

502.202 Exempt transactions.

The following transactions are exempt from the requirements of sections 502.301 through 502.306 and 502.504:

1. *Isolated nonissuer transactions.* An isolated nonissuer transaction, whether effected by or through a broker-dealer or not.
2. *Nonissuer transactions in specified outstanding securities.* A nonissuer transaction by or through a broker-dealer registered, or exempt from registration, under this chapter, and a resale transaction by a sponsor of a unit investment trust registered under the Investment Company Act of 1940, provided that for either transaction, the security is of a class that has been outstanding in the hands of the public for at least ninety days, if, at the date of the transaction, all of the following apply:
 - a. The issuer of the security is engaged in business, the issuer is not in the organizational stage or in bankruptcy or receivership, and the issuer is not a blank check, blind pool, or shell company that has no specific business plan or purpose or has indicated that its primary business plan is to engage in a merger or combination of the business with, or an acquisition of, an unidentified person.
 - b. The security is sold at a price reasonably related to its current market price.
 - c. The security does not constitute the whole or part of an unsold allotment to, or a subscription or participation by, the broker-dealer as an underwriter of the security or a redistribution.
 - d. A nationally recognized securities manual or its electronic equivalent designated by rule adopted or order issued under this chapter or a record filed with the securities and exchange commission that is publicly available contains all of the following:
 - (1) A description of the business and operations of the issuer.
 - (2) The names of the issuer's executive officers and the names of the issuer's directors, if any.
 - (3) An audited balance sheet of the issuer as of a date within eighteen months before the date of the transaction or, in the case of a reorganization or merger when the parties to the reorganization or merger each had an audited balance sheet, and a pro forma balance sheet for the combined organization.
 - (4) An audited income statement for each of the issuer's two immediately previous fiscal years or for the period of existence of the issuer, whichever is shorter, or, in the case of a reorganization or merger when each party to the reorganization or merger had audited income statements, and a pro forma income statement.
 - e. Any one of the following requirements is met:
 - (1) The issuer of the security has a class of equity securities listed on a national securities exchange registered under section 6 of the Securities Exchange Act of 1934 or designated for trading on the national association of securities dealers automated quotation system.
 - (2) The issuer of the security is a unit investment trust registered under the Investment Company Act of 1940.
 - (3) The issuer of the security, including its predecessors, has been engaged in continuous business for at least three years.
 - (4) The issuer of the security has total assets of at least two million dollars based on an audited balance sheet as of a date within eighteen months before the date of the transaction or, in the case of a reorganization or

merger when the parties to the reorganization or merger each had such an audited balance sheet, and a pro forma balance sheet for the combined organization.

3. *Nonissuer transactions in specified foreign transactions.* A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter in a security of a foreign issuer that is a margin security defined in regulations or rules adopted by the board of governors of the United States federal reserve system.

4. *Nonissuer transactions in securities subject to securities exchange act reporting.* A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter in an outstanding security if the guarantor of the security files reports with the securities and exchange commission under the reporting requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. § 78m or 78o(d).

5. *Nonissuer transactions in specified fixed income securities.* A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter in a security if any of the following apply:

a. It is rated at the time of the transaction by a nationally recognized statistical rating organization in one of its four highest rating categories.

b. It has a fixed maturity or a fixed interest or dividend, if all of the following apply:

(1) A default has not occurred during the current fiscal year or within the three previous fiscal years or during the existence of the issuer and any predecessor if less than three fiscal years, in the payment of principal, interest, or dividends on the security.

(2) The issuer is engaged in business, is not in the organizational stage or in bankruptcy or receivership, and is not and has not been within the previous twelve months a blank check, blind pool, or shell company that has no specific business plan or purpose or has indicated that its primary business plan is to engage in a merger or combination of the business with, or an acquisition of, an unidentified person.

6. *Unsolicited brokerage transactions.* A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter effecting an unsolicited order or offer to purchase.

7. *Nonissuer transaction by pledgees.* A nonissuer transaction executed by a bona fide pledgee without the purpose of evading this chapter.

8. *Nonissuer transactions with federal covered investment advisers.* A nonissuer transaction by a federal covered investment adviser with investments under management in excess of one hundred million dollars acting in the exercise of discretionary authority in a signed record for the account of others.

9. *Specified exchange transactions.* A transaction in a security, whether or not the security or transaction is otherwise exempt, in exchange for one or more bona fide outstanding securities, claims, or property interests, or partly in such exchange and partly for cash, if the terms and conditions of the issuance and exchange or the delivery and exchange and the fairness of the terms and conditions have been approved by the administrator after a hearing.

