months of the last sale made under this section, to any persons who are not individual accredited investors.

(i) The use of a limited use advertisement in compliance with this section and in connection with sales under this section will not render exemptions that prohibit public solicitation or advertisements unavailable to sales that are made more than six months after the use of the limited use advertisement.

(j) Should the offer and sale of securities fail, for any reason, to comply with all the terms and conditions for use of this section, the issuer may claim the availability of any other applicable exemption. A limited use advertisement that results in an offer to a person who is not an individual accredited investor within the meaning of this section does not alone result in loss of the exemption.

(k) Investment intent; resales. The issuer and any person acting on its behalf shall exercise reasonable care to assure that the purchasers are acquiring the securities as an investment. Such reasonable care should include, but not be limited to, the following:

(1) having reasonable grounds to believe and, after making reasonable inquiry, believe that the purchaser is acquiring the securities with investment intent for his or her own account or on behalf of other persons and not for resale or with a view toward distribution;

(2) placing a legend on the certificate or other document evidencing the securities to the effect that the securities have not been registered under any securities law and setting forth or referring to the restrictions on transferability and sale of the securities;

(3) issuing stop transfer instructions to the issuer's transfer agent, if any, with respect to the securities, or, if the issuer transfers its own securities, making a notation in the appropriate records of the issuer; and

(4) obtaining from the purchaser a signed written agreement to the effect that the securities will not be sold without registration under applicable securities laws or exemptions therefrom.

Source Note: The provisions of this §139.16 adopted to be effective April 21, 1995, 20 TexReg 2622; amended to be effective December 27, 1995, 20 TexReg 10593; amended to be effective July 14, 2005, 30 TexReg 3990; amended to be effective January 8, 2006, 30 TexReg 8869; amended to be effective June 21, 2011, 36 TexReg 3715; amended to be effective November 8, 2012, 37 TexReg 8787.

§139.17. Offers Disseminated Through the Internet.

(a) An offer of securities not made from Texas is exempt from the securities and dealer registration requirements of The Securities Act when that offer is disseminated through the Internet and:

(1) the offer indicates, directly or indirectly, that the securities are not being offered for sale to any person in Texas;

(2) an offer is not otherwise specifically directed to any person in Texas by, or on behalf of, the issuer; and

(3) no sales of the issuer's securities are made to any person in Texas as a result of the offer.

(b) An offer of securities made from Texas is exempt from the securities registration requirements of The Securities Act, but not from the dealer registration requirements of The Securities Act, when that offer is disseminated through the Internet and:

(1) the offer indicates, directly or indirectly, that the securities are not being offered for sale to any person in Texas;

(2) an offer is not otherwise specifically directed to any person in Texas by, or on behalf of, the issuer; and

(3) no sales of the issuer's securities are made to any person in Texas as a result of the offer.

(c) Subsection (a)(1) or (b)(1) of this section is met by inclusion of any of the following statements, or a substantially similar one, in an offer disseminated through the Internet.

(1) 'These securities are not being offered or sold in Texas.'

(2) 'These securities are being offered and sold in (fill in names of states other than Texas).'

(3) 'This is neither a solicitation to buy nor an offer to sell to persons in Texas.'

Source Note: The provisions of this §139.17 adopted to be effective March 27, 1996, 21 TexReg 2226.

§139.18. Dealer and Investment Adviser Use of the Internet To Disseminate Information on Products and Services.

(a) Dealers, investment advisers, dealer agents, and investment adviser representatives who use the Internet, the World Wide Web, and similar proprietary or common carrier electronic systems (collectively, the 'Internet') to distribute information on available products and services through certain communications made on the Internet directed generally to anyone having access to the Internet, and transmitted through postings on Bulletin Boards, displays on 'Home Pages' or similar methods ('Internet Communications') shall not be deemed to be a 'dealer' in this state for purposes of the Act, Section 4.D, based solely on that fact if the following conditions are observed:

(1) The Internet Communication contains a legend in which it is clearly stated that:

(A) the dealer, investment adviser, dealer agent, or investment adviser representative in question may only transact business in this state if first registered, excluded, or exempted from Texas dealer, investment adviser, dealer agent, or investment adviser representative registration requirements, as may be; and

(B) follow-up, individualized responses to persons in Texas by such dealer, investment adviser, dealer agent, or investment adviser representative that involve either the effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as may be, will not be made absent compliance with Texas dealer, investment adviser, dealer agent, or investment adviser representative registration requirements, or an applicable exemption or exclusion;

(2) The Internet Communication contains a mechanism, including and without limitation, technical 'firewalls' or other implemented policies and procedures, designed reasonably to ensure that prior to any subsequent, direct communication with prospective customers or clients in Texas, said dealer, investment adviser, dealer agent, or investment adviser representative is first registered in Texas or qualifies

for an exemption or exclusion from such requirement. Nothing in this section shall be construed to relieve a Texas registered dealer, investment adviser, dealer agent, or investment adviser representative from any applicable securities registration requirement in Texas;

(3) The Internet Communication does not involve either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as may be, in Texas over the Internet, but is limited to the dissemination of general information on products and services; and

(4) In the case of a dealer agent or investment adviser representative:

(A) the affiliation with the dealer or investment adviser of the dealer agent or investment adviser representative is prominently disclosed within the Internet Communication;

(B) the dealer or investment adviser with whom the dealer agent or investment adviser representative is associated retains responsibility for reviewing and approving the content of any Internet Communication by a dealer agent or investment adviser representative;

(C) the dealer or investment adviser with whom the dealer agent or investment adviser representative is associated first authorizes the distribution of information on the particular products and services through the Internet Communication; and

(D) in disseminating information through the Internet Communication, the dealer agent or investment adviser representative acts within the scope of the authority granted by the dealer or investment adviser.

(b) The position expressed in this section extends to state dealer, investment adviser, dealer agent, and investment adviser representative registration requirements only, and does not excuse compliance with applicable securities registration, antifraud, or related provisions.

(c) Nothing in this section shall be construed to affect the activities of any dealer, investment adviser, dealer agent, or investment adviser representative engaged in business in this state that is not subject to the jurisdiction of the Securities Commissioner as a result of the National Securities Markets Improvement Act of 1996, as amended.

Source Note: The provisions of this §139.18 adopted to be effective December 2, 1997, 22 TexReg 11668.

§139.19. Accredited Investor Exemption. Any offer or sale of a security by an issuer in a transaction that meets the requirements of this section is exempted from the securities registration requirements of the Texas Securities Act and exempted from the filing requirements contained in the Texas Securities Act, Section 22.A, and Chapter 137 of this title (relating to Administrative Guidelines for Regulation of Offers).

(1) Who may purchase. Sales of securities shall be made only to persons who are or the issuer reasonably believes are accredited investors. 'Accredited investor' is defined in §107.2 of this title (relating to Definitions).

(2) **Unavailable for certain issuers.** The exemption is not available to an issuer that is in the development stage that either has no specific business plan or purpose or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person.

(3) **Investment intent; resales.** The issuer reasonably believes that all purchasers are purchasing for investment and not with the view to or for sale in connection with a distribution of the security. Any resale of a security sold in reliance on this exemption within 12 months of sale shall be presumed to be with a view to distribution and not for investment, except a resale pursuant to a registration statement effective under the Texas Securities Act, Section 7, or to an accredited investor pursuant to an exemption available under the Texas Securities Act or Board rules.

(4) **Disqualifications.**

(A) The exemption is not available to an issuer if the issuer, any of the issuer's predecessors, any affiliated issuer, any of the issuer's directors, officers, general partners, beneficial owners of 10% or more of any class of its equity securities, any of the issuer's promoters presently connected with the issuer in any capacity, any underwriter of the securities to be offered, or any partner, director, or officer of such underwriter:

(i) within the last five years, has filed a registration statement which is the subject of a currently effective registration stop order entered by any state securities administrator or the United States Securities and Exchange Commission;

(ii) within the last five years, has been convicted of any criminal offense in connection with the offer, purchase, or sale of any security, or involving fraud or deceit;

(iii) is currently subject to any state or federal administrative enforcement order or judgment, entered within the last five years, finding fraud or deceit in connection with the purchase or sale of any security; or

(iv) is currently subject to any order, judgment, or decree of any court of competent jurisdiction, entered within the last five years, temporarily, preliminarily, or permanently restraining or enjoining such party from engaging in or continuing to engage in any conduct or practice involving fraud or deceit in connection with the purchase or sale of any security.

(B) Subparagraph (A) of this paragraph shall not apply if:

(i) the party subject to the disqualification is licensed or registered to conduct securities related business in the state in which the order, judgment, or decree creating the disqualification was entered against such party;

(ii) before the first offer under this exemption, the state securities administrator, or the court or regulatory authority that entered the order, judgment, or decree, waives the disqualification; or

(iii) the issuer establishes that it did not know and in the exercise of reasonable care, based on a factual inquiry, could not have known that a disqualification existed under this paragraph.

(5) General announcement.

(A) A general announcement of the proposed offering may be made by any means.

(B) The general announcement shall include only the following information, unless additional information is specifically permitted by the Securities Commissioner:

(i) the name, address, and telephone number of the issuer of the securities;

(ii) the name, a brief description, and price (if known) of any security to be issued;

(iii) a brief description of the business of the issuer in 25 words or less;

(iv) the type, number, and aggregate amount of securities being offered;

(v) the name, address, and telephone number of the person to contact for additional information; and

(vi) a statement that:

(I) sales will only be made to accredited investors;

(II) no money or other consideration is being solicited or will be accepted by way of this general announcement; and

(III) the securities have not been registered with or approved by any state securities agency or the U.S. Securities and Exchange Commission and are being offered and sold pursuant to an exemption from registration.

(6) Provision of additional information. The issuer, in connection with an offer, may provide information in addition to the general announcement under paragraph (5) of this section, if such information:

(A) is delivered through an electronic database that is restricted to persons who have been prequalified as accredited investors; or

(B) is delivered after the issuer reasonably believes that the prospective purchaser is an accredited investor.

(7) Telephone solicitation. No telephone solicitation shall be permitted unless prior to placing the call, the issuer reasonably believes that the prospective purchaser to be solicited is an accredited investor.

(8) **Loss of exemption.** Dissemination of the general announcement of the proposed offering to persons who are not accredited investors shall not disqualify the issuer from claiming the exemption under this section.

(9) **Filing.** The issuer shall file with the Securities Commissioner a notice of transaction on the Model Accredited Investor Exemption Uniform Notice of Transaction form, a consent to service of process, and a copy of the general announcement within 15 days after the first sale in this state.

(10) **Dealer and agent registration.** Although the issuer is not required to register as a dealer to conduct sales pursuant to this section, third parties must comply with the dealer and agent registration requirements of the Texas Securities Act and Board rules. For the purposes of this section, the term 'issuer' includes any director, officer, or employee of the issuer provided all the following conditions are satisfied:

(A) the director, officer, or employee was not hired for the purpose of offering or selling such securities;

(B) the director's, officer's, or employee's activity involving the offer and sale of such securities is strictly incidental to his or her bona fide primary non-securities related work duties; and

(C) the director's, officer's, or employee's compensation is based solely on the performance of other such duties, i.e., the director, officer, or employee does not receive any compensation for offering for sale, selling, or otherwise aiding in the sale of securities.

Source Note: The provisions of this §139.19 adopted to be effective December 2, 1997, 22 TexReg 11668; amended to be effective December 6, 1998, 23 TexReg 12295; amended to be effective June 21, 2011, 36 TexReg 3715.

§139.20. Third Party Brokerage Arrangements on Financial Entity Premises.

(a) The State Securities Board, pursuant to the Texas Securities Act, Section 12.B, exempts a financial entity from the dealer registration requirements of the Texas Securities Act, when such financial entity is engaging in securities-related activity consisting solely of acting as a correspondent in a third party brokerage arrangement coordinated with a registered dealer on the premises of the financial entity. A financial entity may receive compensation for such an arrangement based on a percentage of commissions generated by the arrangement or on the basis of leased space of the premises; officers and employees of the financial entity may receive compensation as set forth in subsection (b) of this section. For purposes of this section, the following words and terms shall have the following meanings:

(1) 'financial entity' shall include any state or national bank, any federal savings and loan association or savings and loan association organized and subject to the laws and regulation of this State as defined in §109.17 of this title (relating to Banks Under The Securities Act, Section 5.L), or any credit union, insurance company, bank holding company, or financial holding company organized and subject to functional regulation under the laws of the United States or under the laws of any State or territory of the United States;

(2) 'acting as a correspondent in a third party brokerage arrangement' means that the activity of the financial entity is limited to providing an area on the financial entity premises for the dealer's

brokerage activities, advertising the brokerage service, referring customers to a representative of the dealer, and performing clerical or ministerial functions in connection with brokerage transactions including scheduling appointments with agents of the dealer and transferring customer funds or securities;

(3) 'premises' shall include the physical location of the financial entity, including all of its branches, as well as the financial entity's web site. Thus, a financial entity may engage in linking arrangements with third party brokerages within this exemption.

(b) The State Securities Board, pursuant to the Texas Securities Act, Section 12.B, exempts officers and employees of a financial entity from the agent registration requirements of the Texas Securities Act, when such employee or officer is engaging in securities-related activity consisting solely of referring customers to a representative of the registered dealer. For the purposes of this subsection, the officers and employees of a financial entity may receive a referral fee for this activity provided that:

(1) the fee is a nominal, one time fee of a fixed dollar amount per referral;

(2) the payment of such referral fee is not contingent on whether the referral results in a transaction; and

(3) such payment is made directly by the registered dealer to the financial entity which, as a condition of this exemption, upon request agrees to provide the Securities Commissioner, or representative of the Commissioner, a statement or internal records itemizing such payments including, but not limited to, the date, amount of payment, the name of each person for whom a referral payment was made and the name of the person receiving the payment.

(c) The filing and fee requirements for dealers and agents exempted from registration pursuant to this section are preserved.

(1) Initially, the exemptions provided by subsections (a) and (b) of this section are available after the filing of:

(A) a Form 133.9;

(B) a consent to service of process (if the financial entity is domiciled outside of Texas);

(C) a copy of the agreement with the third party dealer; and

(D) an initial fee equal to the amount that would have been paid had the financial entity and designated officer of the financial entity filed for registration in Texas.

(2) Upon amendment to its Form 133.9, the financial entity files an amended Form 133.9 and an amendment fee as provided in the Texas Securities Act, Section 35.B(1).

(3) Annually, the financial entity files renewal fees which would have been paid had the financial entity been registered in Texas.

(d) Any financial entity relying on this exemption shall, upon written request, furnish to the Securities Commissioner any information relative to the third party brokerage arrangement that the Commissioner deems relevant, including, but not limited to, records regarding referral fee payments to employees and officers of the financial entity, agreements between the financial entity and the registered dealer, and customer complaints regarding the brokerage activities. Standard compensation records are sufficient 'records regarding referral fee payments to employees and officers.' All records required by this subsection shall be kept for the life of the third party brokerage arrangement plus an additional five years and may be retained electronically, in hard copy form, microfilm, or microfiche.

Source Note: The provisions of this §139.20 adopted to be effective December 3, 2000, 25 TexReg 11647; amended to be effective August 12, 2001, 26 TexReg 5806; amended to be effective February 24, 2004, 29 TexReg 1645.

§139.21. Dealer, Agent, and Securities Exemptions for Canadian Accounts.

(a) The State Securities Board, pursuant to the Texas Securities Act, Sections 5.T and 12.C, exempts Canadian dealers and agents from the registration requirements of the Texas Securities Act, when such dealers and agents comply with subsections (b) and (c) of this section and are conducting a transaction in a Canadian self-directed tax advantaged retirement plan of which the holder or contributor is a person from Canada who is present in this state or when conducting a transaction in the Canadian securities account of a Canadian citizen who is temporarily present in this state and with whom the dealer or agent has a preexisting client relationship.

(b) A Canadian dealer must be a member of a self-regulatory organization, a stock exchange in Canada, or the bureau 'des services financiers' of Quebec, and maintain provincial or territorial registration and membership in a Canadian self-regulatory organization or stock exchange in good standing. An agent must be registered and in good standing in the jurisdiction from which he or she is effecting transactions into this state and maintain registration in such jurisdiction in good standing.

(c) Any Canadian dealer or agent relying on this exemption shall, upon written request, furnish to the Securities Commissioner any information relative to a transaction covered by this section that the Commissioner deems relevant.

(d) The State Securities Board, pursuant to the Texas Securities Act, Section 5.T, exempts from the securities registration requirements of the Texas Securities Act, Section 7, the offer and sale of any securities effected by a Canadian dealer pursuant to this section.

(e) The Texas Securities Act prohibits fraud or fraudulent practices in connection with the sale or offer for sale of securities covered by this exemption.

Source Note: The provisions of this §139.21 adopted to be effective November 26, 2001, 26 TexReg 9585.

§139.22. Exemption for Investment Adviser to a High Net Worth Family Entity.

(a) The State Securities Board, pursuant to the Texas Securities Act, Section 5.T and Section 12.C, exempts an investment adviser and its investment adviser representatives from the registration requirements of the Act, Section 12, when such adviser:

(1) renders services as an investment adviser to a high net worth family entity or related family entities, and

(2) does not hold itself out to the public as one who renders services as an investment adviser.

(b) For purposes of this section, a 'high net worth family entity' is a corporation, limited partnership, limited liability company, or other entity, with all of its owners, partners, or members belonging to a single family who are all related by blood, adoption or marriage; with a combined net worth of not less than $5 million; and with ownership by an individual family member being direct or indirect pursuant to a trust or other similar arrangement where the investment is made by or on behalf of, or for the benefit of, the individual. An individual shall not constitute a 'family entity' for purposes of this exemption regardless of the net worth of the individual.

(c) For purposes of determining 'net worth' under this section, an investment adviser may rely on the entity's most recent annual balance sheet or other financial statement which shall have been audited by an independent accountant or which shall have been verified under oath by a principal of the entity.

Source Note: The provisions of this §139.22 adopted to be effective October 25, 2004, 29 TexReg 9825.

§139.23. Registration Exemption for Investment Advisers to Private Funds.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise:

(1) Private Fund Adviser--An investment adviser who provides advice:

(A) solely to one or more Private Funds; or

(B) solely to one or more Private Funds and other clients, who are not Private Funds, to whom advice may be provided pursuant to another exemption from investment adviser registration provided under the Texas Securities Act or Board rules.

(2) Private Fund--An issuer that would be an investment company as defined in the Investment Company Act of 1940, Section 3, but for an exclusion from the definition of an investment company in Section 3(c)(1) or Section 3(c)(7) of that Act, 15 U.S.C. Section 80a.

(3) 3(c)(1) Fund--A Private Fund that relies solely on the exclusion from the definition of an investment company under Section 3(c)(1) of the Investment Company Act of 1940, 15 U.S.C. Section 80a-3(c)(l).

(4) Private Equity Fund--A Private Fund that meets the definition of a private equity fund in the Instructions to Part 1A of Form ADV.

(5) Real Estate Fund--A Private Fund that meets the definition of a real estate fund in the Instructions to Part 1A of Form ADV.

(6) Venture Capital Fund--A Private Fund that meets the definition of a venture capital fund in SEC Rule 203(l)-1, 17 CFR §275.203(l)-1.

(b) Exemption for Private Fund Advisers. Subject to the additional requirements of this section, the State Securities Board, pursuant to the Texas Securities Act, Section 5.T and Section 12.C, exempts from the investment adviser registration requirements of the Texas Securities Act, Section 12, a Private Fund Adviser satisfying each of the following conditions and limitations:

(1) The Private Fund Adviser files with the Securities Commissioner each report and amendment thereto that an exempt reporting adviser is required to file with the Securities and Exchange Commission pursuant to SEC Rule 204-4, 17 CFR §275.204-4. These filings are to be made electronically through the Investment Adviser Registration Depository (IARD). A report shall be deemed filed when the report required by subsection (b) of this section is filed and accepted by the IARD on the state's behalf.

(2) Except as provided in paragraph (3) of this subsection, neither the Private Fund Adviser, nor any of its advisory affiliates, as that term is defined in the Instructions to Part 1A of Form ADV, are subject to the following disqualifications:

(A) any of those described in Rule 262 of SEC Regulation A, 17 CFR §230.262;

(B) has been convicted within five years prior to the filing of the notice required under this exemption of any felony or misdemeanor involving the offer, purchase, or sale of any security or the rendering of investment advice, or any felony involving embezzlement, obtaining money under false pretenses, larceny, or conspiracy to defraud;

(C) is currently subject to any order, judgment, or decree of any court of competent jurisdiction, entered within the last five years, temporarily, preliminarily, or permanently restraining or enjoining such party from engaging in or continuing to engage in any conduct or practice involving fraud or deceit in connection with the purchase or sale of a security or the rendering of investment advice;

(D) is the subject of a United States Postal Service fraud order that is currently effective and was issued within the last five years;

(E) is currently subject to any state or federal administrative enforcement order or judgment, entered within the last five years, finding fraud or deceit in connection with the purchase or sale of a security or the rendering of investment advice;

(F) is subject to an order issued by a state or federal authority that bars the person from association with an entity regulated by the authority that issued the order, or from engaging in the business of securities, insurance, or banking, or savings association or credit union activities; or

(G) is the subject of a suspension or expulsion from membership in or association with a member of a self-regulatory organization that is currently effective and was issued within the last five years.

(3) Exceptions from disqualifications. The prohibitions of paragraph (2) of this subsection shall not apply if:

(A) the party subject to the disqualification is duly licensed or registered to conduct securities related business or render investment advisory services in the state in which the order, judgment, or decree creating the disqualification was entered against such party; or

(B) before investment advisory services are rendered under this section, the Securities Commissioner, or the court or regulatory authority that entered the order, judgment, or decree, waives the disqualification upon a showing of good cause.

(c) **Additional requirements for Private Fund Advisers to certain 3(c)(1) Funds.** In order to qualify for an exemption pursuant to this section, a Private Fund Adviser who advises at least one 3(c)(1) Fund that is not a Private Equity Fund, Real Estate Fund, or Venture Capital Fund shall comply with the following additional requirements:

(1) the Private Fund Adviser shall advise only those 3(c)(1) Funds (other than Private Equity Funds, Real Estate Funds, and Venture Capital Funds) whose outstanding securities (other than short-term paper) are beneficially owned entirely by persons who would each meet the definition of a qualified client in SEC Rule 205-3, 17 CFR §275.205-3, at the time the securities are purchased from the issuer; provided that if an entity was organized and exists only for the purpose of acquiring an interest in the 3(c)(1) Fund, each beneficial owner of such entity must be a qualified client; and

(2) the Private Fund Adviser shall comply with §116.17 of this title (relating to Custody of Funds or Securities of Clients by Registered Investment Advisers) as if registered.

(d) **Federal covered investment advisers.** If a Private Fund Adviser is registered with the Securities and Exchange Commission, the adviser shall not be eligible for this exemption and shall comply with the state notice filing requirements applicable to federal covered investment advisers in the Texas Securities Act, Section 12-1.

(e) **Investment adviser representatives.** An investment adviser representative is exempt from the registration requirements of the Texas Securities Act, Section 12, if he or she is employed by or associated with an investment adviser that is exempt from investment adviser registration in this state pursuant to this section and does not otherwise act as an investment adviser representative.

(f) **Requests for records.**

(1) Upon a written request from the Securities Commissioner or the Commissioner's authorized representative, an investment adviser relying on an exemption provided by this section shall make available to the Commissioner all records subject to the custody or control of the investment adviser related to any private fund to which the investment adviser provides investment advice.

(2) Failure to comply with this subsection will result in the loss of the exemption provided by this section.

Source Note: The provisions of this §139.23 adopted to be effective March 31, 2014, 39 TexReg 495.

§139.24. Charitable Organizations Assisting Economically Disadvantaged Clients with Texas Qualified Tuition Program Plans.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings unless the context clearly indicates otherwise.

(1) Charitable organization--A 501(c)(3) nonprofit organization located in Texas that provides services to economically disadvantaged individuals and families.

(2) Client--An individual receiving services from a financial coach or counselor of a charitable organization relating to a Texas qualified tuition program plan.

(3) Economically disadvantaged--Eligible for services based on criteria established by a charitable organization using the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2).

(4) Financial coach or counselor--An individual acting on behalf of a charitable organization in counseling or providing services to economically disadvantaged clients of the charitable organization.

(5) Texas qualified tuition program plan--A fund or plan established under the Texas Education Code, Chapter 54, Subchapter G, H, or I, as amended.

(b) Exemption from dealer, agent, investment adviser, and investment adviser representative registration. The State Securities Board, pursuant to the Texas Securities Act, Section 12.C, exempts a charitable organization and its financial coaches and counselors from the dealer, agent, investment adviser, and investment adviser representative registration requirements of the Texas Securities Act, when their securities-related activities are limited to:

(1) assisting economically disadvantaged clients with completing documentation necessary to enroll or make a contribution to a Texas qualified tuition program plan; and

(2) providing materials relating to a Texas qualified tuition program plan that have been prepared on behalf of or approved by the plan manager or administrator of a Texas qualified tuition program plan, Texas Prepaid Higher Education Tuition Board, Office of the Comptroller of Public Accounts, Texas State Securities Board, Texas Match the Promise Foundation, or a tax-exempt charitable organization established by law to implement the Texas Save and Match Program.

(c) Prohibited activities. A charitable organization and its financial coaches and counselors are prohibited from the following activities in connection with a client's enrollment in or contribution to a Texas qualified tuition program plan:

(1) selecting or recommending a particular investment option; or

(2) receiving a commission or other remuneration.

Source Note: The provisions of this §139.24 adopted to be effective February 5, 2014, 39 TexReg 495.

§139.25. Reserved for Expansion.

§139.26. Intrastate Crowdfunding Exemption for SEC Rule 147A Offerings.

(a) General. The State Securities Board, pursuant to the Texas Securities Act (Act), Section 5.T, exempts from the securities registration requirements of the Act, any offer or sale of securities of an issuer made in compliance with Securities and Exchange Commission (SEC) Rule 147A, 17 CFR §230.147A, through a registered general dealer or a registered Texas crowdfunding portal, provided that all the requirements of this section are satisfied.

(b) Issuer. The issuer is not, either before or because of the offering:

(1) A company, that engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities;

(2) Subject to the reporting requirements of the Securities and Exchange Act of 1934, Section 13 or Section 15(d), 15 U.S.C. §78m and §78o(d); or

(3) A company that has not yet defined its business operations, has no business plan, has no stated investment goal for the funds being raised, or that plans to engage in a merger or acquisition with an unspecified business entity.

(c) Offering. The offering must be made exclusively through an Internet website operated by a registered general dealer or registered Texas crowdfunding portal. All consideration received for all sales of the securities in reliance on this exemption shall not exceed $1 million in a 12-month period. This amount is reduced by the aggregate amount received for all sales of securities by the issuer in another offering that does not take place prior to the six-month period immediately preceding or after the six-month period immediately following any offers or sales made in reliance upon this section.

(d) Individual investments. The issuer will not accept more than $5,000 from any single purchaser unless the purchaser is an accredited investor as defined in §107.2 of this title (relating to Definitions). The issuer must have a reasonable basis for believing that the purchaser of a security under this section is a Texas resident and, if applicable, an accredited investor.

(e) Escrow or segregated account to safeguard investor and issuer funds.

(1) All payments for purchases of securities offered under this section are directed to and deposited in an escrow account or a segregated account, if a segregated account is permitted under paragraph (2) of this subsection. The payments must be held in an escrow account or a segregated account

until the aggregate capital raised from all purchasers is equal to or greater than the minimum target offering amount specified in the disclosure statement as necessary to implement the business plan. Investors will receive a return of all their subscription funds if the target offering amount is not raised by the time stated in the disclosure statement.

(2) A segregated account may be used in lieu of an escrow account if the maximum offering amount is $1 million or less.

(3) For purposes of this subsection:

(A) An "escrow account" is one administered by an independent escrow agent who is a bank or other depository institution.

(B) A "segregated account" is one established by a registered general dealer or a Texas crowdfunding portal pursuant to a written agreement ("Account Agreement") with the issuer and provides that the registered general dealer or portal will act on behalf of the issuer and investors to hold funds raised from investors in a specific securities offering until such time as those funds can be disbursed in accordance with paragraph (1) of this subsection. The Account Agreement must identify the bank or other depository institution and account number where the funds will be held. All signatories on the segregated account must be persons registered with the Securities Commissioner.

(4) The escrow account or segregated account must be in a bank or other depository institution located in Texas and organized and subject to regulation under the laws of the United States or under the laws of Texas.

(5) A separate account must be set up for each securities offering in which a segregated account is used in lieu of an escrow account. The Account Agreement entered into in connection with a segregated account, shall include requirements that the dealer or portal must, and the account shall be, administered in accordance with the following principles requiring the dealer or portal to:

(A) be responsible for prudent processing, safeguarding, and accounting for funds entrusted to it by investors and the issuer;

(B) act to the advantage of and in the best interests of the investors and the issuer; and

(C) ensure that all requirements of the Account Agreement between the portal and issuer are met before funds are disbursed from the segregated account.

(6) The issuer shall inform all prospective purchasers and investors if a segregated account is to be used to hold investor payments. Additionally, a portal must make the disclosures mandated by §115.19(c)(3) of this title (relating to Texas Crowdfunding Portal Registration and Activities).

(f) Communications.

(1) All communications between the issuer, prospective purchasers, or investors taking place during the offer of securities pursuant to this section must occur through the Internet website of

the registered general dealer or Texas crowdfunding portal. During the time the offering appears on the Internet website, the website must provide channels through which potential purchasers and investors can communicate with one another and with representatives of the issuer about the offering. These communications must be visible to all those with access to the offering materials on the Internet website.

(2) Notwithstanding the foregoing, the issuer may distribute a notice limited to a statement that the issuer is conducting an offering, the name of the registered general dealer or portal through which the offering is being conducted, and a link directing the potential investor to the dealer or portal's Internet website.

(g) Internet website.

(1) The registered general dealer or registered portal shall give the Securities Commissioner access to the Internet website operated by the dealer or portal prior to offering an investment opportunity to residents of Texas and the website must remain accessible to the Commissioner throughout the term of the offering.

(2) Information about the issuer and the offering posted on the Internet website operated by the registered general dealer or registered portal consists of:

(A) a copy of the disclosure statement required by subsection (h) of this section;

(B) a summary of the offering, including:

(i) a description of the entity, its form of business, principal office, history, business plan, and the intended use of the offering proceeds, including compensation paid to any owner, executive officer, director, or manager;

(ii) the identity of the executive officers, directors, and managers, including their titles and their prior experience and the identity of all persons owning more than 20% of the ownership interests of any class of securities of the company; and

(iii) a description of the securities being offered and of any outstanding securities of the company, the amount of the offering, and the percentage ownership of the company represented by the offered securities.

(3) The information on the Internet website required by paragraph (2) of this subsection must be made available to the Commissioner and potential investors for a minimum of 21 days before any securities are sold in the offering.

(h) Disclosure statement. A disclosure statement must be made readily available and accessible to each prospective purchaser at the time the offer of securities is made to the prospective purchaser on the Internet website. The disclosure statement must contain all of the following:

(1) Material information and risk factors. All information material to the offering, including, where appropriate, a discussion of significant factors that make the offering speculative or risky.

Guidance on the categories of information to include can be found by reviewing the small business offering information provided by the Texas State Securities Board on its Internet website. Topics to be addressed include, but are not limited to:

(A) general description of the issuer's business;

(B) history of the issuer's operations and organization;

(C) management of the company and principal stockholders;

(D) how the proceeds from the offering will be used;

(E) financial information about the issuer;

(F) description of the securities being offered; and

(G) litigation and legal proceedings.

(2) Disclosures. The issuer shall inform all prospective purchasers and investors of the following:

(A) There is no ready market for the sale of the securities acquired from this offering; it may be difficult or impossible for an investor to sell or otherwise dispose of this investment. An investor may be required to hold and bear the financial risks of this investment indefinitely;

(B) The securities have not been registered under federal or state securities laws and, therefore, cannot be resold unless the securities are registered or qualify for an exemption from registration under federal and state law;

(C) In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved; and

(D) No federal or state securities commission or regulatory authority has confirmed the accuracy or determined the adequacy of the disclosure statement or any other information on this Internet website.

(3) Financial statements. Issuers must provide current financial statements certified by the principal executive officer to be true and complete in all material respects. If the issuer has audited or reviewed financial statements, prepared within the last three years, such financial statements must also be provided to investors.

(i) Notice filing. Before using any publicly available Internet website in an offering of securities in reliance on this section, the issuer shall file with the Securities Commissioner:

(1) Form 133.21, Crowdfunding Exemption Notice;

(2) the disclosure statement, required by subsection (h) of this section;

(3) the summary of the offering, required by subsection (g)(2)(B) of this section; and

(4) if investor funds are to be deposited into a segregated account as permitted by subsection (e) of this section, a copy of the written Account Agreement entered into between the issuer and the registered general dealer or Texas crowdfunding portal that will hold investor funds in the securities offering.

(j) Commissions and remuneration. A commission or other remuneration shall not be paid or given, directly or indirectly, for the offer or sale of the securities unless the person receiving such compensation is registered in Texas as a dealer or agent or as a Texas crowdfunding portal. The issuer may not list its securities on the Internet website of a general dealer or portal that holds an interest in the issuer. The issuer may not compensate a general dealer or a portal by providing a financial interest in the issuer as compensation for services provided to or on behalf of the issuer. A general dealer or portal may not be affiliated with or under common control with an issuer whose securities appear on its Internet website. Nothwithstanding the foregoing, a Registered Small Business Development Entity, as defined in §115.20 of this title (relating to Texas Crowdfunding Portal Registration and Activities of Small Business Development Entities), may have a financial interest in an issuer listed on its Crowdfunding Web Portal, as defined in §115.20.

(k) Disqualifications.

(1) For purposes of this subsection, "control person" means an officer; director; other person having the power, directly or indirectly, to direct the management or policies of the issuer, whether by contract or otherwise; or a person that owns 20% or more of any class of the outstanding securities of the issuer.

(2) This exemption is not available if the issuer, the issuer's predecessors, any affiliated issuer, or any control person of the issuer:

(A) within the last five years, has filed a registration statement which is the subject of a currently effective registration stop order entered by any state securities administrator or the United States Securities and Exchange Commission;

(B) within the last five years, has been convicted of any criminal offense in connection with the offer, purchase, or sale of any security, or involving fraud or deceit;

(C) is currently subject to any state or federal administrative enforcement order or judgment, entered within the last five years, finding fraud or deceit in connection with the purchase or sale of any security; or

(D) is currently subject to any order, judgment, or decree of any court of competent jurisdiction, entered within the last five years, temporarily, preliminarily, or permanently restraining or enjoining such party from engaging in or continuing to engage in any conduct or practice involving fraud or deceit in connection with the purchase or sale of any security.

(3) Paragraph (2) of this subsection shall not apply if:

(A) the party subject to the disqualification is licensed or registered to conduct securities-related business in the state in which the order, judgment, or decree creating the disqualification was entered against such party;

(B) before the first offer under this exemption, the state securities administrator, or the court or regulatory authority that entered the order, judgment, or decree, waives the disqualification; or

(C) the issuer establishes it did not know and exercising reasonable care, based on a factual inquiry, could not have known that a disqualification existed under this subsection.

(4) This exemption is not available to an issuer if:

(A) a control person of the issuer is also a control person of another issuer that has made a securities offering in Texas within the previous 12-month period;

(B) a control person of the issuer is also a control person of another issuer that is concurrently conducting a securities offering in Texas; or

(C) the proceeds of the offering will be combined with the proceeds of a securities offering by another issuer as part of a single plan of financing.

Source Note: The provisions of this §139.26 adopted to be effective June 12, 2018, 43 TexReg 3782.

§139.27. Mergers and Acquisitions Dealer Exemption.

(a) **Dealer and agent exemption.** The State Securities Board, pursuant to the Texas Securities Act, Section 12.C, exempts a Mergers and Acquisitions (M&A) Dealer from registration as a dealer provided the conditions set forth in this section are met. The agents for the M&A Dealer are also exempt from registration provided the conditions set forth in this section are met.

(b) **Definitions.** The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) M&A Dealer--A person engaged in the business of effecting securities transactions solely in connection with a Qualifying M&A Transaction, as identified in subsection (c) of this section.

(2) Actively Operate--The power to elect executive officers and approve the annual budget or serving as an executive or other executive manager.

(3) Privately-Held Company--A company that does not have any class of securities registered or required to be registered with a securities regulator and is not required to file periodic information, documents, or reports under Section 15(d) of the Exchange Act. The company must be an operating company that is a going concern and not a shell company. For purposes of this definition, a 'going concern' need not be profitable so long as it has actually been conducting business, including soliciting or effecting business transactions or engaging in research and development activities.

(4) Shell Company--A company that has no or nominal operations, and has:

(A) no or nominal assets;

(B) assets consisting solely of any amount of cash or cash equivalents; or

(C) assets consisting of any amount of cash and cash equivalents and nominal other assets.

(5) Business Combination Related Shell Company--a Shell Company (as defined in SEC Rule 405) that is:

(A) formed by an entity that is not a shell company solely for the purpose of changing the corporate domicile of that entity solely within the United States; or

(B) formed by an entity that is not a Shell Company solely for the purpose of completing a business combination transaction (as defined in SEC Rule 165(f)) among one or more entities other than the Shell Company, none of which is a Shell Company.

(c) Qualifying M&A Transactions. To be a Qualifying M&A Transaction, the transaction must meet all the following requirements.

(1) A Qualifying M&A Transaction is a transfer of ownership and control of a Privately-Held Company to a buyer through the purchase, sale, exchange, issuance, repurchase, or redemption of securities, or a business combination involving securities or assets of the company.

(2) Upon completion of the transaction, the buyer or group of buyers must actively operate the company or the business conducted with the assets of the company.

(3) No Qualifying M&A Transaction can involve a public offering of securities. Any offering or sale of securities will be conducted in compliance with an applicable exemption from registration under the Texas Securities Act.

(4) No party to any Qualifying M&A Transaction can be a Shell Company, other than a Business Combination Related Shell Company.

(5) The buyer, or group of buyers, in any Qualifying M&A Transaction must, upon completion of the transaction, control the company. A buyer, or group of buyers collectively, would have the necessary control if it has the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. The necessary control will be presumed to exist if, upon completion of the transaction, the buyer or group of buyers has the right to vote 25% or more of a class of voting securities; has the power to sell or direct the sale of 25% or more of a class of voting securities; or in the case of a partnership or limited liability company, has the right to receive upon dissolution or has contributed 25% or more of the capital.

(6) No Qualifying M&A Transaction can result in the transfer of securities to a passive buyer or group of passive buyers.

(7) Any securities received by the buyer or M&A Dealer in a Qualifying M&A Transaction are restricted securities within the meaning of the Securities Act of 1933, Rule 144(a)(3).

(d) **Permitted activities.** An M&A Dealer may:

(1) advertise a Privately-Held Company for sale with information such as the description of the business, general location, and price range, so long as the dealer does not include an offer for sale of securities; or

(2) facilitate a Qualifying M&A Transaction with a group of buyers only if the group is formed without the assistance of the M&A Dealer.

(e) **Prohibited activities.** An M&A Dealer may not:

(1) have the ability to bind a party to a Qualifying M&A Transaction;

(2) directly, or indirectly through any of its affiliates, provide financing for a Qualifying M&A Transaction; or

(3) have custody, control, or possession of or otherwise handle funds or securities issued or exchanged in connection with a Qualifying M&A Transaction or other securities transaction for the account of others.

(f) **Disclosures.**

(1) To the extent an M&A Dealer represents both buyers and sellers, it must provide clear written disclosure as to the parties it represents and obtain written consent from both parties to the joint representation.

(2) An M&A Dealer that assists buyers to obtain financing from unaffiliated third parties must comply with all applicable legal requirements and must disclose any compensation in writing to the buyer.

(g) **Disqualifications.**

(1) Except as provided in paragraph (2) of this subsection, the exemption in this section is not available if the M&A Dealer, or an officer, director, or employee of the M&A Dealer are subject to any of the following disqualifications:

(A) any of those described in Rule 262 of SEC Regulation A, 17 CFR §230.262;

(B) has been convicted within five years prior to the filing of the notice required under this exemption of any felony or misdemeanor involving the offer, purchase, or sale of any security or the rendering of investment advice, or any felony involving embezzlement, obtaining money under false pretenses, larceny, or conspiracy to defraud;

(C) is currently subject to any order, judgment, or decree of any court of competent jurisdiction, entered within the last five years, temporarily, preliminarily, or permanently restraining or enjoining such party from engaging in or continuing to engage in any conduct or practice involving fraud or deceit in connection with the purchase or sale of a security or the rendering of investment advice;

(D) is the subject of a United States Postal Service fraud order that is currently effective and was issued within the last five years;

(E) is currently subject to any state or federal administrative enforcement order or judgment, entered within the last five years, finding fraud or deceit in connection with the purchase or sale of a security or the rendering of investment advice;

(F) is subject to an order issued by a state or federal authority that bars the person from association with an entity regulated by the authority that issued the order, or from engaging in the business of securities, insurance, or banking, or savings association or credit union activities; or

(G) is the subject of a suspension or expulsion from membership in or association with a member of a self-regulatory organization that is currently effective and was issued within the last five years.

(2) The prohibitions of paragraph (1) of this subsection shall not apply if:

(A) the party subject to the disqualification is duly licensed or registered to conduct securities-related business or render investment advisory services in the state in which the order, judgment, or decree creating the disqualification was entered against such party; or

(B) before services are rendered under this section, the Securities Commissioner, or the court or regulatory authority that entered the order, judgment, or decree, waives the disqualification upon a showing of good cause.

(h) Recordkeeping and requests for records.

(1) An M&A Dealer shall maintain and preserve for a period of three (3) years records of all compensation received and communications, agreements, or contracts with buyers and/or sellers in connection with any transaction or transactions in which the dealer received compensation.

(2) Upon a written request from the Securities Commissioner or the Commissioner's authorized representative, an M&A Dealer relying on the exemption provided by this section shall make available to the Commissioner all records required to be maintained and preserved under this subsection. Failure to comply with this subsection will result in the loss of the exemption provided by this section.

Source Note: The provisions of this §139.27 adopted to be effective February 16, 2015, 40 TexReg 700.

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The next page is I-1.

INDEX

	Act Section	Rule Section
ACT		
See also CONSTRUCTION OF ACT, INTERPRETATION, and WORDS		
Cited as "The Securities Act"	1	107.2
Construction, cumulative	31	
Contracts in violation of, unenforceable	33K	
Coordination with federal law	10-1	
Criminal violations	29	
Definition of terms	4	105.2(b), 107
Enforcement — *See ENFORCEMENT*		
Interpretation by General Counsel	35B(8)	101.2(f)
Provisions severable	38	
Purposes	10-1	101.3
Regulatory standards		101.2, 107.2
Rule, defined		107.2
Rulemaking authority	2-5, 4N, 4P, 5S, 5T, 7A, 8, 12C, 12-1B, 19B, 28, 28-1, 42, 44, 45N	101.1(c), 103, 139.1
Violation of as basis for		
Administrative fine	23-1A	106.1
Cease and desist order	23A, 23B, 23-2A	
Civil liability	33	
Civil penalties	32C	
Denial, suspension, or revocation of license	14	105, 115.6, 116.6
Felony	29	
Injunction	32A	
Waivers void	33L	
ADMINISTRATION OF ACT		
Costs of, paid only from fees	35A, 35C, 35D	
Enforcement and investigations — *See also ENFORCEMENT*	3, 28	127.1, 131.1
Inspections, authority to conduct	13-1	115.7(a)
Power to prosecute	3	
Regulatory standards		101.2, 107.2
Rule, defined		107.2
Rulemaking authority	2-5, 4N, 4P, 5S, 5T, 7A, 8, 12C, 12-1B, 19B, 28, 28-1, 42, 44, 45N	101.1(c), 103, 139.1
Vested in Commissioner	3	
ADMINISTRATIVE PROCEDURE ACT		
See also OPEN GOVERNMENT and OPEN MEETINGS LAW		
Board and Commissioner subject to	2N	
Defined		107.2
Hearings subject to	14B, 24	
ADVERTISEMENT		
See also CEASE PUBLICATION ORDER, PUBLIC SOLICITATION, and PUBLICATION		
Application for securities registration, included with	7A	133.7
Cease publication order	23C, 23-2	
Criminal sanction for violation of	29H	
Persons not to publish after	22A, 23C	
Criminal violations concerning	29G	
Defined	5I	109.13(b)
Exempt sales made without advertisement or public solicitation to		
Not more than 15 persons within 12 months	5I(c)	109.13
Not more than 35 persons within 12 months of oil, gas, or mining interests	5Q	109.14
Not more than 35 security holders	5I(a)	109.13
Exemptions, effect on filing requirement	22E	
Filing requirement	22A	137.2, 139.16(e)

	Act Section	Rule Section
General announcement		139.19(5)
Generally	22	137
Limited use advertisement		139.16(e)
Materials for dealer use only		137.5
Rules restricting	28-1F	116.15
Supplemental, standards for		137.6
Texas publications		137.7
Tombstone		137.4
Unlawful to use fact of registration in	10C, 20	
Use of designated matching service does not constitute		109.15(a)
Use of limited use advertisement does not constitute		139.16(a)
AGENT		
See also APPLICATION FOR REGISTRATION AS DEALER OR AGENT, DEALER, and REGISTRATION, DEALER OR AGENT		
Advertising		
Filing requirement	22A	
Professional designations		115.16
Senior-specific certifications		115.16
Use of registration in, unlawful	20	
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application for registration	18	115.2(a), 133.33(a)
Central Registration Depository (CRD)		115.2(e)
Denial of	14A	105.4, 115.6
Preliminary evaluation of license eligibility	14A	104.7, 115.6
Withdrawal of		115.2(d)
Cancellation of registration by dealer	18	133.33(a)
Cease and desist order, sales prohibited after	23A	105
Civil liability of	33	
Commission, action to collect	34	
"Dealer" does not include "agent"	4C	
Defined	4D	
Evidence of registration	18	
Examination		
Administered by securities self-regulatory organizations	13K	115.3(b)
Disability accommodation		115.3(d), 133.3
Required	13D, 19C	115.3
Waiver of	13D	115.3(c)
False statement in filing or proceeding a felony	29E, 29F	
Fees for registration — *See FEES*		
Fraud by, prohibited		115.1(b), 115.1(d)
Military applicant		115.18, 133.4, 133.19, 133.22, 133.23
Notification to dealer of suspected financial exploitation of vulnerable adult	45B	
Immunity from civil or criminal liability	45K	
Unless bad faith or malicious purpose	45K	
Post-registration reporting requirements		115.9
Professional designations, use of		115.16
Receivership of	25-1	
Records, names and addresses of	11	101.4, 101.5, 133.2
Registration		
Appeal from Commissioner's failure or refusal	24A	105.4
Application for	18	115.2(a), 133.33(a)
Cancellation by dealer	18	133.33(a)
Continuing education	19D	
Denial, suspension, or revocation of	14	105, 115.6
Evidence of	18	
Examination required	13D, 19C	115.3

	Act Section	Rule Section
Exemption from	12C	
Assistance with Texas qualified tuition program plans		139.24
Canadian accounts		139.21
De minimis transactions		115.1(b)(2)
Internet communications		139.18
Mergers and acquisitions		139.27
Sale to institutional investor	5H	109.5
Third party brokerage arrangements on financial entity premises		133.9, 139.20(b)
Transactions among persons in the oil and gas industry		109.14(d)
Expired	19	
Fees — *See FEES*		
Inactive status	42A	
Military applicant, expedited review		115.18, 133.4
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Renewal of	19	115.4(e)
Person on active military duty		115.18(e)
Required	12A	114.4(g), 115.1(b), 135.2
Revoked by revocation of dealer's registration	25	
Term of	19A	
Types of		115.1(c)
Unlawful use of	20	
Waiver, examination requirement	13D	115.3(c)
Reprimand	14A	105
Sale without registration prohibited	12A	115.1(b)
Sanctions against, grounds for	14	
Administrative orders	14A(9)	
Court orders or injunctions	14A(10)	
Criminal convictions	14A(1), 14A(2)	115.6
Examinations	14A(8)	
Fraudulent business practices	14A(3)	
Inequitable practices	14A(3)	
Misrepresentations or failure to furnish information	14A(7)	
Unregistered activity	14A(5)	115.4(c)(1)(B)
Use of senior-specific certifications and professional designations		115.16
Violations of Act, rules, orders, or undertakings	14A(6), 14A(11)	
Securities registered prior to sale by	7	
Senior-specific certifications, use of		115.16
Sign informing customers where to direct complaints, display of	2L	
Supervisory requirements of dealer		115.10
Unregistered agent, penalty	29A	115.4(c)(1)(B)
Violation of Act is a felony	29	
Vulnerable adult, suspected financial exploitation of		115.21
Immunity from civil or criminal liability	45K	
Unless bad faith or malicious purpose	45K	
Notification to dealer	45B	

AGRICULTURE CODE

Certain transactions involving securities issued by farmers' cooperatives exempt	5N	

AIDING

Administrative fine	23-1A	
Control person	33F, 33-1E	
Generally	33F, 33-1E	
Injunction to prevent fraudulent practices	32A	

AMERICAN STOCK EXCHANGE

Securities fully listed upon, exempt	6F	111.2(a)

	Act Section	Rule Section
ANNUITY CONTRACT		
When excluded from definition of security	4A	
APPEAL		
Complaint of exceeding time periods for review of application		104.6(f), 105.4
Determination as money market fund	24	123.3(i)
Hearing on Commissioner's actions or orders	24	105.4
Judicial review	27	105.16
Secondary trading exemption, revocation of	5O	105, 109.7(a)
Secondary trading exemption, suspension of	5O	105, 109.7(a)
Section 5O exemption, revocation of	5O	105, 109.7(a)
Securities manual, revocation of recognition	5O	105
Stop order	5O	105
Substantial evidence review	27	105.16(c)
APPLICATION FOR REGISTRATION AS DEALER OR AGENT		
See also BROKER, FINDER, REGISTRATION, DEALER OR AGENT, and TEXAS CROWDFUNDING PORTAL		
Address in, sufficient for notice	19C, 26	105.6
Agent, defined	4D	
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application for registration, agent	18	115.2(a), 133.33(a)
Application for registration, preliminary evaluation of license eligibility	14	104.7, 115.6
Application for registration, requisites		
Additional information	13B	
Branch office designation		115.1(b), 115.2(c), 133.33(a)
Central Registration Depository (CRD)		115.2(e)
Designated officer		115.2(b)
Evidence of good repute	13C	
Examination	13D, 19C	115.3
Foreign (nonresident) corporations	13G	
Foreign (nonresident) unincorporated associations or organizations	13I	
Generally	13	115.2
Information required	13, 18	115.2, 133.18
Limited partnerships	13H	115.2(a)
Withdrawal of		115.2(d)
Cancellation of agent registration	18	133.33(a)
Certificate — *See also CERTIFICATE*	17	115.4(a)
Certificate of registration, dealer		
Display of	21	
Form	17	
Issuance	15	115.4(a)
Unlawful use of	20	
Changes in personnel, report to Commissioner	17	115.4(b), 115.4(c), 115.4(d), 133.33(a)
Dealer, defined	4C	
Does not include "agent"	4C	
Denial of registration, grounds and procedure for	14	105, 115.6
Evidence of registration, agent	18	
Evidence of registration, branch office		115.4(a)
Examinations		
Administered by securities self-regulatory organizations	13K	115.3(b)
Analysis of performance	13F	
Notification of results	13E, 13F	
Required	13D, 19C	115.3
Texas Securities Law Examination	35B(5)	115.3(d)
Waiver of requirement	13D	115.3(c)

	Act Section	Rule Section
Exemptions from registration by		
Board rule	12C	
Statute	5	
False statement in filing a felony	29E, 29F	
Fees — *See FEES*		
Filing made under oath	13A	
Finder, defined		115.1(a)
Foreign (nonresident) applicants, additional requirements		
Consent to service	8	133.8, 133.33(a)
Corporations	13G	
Unincorporated associations or organizations	13I	
Form		
Prepared by Commissioner, furnished to applicants	13J	
Prescribed by Commissioner	13A, 18	
Inactive status	42A	
Information required in	13A, 17, 18	115.2
Additional information required	13B, 18	
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Post-registration reporting requirements		115.4(b), 115.4(c), 115.4(d), 115.9
Procedure, review of		104.5, 104.6
Records open to inspection	11	101.4, 101.5, 133.2
Registration		
Amendments to	17	115.4(b)
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application contents	13, 18	115.2, 133.18, 133.33(a)
Branch office, designation of		115.1(b),115.2(c), 133.33(a)
Cancellation of agent's	18	133.33(a)
Certificate of, dealer	15, 17	115.4(a), 115.4(b)
Continuing education	19D	
Denial, suspension, or revocation of	14	105, 115.6
Designated officer		115.2(b)
Evidence of, agent	18	
Evidence of, branch office		115.4(a)
Examination required	13D, 19C	115.3
Exemption from	5, 12C	139.1(b)
Assistance with Texas qualified tuition program plans		139.24
Canadian accounts		139.21
De minimis transactions by agent		115.1(b)(2)
Designated matching service		109.15, 133.35
Distribution by liquidating trustees		139.6
Internet communications		139.18
Internet offers		139.17
Mergers and acquisitions		139.27
Professional association securities		139.2
Sale of United States savings bonds		139.11
Sale to institutional investor	5H	109.5
Third party brokerage arrangements on financial entity premises		133.9, 139.20
Transactional exemptions	5	109
Transactions among persons in the oil and gas industry		109.14(d)
Unsolicited order	5P	109.8
Expired	19	
Inactive status	42A	
Military applicant		115.18, 133.4, 133.19, 133.22, 133.23
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Renewal of	19	115.4(e)
Military applicant		115.18

	Act Section	Rule Section
Required	12A	114.4(g), 115.1(b), 135.2
Surrender of original certificate on amendment	17	
Succession by amendment		115.4(c)(2)
Succession by application		115.4(c)(1)
Temporary	15	115.4(c)(1)(B)
Term of	19A	
Types of		115.1(c)
Unlawful use of	20	
Waiver, examination requirement	13D	115.3(c)
Withdrawal from, dealer		133.33(b)
Reputation, evidence of	13C	
Sanctions, grounds for	14	
Administrative orders	14A(9)	
Court orders or injunctions	14A(10)	
Criminal convictions	14A(1), 14A(2)	115.6
Examinations	14A(8)	
Fraudulent business practices	14A(3)	
Inequitable practices	14A(3)	
Insolvency	14A(4)	
Misrepresentations or failure to furnish information	14A(7)	
Sales through unregistered agent	14A(5)	115.4(c)(1)(B)
Unregistered activity	14A(5)	115.4(c)(1)(B)
Use of senior-specific certifications and professional designations		115.16
Violations of Act, rules, orders, or undertakings	14A(6), 14A(11)	
Service of process, foreign (nonresident) applicants	8	133.8, 133.33(a)
Succession by amendment		115.4(c)(2)
Succession by application		115.4(c)(1)
Temporary registration	15	115.4(c)(1)(B)
Term of registration	19A	
Texas crowdfunding portal, defined		115.1(d)
Types of registration		115.1(c)
Unregistered dealer or agent, penalty	29A	115.4(c)(1)(B)

APPLICATION FOR REGISTRATION AS INVESTMENT ADVISER OR INVESTMENT ADVISER REPRESENTATIVE
See also NOTICE FILING and REGISTRATION, INVESTMENT ADVISER OR INVESTMENT ADVISER REPRESENTATIVE

Address in, sufficient for notice	19C, 26	105.6
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application for registration, investment adviser representative	18	116.2(a), 133.33(a)
Application for registration, preliminary evaluation of license eligibility	14	104.7, 116.6
Application for registration, requisites		
Additional information	13B	
Branch office, designation		116.1(b), 116.2(c), 133.33(a)
Designated officer		116.2(b)
Evidence of good repute	13C	
Examination	13D, 19C	116.3
Foreign (nonresident) corporations	13G	
Foreign (nonresident) unincorporated associations or organizations	13I	
Generally	13	116.2
Information required	13, 18	116.2, 133.18
Investment Adviser Registration Depository (IARD)		116.2(a), 116.2(e)
Limited partnerships	13H	116.2(a)
Withdrawal of		116.2(d)
Cancellation of investment adviser representative's registration	18	
Certificate — See also CERTIFICATE	17	116.4(a)
Certificate of registration, investment adviser		
Display of	21	
Form	17	

	Act Section	Rule Section
Issuance	15	116.4(a)
Unlawful use of	20	
Changes in personnel, report to Commissioner	17	116.4(b), 116.4(c), 116.4(d), 133.33(a)
Denial of registration, grounds and procedure for	14	105, 116.6
Evidence of registration, branch office		116.4(a)
Evidence of registration, investment adviser representative	18	
Examinations		
Administered by securities self-regulatory organizations	13K	116.3(b)
Analysis of performance	13F	
Notification of results	13E, 13F	
Required	13D, 19C	116.3
Texas Securities Law Examination	35B(5)	116.3(d)
Waiver of requirement	13D	116.3(c)
Exemptions from registration, Board authority to adopt	12C	
Notice filing and fees	12-1	116.1(b)(2)(C)
False statement in, a felony	29E, 29F	
Fees — *See FEES*		
Filing made under oath	13A	
Foreign (nonresident) applicants, additional requirements:		
Consent to service	8	133.8, 133.33(a)
Corporations	13G	
Unincorporated associations or organizations	13I	
Form		
Prepared by Commissioner, furnished to applicants	13J	
Prescribed by Commissioner	13A, 18	
Inactive status	42A	
Information required in	13A, 17, 18	116.2
Additional information required	13B, 18	
Investment adviser, defined	4N	116.1(a)
Investment adviser representative, defined	4P	116.1(a)
Military applicant		116.18, 133.4, 133.19, 133.22, 133.23
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Notice filing		116.1(b)(2)(C)
Post-registration reporting requirements		116.4(b), 116.4(c), 116.4(d), 116.9
Procedure, review of		104.5, 104.6
Records open to inspection	11	101.4, 101.5, 133.2
Registration		
Amendments to	17	116.4(b)
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application contents	13, 18	116.2, 133.18, 133.33(a)
Branch office, designation of		116.1(b), 116.2(c), 133.33(a)
Cancellation of investment adviser representative's	18	
Certificate of, investment adviser	15, 17	116.4(a)
Continuing education	19D	
Denial, suspension, or revocation of	14	105, 116.6
Designated officer		116.2(b)
Evidence of, branch office		116.4(a)
Evidence of, investment adviser representative	18	
Examination required	13D, 19C	116.3
Exemption from	12C	116.1(b)
Assistance with Texas qualified tuition program plans		139.24
Internet communications		139.18
Investment advice to institutional investor	5H	109.6
Investment advice to private funds		139.23
Investment adviser to high net worth family entity		139.22

	Act Section	Rule Section
Notice filing and fees	12-1	116.1(b)(2)(C)
Services to institutional investor	5H	109.6
Expired	19	
Inactive status	42A	
Military applicant, expedited review		116.18, 133.4
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Renewal of	19	116.4(e)
Military applicant		116.18
Required	12B	116.1(b)
Succession by amendment		116.4(c)(2)
Succession by application		116.4(c)(1)
Surrender of original certificate on amendment	17	
Temporary	15	116.4(c)(1)(B)
Term of	19A	
Types of		116.1(c)
Unlawful use of	20	
Waiver, examination requirement	13D	116.3(c)
Withdrawal from, investment adviser		133.33(b)
Reputation, evidence of	13C	
Sanctions, grounds for	14	
Administrative orders	14A(9)	
Court orders or injunctions	14A(10)	
Criminal convictions	14A(1), 14A(2)	116.6
Examinations	14A(8)	
Fraudulent business practices	14A(3)	
Inequitable practices	14A(3)	
Insolvency	14A(4)	
Investment advisory services rendered through unregistered representative	14A(5)	116.4(c)(1)(B)
Misrepresentations or failure to furnish information	14A(7)	
Unregistered activity	14A(5)	116.4(c)(1)(B)
Use of senior-specific certifications and professional designations		116.16
Violations of Act, rules, orders, or undertakings	14A(6), 14A(11)	
Service of process, foreign (nonresident) applicants	8	133.8, 133.33(a)
Succession by amendment		116.4(c)(2)
Succession by application		116.4(c)(1)
Temporary registration	15	116.4(c)(1)(B)
Term of registration	19A	
Types of registration		116.1(c)
Unregistered investment adviser or investment adviser representative, penalty	29I	

APPLICATION FOR REGISTRATION OF SECURITIES
See also EXEMPT SECURITIES, EXEMPT TRANSACTIONS, FEDERAL COVERED SECURITIES, LIMITED OFFERING EXEMPTION, NASAA MODEL RULES OR STATEMENTS OF POLICY, PERMIT, SALES, and SECURITIES

Abandonment of		113.4(d)
Address in, sufficient for notice	26	105.6
Administrative guidelines, applicability of		113.11(a), 113.12, 113.14
Asset-backed securities		113.14
Commodity pool programs		113.14
Denial for misleading use of name		113.4(a)
Equipment programs		113.14
Excess sales	35-1	113.4(e)
False statement in, a felony	29E, 29F	
Fees — *See FEES*		
Financial statements		113.5, 133.14
Foreign (nonresident) applicants, consent to service of process	8	113.4(c), 133.8, 133.33(a)
Hearing when registration denied	24B	105.4

	Act Section	Rule Section
Mortgage programs		113.14
Oil and gas programs		113.14
Plan must be fair, just and equitable	7A, 7C(2), 10A	113.3
Procedure, review of		104
Real estate investment trusts		113.14
Real estate programs		113.14
Recommendations to applicant prohibited		113.4(b)
Renewal of registration	7B(2), 7C(3), 10B	113.6, 133.12, 133.13
Reporting changes in		113.7, 113.8, 133.7
Requirements for registration by		
Coordination	7C	113, 133.7, 133.33(a)
Multijurisdictional Disclosure System Offerings		113.13, 133.33(a)
Notification	7B	113, 133.7, 133.33(a)
Qualification	7A	113, 133.7, 133.33(a)
Service of process, foreign (nonresident) applicants	8	113.4(c), 133.8, 133.33(a)
Small business issuers	7A	113.5, 133.7, 133.33(a)
Specificity in use of proceeds		113.14
ASSET-BACKED SECURITIES		
Administrative guidelines for registration of		113.14
Applicability of		113.11(a), 113.12, 113.14
ASSOCIATION		
Articles of to accompany application to register securities	7A	133.7
Articles of to accompany certain applications for dealer or investment adviser registration	13I	
Building and loan, exempt transaction involving	5H	109.4, 109.5, 109.6
Cooperative, exempt transaction involving	5N	
Criminal responsibility of	29-3	
Farmers' cooperative, exempt transaction involving	5N	
Nonprofit, exempt transaction involving	5K, 5U	125
"Person" and "company" include	4B	
Professional, exempt transaction involving		139.2
Savings and loan, exempt transaction involving	5L	109.17
ATTORNEY GENERAL		
Authority to seek		
Civil penalties	32C	
Disgorgement	32C	
Equitable relief	32B	
Injunctions	32A	
Restitution	32B	
Biennial review of prosecutorial assistance	3F	
Costs recoverable by	32D	
Duty of enforcement	3	
AUTHORIZED SMALL BUSINESS DEVELOPMENT ENTITY		
See CROWDFUNDING		
As crowdfunding portal	44	115.20
BANKS		
Escrow of funds for rescission offer	33I(2), 33J(2)	
Escrow of funds in crowdfunding offering		139.26(e)
Escrow of securities	9A	
Investment advice rendered to, exempt transaction involving	5H	109.6
Sales to, exempt transaction involving	5H	109.4, 109.5
Securities of, exempt transaction involving	5L	109.17

	Act Section	Rule Section
BOARD OF INSURANCE COMMISSIONERS		
See also INSURANCE and TEXAS DEPARTMENT OF INSURANCE		
Custody of certain records, Commissioner to assume	30	
Permits, orders, and licenses preserved	39	
BOARD, STATE SECURITIES		
See STATE SECURITIES BOARD		
BOND		
As a security	4A	
Church and non-profit issues	5K, 6J	125
Confidential information, action for disclosure of	28A	
Injunctions, not required of Commissioner or Attorney General	32A	
Receiver appointed by court, required of	25-1D	
BOOKS AND RECORDS		
See RECORDS		
BOSTON STOCK EXCHANGE		
Securities fully listed upon, exempt	6F	111.2(a)
BRANCH OFFICE		
Defined		115.1(a), 116.1(a)
Disclosure in application	7A, 13A	115.2(c)
Evidence of registration		115.4(a), 116.4(a)
Inspection of		115.2(c), 116.2(c)
Internal inspection by dealer		115.10(c)
Notice filing required		115.1(b), 116.1(b)
Registration certificate to be posted in	21	
Request for designation		115.2(c), 116.2(c)
Supervisor		115.1(a), 115.2(c), 115.10(c)
BROKER		
See also DEALER		
"Dealer" synonymous	4H	
BUILDING AND LOAN ASSOCIATION		
Investment advice rendered to, exempt transaction involving	5H	109.6
Sales to, exempt transaction involving	5H	109.4, 109.5
BURDEN OF PROOF		
Control persons	33F(1), 33-1E(1)	
Exemption, on party claiming	37	105.11
Hearing, emergency cease and desist order	23-2D	105.11
Knowledge of untruth as defense in civil suit, burden of		
Buyer	33B	
Investment adviser or investment adviser representative	33-1C	
Issuer	33C(2)	
Seller	33A(2)	
CANADIAN		
Account, exempt transaction involving		139.21
Securities, exempt transaction involving		139.5
CEASE AND DESIST ORDER		
See also EMERGENCY CEASE AND DESIST ORDER		
Appeal from	24A	105.4
Civil liability for sale in violation of	33A(1)	
Emergency order	23-2	105.4

	Act Section	Rule Section
Issuance of	23A, 23B	105
Violation of, a felony	29D	
CEASE PUBLICATION ORDER		
See also ADVERTISEMENT, PUBLIC SOLICITATION, and PUBLICATION		
Appeal from	24A	105.4
Civil liability for sale in violation of	33A(1)	
Issuance of	23C	
Violation of, a felony	29H	
CENTRAL REGISTRATION DEPOSITORY (CRD)		
Application for registration as dealer or agent through		115.2(e)
Deficiency corrections of applications filed through		104.5(a)
CERTIFICATE		
As a security	4A	
Dealer and investment adviser registration		
Change in	17	115.4(b), 116.4(b)
Display of	21	
Form	17	
Issuance	15	115.4(a), 116.4(a)
Surrender of	17	
Unlawful use of	20	
Of compliance and non-compliance	30	
CERTIFIED COPIES		
Records filed with Commissioner	30	101.5(b), 133.2
CHICAGO BOARD OPTIONS EXCHANGE		
Securities fully listed upon, exempt		111.2(b)
CHURCH BONDS		
Disclosure requirements for offer or sale of	5K, 6J	125
CITATION OF ACT		
As "The Securities Act"	1	107.2
CITY		
Securities issued or guaranteed by, exempt transaction involving	5M	
CIVIL LIABILITY		
See also DAMAGES, ENFORCEMENT, RECOVERY, REMEDIES, and RESCISSION		
Aiders	33F, 33-1E	
Buyers	33B	
Civil penalties	32	
Conformity with rules, defense	28-1E	
Control persons	33F, 33-1E	
Generally	33	
Immunity in situations involving suspected financial exploitation of vulnerable adults	45K, 45L	
Investment advisers and investment adviser representatives	33-1A	
Issuers	33A, 33C	
Limitations, small business issuances	33N	
Limitations, statute of	33H, 33-1D	
Sellers	33A	
Survivability of action	33G	
COLLATERAL TRUST CERTIFICATE		
As a security	4A	

	Act Section	Rule Section
COMMERCIAL PAPER		
As a security	4A	
Short term paper exempt	6H	
COMMISSIONER		
See SECURITIES COMMISSIONER		
COMMISSIONS		
Amount		
Maximum allowed for marketing securities	9B	
Shown in securities registration application	7A, 7C	133.7
Bearing on exemptions	5C(1), 5E, 5F, 5G, 5K, 5N, 5P, 5U	109.1(d), 139.11
Collection of, actions for	34	
Proof of compliance with Act, prerequisite to collection of	34	
Standby commissions	5E	
Unconscionable commission fraudulent	4F	
COMMODITY POOL PROGRAMS		
Administrative guidelines for registration of		113.14
Applicability of		113.11(a), 113.12, 113.14
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS		
See CROWDFUNDING		
As crowdfunding portal	44	115.20
COMPANY		
Defined	4B	
COMPENSATION PLAN OR CONTRACT		
Securities sold or distributed under, exempt transactions involving	5I(b)	109.13
COMMUNICATIONS		
Between Registration Division and applicants		104.4, 104.5
COMPLAINT		
Exceeding time periods for review of application for registration		104.6, 105.4
Filing	2-6	102.3
Information maintained on	2-6	102.1(c)
Investigators may sign	28	127.1(a)
Prioritization of	2-6	102.5
Process	2-6	102
Processing of	2-6	102.4
Resolution	2-6	102.6
Sign informing customers where to direct	2L	
Updates on status	2-6	102.1(b)
CONFIDENTIAL INFORMATION		
See also DOCUMENTS, BOOKS AND RECORDS; PUBLIC INFORMATION LAW; and RECORDS		
Action on official bond for disclosure of	28	
Disclosure to		
Governmental or regulatory authorities, or association of	28	131.1
Receivers	28	131.1
Inspection information is	13-1E	
Investigative records as	14C, 28A	127.1(b), 131.1
Registration-related and other materials as	28B	
CONFLICT OF INTEREST		
State Securities Board members and employees	2-1	

	Act Section	Rule Section
CONSENT TO SERVICE OF PROCESS		
See also NOTICE, PROCESS, and SERVICE		
By foreign (nonresident)		
Dealers	8, 15	133.8, 133.33(a)
Federal covered investment adviser	8, 12-1B	133.8, 133.33(a)
Investment advisers	8, 15	133.8, 133.33(a)
Issuer	7B, 7C, 8	109.13(k), 113.4(c), 114.3, 133.8, 133.33(a)
CONSTRUCTION OF ACT		
See also ACT, INTERPRETATION, and WORDS		
Definitions	4	107
Not exclusive	4L	
Means of enforcement nonexclusive	3-1	
Partial invalidity, effect of	38	
Purposes	10-1	101.3
Regulatory standards		101.2, 107.2
Rule, defined		107.2
Rules interpreting Act	28-1	139.1
Saving of existing remedies	31, 33M, 33-1F	
Severability of provisions	38	
CONTESTED CASE		
Alternative dispute resolution		127.2(g)
Burden of proof		105.11
Computation of time		105.3
Copies to Securities Commissioner's Representative		105.8
Defined		105.2(a)
Ex parte communications		105.20
Informal disposition		105.9
Notice of hearing		105.5, 105.7
Proposal for decision		105.14
Record		105.19
Rules of practice in		105
Service		105.6
CONTROL PERSONS		
See AIDING		
COOPERATIVES		
Securities issued by, exempt transaction involving	5N	
COORDINATION		
See also REGISTRATION, SECURITIES		
Fee — *See FEES*		
Registration of securities by	7C	113.2, 113.11, 133.7, 133.33(a)
Multijurisdictional Disclosure System offerings		113.13, 133.33(a)
Renewal	7C	113.6
COPIES		
Books and records to be furnished by registered dealers or registered investment advisers		
Inspections	13-1C	115.7, 116.7
Investigations	28A	
Certified by Commissioner	11, 30	101.4
Fee for	35B(3)	101.5(b), 133.2
Of dealer's or investment adviser's registration, posting requirement	21	
Of filings with SOAH		105.8
Records relevant to suspected financial exploitation of vulnerable adult	45M	

	Act Section	Rule Section
CORPORATIONS		
Articles of incorporation, required with registration application	7A, 13G	115.2(a), 116.2(a), 133.7
Bylaws, copy of required with registration application	7A, 13G	133.7
Consolidation of, securities issued or sold in connection with, exempt transaction involving	5G	109.2
Criminal responsibility of	29-3	
Domestic, defined		107.2
Domestic non-profit, exemption for securities issued by	6E	125
Industrial development, exemption for securities issued by	5M, 5T	135.1
Merger of, securities issued or sold in connection with, exempt transaction involving	5G	109.2
Minutes affecting issue of proposed securities, copy of to accompany registration application	7A	
Non-profit, exempt transaction involving	5K	125
"Person" and "company" include	4B	
Service of process, nonresident appointment of Commissioner as agent for	8	133.8, 133.33(a)
Sworn application for registration	7A, 13A	133.7, 133.33(a)
Type A and B corporation as crowdfunding portal	44	115.20
COSTS		
Alternative dispute resolution		127.2(b)
Assessment of hearing fees, expenses, and costs	28A	105.13
Of administering and enforcing the Act, paid only from fees	35A, 35C, 35D	
Of record, judicial review		105.19
Recoverable by Attorney General	32D	
Recoverable in civil suit	33D(6), 33-1B(4)	
Witness fees	28A	
COUNTY		
Securities issued or guaranteed by, exempt transaction involving	5M	
Venue		
Actions for receivership	25-1B	
Injunctive actions	32A	
COUNTY ATTORNEY		
Criminal prosecutions, assistance provided to	3	127.4
Criminal referrals to	3	
Failure or refusal to prosecute, Attorney General to proceed	3	
COURTS		
See also DISTRICT COURT		
Appeal from decision of Commissioner or Board	27	105.16
Certificate of Commissioner as evidence in	30	105.19(b)
Civil penalties	32C	
Disgorgement	32C	
Foreign country judgment	33-2	
Immunity in situations involving suspected financial exploitation of vulnerable adult	45K, 45L	
Injunctions	32A	
Receiverships	25-1	
Restitution	32B	
CRIMINAL ACTIVITY		
Aggregation of amounts involved in fraud	29-2	
Association responsible for	29-3	
Conviction, effect on application or registration		104.7, 115.6, 116.6
Corporate responsibility for	29-3	
Criminal sanctions for	29	
Defense, due diligence to prevent	29-3C	

	Act Section	Rule Section
Defense, good faith compliance with rule	28-1E	
Enhancement of conviction	29J	
Immunity from criminal liability in certain situations involving suspected financial exploitation of vulnerable adults	45K, 45L	
Limitation on indictment for certain criminal actions	29-1	
Prosecutorial assistance provided	3	127.4
Referral to District or County Attorney	3	
CROWDFUNDING		
Portal — *See TEXAS CROWDFUNDING PORTAL*		
Securities — *See EXEMPT SECURITIES*		
DAMAGES		
See also CIVIL LIABILITY, RECOVERY, REMEDIES, and RESCISSION		
Amount, determination of	33D, 33-1B	
Civil liability for	33A, 33B, 33C, 33F, 33-1A	
Exemplary	33M	
Limitations, small business issuances	33N	
Purchaser may recover when investment advisory services are rendered in violation of Act	33-1A	
Purchaser may recover when sale is in violation of Act	33A	
Seller may recover when purchase is in violation of Act	33B	
DEALER		
See also APPLICATION FOR REGISTRATION AS DEALER OR AGENT, BROKER, FINDER, REGISTRATION, DEALER OR AGENT, and TEXAS CROWDFUNDING PORTAL		
Advertising		
Filing requirement	22A	
Professional designations		115.16
Senior-specific certifications		115.16
Use of registration in, unlawful	20	
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application for registration, preliminary evaluation of license eligibility	14	104.7, 115.6
Application for registration, requisites		
Additional information	13B	
Branch office		115.2(c), 133.33(a)
Central Registration Depository (CRD)		115.2(e)
Corporations, foreign	13G	
Designated officer		115.2(b)
Evidence of good repute	13C	
Examination	13D, 19C	115.3
Foreign (nonresident) applicants	8, 13G, 13I	133.8, 133.33(a)
Generally	13	115.2
Information required	13A	115.2, 133.18
Limited partnerships	13H	115.2(a)
Withdrawal of		115.2(d)
Cancellation of agent's registration	18	133.33(a)
Cease and desist order		
Appeal from	24A	105.4
Emergency	23-2	105.4
Sales prohibited after	23A	
Certificate of registration		
Display of	21	
Form	17	
Issuance	15	115.4(a)
Surrender of	17	
Unlawful use of	20	

	Act Section	Rule Section
Changes in personnel, report to Commissioner	17	115.4(b), 115.4(c), 115.4(d), 133.33(a)
Civil liability of	33	
Commissions		
Amount, maximum allowed for marketing securities	9B	
Collection of, actions for	34	
Unconscionable commission fraudulent	4F	
Cybersecurity incident, notice of		116.23
Defined	4C	
Does not include agent	4C	
Examinations		
Administered by securities self-regulatory organizations	13K	115.3(b)
Disability accommodation		115.3(d), 133.3
Required	13D, 19C	115.3
Waiver of requirement	13D	115.3(c)
Exemptions from registration		
By Board rule	12C	
By statute	5	
Expiration of registration	19	115.4(c)(1)B), 115.4(e)
False statement in filing or proceeding a felony	29E, 29F	
Fees — *See FEES*		
Financial exploitation of vulnerable adult, suspected		115.21
Hold on transaction	45G	
Expiration of hold	45H	
Extension of hold	45I	
Immunity from civil or criminal liability	45L	
Internal policies, programs, plans, or procedures	45J	
Immunity from civil or criminal liability	45K, 45L	
Unless bad faith or malicious purpose	45K	
Internal policies, programs, plans, or procedures	45E, 45J	
Notification to third parties	45F	
Records access	45M	
Reports		
Time to submit	45C	
To Department of Family and Protective Services	45D	
To other appropriate agencies and entities	45E	
To Securities Commissioner	45C, 45N	
Finder, defined		115.1(a)
Fraud by, prohibited		115.1(b), 115.1(d)
Inspection of registered	13-1	115.7
Internal		115.10(c)
Intrastate crowdfunding portal	44	115.19, 115.20
List of sales, filing of	23D	
Named in offer of securities	22F	
Option, sale by registered dealer, exempt transaction involving	5S	109.11
Post-registration reporting requirements		115.4(b), 115.4(c), 115.4(d), 115.9
Professional designations, use of		115.16
Receivership of	25-1	
Records, names and addresses of	11	101.4, 101.5, 133.2
Records requirements		115.5, 115.11(d), 115.19(e)
Registered dealer, defined	4M	
Registration		
Amendments to	17	115.4
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application contents	13	115.2, 133.18
Branch office		115.1(b), 115.2(c)
Cancellation of agent's	18	133.33(a)

	Act Section	Rule Section
Certificate of	15, 17	115.4(a), 115.4(b)
Continuing education	19D	
Denial, suspension, or revocation of	14	105, 115.6
Designated officer		115.2(b)
Examination required	13D, 19C	115.3
Exemption from	5, 12C	
Assistance with Texas qualified tuition program plans		139.24
Canadian accounts		139.21
Designated matching service		109.15, 133.35
Distribution by liquidating trustees		139.6
Internet communications		139.18
Internet offers		139.17
Merger and acquisitions		139.27
Professional association securities		139.2
Sale of United States savings bonds		139.11
Sale to institutional investor	5H	109.5
Third party brokerage arrangements on financial entity premises		133.9, 139.20(a)
Transactional exemptions	5	109, 139.1(b)
Transactions among persons in the oil and gas industry		109.14(d)
Unsolicited order	5P	109.8
Expired	19	
Inactive status	42A	
Military applicant, expedited review		115.18, 133.4
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Renewal of	19	115.4(e)
Person on active military duty		115.18(e)
Required	12A	114.4(g), 115.1(b), 135.2
Revocation or suspension of	14	105, 115.6
Succession by amendment		115.4(c)(2)
Succession by application		115.4(c)(1)
Surrender of original certificate on amendment	17	
Temporary	15	115.4(c)(1)(B)
Term of	19A	
Types of		115.1(c)
Unlawful use of	20	
Waiver, examination requirement	13D	115.3(c)
Withdrawal from		133.33(b)
Renewal of registration	19	115.4(e)
Reprimand	14A	
Revocation of registration		
Effect on registration of agent	25	
Grounds and procedure for	14	105, 115.6
Sale without registration prohibited	12A	115.1(b)
Sales to registered dealer, exempt transaction involving	5H	
Sanctions against, grounds for	14	
Administrative orders	14A(9)	
Court orders or injunctions	14A(10)	
Criminal convictions	14A(1), 14A(2)	115.6
Examinations	14A(8)	
Fraudulent business practices	14A(3)	
Inequitable practices	14A(3)	
Insolvency	14A(4)	
Misrepresentations or failure to furnish information	14A(7)	
Sales through unregistered agent	14A(5)	115.4(c)(1)(B)
Use of senior-specific certifications and professional designations		115.16
Violations of Act, rules, orders, or undertakings	14A(6), 14A(11)	
Secondary market sales by a registered dealer, exempt transaction involving	5O	109.7, 133.5, 133.6, 133.30
Securities registered prior to sale by	7	

	Act Section	Rule Section
Senior-specific certifications, use of		115.16
Service of process, nonresident dealers	8	133.8, 133.33(a)
Sign informing customers where to direct complaints, display of	2L	
Succession by amendment		115.4(c)(2)
Succession by application		115.4(c)(1)
Supervisory requirements		115.10
Temporary registration	15	115.4(c)(1)(B)
Term of registration	19A	
Texas crowdfunding portal, defined		115.1(a)
Transactional exemptions	5	139.1(b)
Types of registration		115.1(c)
Unregistered dealer, penalty	29A	115.4(c)(1)(B)
Unsolicited order, exempt transaction involving	5P	109.8
Violation of Act is a felony	29	
Waiver of examination requirement	13D	115.3(c)
DEBENTURE		
As a security	4A	
DEFINITIONS		
3(c)(1) fund		139.23(a)
Accredited investor		107.2, 109.6(b)
Act		105.2(b),107.2, 114.2
Active duty		115.18(a), 116.18(a)
Actively operate		139.27(b)
Administrative Procedure Act		105.2(b), 107.2
Advertisements	5I	109.13(b)
Affiliate		107.2
Agent	4D	
APA		107.2
Applicant.		107.2, 115.1(a), 116.1(a)
Armed forces of the United States.		115.18(a), 116.18(a)
Association	29-3A	
Audit		116.17(a)
Authorized small business development entity	44	115.20(a)
Bank	5L	109.17
Board		107.2
Branch office		115.1(a), 116.1(a)
Branch office supervisor		115.1(a), 116.1(a)
Broker	4H	
Business days		109.13(l)
Business combination related shell company		139.27(b)
Certified		107.2
Charitable organization		139.24(a)
Client		139.24(a)
Code		107.2
Commissioner		105.2(b), 107.2
Company	4B	
Complaint		102.2
Complainant		102.2
Contested case		105.2(a)
Control		107.2, 115.1(a), 116.1(a), 116.17(a)
Corporation	29-3A	
Credit union		107.2
Crowdfunding web portal	44	115.20(a)
Current registration		115.18(a), 116.18(a)
Custody		116.17(a)

	Act Section	Rule Section
Cybersecurity incident		115.23(a), 116.23(a)
Days		104.3
Dealer	4C	
Department	45A	
Detailed balance sheet		107.2
Detailed statement showing all assets and liabilities		107.2
Domestic corporation		107.2
Economically disadvantaged		139.24(a)
EFD System		107.2
Existing security holder	5E	109.1(b)
Exploitation	45A	
Fair, just and equitable	7A, 7C, 10A	113.3
Federal covered investment adviser	4O	107.2, 116.1(a)
Federal covered securities		107.2, 114.2
Federal savings and loan association	5L	109.17(b)
Financial coach or counselor		139.24(a)
Financial condition, statement to reflect the		107.2
Financial exploitation	45A	
Financial statements		107.2
Finder		115.1(a)
FINRA.		107.2, 115.1(a)
Form D		107.2
Fraud	4F	
Fraudulent practice	4F	
Fully listed	6F	111.2
Generally	4	107.1
Good standing		115.18(a), 116.18(a)
High managerial agent	29-3A	
High net worth family entity		139.22(b)
In this state	12	115.1(a), 116.1(a)
Independent public accountant.		116.17(a)
Independent representative		116.17(a)
Individual accredited investor		139.16(b)
Information system		115.23(a), 116.23(a)
Institutional accredited investor		107.2, 109.4(b), 109.5(b)
Internal Revenue Code		107.2
Investment adviser	4N	116.1(a)
Investment adviser representative	4P	116.1(a)
Investment Advisers Act of 1940		107.2
Investment Company Act of 1940		107.2
Issuer	4G	
Jurisdictional authority		102.2
License		105.2(a), 107.2
Licensing		105.2(a), 107.2
Listed securities		114.2
M & A dealer		139.27(b)
Managing agent or manager		107.2
Military applicant		115.18(a), 116.18(a)
Military service member		115.18(a), 116.18(a)
Military spouse		115.18(a), 116.18(a)
Military veteran		115.18(a), 116.18(a)
Money market fund		123.3(b)
Mortgage	4I	
NASDAQ stock market		111.2(f)
No par value	4K	
Non-par	4K	
Not exclusive	4L	
Office		115.5(d)(2)

	Act Section	Rule Section
Officer		107.2, 115.1(a)
Open-end company		116.17(a)
Operating statement		107.2
Operationally independent		116.17(a)
Option	5S	
Parent		107.2
Party in contested case		105.2(a)
Person	4B	105.2(a)
Price amendment	7C	
Private fund		139.23(a)
Private fund adviser		139.23(a)
Private equity fund		139.23(a)
Privately-held company		139.27(b)
Profit and loss statement		107.2
Proposed plan of business		107.2
Purchasers of securities		109.13(c)(5)
Qualified custodian		116.17(a)
Qualified institutional buyer		109.4(b), 109.5(b), 109.6(b)
Real estate fund		139.23(a)
Recognized and responsible stock exchange	6F	111.2(d)
Recognized securities manual	5O(9)(c)	109.7(e)
Record, contested case		105.19
Registered dealer	4M	
Registered investment adviser	4Q	116.1(a)
Registered small business development entity	44	115.20(a)
Regulatory standards		101.2, 107.2
Related person		116.17(a)
Rendering services as an investment adviser		107.2, 116.1(a)
Rule		107.2
Rule and regulation	28-1A	107.2
Rules defining terms authorized	28-1B	107
Sale, sell, offer for sale	4E	
Savings and loan association	5L	107.2, 109.17(a)
Savings institution	5H	109.3
SEC		107.2, 114.2
Securities Act		107.2
Securities Act of 1933		107.2
Securities Board		107.2
Securities Commissioner		107.2
Securities Exchange Act of 1934		107.2
Securities professional	45A	
Security	4A	
Security holders		109.13(c)(5)
Shell company		139.27(b)
Small business issuer	7A	113.5(c)
Small business issuer	33N	
Small business offering	7A	113.5(e)
SOAH		105.2(b)
SOAH Rules of Procedure		105.2(b)
Soliciting	5E	109.1(c)
Solicitor		116.1(a)
Sophisticated investor		109.13(a)
Staff		105.2(b), 107.2
State agency		105.2(a)
State seal		127.3
State, territory, or insular possession of the United States		107.2
Statement to reflect the financial condition		107.2
Supervisor		115.1(a), 116.1(a)

	Act Section	Rule Section
Telephone or telegram		107.2
Texas crowdfunding portal		115.1(a)
Texas qualified tuition program plan		139.24(a)
Third party operator	44	115.20(a)
Triggering event		115.23(a), 116.23(a)
Trust	4B	
Venture capital fund		139.23(a)
Vulnerable adult	45A	
Well-informed investor		109.13(a)
Within this state		
Agent who engages		107.2, 115.1(a)
Dealer who engages		107.2, 115.1(a)
Offers and sales		107.2, 115.1(a)
DEFRAUD		
See FRAUD		
DEPOSITION		
Contested cases		105.12
Investigations	28A	127.1(b)
DEPUTY SECURITIES COMMISSIONER		
Appointment of	2H	
Board delegation of authority to adopt rules, to	28-1D	
Complaint, exceeding time periods for review of application		104.6, 105.4
Duties	2H	
Procedure, review of application for securities registration		104.4, 104.6
DESIGNATED MATCHING SERVICE		
Generally		109.15, 133.35
DISCLOSURE		
Advisory contract requirements		116.12
Advisory fee requirements		116.13
Confidential information	28	127.1(b), 131.1
Non-disclosure, civil liability for	33A(2), 33B, 33C(2), 33F, 33-1C	
Non-disclosure, criminal sanction for	29C	
Prospectus required	9C	133.7, 133.14, 133.33(a)
Registration by		
Coordination	7C	133.7, 133.33(a)
Notification	7B	133.7, 133.33(a)
Qualification	7A	133.7, 133.33(a)
Requirements, church and nonprofit bond issues	5K, 6J	125
Small company or small public offerings	7A	133.33(a)
Statement, registered investment advisers		116.11
Unequal voting rights		113.14
Unsound financial condition		113.14
DISGORGEMENT		
Power of Attorney General to seek	32C	
DISTRICT ATTORNEY		
Criminal prosecutions, assistance provided to	3	127.4
Criminal referrals to	3	
Failure or refusal to prosecute, Attorney General to act	3	

	Act Section	Rule Section
DISTRICT COURT		
See also COURTS		
Authority to		
Appoint receiver	25-1B, 25-1C	
Enjoin fraudulent practices	32A	
Order civil penalties	32C	
Order disgorgement	32C	
Order restitution	32B	
Enforcement of Commissioner's subpoena	28A	
DIVIDENDS		
Of stock paid from earnings or surplus, exempt transaction involving	5D	109.12
DOCUMENTS, BOOKS, AND RECORDS		
See also CONFIDENTIAL INFORMATION, PUBLIC INFORMATION LAW, and RECORDS		
Filed with Commissioner are public	11	101.4, 101.5, 133.2
Subpoena for, by Commissioner	28A	105.12
Subpoena for, by court on request of Attorney General		
Injunctive proceeding	32A	
Receivership proceeding	25-1B	
EMERGENCY CEASE AND DESIST ORDER		
See also CEASE AND DESIST ORDER		
Appeal from	24A	105.4
Civil liability for sale in violation of	33A(1)	
Hearing request	23-2C	105.4
Issuance of	23-2A, 23-2B	
Notice of sent to last known address	23-2B	105.6(a)
Violation of, a felony	29D	
EMPLOYEE BENEFIT PLAN		
See COMPENSATION PLAN OR CONTRACT		
ENFORCEMENT		
See also CIVIL LIABILITY, PROCEDURE, RECOVERY, and REMEDIES		
Access to state agency records	28A	
Administrative penalties	23-1B	106
Administrative sanctions	14	105
Alternative dispute resolution	2-8	127.2
Assistance to prosecutors	3	127.4
Cease and desist orders	23A, 23B	105
Cease publication orders	23C	105
Civil penalties	32C	
Disgorgement for victim of fraud	32C	
Duty of Commissioner and Attorney General	3	
Emergency cease and desist orders	23-2	105
Enhancement of convicton	29J	
Fees to cover costs of	35A	
Fines	23-1	105, 106.1
Foreign country judgment	33-2	
Injunctions	32A	
Inspections	13-1	115.2(c), 115.7, 116.2(c), 116.7
Investigations	28A, 28C	127.1, 131.1
Means of, nonexclusive	3-1	
Penal provisions	29	
Receiverships	25-1	
Restitution for victim of fraud	32B	
Unregistered securities, sales of	35-1, 35-2	

	Act Section	Rule Section
EQUIPMENT PROGRAMS		
Administrative guidelines for registration of		113.14
Applicability of		113.11(a), 113.12, 113.14
EQUIPMENT TRUST CERTIFICATE		
As a security	4A	
ESCROW		
Impounded proceeds, sale of securities	9A	113.14
Of funds in crowdfunding offering		139.26(e)
Of funds for rescission offer	33I(2), 33J(2)	
Of promotional shares		113.14
EVIDENCE OF INDEBTEDNESS		
As a security	4A	
Exemptions involving	6F, 6I, 6J	111.2
EVIDENCE OF REGISTRATION		
Agents and investment adviser representatives	18	
EXAMINATION		
Analysis of performance on	13F	
Branch office supervisor		115.2(c), 116.2(c)
Dealer, agent, investment adviser, and investment adviser representative registration, required for	13D	115.3, 116.3
Examinations by securities self-regulatory organizations	13K	115.3(b), 116.3(b)
Notification of results	13E, 13F	
Reexamination, when required	19C	
Texas Securities Law Examination		
Disability accommodation		115.3(d), 116.3(d)
Fee	35B(5)	115.3(d), 115.18(c), 116.3(d), 116.18(c)
Uniform examinations		
Combined state law (Series 66)		115.3(b), 116.3(b)
General securities principles		115.3(b)
Investment adviser law examination (Series 65)		116.3(b)
Investment adviser state law examination (Series 65)		116.3(b)
Securities agent state law (Series 63)		115.3(b)
Securities industry essentials (SIE)		115.3(a)
Specialized knowledge		115.3(b)
Waiver of requirement for	13D	115.3(c), 116.3(c)
EXEMPT SECURITIES		
See also APPLICATION FOR REGISTRATION OF SECURITIES, CROWDFUNDING, EXEMPT TRANSACTIONS, FEDERAL COVERED SECURITIES, LIMITED OFFERING EXEMPTION, PERMIT, SALES, and SECURITIES		
Administrative guidelines not applicable to		113.12
Applicability of exemption to federal covered securities		114.1(b)
Burden of proof of exemption on party claiming	37	105.11
Commercial paper	6H	
Crowdfunding		139.26
Evidence of indebtedness		
Benevolent, charitable, and religious corporation	6J	125
Guaranteed by company whose securities are listed	6F	111.2
Secured by deposit of securities of governmental entity	6I	
Secured by deposit of securities of regulated public service utility	6I	
Generally	6	
Guaranteed by		
Company whose securities are listed	6F	111.2
Regulated public service utility	6D	

	Act Section	Rule Section
Issued by regulated public service utility	6D	
Listed on a recognized stock exchange, designated on NASDAQ national market system	6F	111.2
Listed securities, senior to or on a parity with	6F	111.2
Non-profit domestic corporations	6E	125
Offering guidelines not applicable to		137.1
Sold by		
Registered dealer, requirement	6	111.2(c). 111.2(e)
Texas crowdfunding portal		139.26
Warrants for listed securities		111.2(c)
EXEMPT TRANSACTIONS		
See also APPLICATION FOR REGISTRATION OF SECURITIES, EXEMPT SECURITIES, LIMITED OFFERING EXEMPTION, PERMIT, SALES, and SECURITIES		
Administrative guidelines not applicable to		113.12
Applicability of exemption to federal covered securities		114.1(b)
Applicability of statements of policy to exempt offerings		113.12
Blue Chip		139.3
Burden of proof of exemption on party claiming	37	105.11
Canadian securities		139.5, 139.21
Change in par value	5G(b)	
Charitable organizations	5K, 5U	125
Compensation plans or contracts	5I(b)	109.13
Consolidations, corporate	5G(a)	109.2
Credit enhancements		139.15
Direct obligation of		
Governmental agency	5M	
Regulated bank	5L	109.17
Exchange of shares	5G(b)	
Exchange offers		139.10
Guaranteed or issued by		
Governmental agency	5M	
Regulated bank	5L	109.17
Industrial development corporations and authorities	5M, 5T	135
Institutional purchasers	5H	109.4, 109.5, 109.6
Insurance company investments	5C(2)	
Internet offers		139.17
Investment advisory services rendered to:		
Banks	5H	109.6
Building and loan associations	5H	109.6
Financial institutions	5H	109.6
Institutional investors	5H	109.6
Insurance companies	5H	109.6
Investment companies	5H	109.6
Savings institutions	5H	109.6
Small business investment companies	5H	109.6
Surety or guaranty companies	5H	109.6
Trust companies	5H	109.6
Isolated sales	5C(1)	
Liquidating trustees		139.6
Mergers, corporate	5G(a)	109.2
Mexican securities		139.4
Mortgages	5J	
Non-issuer sales		133.34, 139.14
Non-public offerings	5I, 5Q	109.13, 109.14
Offering guidelines not applicable to		137.1
Oil, gas or mining interests	5Q	109.14, 139.12
Options	5S	109.11

	Act Section	Rule Section
Other exemptions, Board authority to prescribe or define	5T	139.1
Personal holdings	5C	133.34, 139.14
Religious organizations	5K, 5U	125
Reorganization	5F	
Resales under SEC Rule 144 or 145(d)		139.13
Sales by:		
Administrators	5A	
Bank holding companies		139.9
Bankruptcy receivers or trustees	5A	
Banks	5L	109.17
Benevolent organizations	5K	125
Charitable organizations	5K	125
Cities	5M	
Cooperatives	5N	
Corporation, of assets	5G(a)	109.2
Counties	5M	
Educational organizations	5K	125
Executors	5A	
Farmers' cooperatives	5N	
Fraternal organizations	5K	125
Governmental agency or instrumentality	5M	135
Guardians	5A	
Industrial development corporations and authorities	5M, 5T	135
Insurance companies	5C	
Issuers		
Blue Chip		139.3
Intrastate limited offering	5T	109.13(l), 133.29
Of securities issued or guaranteed by financial institutions	5L	109.17
Of securities issued or guaranteed by government agency or instrumentality	5M	135
Limited offering	5T	109.13(k), 133.33(c)
When no public solicitation	5I	109.13
When sale would be exempt if sold by registered dealer under Section 6	5R	
When sold to accredited investors		139.19
When sold to existing security holders	5E	109.1
When sold to individual accredited investors		139.16
Mortgagees	5B	
Municipalities	5M	
Mutual loan corporations	5N	
Non-issuers	5C(1)	133.34 139.13, 139.14
Pledge holders	5B	
Political subdivisions	5M	
District or authority	5M	135
Professional association		139.2
Reform organizations	5K	125
Registered dealer		
Of "blue chip" securities		139.3
Of Canadian securities		139.5
Of Mexican securities		139.4
Of options	5S	109.11
Of outstanding securities	5O	109.7, 133.5, 133.6, 133.30
Of securities issued or guaranteed by financial institutions	5L	109.17
Of securities issued or guaranteed by government agency or instrumentality	5M	135
To nonresidents		139.7
Unsolicited	5P	109.8
Religious organizations	5K	125
Savings and loan associations	5L	109.17

	Act Section	Rule Section
States	5M	
United States	5M	
Sales to:		
Accredited investors		139.19
Banks	5H	109.4, 109.5
Building and loan associations	5H	109.4, 109.5
Charitable organizations	5U	
Dealers, registered	5H	109.3
Existing security holders	5E	109.1
Financial institutions	5H	109.3, 109.4, 109.5
Individual accredited investors		139.16
Institutional accredited investors	5H	109.4, 109.5
Institutional investors	5H	109.4, 109.5
Insurance companies	5H	109.4, 109.5
Investment companies	5H	109.4, 109.5
Nonresidents		139.7
Not more than 15 persons within 12 months without advertisement or public solicitation	5I(c)	109.13
Not more than 35 persons within 12 months of oil, gas, or mining interests without advertisement or public solicitation	5Q	109.14
Not more than 35 security holders without advertisement or public solicitation	5I(a)	109.13
Registered dealers	5H	
Savings institutions	5H	109.3, 109.4, 109.5
Small business investment companies	5H	109.4, 109.5
Surety or guaranty companies	5H	109.4, 109.5
Trust companies	5H	109.4, 109.5
Underwriters		139.8
Secondary sales by registered dealer	5C(1), 5O	109.7, 133.5, 133.6, 133.30, 139.13, 139.14
Stock dividend	5D	109.12
Stock split	5D	109.12
United States savings bonds		139.11
Unsolicited order for purchase of securities	5P	109.8
EXPENSES OF MARKETING		
Limits	9B	
EXPLOITATION		
See FINANCIAL EXPLOITATION OF VULNERABLE ADULT		
FAIR, JUST AND EQUITABLE		
Cease and desist order, if sale would not be	23A	
Consideration by promoters must be	10A	
Defined		113.3
Expenses of marketing securities, amount must be	9B	
Offer or sale of church and nonprofit bonds	5K, 6J	125
Plan of business must be	7A, 7C, 10A	
Registration requirement	7A, 7C, 10A	113.3
FARMERS' COOPERATIVES		
Securities issued by, exempt transaction involving	5N	
FEDERAL COVERED INVESTMENT ADVISER		
See also INVESTMENT ADVISER		
Authorization	12-1B	
Defined	4O	107.2
Exemptions, effect on notice filing	12-1A	116.1(b)(2)(C)

	Act Section	Rule Section
Fees — *See FEES*		
Notice filing	12-1	116.1(b)(2)(C), 116.4(c)(3), 133.33(a)
Consent to service of process, if applicable	8, 12-1B	133.8, 133.33(a)
Form prescribed by Commissioner	12-1B	
Renewal of	12-1C	116.1(b)(2)(C)
Term of	12-1C	116.1(b)(2)(C)
When effective	12-1C	
Rulemaking affecting	12-1B	116.1(b)
FEDERAL COVERED INVESTMENT ADVISER REPRESENTATIVE		
See also INVESTMENT ADVISER		
Authorization	12-1B	
Defined	4O	107.2
Exemptions, effect on notice filing	12-1A	116.1(b)(2)(C)
Exemption not available for advisers to private funds		139.23(e)
Fees — *See FEES*		
Notice filing	12-1	116.1(b)(2)(C), 116.4(c)(3), 133.33(a)
Consent to service of process, if applicable	8, 12-1B	133.8, 133.33(a)
Form prescribed by Commissioner	12-1B	
Renewal of	12-1C	116.1(b)(2)(C)
Term of	12-1C	116.1(b)(2)(C)
When effective	12-1C	
Rulemaking affecting	12-1B	116.1(b)
FEDERAL COVERED SECURITIES		
See also MONEY MARKET FUND		
Administrative guidelines not applicable to		113.12
Authorization, period of effectiveness		114.4(f)
Availability of corresponding state exemption	5, 6	114.1.(b)
Consent to service of process	8	114.3, 133.8, 133.33(a)
Dealer and agent registration required for sales of	12A	114.4(g)
Defined		107.2, 114.2
Excess sales	35A(1), 35B(2), 35-1	114.4(d)
Exemption from state registration	5, 6	114.1(b)
Fraud or fraudulent practice prohibited	4F	114.4(i)
Notice filing and fees		
Generally	10B, 35A(1), 35B(2)	114.4, 133.33(a)
Limited offering	35B(7)	109.13(k), 114.4(b)(1), 133.33
Listed securities	6F	114.4(b)(2)
Money market funds		114.4(b)(3), 123.3, 133.26
Conditional fee exemption	5T, 35B(2)	123.3
Secondary trading	5.O(9), 35B(6)	114.4(b)(4), 133.33(a)
Offering guidelines not applicable to		137.1
Supplemental reports		114.4(c), 133.10, 133.11, 133.27, 133.33(a)
FEDERAL SECURITIES ACT		
Application to advertising in Texas	22A(4)	
Coordination with this Act	10-1	
Prospectus disclosure sufficient if also filed with SEC	9C	
Registration by coordination	7C	113.2, 113.11, 133.7, 133.33(a)
Shelf registration	7C	113.11
FEES		
Advisory fee requirements		
Disclosure requirements		116.13(a)
Performance fees		116.13(b)

	Act Section	Rule Section
Agent, officer, or investment adviser representative registrations	19C, 35A(4), 35A(5), 42	115.8, 115.18(c), 116.8, 116.18(c)
Amendments to agent or investment adviser representative evidence of registration	35B(1)	115.4(b), 116.4(b)
Amendments to dealer or investment adviser registration certificate	35B(1)	115.4(b), 116.4(b)
Board authority to establish	35A, 35C	
Certified copies	35B(3)	101.5(b), 133.2
Concurrent registrations	43.C	115.8(d), 116.8(d), 133.36
Dealer registration	19C, 35A(2), 35A(3), 42	115.8, 115.18(c)
Deposit to general revenue fund	36	
Duplicate certificate of registration	35B(1)	
Excess securities sales	35A(1), 35A(2), 35-1	113.4(e), 114.4(d)
Electronic submission		115.22, 116.22
Federal covered investment adviser, notice filing	12-1B, 35A(2)	116.1(b)(2)(C)
Federal covered investment adviser representative, notice filing	12-1B, 35A(4)	116.1(b)(2)(C)
Federal covered securities, notice filing	35A(1), 35B(2), 35B(6), 35b(7), 35-1	114.4
Inactive status	42A	
Interpretation of Act or rule by General Counsel	35B(8)	101.2(f)
Investment adviser registration	19C, 35A(2), 35A(3), 42	116.8, 116.18(c)
Investment adviser representative registration	19C, 35A(4), 35A(5), 42	116.8, 116.18(c)
Limited offering		
Notice	35B(7)	109.13(k),109.13(l)(9), 114.4(b)(1), 133.29
Sales in excess of that authorized	35A(1), 35B(2), 35-1	114.4(d)
Military applicants		115.18(c), 116.18(c), 133.19
Money market funds		114.4(b)(3), 123.3, 133.26
Multiple capacities	42B	115.8(b), 115.8(c), 116.8(b), 116.8(c), 133.36
Notice filing, exempt investment advisers and investment adviser representatives		116.1(b)(2)(C)
Officer registration	19C, 35A(4), 35A(5), 42	115.8, 116.8
Preliminary evaluation of license eligibility		104.7(a)
Reduced fees, authority of Board to adopt	42	115.8(b), 116.8(b), 133.36
Registration of securities		
By coordination	35B(2)	133.7
By notification	35B(2)	133.7
By qualification	35B(2)	133.7
Examination of original or amended application	35B(2)	
Filing of original, amended, or renewal application	35A(1)	
Renewals of	7B, 7C, 35A(1)	133.12, 133.13
Renewal of		
Agent, officer, or investment adviser representative registration	19C, 35A(5), 42	115.8, 116.8
Dealer or investment adviser registration	19C, 35A(3), 42	115.8, 116.8
Federal covered investment adviser notice filing	12-1C, 35A(3), 42	116.1(b)(2)(C)
Federal covered investment adviser representative notice filing	12-1C, 35A(5), 42	116.1(b)(2)(C)
Federal covered securities notice filing	35A(1)	114.4(f)
Secondary trading notices	35B(6)	114.4(b)(4), 133.5, 133.6
Securities law examination request	35B(5)	115.3(d), 115.18(c), 116.3(d), 116.18(c)
Small business, reduced fees to accommodate	42B	115.8(b), 116.8(b), 133.36
Sole proprietors		115.8, 116.8, 133.36
Stock exchange approval	35B(4)	
Subpoena, serving of	28A	
Sufficient to cover costs of administering the Act	35A, 35C, 35D	
Texas Securities Law Examination, request to take	35B(5)	115.3(d), 115.18(c), 116.3(d), 116.18(c)

	Act Section	Rule Section
Third party brokerage arrangements on financial entity premises		139.20(c)
Unregistered securities sales	35B(2), 35-2	
Waiver for a military applicant		115.18(c), 116.18(c), 133.19
Witnesses	28A	
FELONY		
Aggregation of amounts involved in securities fraud	29-2	
Conviction as grounds for administrative sanction	14A	115.6, 116.6
Conviction renders ineligible for agent exemption		115.1(b)(2)
Violation of Act	29	
FINANCIAL EXPLOITATION OF VULNERABLE ADULT		
Dealer		
Internal policies, programs, plans, or procedures	45E	115.21
Records access	45M	
Definitions		
Exploitation	45A	
Financial exploitation	45A	
Securities professional	45A	
Vulnerable adult	45A	
Hold on transaction	45G	
Expiration of	45H	
Extension of	45I	
Immunity from civil or criminal liability	45L	
Internal policies, programs, plans, or procedures	45J	
Immunity from civil or criminal liability	45K, 45L	
Unless bad faith or malicious purpose	45K	
Internal policies, programs, plans, or procedures	45E, 45J	
Investment adviser		
Internal policies, programs, plans, or procedures	45E	116.21
Records access	45M	
Notification		
Immunity from civil or criminal liability	45K	
Unless bad faith or malicious purpose	45K	
To dealer	45B	
To investment adviser	45B	
To third parties	45F	
Person serving in a legal capacity for a dealer or investment adviser		
Immunity from civil or criminal liability	45K	
Notification to dealer or investment adviser	45B	
Report		
Content and form	45N	
Immunity from civil or criminal liability	45K	
Unless bad faith or malicious purpose	45K	
Time to submit	45C	
To Department of Family and Protective Services	45D	
To other appropriate agencies and entities	45E	
To Securities Commissioner	45C, 45N	
FINANCIAL INSTITUTIONS		
Investment advisory services rendered to, exempt transaction involving	5H	109.6
Sale to, exempt transaction involving	5H	109.3, 109.4, 109.5, 109.6
Securities of, exempt transaction involving	5L	109.17

	Act Section	Rule Section
FINANCIAL STATEMENTS		
Application for registration of securities		
Audited, required for		
Registration by notification	7B	133.14
Registration by qualification, unless small business issuer	7A	113.5(a), 133.7, 133.14
Detailed income statement required	7A, 7B	113.5(a), 133.14
Fiscal year ending more than 90 days before	7D	
Reviewed if small business offering by small business issuer		113.5(b)-(e)
Church and non-profit bond issues		125.6
Defined		107.2
Intrastate crowdfunding exemption		139.26(h)
Multijurisdictional Disclosure System offerings	7C	113.13
Renewal application, detailed balance sheet to accompany	10B	
Rescission offer	33I(1), 33J(1)	
Reviewed, if small business issuer	7A	113.5(b)-(e), 133.7
FINDER		
See also APPLICATION FOR REGISTRATION AS DEALER OR AGENT, DEALER, and REGISTRATION, DEALER OR AGENT		
Activities of		115.11
Disclosures		115.11(b), 115.11(c)
Recordkeeping		115.11(d)
Application		115.11(f)(1)
Definition		115.1(a)
Examination waiver		115.3(c)
Post-registration reporting requirements		115.11(f)(2)
FINES		
Administrative	23-1	105, 106.1
Civil penalties	32C	
Conformity with rules, defense	28-1E	
Criminal	29	
FOREIGN COUNTRY JUDGMENT		
Enforcement	33-2	
Remedies	33-2	
FOREIGN (NONRESIDENT) APPLICANTS		
Special requirements	8, 13G, 13I	133.8, 133.33(a)
FORMS		
See also UNIFORM FORMS		
ADA accommodation request form		133.3
Application for designation as a matching service under §109.15		109.15, 133.35
Application for registration of securities		133.7
Application for renewal permit		133.13
Certification of balance sheet by principal financial officer		115.2(a), 116.2(a), 133.18
Consent of independent accountants		133.14
Consent to service		133.8
Crowdfunding exemption notice		133.21, 139.26(i)
Electronic submission of forms		115.22, 116.22
Information concerning projected market prices and related market information	5.O(3)	109.7, 133.5, 133.6, 133.30
Intrastate exemption notice		109.13(l), 133.29
Investment company report of sales		133.10
Military applicant		
Request for consideration of military experience		115.18(d), 116.18(d), 133.4
Request for expedited review		115.18(b), 116.18(b), 133.4

	Act Section	Rule Section
Request for waiver or refund		115.18,116.18, 133.19, 133.22, 133.23
Notice filing for third party brokerage arrangements on financial entity premises		133.9, 139.20(c)
Public information charges - billing detail		101.5, 133.2
Renewal application for mutual funds and other continuous offerings		133.12
Request for determination of money market fund status for federal covered securities		123.3(c), 133.26
Request for reduced fees for certain persons registered in multiple capacities		115.8, 116.8, 133.36
Sales report for non-continuous offerings		133.10, 133.11
Secondary trading exemption notice		133.5
Secondary trading exemption renewal notice		133.6
Texas crowdfunding portal		
Registration		115.19(f), 115.20(g), 133.15, 133.20
Withdrawal of registration		115.19(e), 115.20(f), 133.16
Texas public information request		101.4
Third party brokerage arrangements on financial entity premises		133.9
Undertaking regarding non-issuer sales		133.34, 139.14(5)
Year end report of sales of federal covered securities by a money market fund (pursuant to §123.3)		123.3(g), 133.27
FRAUD		
Administrative fines	23-1A	106.1
Administrative sanctions	14A(3)	
Aggregation of amounts	29-2	
Appointment of receiver when	25-1A	
By dealer, issuer or agent prohibited, whether or not registered		115.1(b), 115.1(d)
By investment adviser or investment adviser representative prohibited, whether or not registered		116.1(b), 116.1(d)
Cease and desist order	23A, 23B	
Civil penalties	32C	
Consideration in review of dealer or investment adviser application	13B	
Control persons and aiders, civil liability	33F	
Criminal penalties	29C	
Defined	4F	
Disgorgement for victim of	32C	
Emergency cease and desist order	23-2	
Equitable relief for victim of	32B	
Federal covered securities		114.4(i)
Industrial development corporations and authorities		135.3
Injunction	32A	
Investor education, emphasis on prevention and detection of	43	
Issuer not to work a	7, 10A	125
Notice filed investment advisers and their representatives		116.1(b)(2)(D)
Penal provisions	29C	
Purchaser's civil action for	33A, 33C	
Receivership	25-1	
Registration of dealer, agent, investment adviser, or investment adviser representative may be revoked, denied, or suspended for	14A(3)	
Restitution for victim of	32B	
Secondary trading exemption revoked for	5O	
Seller's civil action for	33B	
Unconscionable sales charges or commissions	4F	
FRAUDULENT PRACTICE		
See DEFINITIONS		

	Act Section	Rule Section
GENERAL COUNSEL		
Fee for interpretation of Act or rule by	35B(8)	101.2(f)
Lobbyist, not to serve as	2-1C	
GOVERNOR OF THE STATE OF TEXAS		
Annual report by Board to	2J	
Appointment of State Securities Board members by	2A	
Designation by, presiding officer of the Board	2D	
GRAND JURIES		
Attorney General, authority to appear and interrogate witnesses before	3	
GUARANTEE		
Of evidences of indebtedness by companies whose securities are listed	6F	111.2
Of options	5S	109.11
Of securities by		
Financial institutions, exempt transaction involving	5L	109.17
Governmental entity, exempt transaction involving	5M	
Regulated public service utilities	6D	
HEARINGS		
Administrative fine, assessment of	23-1A, 24	106.1
Adoption of rules	28-1D	101.1(c)
Appeal, complaint of exceeding time periods for review of application		104.6(f), 105.4
Application for injunction	32A	
Appointment of receiver	25-1	
Before the		
Board	5O, 24B	105
Commissioner	6F, 14B, 23, 23-1A, 23-2, 24A, 35-2	104.6(f), 105, 106.1
Hearings officer	5O, 14B, 24	105, 109.7
Burden of proof of exemption on party claiming	37	105.11
Costs, assessment of		105.13
Default disposition		105.10
Denial of registration	7B, 7C, 14, 24	105
Depositions		105.12
Exchanges, approval of	6F	105
Ex parte communications		105.20
Fees, expenses, and costs of	28A	105.12, 105.13, 105.19
Final decision and appeals		105.16
Informal disposition		105.9, 105.10
Notice of		105.5, 105.6
Content		105.5
Failure to respond to		105.10
Service of	26	105.6
Written response to		105.7
Order issued by Commissioner		105.15
Proposal for decision		105.14
Record of proceedings	26	105.19
Refusal to register dealer, investment adviser, investment adviser representative, or agent	24A	105.4
Rehearing, motion for		105.17
Board action on		105.18
Request for	24	105.4
Revocation of		
Approval of securities manuals	5O	105.4
Exchanges, approval of	6F	105
Registration of dealer, agent, investment adviser, or investment adviser representative	14B	105

	Act Section	Rule Section
Registration of securities	7B, 7C	105.4
Secondary trading exemption	5O	105, 109.7
Rules	28-1D	101.1(c)
Securities manuals, approval of	5O	105.4
Subpoenas		105.12
Substantial evidence appeal	27	105.16(c)
Suspension of		
Exchanges and trading systems	6F	105
Registration of dealer, agent, investment adviser, or investment adviser representative	14B	105
Time, computation of		105.3
Unregistered securities, sales of	35-2	105
HISTORICALLY UNDERUTILIZED BUSINESS PROGRAM		
Board adoption of rules		101.6
INDEBTEDNESS		
Evidence thereof as a security	4A	
INDICTMENT		
Exemption, unnecessary to negative	37	
Limitation on action for securities fraud	29-1	
INJUNCTION		
Availability of secondary trading exemption affected by	5O	133.5, 133.6
Generally	32A	
INSPECTIONS		
Access to place of business and records	13-1B, 13-1C	115.7, 116.7
Authority for	13-1A	115.7(a), 116.7(a)
Branch offices, registered		115.2(c), 116.2(c)
Copies of records	13-1C, 13-1D	115.7, 116.7
Dealers, registered	13-1	115.7
Information relating to is confidential	13-1E	
Internal		115.10(c)
Investment advisers, registered	13-1	116.7
Purposes of	13-1A	115.7(a), 116.7(a)
INSTRUMENTS		
Evidencing a security	4A	
Representing any interest in or under oil, gas or mining lease, fee or title, as a security	4A	
Representing interests in capital, property, assets, profits or earnings of any company, as a security	4A	
INSURANCE		
See also BOARD OF INSURANCE COMMISSIONERS and TEXAS DEPARTMENT OF INSURANCE		
Board of Insurance Commissioners	30, 39	
Insurance products, when excluded from definition of security	4A	
Insurance Securities Act repealed	39	
Investment advisory services rendered to insurance companies, exempt transaction involving	5H	109.6
Sales of securities owned by insurance companies, exempt transaction involving	5C(2)	
Sales of securities to insurance companies, exempt transaction involving	5H	109.4, 109.5
Texas Department of Insurance	4A, 5C(2)	
INTEREST		
At legal rate of, for rescission	33D	

	Act Section	Rule Section
INTERNET		
Communications		139.18
Offers disseminated through		139.17
INTERPRETATION		
See also ACT, CONSTRUCTION OF ACT, and WORDS		
By General Counsel	35B(8)	101.2(f)
Definitions not exclusive	4L	
Regulatory standards		101.2, 107.2
Rule, defined		107.2
Rules interpreting Act	28-1	139.1
Saving of existing remedies	31, 33M, 33-1F	
Severability of provisions	38	
INTRASTATE CROWDFUNDING		
See CROWDFUNDING and TEXAS CROWDFUNDING PORTAL		
INVESTIGATIONS		
Assistance to securities regulator of another state or foreign jurisdiction	28C	
By Attorney General, before seeking appointment of receiver	25-1B	
By Commissioner and Attorney General to prevent or detect violations	3	
By Commissioner to prevent or detect violations	28	127.1
Confidential information	28	127.1(b), 131.1
Generally	28	127.1
Injunctions, detect fraudulent practices	32A	
Investigators may sign complaints	28	127.1(a)
Investigatory power of Commissioner	3, 28	127.1
Record of proceeding before Commissioner	26	105.19
Stock exchanges, prior to approval	6F	
INVESTMENT ADVISER		
See also APPLICATION FOR REGISTRATION AS INVESTMENT ADVISER OR INVESTMENT ADVISER REPRESENTATIVE, FEDERAL COVERED INVESTMENT ADVISER, INVESTMENT ADVISER REPRESENTATIVE, NOTICE FILING, and REGISTRATION, INVESTMENT ADVISER OR INVESTMENT ADVISER REPRESENTATIVE		
Advertising		
Professional designations		116.16
Senior-specific certifications		116.16
Use of registration in, unlawful	20	
Advertising restrictions		116.15
Advisory contract requirements		116.12
Advisory fee requirements		
Disclosure requirements		116.13(a)
Performance fees		116.13(b)
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application for registration, preliminary evaluation of license eligibility		104.7, 116.6
Application for registration, requisites		
Additional information	13B	
Branch office		116.2(c)
Corporations, foreign	13G	
Designated officer		116.2(b)
Evidence of good repute	13C	
Examination	13D, 19C	116.3
Foreign (nonresident) applicants	8, 13G, 13I	133.8, 133.33(a)
Generally	13	116.2, 133.18
Information required	13A	116.2, 133.18
Investment Adviser Registration Depository (IARD)		116.2(a), 116.2(e)
Limited partnerships	13H	116.2
Withdrawal of		116.2(d)

	Act Section	Rule Section
Cancellation of investment adviser representative's registration	18	
Cease and desist order		
Appeal from	24A	105.4
Emergency order	23-2	105.4
Fraudulent or unauthorized conduct prohibited	23B	
Certificate of registration		
Display of	21	
Form	17	
Issuance	15	116.4(a)
Surrender of	17	
Unlawful use of	20	
Changes in personnel, report to Commissioner	17	116.4(b), 116.4(c), 116.4(d), 133.33(a)
Civil liability of	33-1A	
Collection of compensation for services, actions for	34	
Cybersecurity incident, notice of		116.23
Custody of client funds or securities		
By private fund adviser		139.23(c)
Delivery to related person		116.17(d)
Exceptions		116.17(c)
Safekeeping required		116.17(b)
Defined	4N	116.1(a)
Disclosure statement		116.2(a), 116.11
Examinations		
Administered by securities self-regulatory organizations	13K	116.3(b)
Disability accommodation		116.3(d), 133.3
Required	13D, 19C	116.3
Waiver of requirement	13D	116.3(c)
Expiration of registration	19	116.4(c)(1)(B), 116.4(e)
False statement in filing or proceeding a felony	29E, 29F	
Fee for registration as — *See FEES*		
Financial exploitation of vulnerable adults, suspected		116.21
Hold on transaction	45G	
Expiration of	45H	
Extension of	45I	
Immunity from civil or criminal liability	45L	
Internal policies, programs, plans, or procedures	45J	
Immunity from civil or criminal liability	45K, 45L	
Unless bad faith or malicious purpose	45K	
Internal policies, programs, plans, or procedures	45E, 45J	
Notification to third parties	45F	
Records access	45M	
Reports		
Time to submit	45C	
To Department of Family and Protective Services	45D	
To other appropriate agencies and entities	45E	
To Securities Commissioner	45C, 45N	
Fraud by, prohibited		116.1(b), 116.1(d)
Inspection of registered	13-1	116.7
Misuse of nonpublic information, prevention of		116.14
Post-registration reporting requirements		116.4(b), 116.4(c), 116.9
Professional designations, use of		116.16
Receivership of	25-1	
Records, names and addresses of	11	101.4, 101.5, 133.2
Records requirements		116.5
Registered investment adviser, defined	4Q	116.1(a)
Registration		
Amendments to	17	116.4(b)

	Act Section	Rule Section
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application contents	13	116.2, 133.18
Branch office		116.1(b), 116.2(c)
Cancellation of investment adviser representative's	18	
Certificate of	15, 17	116.4(a)
Continuing education	19D	
Denial, suspension, or revocation of	14	105, 116.6
Designated officer		116.2(b)
Examination required	13D, 19C	116.3
Exemption from	12C	116.1(b)
Assistance with Texas qualified tuition program plans		139.24
Internet communications		139.18
Notice filing and fees	12-1	116.1(b)(2)(C), 116.4(c)(3)
Services to		
High net worth family entity		139.22
Institutional investor	5H	109.6
Private fund		139.23
Expired	19	
Inactive status	42A	
Military applicant, expedited review		116.18, 133.4
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Renewal of	19	116.4(e)
Person on active military duty		116.18(e)
Required	12B	116.1(b)
Revocation or suspension of	14	105, 116.6
Succession by amendment		116.4(c)(2)
Succession by application		116.4(c)(1)
Temporary	15	116.4(c)(1)(B)
Term of	19A	
Types of		116.1(c)
Unlawful use of	20	
Waiver, examination requirement	13D	116.3(c)
Withdrawal from		133.33(b)
Rendering services as, defined		107.2, 116.1(a)
Rendering services without registration prohibited	12B	116.1(b)
Renewal of registration	19	116.4(e)
Reprimand	14A	
Revocation of registration		
Effect on registration of investment adviser representative	25	
Grounds and procedure for	14	105, 116.6
Sanctions against, grounds for	14	
Administrative orders	14A(9)	
Court orders or injunctions	14A(10)	
Criminal convictions	14A(1), 14A(2)	116.6
Examinations	14A(8)	
Fraudulent business practices	14A(3)	
Inequitable practices	14A(3)	
Insolvency	14A(4)	
Misrepresentations or failure to furnish information	14A(7)	
Services through unregistered investment adviser representative	14A(5)	116.4(c)(1)(B)
Use of senior-specific certifications and professional designations		116.16
Violation of Act, rules, orders, or undertakings	14A(6), 14A(11)	
Senior-specific certifications, use of		116.16
Service of process, nonresident	8	133.8, 133.33(a)
Sign informing customers where to direct complaints, display of	2L	
Succession by amendment		115.4(c)(2)
Succession by application		115.4(c)(1)
Supervisory requirements		116.10

	Act Section	Rule Section
Temporary registration	15	116.4(c)(1)(B)
Term of registration	19A	
Types of registration		116.1(c)
Unregistered investment adviser, penalty	29I	
Violation of Act a felony	29	
Waiver of examination requirement	13D	116.3(c)
INVESTMENT ADVISER REGISTRATION DEPOSITORY (IARD)		
Application for registration as investment adviser or investment adviser representative through		116.2(a), 116.2(e)
Deficiency corrections of applications filed through		104.5(a)
Report filed by private fund adviser		139.23(b)
INVESTMENT ADVISER REPRESENTATIVE		
See also APPLICATION FOR REGISTRATION AS INVESTMENT ADVISER OR INVESTMENT ADVISER REPRESENTATIVE, FEDERAL COVERED INVESTMENT ADVISER, INVESTMENT ADVISER, NOTICE FILING, and REGISTRATION, INVESTMENT ADVISER OR INVESTMENT ADVISER REPRESENTATIVE		
Advertising		
Professional designations		116.16
Senior-specific certifications		116.16
Use of registration in, unlawful	20	
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application for registration	18	116.2, 133.33(a)
Denial of	14A	105.4, 116.6
Investment Adviser Registration Depository (IARD)		116.2(a), 116.2(e)
Withdrawal of		116.2(d)
Cancellation of registration by investment adviser	18	
Cease and desist order, fraudulent or unauthorized conduct	23B	105
Civil liability of	33-1A	
Collection of compensation for services, actions for	34	
Defined	4P	116.1(a)
Evidence of registration	18	
Examination		
Administered by securities self-regulatory organizations	13K	116.3(b)
Disability accommodation		116.3(d), 133.3
Required	13D, 19C	116.3
Waiver of	13D	116.3(c)
False statement in filing or proceeding a felony	29E, 29F	
Fees, registration — *See FEES*		
Fraud by, prohibited		116.1(b), 116.1(d)
Notice filing and fees		116.1(b)(2)(C), 116.4(c)(3)
Notification to investment adviser of suspected financial exploitation of vulnerable adult	45B	116.21
Immunity from civil or criminal liability	45K	
Unless bad faith or malicious purpose	45K	
Post-registration reporting requirements		116.9
Professional designations, use of		116.16
Receivership of	25-1	
Records, names and addresses of	11	101.4, 101.5, 133.2
Registration		
Appeal from Commissioner's failure or refusal	24A	105.4
Application for	18	116.2(a), 133.33(a)
Cancellation of by investment adviser	18	
Continuing education	19D	
Denial, suspension, or revocation of	14	105, 116.6
Evidence of	18	
Examination required	13D, 19C	116.3

	Act Section	Rule Section
Exemption from	12C	116.1(b)(2)
Assistance with Texas qualified tuition program plans		139.24
Internet communications		139.18
Notice filing and fees	12-1	116.1(b)(2(C), 116.4(c)(3)
Services to		
High net worth family entity		139.22
Institutional investor	5H	109.6
Private fund		139.23
Expired	19	
Inactive status	42A	
Military applicant		116.18, 133.4, 133.19, 133.22, 133.23
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Renewal of	19	116.4(e)
Person on active military duty		116.18(e)
Required	12B	116.1(b)
Revoked by revocation of investment adviser's registration	25	
Term of	19A	
Types of		116.1(c)
Unlawful use of	20	
Waiver, examination requirement	13D	116.3(c)
Rendering services for investment adviser not registered to represent	14A(5)	116.4(c)(1)(B)
Rendering services without registration prohibited	12B	116.1(b)
Reprimand	14A	105
Sanctions against, grounds for	14	
Administrative orders	14A(9)	
Court orders or injunctions	14A(10)	
Criminal convictions	14A(1), 14A(2)	116.6
Examinations	14A(8)	
Fraudulent business practices	14A(3)	
Inequitable practices	14A(3)	
Misrepresentations or failure to furnish information	14A(7)	
Services for investment adviser not registered to represent	14A(5)	116.4(c)(1)(B)
Use of senior-specific certifications and professional designations		116.16
Violation of Act, rules, orders, or undertakings	14A(6), 14A(11)	
Senior-specific certifications, use of		116.16
Sign informing customers where to direct complaints, display of	2L	
Supervisory requirements of investment adviser		116.10
Unregistered investment adviser representative, penalty	29I	
Violation of Act a felony	29	
Vulnerable adult, suspected financial exploitation of		116.21
Immunity from civil or criminal liability	45K	
Unless bad faith or malicious purpose	45K	
Notification to investment adviser	45B	
Waiver of examination requirement	13D	116.3(c)
INVESTMENT COMPANY		
Coordinated registration if not federal covered securities		113.2(b)
Expiration and renewal of authorization for federal covered securities		114.4(f), 133.33(a)
Expiration and renewal of registration of securities of	7C	
Investment advisory services rendered to, exempt transaction involving	5H	109.6
Open-end — *See MONEY MARKET FUND*		
Report of sales		113.10, 114.4(c), 133.10, 133.11, 133.33(a)
Sales of securities to, exempt transaction involving	5H	109.4, 109.5
INVESTMENT CONTRACT		
As a security	4A	

	Act Section	Rule Section
INVESTOR		
Accredited		109.4, 109.5, 109.6, 109.13(k), 109.13(l), 133.29, 133.33(c), 139.19
Individual accredited		139.16(b)
Liability		113.3(2)
Qualified institutional buyer		109.4, 109.5, 109.6
Sophisticated		109.13(a)
Well-informed		109.13(a)
INVESTOR EDUCATION		
Bilingual materials required	43A	
Commissioner to develop and implement	43A	
Grants and donations, acceptance of	43C	
Public or nonprofit entities, collaboration with	43B	
ISSUER		
Advertising filing requirement	22A	133.7
Defined	4G	
Exempt transaction involving	5E, 5I, 5L, 5M, 5R, 5T, 5U	109.1, 109.13, 109.17,135.1, 139.2, 139.3, 139.4, 139.5, 139.7, 139.9, 139.10, 139.16, 139.19
Fraud by, prohibited		115.1(b), 115.1(d)
Liability of nonselling issuer which registers	33C, 33D(5)	
Nonresident, consent to service	8	113.4(c), 114.3, 133.8, 133.33(a)
Receivership of	25-1	
Sale without registration prohibited		115.1(b)
Unlawful to use registration to aid sale of securities	10C	
JUDICIAL REVIEW		
Of decision or order of the Commissioner or Board	27	105.16
Substantial evidence rule	27	105.16(c)
LEGEND		
Internet communications		139.18(a)
Limited offering exemptions, required		109.13(j)
Materials for dealer use only		137.5
Tombstone advertisement		137.4
LIMITED OFFERING EXEMPTION		
See also APPLICATION FOR REGISTRATION OF SECURITIES, EXEMPT SECURITIES, EXEMPT TRANSACTIONS, PERMIT, SALES, and SECURITIES		
Federal covered securities		109.13(k), 114.4(b)(1), 133.33
Fee for		
Amended notice	35-1B	
Filing notice	35B(7)	109.13(k), 109.13(l)(9), 133.29, 133.33(c)
Intrastate		109.13(l), 133.29
Uniform	109.13(k), 133.33(c)	
LIMITED PARTNERSHIP		
See also PARTNERSHIP		
Dealer or investment adviser registration, copy of copartnership or statement of plan of business required	13H	115.2(a), 116.2(a)
Limited partner interest as a security	4A	
"Person" and "company" include	4B	

	Act Section	Rule Section
LISTED SECURITIES		
See STOCK EXCHANGES		
MAIL		
Emergency cease and desist order	23-2B	
Notice prior to cease and desist order	23A, 23B	105.6
Notice sufficient if sent certified or registered	26	105.6
Service of process, forwarded by Commissioner	8	
MARKETING EXPENSES		
Excessive expenses prohibited	9B	
MIDWEST STOCK EXCHANGE		
See CHICAGO STOCK EXCHANGE		
MILITARY APPLICANT		
Consideration of military experience		115.18(d), 116.18(d), 133.4
Expedited review of registration application		115.18, 116.18, 133.4
Out-of-State License, recognition		115.18(h), 116.18(h)
Waiver or refund request		115.18, 116.18, 133.19, 133.22, 133.23
MONEY MARKET FUND		
See also FEDERAL COVERED SECURITIES		
Defined		123.3(b)
Effect of noncompliance	35, 35-1	123.3(h)
Determination as		
Appeal of	24	123.3(i)
Prior		123.3.(j)
Request for		123.3(c), 133.26
Fees, conditional exemption	5T, 35B(2)	123.3(a), 123.3(d)
Not applicable to sales of excess securities	35-1	123.3(e)
Unsold balance, end of calendar year		123.3(f), 133.27
Year end report of sales		123.3(g), 133.27
Oversales	35-1	123.3(e)
Registration requirements applicable to		113.2(b), 123.3(a)
MORTGAGE		
Deed of trust, term includes	4I	
Defined	4I	
Exempt transaction involving	5J	
Mortgage certificate as a security	4A	
MORTGAGE PROGRAMS		
Administrative guidelines for registration of		113.14
Applicability of		113.11(a), 113.12, 113.14
MUNICIPAL CORPORATION		
See also CROWDFUNDING		
As intrastate crowdfunding portal	44	115.20
Securities issued or guaranteed by, exempt transaction involving	5M	
MUTUAL LOAN CORPORATION		
Securities issued by, exempt transaction involving	5N	
NAME		
Advertisement under trade name	28-1F	
Misleading use of by applicant		113.4(a)

	Act Section	Rule Section
Officers' and directors' in registration applications	7A, 13A	115.2(a), 115.2(b). 116.2(a), 116.2(b)
Subscribers' to be furnished	9A	
NASAA MODEL RULES OR STATEMENTS OF POLICY		
Accredited investor exemption		139.19
Asset-backed securities registration		113.14
Commodity pool programs		113.14
Corporate securities definitions		113.14
Dealer and investment adviser use of the Internet to disseminate information on products and services		139.18
Debt securities		113.14
Equipment program registration		113.14
Impoundment of proceeds		113.14
Loans and other material affiliated transactions		113.14
Mortgage program guidelines		113.14
Multijurisdictional Disclosure System offerings		113.13
Offers disseminated through the Internet		139.17
Oil and gas programs registration		113.14
Omnibus guidelines for registration		113.14
Options and warrants		113.14
Preferred stock		113.14
Promoters' equity investment		113.14
Promotional shares		113.14
Real estate investment trust registration		113.14
Real estate programs registration		113.14
Specificity in use of proceeds		113.14
Underwriting and selling expenses, underwriter's warrants, and selling security holders		113.14
Unequal voting rights		113.14
Uniform limited offering exemption		109.13(k)
Unsound financial condition		113.14
Use of electronic offering documents and electronic signatures		113.14
Use of senior-specific certifications and professional designations		115.16, 116.16
NASDAQ STOCK MARKET		
Defined		111.2(f)
Options on securities quoted on, exempt transaction involving	5S	109.11
Securities designated on, exempt	6F	
NEW YORK STOCK EXCHANGE		
Securities fully listed upon, exempt	6	111.2(a)
NONPROFIT ORGANIZATION		
See CROWDFUNDING		
Authorized by an agency or authority of the federal government to distribute housing and community development block grants as a crowdfunding portal	44	115.20
NO PAR VALUE		
See DEFINITIONS		
NOTE		
As a security	4A	
Exemptions involving	5J, 6I, 6J	
NOTICE		
See also CONSENT TO SERVICE OF PROCESS, PROCESS, and SERVICE		
Address in filings to Commissioner, or last known, sufficient for	26	105.6
Certified or registered mail	26	105.6

	Act Section	Rule Section
Changes in dealer or investment adviser personnel	17	115.4(b), 115.4(c), 115.4(d), 116.4(b), 116.4(c), 116.4(d), 133.33(a)
Content of		105.5
Cybersecurity incident		115.23, 116.23
Dealers in secondary market, of court injunction or order	5O	
Emergency cease and desist order	23-2B, 23-2D	105.4, 105.6
Examination results	13E, 13F	
Expiration of registration	19C	115.4(c)(1)(B), 115.4(e), 116.4(c)(1)(B), 116.4(e)
Failure to respond to		105.10
Financial exploitation of vulnerable adults, suspected	45	115.21, 116.21
Hearings		
Assessment of administrative fines	23-1A, 24	105, 106.1
Cease and desist order	23A, 23B, 24	105
Emergency cease and desist order	23-2B, 23-2D, 24	105
Failure or refusal to register applicant	24	105
Failure or refusal to register securities	24	105
Limited offering exemption, claiming	35B(7)	109.13(k),109.13(l)(9), 133.29, 133.33(c)
Offers prohibited after notice of cease and desist or cease publication order	22A, 22B, 23A, 23B, 23C	
Penalty for sale after notice of order	29D, 29H	
Proposed rule	28-1C	103.2
Receiver, action for appointment of	25-1C	
Recognized manuals, suspension or revocation	5O	105
Revocation of dealer registration, to agent of dealer	25	
Revocation of investment adviser registration, to investment adviser representative	25	
Rules and regulations, prior to adoption of	28-1C	103.2
Secondary trading exemption, claiming	35B(6)	133.5, 133.6
Service of documents in contested cases		105.6
Service of notice of hearing		105.6
Service of orders		105.6
Status of complaint	2-6	102
Stock exchange approval, withdrawal of	6F	105
Stop order	7C	133.7
Written response to		105.7

NOTICE FILING
By federal covered investment advisers and their representatives — *See FEDERAL COVERED INVESTMENT ADVISER*
For federal covered securities — *See FEDERAL COVERED SECURITIES*

NOTIFICATION
See REGISTRATION, SECURITIES

OATHS
Application for registration of
Agent or investment adviser representative . . . 18
Dealer . . . 13A
Investment adviser . . . 13A
Securities . . . 7A — 133.7, 133.33(a)
Changes in dealer or investment adviser personnel, notice of . . . 17
Commissioner may administer in investigations . . . 28A

OFFER FOR SALE
See also SALES
Defined . . . 4E

	Act Section	Rule Section
Filing requirements		137.2
Guidelines for regulation of		137
Applicability of		137.1
Permitted offers, generally	22	
Prohibited offers, generally	7A, 12A	115.1(b)
Prospectus required	9C	137.3
Supplemental advertising, standards for		137.6
Texas publications, advertisements in		137.7
Tombstone advertisements		137.4
OFFER TO REPURCHASE		
See RESCISSION		
OIL AND GAS		
Any instrument representing interest in or under lease, fee or title as a security	4A	
Exemption for certain transactions involving	5Q	109.14, 139.12
OIL AND GAS PROGRAMS		
Administrative guidelines for registration and qualification of		113.14
Applicability of		113.11(a), 113.12, 113.14
OPEN GOVERNMENT		
See also ADMINISTRATIVE PROCEDURE ACT, OPEN MEETINGS LAW, and PUBLIC INFORMATION LAW		
Board and Commissioner subject to		
Open meetings law	2N	
Public information law	2N	101.4, 101.5, 133.2
OPEN MEETINGS LAW		
See also ADMINISTRATIVE PROCEDURE ACT and OPEN GOVERNMENT		
Board and Commissioner subject to	2N	
OPEN RECORDS LAW		
See PUBLIC INFORMATION LAW		
Authorized disclosure of confidential information does not violate	28	
Board and Commissioner subject to	2N	
OPTION		
Defined	5S	
Guarantee of, by a dealer	5S	109.11
Registration of equity securities underlying employee stock	5T	113.9
Sale of, by or through a registered dealer, exempt transaction involving	5S	109.11
ORDER		
Appeal from Commissioner's orders, generally	24	105.4
Cease and desist	23A, 23B, 24A	105
Cease publication	23C, 24A	105.4
Contract in violation of, unenforceable	33K	
Denying registration of securities	7B, 7C, 10A, 24B	105.4
Emergency cease and desist	23-2, 24A	105.4
Judicial review of	27	105.16
Penalty for violation of	29D, 29H	
Prohibiting offer or sale of securities	23A, 23C, 24A	105.4
Refund	32-1	
Secondary trading, stop order	5O	105.4
Violation of, basis for		
Administrative sanction	14A	
Civil penalties	32C	

	Act Section	Rule Section
Fine	23-1A	106.1
Injunction	32A	
Waivers void	33L	
ORGANIZATION EXPENSES		
Disclosed in application for securities registration	7A	133.7
Limitations on	9B	
PACIFIC STOCK EXCHANGE		
Securities fully listed upon, exempt		111.2(b)
PAR VALUE		
Change in, exempt transaction involving	5G	
Disclosed in application for securities registration	7A	
No par value defined	4K	
PARTICIPATION AGREEMENT		
As a security	4A	
PARTNERSHIP		
See also LIMITED PARTNERSHIP		
Articles of to accompany securities registration application	7A	133.7
Dealer or investment adviser, report of personnel changes	17	115.4(b), 116.4(b)
Limited partner's interest in, as a security	4A	
"Person" and "company" include	4B	
PENALTY		
Civil penalties	32C	
Criminal sanctions for violations of Act	29	
PERMIT		
See also APPLICATION FOR REGISTRATION OF SECURITIES, EXEMPT SECURITIES, EXEMPT TRANSACTIONS, LIMITED OFFERING EXEMPTION, SALES, and SECURITIES		
Appeal of Commissioner's action on	24	105.4
Application for registration of securities	7	113.4, 133.7, 133.33(a)
Denial, suspension, or revocation of securities registration by Commissioner	7B, 7C, 10A, 23A, 24	105.4
Form and contents of	10B	
Instrument unnecessary in certain cases	10B	
Registration — *See REGISTRATION, SECURITIES*		
Renewal of	10B	113.6, 133.12, 133.13
Use of to make a sale, prohibited	10C	
PERSON		
Defined	4B	105.2(a)
PLAN OF BUSINESS		
Dealer or investment adviser applicant must state	13A	
Proposed plan, defined		107.2
Proposed plan must be fair, just and equitable	7A, 7C, 10A	113.3
PREORGANIZATION CERTIFICATE		
As a security	4A	
PRINCIPAL PLACE OF BUSINESS		
Dealer's or investment adviser's registration application, included in	13A	
Securities registration application, included in	7A, 7B	133.7

	Act Section	Rule Section
PROCEDURE		
See also ENFORCEMENT		
Administrative Procedure Act, applicability of	2N, 14B, 24C	105.4
Adoption of rules	28-1	101.1, 103
Alternative dispute resolution	2-8	127.2
Depositions	28A	105.12, 127.1
Exemptions		
Burden on claimant to establish	37	105.11
Unnecessary to negative	37	
Foreign country judgment enforcement	33-2	
Hearings — *See HEARINGS*		
Injunction	32A	
Judicial review	27	105.16
Negotiated rulemaking	2-8	103.6
Notice of proposed rules	28-1C	103.2
Notice, sufficiency of	26	105.6
Rescission offer to		
Buyers	33I	
Sellers	33J	
Review of applications for registration		104
Subpoena by Commissioner	28A	105.12
PROCESS		
See also CONSENT TO SERVICE OF PROCESS, NOTICE, and SERVICE		
Commissioner as agent for service of, for foreign (nonresident) issuers, dealers or investment advisers	8	113.4(c), 114.3, 133.8, 133.33(a)
Subpoenas	28A	105.12
PROFIT SHARING AGREEMENT		
As a security	4A	
PROMOTERS		
Fees or commissions in registration statement	7A	
Shares	7A	113.14
Consideration for	7C, 10A	
PROSPECTUS		
Amendments to be filed with Commissioner		113.6
Copy must accompany securities registration application	7A, 7B, 7C	133.7, 133.14, 133.33(a)
Federal disclosure provisions	9C	137.3
Offers to sell securities by	9C	
PROTECTION OF INVESTORS		
Cease and desist orders	23	
Civil liability	33	
Civil penalties	32C	
Consideration in rulemaking	28-1C	
Criminal liability	29	
Emergency cease and desist orders	23-2	
Escrow		
As deemed necessary by Commissioner	9A	
Crowdfunding offerings		139.26(e)
Financial exploitation of vulnerable adults, suspected	45	115.21, 116.21
Injunction	32A	
Purpose of the Act	10-1B	101.3
Receiver, appointment of	25-1A	
Segregated account, crowdfunding offerings		139.26(e)

	Act Section	Rule Section
Vulnerable adults from financial exploitation	45	115.21, 116.21
Waiver of restrictions or requirements in rules if unnecessary for		
By Board	28-1B	
By Commissioner	10D	101.3(a)
PUBLIC		
Hearings in contested cases open to		105.4(c)
Inspection materials confidential	13-1E	
Investigatory materials confidential	28A	127.1(b), 131.1
Papers filed with Commissioner available to	11	101.4, 101.5, 133.2
Protection of		
Approval of stock exchange, requirement for	6F	
Cease publication order	23C	
Emergency cease and desist order	23-2	
Registration-related materials confidential	28B	
Rules, notice and comment on	28-1C	103.2, 103.3
PUBLIC INFORMATION LAW		
See also CONFIDENTIAL INFORMATION; DOCUMENTS, BOOKS, AND RECORDS; OPEN GOVERNMENT; and RECORDS		
Authorized disclosure of confidential information does not violate	28	
Board and Commissioner subject to	2N	101.4, 101.5, 133.2
PUBLIC SOLICITATION		
See also ADVERTISEMENT, CEASE PUBLICATION ORDER, and PUBLICATION		
Sales to not more than 15 persons within 12 months, must be without advertisement or public solicitation	5I(c)	109.13
Sales to not more than 35 persons within 12 months of oil, gas, or mining interests, must be without advertisement or public solicitation	5Q	109.14
Sales to not more than 35 securities holders, or of less than 35 interests, must be without advertisement or public solicitation	5I(a), 5Q	109.13
Use of designated matching service does not constitute		109.15(a)
PUBLIC TESTIMONY		
Before the Board	2-5	103.3
PUBLICATION		
See also ADVERTISEMENT, CEASE PUBLICATION ORDER, and PUBLIC SOLICITATION		
Of offer prohibited after cease publication order	23C	
PURCHASE		
See also SALES		
Liability for fraudulent purchases	33B	
Offer to, invitation of offers to, fraud in connection with	29C	
Rescission offers for fraudulent purchases	33J	
PURCHASER		
Civil liability of	33B	
Counting number of		109.13
Examination of records filed with Commissioner	11	101.4, 101.5, 133.2
Issuer may be required to escrow stock or money	9A	139.26(e)
Of securities, defined	5I	109.13(c)
Private right of action	33A	
PURPOSES		
Of Act	10-1	101.3
Rules consistent with Act	28-1B, 28-1C	

	Act Section	Rule Section
QUALIFICATION		
See REGISTRATION, SECURITIES		
REAL ESTATE INVESTMENT TRUSTS		
Administrative guidelines for registration of		113.14
Applicability of		113.11(a), 113.12, 113.14
REAL ESTATE PROGRAMS		
Administrative guidelines for qualifications and registrations of		113.14
Applicability of		113.11(a), 113.12, 113.14
RECEIVERSHIP		
Action brought in District Court	25-1B	
Affiliates subject to	25-1A	
Appointment of receiver by court	25-1C	
Attorney General brings action	25-1B	
Commissioner requests Attorney General to bring action	25-1A	
Disclosure of confidential information to receiver	28	131.1
Evidence, Attorney General may obtain	25-1B	
Qualification standards for receivers	25-1D	
Receiver appointed without notice to affected person, opportunity for hearing	25-1C	
Remedy not exclusive	25-1E	
Requirements for appointment of receiver	25-1A, 25-1D	
Venue	25-1B	
RECOGNIZED SECURITIES MANUAL		
Defined	5O	109.7(e)
Listing in	5O(9)	109.7(e)
Revocation or suspension of recognition	5O	105
RECORDS		
See also CONFIDENTIAL INFORMATION; DOCUMENTS, BOOKS, AND RECORDS; and PUBLIC INFORMATION LAW		
Administrative hearing	26	105.19
Advice, analyses, opinions, or recommendations are confidential	13-1E, 28B	
Board, access to	2G	
Certified copies of, by Commissioner	11, 30	101.4, 101.5(b), 133.2
As evidence	30	105.19
Fee for	35B(3)	101.5(b)
Complaints	2-6A	102
Examination of, in		
Inspections	13-1	115.7, 115.19(e), 116.7
Investigations	28	
Filings required are public	11	101.4, 101.5, 133.1, 133.2
Financial exploitation of vulnerable adults, relevant to suspected	45M	
Furnish copies to		
Commissioner	13-1B, 13-1C, 28A	115.7, 115.11(d), 115.19(e), 116.7, 139.23(f), 139.27(h)
Purchaser, of papers filed with Commissioner	11	101.4, 101.5, 133.2
In custody of Commissioner	30	
Investigation, internal notes, memoranda, reports or communications confidential	28A	127.1(b), 131.1
Production of, in connection with injunction	32A	
Requirements, dealer		115.5, 115.11(d), 115.19(e)
Requirements, investment adviser		116.5
Subpoena to produce	25-1B, 28A, 32A	105.12

	Act Section	Rule Section
RECOVERY		
See also CIVIL LIABILITY, ENFORCEMENT, and REMEDIES		
Attorney fees	33D(7), 33-1B(4)	
Civil penalties	32C	
Costs	32C, 33D(6), 33-1B(4)	
Damages — *See DAMAGES*		
Defense, good faith compliance with rule	28-1E	
Disgorgement	32C	
Limitations, small business issuances	33N	
Rescission — *See RESCISSION*		
Restitution	32B	
REFUND		
See also RESCISSION		
Commissioner may order	32-1	
Military applicants, registration or renewal fee		115.18, 116.18, 133.19, 133.22
Registration fees	36	
REGISTERED AGENT		
See AGENT		
REGISTERED DEALER		
See also DEALER, FINDER, and TEXAS CROWDFUNDING PORTAL		
Defined	4M	
Inspections of	13-1	115.7
REGISTERED INVESTMENT ADVISER		
See also FEDERAL COVERED INVESTMENT ADVISER and INVESTMENT ADVISER		
Defined	4Q	116.1(a)
Inspections of	13-1	116.7
REGISTERED INVESTMENT ADVISER REPRESENTATIVE		
See INVESTMENT ADVISER REPRESENTATIVE		
REGISTRATION, DEALER OR AGENT		
See also APPLICATION FOR REGISTRATION AS DEALER OR AGENT		
Administrativ fine for violation of	23-1	
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application for	13, 18	115.2, 133.18, 133.33(a)
Branch office designation		115.2(c), 133.33(a)
Cancellation of agent's	18	133.33(a)
Central Registration Depository (CRD)		115.2(e)
Certificate of, dealer	15, 17	115.4(a), 115.4(b)
Display of	21	
Changes in dealer personnel	17	115.4(b), 115.4(c), 115.4(d), 133.33(a)
Civil liability for sale in violation of requirements	33A(1)	
Continuing education	19D	
Denial, suspension, or revocation of	14	105, 115.6
Designated officer		115.2(b)
Evidence of, agent	18	
Evidence of, branch office		115.4(a)
Examination required	13D, 19C	115.3
Exemption from	5, 12C	
Assistance with Texas qualified tuition program plans		139.24
Canadian accounts		139.21
De minimis transactions by agent		115.1(b)(2)
Designated matching service		109.15, 133.35

	Act Section	Rule Section
Distribution by liquidating trustees		139.6
Internet communications		139.18
Internet offers		139.17
Mergers and acquisitions dealer		139.27
Professional association securities		139.2
Sale of United States savings bonds		139.11
Sale to institutional investor	5H	109.5
Third party brokerage arrangements on financial entity premises		133.9, 139.20
Transactional exemptions	5	109
Transactions among persons in the oil and gas industry		109.14(d)
Unsolicited order	5P	109.8
Expedited review, military applicant		115.18, 133.4
Expired	19	
False statement or representation concerning, penalty	29F	
Fees — *See FEES*		
Inactive status	42A	
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Post-registration reporting requirements		115.4(b), 115.4(c), 115.4(d), 115.9
Records open to public inspection	11	101.4, 101.5, 133.2
Renewal of	19	115.4(e)
Person on active military duty		115.18(e)
Required	12A	114.4(g), 115.1(b), 135.2
Exemption from	5, 12C	
Revocation of		
Dealer's, effect on agent's	25	
Grounds and procedure for	14	105, 115.6, 115.16
Sanctions, criminal	29	
Sanctions, grounds for	14	115.6, 115.16
Succession by amendment		115.4(c)(2)
Succession by application		115.4(c)(1)
Surrender of original certificate	17, 25	
Temporary	15	115.4(c)(1)(B)
Term of	19A	
Types of		115.1(c)
Unlawful use of	20	
Unregistered dealer or agent, penalty	29A	115.4(c)(1)(B)
Waiver, examination requirement	13D	115.3(c)
Withdrawal from, dealer		133.33(b)

REGISTRATION, INVESTMENT ADVISER OR INVESTMENT ADVISER REPRESENTATIVE
See also APPLICATION FOR REGISTRATION AS INVESTMENT ADVISER OR INVESTMENT ADVISER REPRESENTATIVE

Administrative fine for violation of	23-1	
Appeal from Commissioner's failure or refusal to register	24A	105.4
Application for	13,18	116.2, 133.18, 133.33(a)
Branch office designation		116.2(c), 133.33(a)
Cancellation of investment adviser representative's	18	
Certificate of, investment adviser	15, 17	116.4(a)
Display of	21	
Changes in investment adviser personnel	17	116.4(b), 116.4(c), 116.4(d), 133.33(a)
Civil liability for investment advisory services rendered in violation of requirements	33-1A	
Civil penalties	32C	
Continuing education	19D	
Criminal liability for investment advisory services rendered in violation of requirements	29C	

	Act Section	Rule Section
Denial, suspension, or revocation of	14	105, 116.6
Designated officer		116.2(b)
Evidence of, branch office		116.4(a)
Evidence of, investment adviser representative	18	
Examination required	13D, 19C	116.3
Exemption from	12C	116.1(b)(2)
Assistance with Texas qualified tuition program plans		139.24
Internet communications		139.18
Notice filing and fees	12-1	116.1(b)(2)(C), 116.4(c)(3)
Services to		
High net worth family entity		139.22
Institutional investor	5H	109.6
Private fund		139.23
Expedited review, military applicant		116.18, 133.40
Expired	19	
False statement or representation concerning, penalty	29F	
Fees — *See FEES*		
Inactive status	42A	
Investment Adviser Registration Depository (IARD)		116.2(e)
Multiple capacities	42B	115.8(b), 116.8(b), 133.36
Post-registration reporting requirements		116.4(b), 116.4(c), 116.4(d), 116.9
Records open to public inspection	11	101.4, 101.5, 133.2
Renewal of	19	116.4(e)
Person on active military duty		116.18(e)
Required	12B	116.1(b)
Revocation of		
Grounds and procedure for	14	105, 116.6
Investment adviser's, effect on investment adviser representative's	25	
Sanctions, criminal	29	
Sanctions, grounds for	14	116.6, 116.16
Succession by amendment		116.4(c)(2)
Succession by application		116.4(c)(1)
Temporary	15	116.4(c)(1)(B)
Term of	19A	
Types of		116.1(c)
Unlawful use of	20	
Unregistered investment adviser or investment adviser representative, penalty	29I	
Waiver, examination requirement	13D	116.3(c)
Withdrawal from, investment adviser		133.33(b)
REGISTRATION, SECURITIES		
See also COORDINATION and FEDERAL COVERED SECURITIES		
Abandonment of application for		113.4(d)
Administrative guidelines, applicability of		113.11(a), 113.12, 113.14
Appeal from Commissioner's failure or refusal to register	24B	105.4
Application to issue securities by		
Coordination	7C	104, 113.2, 113.4, 113.11, 113.13, 133.7, 133.33(a)
Notification	7B	104, 113.4, 133.7, 133.33(a)
Qualification	7A	104, 113.1, 113.4, 133.7, 133.33(a)
Civil liability for sale in violation of requirements	33A(1)	
Denial for use of misleading name		113.4(a)
Equipment programs		113.14
Escrow	9A	
Examination of application for	10A	104
Excess securities	35-1A	113.4(e)

	Act Section	Rule Section
Fair, just and equitable	7A, 7C, 10A	113.3
False statement or representation concerning, penalty	29F	
Fees — *See FEES*		
Financial statements		
Audited	7A, 7B	113.5, 133.7, 133.14
Defined		107.2
Reviewed, if issuer is "small business issuer"	7A	113.5(b)-(e)
Marketing expenses	9B	
Mortgage programs		113.14
Multijurisdictional Disclosure System		113.13
NASAA statements of policy		113.14
Offering may be disallowed, excessive selling or underwriting expenses	9B	
Offers to sell securities	22	137
Oil and gas programs		113.14
Options and warrants, issuance of		113.14
Real estate investment trusts		113.14
Real estate programs		113.14
Renewal of	7B, 7C, 10B	113.6, 133.12, 133.13
Sale of unregistered securities, penalty	29B	
Sales reports		113.10, 133.10, 133.11, 133.33(a)
Shelf	113.11	
Small company or small public offering		133.33(a)
Underlying transferable warrants or employee stock options	5T	113.9

REGULATED PUBLIC SERVICE UTILITY
Exemption for securities issued or guaranteed by . . . 6D

REMEDIES
See also CIVIL LIABILITY, DAMAGES, ENFORCEMENT, RECOVERY, and RESCISSION
Civil liabilities, generally . . . 33, 33-1
Civil penalties . . . 32C
Cumulative . . . 31, 33M, 33-1F
Disgorgement . . . 32C
Enforcement of foreign country judgment . . . 33-2

Equitable relief . . . 32B
Illegal contracts, unenforceable . . . 33K
Injunction . . . 32A
Limitations, small business issuances . . . 33N
Nonexclusive, of Commissioner . . . 3-1, 25-1E
Receivership . . . 25-1
Refund . . . 32-1
Restitution . . . 32B

RENEWAL
See FEES and REGISTRATION, SECURITIES

REORGANIZATION
Certificate as a security . . . 4A
Issue of securities by company in process of, exempt transaction involving . . . 5F

REPEALED LAWS
Insurance Securities Act of Texas (1955) . . . 39
Securities Act of Texas (1955) . . . 39

	Act Section	Rule Section
RESCISSION		
See also CIVIL LIABILITY, DAMAGES, RECOVERY, and REMEDIES		
Civil action for	33	
Legal rate of interest	33D	
Requirements of offer to		
Buyers	33I	
Sellers	33J	
RESTITUTION		
Power of Attorney General to seek	32B	
REVIEW		
Administrative review of Commissioner's action	24	105.4
Judicial review of Commissioner or Board decision	27	105.16
Of applications for registration, procedure for		104
REVOCATION		
Agent's registration	14, 25	105
Dealer's registration	14, 25	105
Effect on agent's registration	25	
Investment adviser representative's registration	14, 25	105
Investment adviser's registration	14, 25	105
Effect on investment adviser representative's registration	25	
Recognition of securities manual	5O	105
Secondary trading exemption	5O	105, 109.7
Surrender of registration after	25	
RULES AND REGULATIONS		
Administrative Procedure Act, subject to	2N	
Advertising	28-1F	116.15
Agent, Board authority to exempt from registration requirements	12C	
Applicable in contested cases		105.1
Authority to adopt	2-5, 3D, 4N, 4P, 5S, 5T, 7A, 8, 12C, 12-1B, 19B, 28, 28-1, 42, 44, 45N	101.1(c), 103, 139.1
Comment, notice and opportunity for	28-1C	103.2, 103.3
Competitive bidding	28-1F	
Contracts in violation of are unenforceable	33K	
Crowdfunding	44	115.20
Dealer, Board authority to exempt from registration requirements	12C	
Defense to liability or penalty, act done in conformity with	28-1E	
Defined	28-1A	107.2
Delegation of rulemaking power to Commissioner or Deputy Commissioner	28-D	
Disclosure of confidential information	28	127.1(b), 131.1
Federal covered investment adviser or representative	12-1B	
Hearing on proposed rules	28-1D	101.1(c)
Interpretation by General Counsel	35B(8)	101.2(f)
Investment adviser, Board authority to exempt from registration requirements	12C	
Investment adviser representative, Board authority to exempt from registration requirements	12C	
Necessity for	28-1B, 28-1C	
Negotiated rulemaking	2-8	103.6
Notice of	28-1C	103.2
Petitions		103.5
Protection of investors considered	28-1B, 28-1C	101.3
Provisions severable		101.1(f)
Regulatory standards		101.2, 107.2
Reliance on, as defense	28-1E	
Report of suspected financial exploitation of vulnerable adult	45N	115.21, 116.21

	Act Section	Rule Section
Rule, defined	28-1A	107.2
Small business issuer definition	7A	113.5(c)-(e)
Violation of, as grounds to		
Assess administrative fine	23-1A	106.1
Deny, revoke, or suspend registration	14A	
Enjoin activity	32A	
Render contract unenforceable	33K	
Waiver of compliance with	10D, 28-1B, 28-1D, 33L	101.1(e), 101.3(a)
SALES		
See also APPLICATION FOR REGISTRATION OF SECURITIES, LIMITED OFFERING EXEMPTION, OFFER FOR SALE, PERMIT, PURCHASE, and SECURITIES		
Defined	4E	
During period between expiration and renewal of registration, consequences	19C	
Excess securities	35-1	113.4(e), 114.4(d)
Exemptions — *See EXEMPT SECURITIES and EXEMPT TRANSACTIONS*		
Liability for fraudulent sales	33A	
Materials, offers to sell securities		137
Prohibited without registration	7A, 12A	115.1(b)
Reports		113.10, 114.4(c), 123.3(g), 133.10, 133.11, 133.27, 133.33(a)
Rescission offers for fraudulent sales	33I	
Secondary, exemption for	5C(1), 5O	109.7, 114.4(b)(4), 133.5, 133.6, 133.30. 139.13, 139.14
Unregistered securities	35-2	
Use of registration to aid, prohibited	10C, 20	
SALESMAN		
See AGENT and APPLICATION FOR REGISTRATION AS DEALER OR AGENT		
SECONDARY TRADING		
Exemption	5O	109.7, 114.4(b)(4), 133.5, 133.6, 133.30, 133.34, 139.13, 139.14
Fee, notice filing for	35B(6)	114.4(b)(4), 133.5, 133.6
Isolated transaction exemption	5C(1)	
Listed securities	6F	111.2, 114.4(b)(2)
Non-issuer sales	5C(1)	133.34, 139.13, 139.14
SECRETARY OF STATE		
Permits, orders, and licenses issued by, preserved	39	
SECURITIES		
See also APPLICATION FOR REGISTRATION OF SECURITIES, EXEMPT SECURITIES, EXEMPT TRANSACTIONS, FEDERAL COVERED SECURITIES, LIMITED OFFERING EXEMPTION, PERMIT, and SALES		
Advertising of	22	137
Defined	4A	
Exemptions	5, 6	111.2
Federal covered		114
No par value and non-par defined	4K	
Offers of	22	137
Applicability of administrative guidelines to		113.11(a), 113.12, 113.14
Registration by		
Coordination	7C	113.2, 113.4, 113.11, 133.7, 133.33(a)
Notification	7B	113.4, 133.7, 133.33(a)
Qualification	7A	113.1, 113.4, 133.7, 133.33(a)

	Act Section	Rule Section
Registration of		
Asset-backed securities		113.14
Equipment programs		113.14
Oil and gas programs		113.14
Real estate investment trusts		113.14
Real estate programs		113.14
Shelf registration		113.11
Underlying transferable warrants and employee stock options	5T	113.9
Written instrument not required	4A	
SECURITIES AND EXCHANGE COMMISSION		
Coordinated registration of securities	7C	113.2, 113.11
Form ADV		116.1(b)(2)(C), 116.2, 116.11, 116.12, 133.33(a)
Form ADV-W		133.33(b)
Form BD		109.13(k), 115.2(a), 133.33(a)
Form BDW		133.33(b)
Form BR		115.2(c), 116.2(c), 133.33(a)
Form D		109.13(k), 114.4(b)(1), 133.33(c)
Form F-7		113.13
Form F-8		113.13
Form F-9		113.13
Form F-10		113.13
Form S-3		113.11(b)
Multijurisdictional Disclosure System offering		113.13
Regulation A		113.1
Regulation A, Tier 2 (Regulation A+)		114.4(b), 133.33(a)
Regulation D		109.13(k), 114.4, 133.33(c), 139.19(1)
Regulation S-K		137.3
Rule 12b-1		109.1(d)
Rule 17a-3		115.5(a)
Rule 17a-4		115.5(a)
Rule 135A		137.2(c)
Rule 144		139.13, 139.14(4)
Rule 144A		109.4, 109.5, 109.6
Rule 145(d)		139.13, 139.14(4)
Rule 147A		139.26
Rule 204-2		116.5(a)
Rule 205-3		116.13(b)
Rule 262		109.13(k)(2)
Rule 415		113.11
Rule 501		109.4, 109.5, 109.6, 139.19(1)
Rule 503		109.13(k)
Rule 506		109.13(k), 114.4
Rule 508		109.13(k)
SECURITIES COMMISSIONER		
Access to information of other governmental agencies	28A	
Administration of Act, vested in	3	
Administrative fines	23-1	106.1
Advertisements, filed with	22A	
Agent for service of process	8	113.4(c), 114.3, 133.8, 133.33(a)
Annual report to Governor and Legislature	2J	
Appeal, complaint of exceeding time periods for review of application		104.6(f), 105.4

	Act Section	Rule Section
Appeal from action of	24	105.4
Application by agent or investment adviser representative, additional information required	18	
Application for securities registration	10A	
Examination of	10A	104.4, 104.6
Form prescribed	10B	
Application of dealer or investment adviser, form prescribed	13J	
Appointed by State Securities Board	2G	
Assistance to county or district attorneys	3	127.4
Authority to adopt rules	28-1D	
Authority to inspect registered dealers and registered investment advisers	13-1A	115.7, 116.7
Cease and desist order	23A, 23B	
Cease publication order	23C	
Certificate of compliance and non-compliance	30	
Certified copies	11, 30	101.4, 101.5(b), 133.2
Collaboration with public or nonprofit entities, investor education	43B	
Complaints information maintained	2-6	102.1
Confidential information, disclosure by	13-1E, 28	127.1(b), 131.1
Criminal prosecution, assistance with	3	127.4
Cybersecurity incidents reported to		115.23, 116.23
Defined		107.2
Delegation of powers and duties	2H	
Depositions	28A	127.1(b)
Discretion to waive or relax rules	10D	101.1 (e), 101.3(a)
Duty of enforcement	3	
Emergency cease and desist order	23-2	
Enforcement, means of are nonexclusive	3-1	
Equal employment opportunity policy statement	2-7	
Examination, required of applicants for dealer, agent, investment adviser, and investment adviser representative registration	13D	115.3, 116.3
Examination requirement, waiver by		115.3(c)(4), 116.3(c)(5)
False filing with, penalty	29E	
Fee for certified copies	35B(3)	101.5(b), 133.2
Form of, prescribed by		
Application for agent or investment adviser representative registration	18	
Application for dealer or investment adviser registration	13A	
Certificate of registration for dealers or investment advisers	17	
Permit registering securities	10B	
Grants and donations for investor education, acceptance of	43C	
Hearings — *See HEARINGS*		
Inspections — *See INSPECTIONS*		
Intragency career ladder, development by	2K	
Investigatory powers of	3, 28	127.1(b)
Investor education, development and implementation by	43	
Judicial review of decision	27	105.16
Management and policy responsibilities, division of	2-4	101.1
Notice if investment adviser services are fraudulent	23B	
Notice if offer or method of sale of a security is fraudulent	23A	
Offers containing materially false or misleading statements, or likely to deceive the public prohibited by	23C	
Orders issued by		105.15
Permit, form prescribed by	10B	
Procedure, review of application for securities registration		104.4, 104.6
Receivership for assets of dealer, agent, investment adviser, investment adviser representative, issuer, or affiliate thereof, request for	25-1A	
Records — *See RECORDS*		
Refund ordered by	32-1	
Registrations, denial, revocation, or suspension of	14	115.6, 116.6

	Act Section	Rule Section
Regulatory standards		101.2, 107.2
Removal of Board member, notification of potential ground	2F	
Renewal of registrations, filing additional information	19A	
Report of suspected financial exploitation of vulnerable adult to	45C, 45N	115.21, 116.21
Rule, defined		107.2
Rulemaking power, delegation of authority to	28-1D	
Rules, application of		101.3
Standards of conduct, provide information to state officers and employees	2-2	
State Employee Incentive Program	2-8	
Subpoena or summons power	28A	
Temporary registration, dealer or investment adviser	15	115.4(c)(1)(B), 116.4(c)(1)(B)
Tenure of office	2G	
Testimony in proceeding before, record of	26	
Training manual for Board members	2-3D	
Verification of facts in petition for		
Injunction	32A	
Receivership	25-1B	
SECURITIES MANUAL		
Must be "recognized" for exemption	5O	109.7(e)
SECURITY		
See also SECURITIES		
Defined	4A	
Holders		109.13(c)
Counting	5I	109.13
SELLING EXPENSES		
Maximum allowed	9B	
SERVICE		
See also CONSENT TO SERVICE OF PROCESS, NOTICE, and PROCESS		
Commissioner as agent for service of process for foreign (nonresident) issuers, dealers, or investment advisers	8	113.4(c), 114.3, 133.8, 133.33(a)
Of subpoena	28A	105.12
SHARE		
As a security	4A	
SMALL BUSINESS DEVELOPMENT ENTITY		
See CROWDFUNDING		
As a crowdfunding portal	44	115.19(a)
SMALL BUSINESS INVESTMENT COMPANY		
Investment advisory services rendered to, exempt transaction involving	5H	109.6
Sales to, exempt transaction involving	5H	109.4, 109.5
SMALL BUSINESS ISSUANCES		
See also CROWDFUNDING		
Limitation on liability	33N	
SMALL BUSINESS ISSUER		
Defined	7A, 33N	113.5
Reviewed financial statements	7A	113.5(b)-(e), 133.7
SOLICITATION		
Bearing on exemptions	5E, 5I, 5P, 5Q	109.1, 109.13, 109.14, 109.15(a)

	Act Section	Rule Section
STATE		
Agency, of securities issued or guaranteed by, exempt transaction involving	5M	
Securities issued or guaranteed by, exempt transaction involving	5M	
STATE BOARD OF INSURANCE		
See INSURANCE and TEXAS DEPARTMENT OF INSURANCE		
STATE SECURITIES BOARD		
Administrative Procedure Act, subject to	2N	105.4, 107.2
Advertising, may not restrict	28-1F	116.15
Agent registration, authority to adopt rules exempting persons from	12C	
Agents may not be members	2B	
Annual report to Governor and Legislature	2J	
Appointment by Governor	2A	
Audit by state auditor	2M	
Board members, appointment	2A	
Chairman of Board, designated by Governor	2D	
Compensation of Board members	2D	
Competitive bidding, may not restrict	28-1F	
Complaints information	2-6	102
Composition	2A	
Conflict of interest	2-1	
Continuing education programs for persons registered under the Act	19D	
Costs of administering the Act paid only from fees	35D	
Creation of	2A	
Dealer registration, authority to adopt rules exempting persons from	12C	
Dealers may not be members	2B	
Defined		107.2
Deputy Securities Commissioner, consent to appointment of	2H	
Duties	2	
Examination requirement, waiver by	13D	115.3(c), 116.3(c)
Exempt transactions, Board may prescribe	5T	139.1
Expenses, per diem	2D	
Federal covered investment adviser or representative, rulemaking	12-1B	
Fee reduction by rule	42	115.8(b), 116.8(b), 133.36
Fees, authority to establish	35A, 35C	
Financial exploitation of vulnerable adults, report of suspected	45N	
Information about standards of conduct	2-2	
Information of consumer interest, preparation of	2L	
Investment adviser registration, authority to adopt rules exempting persons from	12C	116.1(b)
Investment adviser representative registration, authority to adopt rules exempting persons from	12C	116.1(b)
Investment adviser representatives may not be members	2B	
Investment advisers may not be members	2B	
Investor education, approval of	43A	
Judicial review of decision by	27	105.16
Lobbyists not to serve on	2-1C	
Next highest ranking officer	2F	
Office of Commissioner, access to	2G	
Open meetings law, subject to	2N	
Policy and management responsibilities, division of	2-4	101.1
Powers of Commissioner, exercise of	2G	
Presiding officer, designated by Governor	2D	
Public information law, subject to	2N	101.4, 101.5, 133.2
Public testimony before	2-5	103.3
Qualifications of members	2A, 2B, 2-1B, 2-1C, 2-3	
Quorum	2D	

	Act Section	Rule Section
Records of Commissioner, access to	2G	
Regulatory standards		101.2, 107.2
Removal of member		
Effect on validity of Board action	2F	
Grounds for	2E	
Rule, defined		107.2
Rulemaking power	2-5, 3D, 4N, 4P, 5S, 5T, 7A, 8, 12C, 12-1B, 19B, 28, 28-1, 42, 44, 45N	101.1, 103, 139.1
Delegation to Commissioner	28-1D	
Securities Commissioner, appointment of	2G	
Securities manuals, to be approved by	5O	
Sunset Act, subject to	2O	
Term of members	2A	
Time of expiration of registration, may vary	19B	
Training manual, annual review of	2-3D	
Training program	2-3	
Travel expenses, training	2-3C	
Validity of Board action when ground for removal of member exists	2F	
Witness fees set by	28A	
STATUTE OF LIMITATIONS		
Administrative fines	23-1E	
Civil	33H, 33-1D	
Criminal	29-1	
STOCK		
As a security	4A	
Preferred		113.14
STOCK CERTIFICATE		
To accompany application to register securities	7A	133.7
Under a voting trust agreement as a security	4A	
STOCK EXCHANGES		
Approval by Commissioner	6F	111.2(b)
Evidences of indebtedness guaranteed by company whose securities are listed, exempt	6F	111.2
Fee, application for approval of	35B(4)	
Listed securities, exempt	6F	111.2
Options on listed securities, exempt transaction involving	5S	109.11
Securities senior to or on a parity with listed securities, exempt	6F	111.2
Warrants for listed securities, exempt		111.2(c)
STOP ORDER		
Prohibiting secondary trading	5O	
Registration by coordination, denying or suspending	7C	
SUBPOENA		
Commissioner's power to issue	28A	105.12
Court to issue per Attorney General's request in		
Injunctive proceedings	32A	
Receivership proceedings	25-1B	
Service of	28A	105.12
SUBSCRIPTION		
As a security	4A	

	Act Section	Rule Section
TEMPORARY DEALER'S OR INVESTMENT ADVISER'S REGISTRATION		
Authority for	15	115.4(c)(1)(B), 116.4(c)(1)(B)
TEXAS CROWDFUNDING PORTAL		
See also APPLICATION FOR REGISTRATION AS DEALER OR AGENT, CROWDFUNDING, DEALER, and REGISTRATION, DEALER OR AGENT		
Activities of		
Background and regulatory checks	44	115.19(d), 115.20(e)
Internet website	44	115.19(b), 115.20(c)
Prohibited activities	44	115.19(c), 115.20(d)
Recordkeeping	44	115.19(e), 115.20(f)
Application	44	115.19(f), 115.20(g), 133.15, 133.20
Definition		115.1(a)
Examination waiver		115.3(c)
Post-registration reporting requirements	44	115.19(f), 115.20(g)
Renewal of registration		115.19(f), 115.20(g)
Subcontracting of portal operations	44(b)(3)	115.20(h)
TEXAS DEPARTMENT OF INSURANCE		
See also BOARD OF INSURANCE COMMISSIONERS and INSURANCE		
Insurance products, when excluded from definition of security	4A	
Investment advisory services rendered to insurance companies, exempt transaction	5H	109.6
Sales of securities owned by insurance companies, exempt transaction	5C(2)	
Sales of securities to insurance companies, exempt transaction	5H	109.4, 109.5
TEXAS QUALIFIED TUITION PROGRAM PLAN		
Exemption for assistance with		139.24
TEXAS VETERANS COMMISSION		
See CROWDFUNDING		
As a crowdfunding portal	44	115.20
TIME		
Application for hearing on dissolution of receivership	25-1C	
Contested cases, computation of		105.3
Effective, authorization for federal covered securities		114.4(f)
Filing application to register securities by coordination	7C	113.2
Hold on transaction involving suspected financial exploitation of vulnerable adult	45H, 45I	
Limitation for indictment	29-1	
Periods for review of applications		104
Renewal of registrations of dealers, agents, investment advisers, and investment adviser representatives	19	115.4(e), 116.4(e)
Renewal of securities registration	7B, 7C, 10B	113.6
Report of suspected financial exploitation of vulnerable adult	45C	
Return of escrow money by bank	9A	
Term of a registration	7B, 7C, 10B, 19A	
TREASURY STOCK		
As a security	4A	
TRUST		
Common law trust included in term	4B	
Defined	4B	
Equipment trust certificate as a security	4A	
Equitable trust not included in term	4B	

	Act Section	Rule Section
Instruments by which created must accompany securities registration application	7A	
Testamentary trust not included in term	4B	
TRUST COMPANY		
Escrow of securities	9A	
Investment advisory services rendered to, exempt transaction involving	5H	109.6
Sales to, exempt transaction involving	5H	109.4, 109.5
UNDERWRITER		
Sales to, exemption for		139.8
UNIFORM FORMS		
FINRA Forms		
Application for securities industry registration or transfer (U-4)		115.2, 116.2, 133.33(a)
Examination request for non-FINRA candidate (U-10)		116.3
Termination notice for securities industry registration (U-5)		115.4(d), 133.33(a)
NASAA Forms		
Application to register securities (U-1)		114.4, 133.33(a)
Consent to service of process (U-2)		133.33(a)
Investment company notice filing (NF)		114.4, 133.33(a)
Investment company report of sales (USR-1)		133.33(a)
Model accredited investor exemption uniform notice of transaction		133.33(a), 139.19(9)
Regulation A-Tier 2 offering		114.4(b), 133.33
Small company offerings registration (U-7)		133.33(a)
SEC Forms		
Certificate of Accounting of Client Securities and Funds in the Possession or Custody of an Investment Adviser (ADV-E)		116.17(b), 133.33(b)
Form F-7		113.13
Form F-8		113.13
Form F-9		113.13
Form F-10		113.13
Form S-3		113.11(b)
Notice of exempt offering of securities (Form D)		109.13(k), 114.4(b), 133.33(c)
Notice of withdrawal from registration as investment adviser (ADV-W)		133.33(b)
Uniform application for broker-dealer registration (BD)		109.13(k), 115.2(a) 133.33(a)
Uniform application for investment adviser registration (ADV)		116.1(b)(2)(C), 116.2, 116.9, 116.11, 116.12, 133.33(a)
Uniform branch office designation (BR)		115.2(c), 116.2(c)
Uniform request for withdrawal from registration as broker-dealer (BDW)		133.33(b)
UNITED STATES		
Sale of securities issued or guaranteed by, exempt transaction involving	5M	
Savings bonds		139.11
VALUE		
Ascertainment by Commissioner	7A	
Bonus securities, presumption that sold for	4E	
"Sale" or "offer for sale" or "sell"	4E	
VOTING TRUST AGREEMENT		
As a security	4A	
VULNERABLE ADULT		
See FINANCIAL EXPLOITATION OF VULNERABLE ADULTS		

	Act Section	Rule Section
WAIVER		
Compliance with rules or regulations by		
Board	28-1B	
Commissioner	10D, 28-1D	101.1(e), 101.3(a)
Examination requirements for dealers, agents, investment advisers, and investment adviser representatives	13D	115.3(c), 116.3(c)
Void, of Act, Rule, order or requirement	33L	
Waiting period for registration of securities	7B, 7C	
WARRANTS		
Issuance and grants of		113.14
Registration of equity securities underlying transferable	5T	113.9
To purchase listed securities, exemption		111.2(c)
WITHIN THIS STATE		
Defined		107.2
Sale within this State	4D, 23D, 29G, 29H	107.2
WORDS		
See also ACT, CONSTRUCTION OF ACT, and INTERPRETATION		
Construction of, includes singular and plural	4J	
Masculine includes feminine and neuter	4J	

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