10. *Underwriter transactions.* A transaction between the issuer or other person on whose behalf the offering is made and an underwriter, or among underwriters.

11. *Unit secured transactions.* A transaction in a note, bond, debenture, or other evidence of indebtedness secured by a mortgage or other security agreement if all of the following apply:

- a. The note, bond, debenture, or other evidence of indebtedness is offered and sold with the mortgage or other security agreement as a unit.
- b. A general solicitation or general advertisement of the transaction is not made.
- c. A commission or other remuneration is not paid or given, directly or indirectly, to a person not registered under this chapter as a broker-dealer or as an agent.

12. *Bankruptcy, guardian, or conservator transactions.* A transaction by an executor, administrator of an estate, sheriff, marshal, receiver, trustee in bankruptcy, guardian, or conservator.

13. *Transactions with specified investors.* A sale or offer to sell to any of the following:

- a. An institutional investor.
- b. A federal covered investment adviser.
- c. Any other person exempted by rule adopted or order issued under this chapter.
- d. A person or class of persons who are granted this exemption by the administrator. The administrator, by rule or order, may grant this exemption to a person or class of persons based upon the factors of financial sophistication, net worth, and the amount of assets under investment.

14. *Limited offering transactions.* A sale or an offer to sell securities by or on behalf of an issuer, if the transaction is part of a single issue in which all of the following apply:

- a. Not more than thirty-five purchasers are present in this state during any twelve consecutive months, other than those designated in subsection 13.
- b. A general solicitation or general advertising is not made in connection with the offer to sell or sale of the securities.
- c. A commission or other remuneration is not paid or given, directly or indirectly, to a person other than a broker-dealer registered under this chapter or an agent registered under this chapter for soliciting a prospective purchaser in this state.
- d. The issuer reasonably believes that all the purchasers in this state, other than those designated in subsection 13, are purchasing for investment.

15. *Transactions with existing security holders.* A transaction under an offer to existing security holders of the issuer, including persons that at the date of the transaction are holders of convertible securities, options, or warrants, if a commission or other remuneration, other than a standby commission, is not paid or given, directly or indirectly, for soliciting a security holder in this state.

16. *Offerings registered under this chapter and the Securities Act of 1933.* An offer to sell, but not a sale, of a security not exempt from registration under the Securities Act of 1933 if all of the following apply:

- a. A registration or offering statement or similar record as required under the Securities Act of 1933 has been filed, but is not effective, or the offer is made in compliance with rule 165 adopted under the Securities Act of 1933, 17 C.F.R. § 230.165.
- b. A stop order of which the offeror is aware has not been issued against the offeror by the administrator or the securities and exchange commission, and an audit, inspection, or proceeding that is public and that may

culminate in a stop order is not known by the offeror to be pending.

17. *Offerings when registration has been filed, but is not effective under this chapter and exempt from the Securities Act of 1933.* An offer to sell, but not a sale, of a security exempt from registration under the Securities Act of 1933 if all of the following apply:

- a. A registration statement has been filed under this chapter, but is not effective.
- b. A solicitation of interest is provided in a record to offerees in compliance with a rule adopted by the administrator under this chapter.
- c. A stop order of which the offeror is aware has not been issued by the administrator under this chapter and an audit, inspection, or proceeding that may culminate in a stop order is not known by the offeror to be pending.

18. *Control transactions.* A transaction involving the distribution of the securities of an issuer to the security holders of another person in connection with a merger, consolidation, exchange of securities, sale of assets, or other reorganization to which the issuer, or its parent or subsidiary and the other person, or its parent or subsidiary, are parties.

19. *Recision offers.* A recision offer, sale, or purchase under section 502.510.

20. *Out-of-state offers or sales.* An offer or sale of a security to a person not a resident of this state and not present in this state if the offer or sale does not constitute a violation of the laws of the state or foreign jurisdiction in which the offeree or purchaser is present and is not part of an unlawful plan or scheme to evade this chapter.

21. *Employee benefit plans.* Employees' stock purchase, savings, option, profit-sharing, pension, or similar employees' benefit plan, including any securities, plan interests, and guarantees issued under a compensatory benefit plan or compensation contract, contained in a record, established by the issuer, its parents, its majority-owned subsidiaries, or the majority-owned subsidiaries of the issuer's parent for the participation of their employees including offers or sales of such securities to any of the following:

- a. Directors; general partners; trustees, if the issuer is a business trust; officers; consultants; and advisers.
- b. Family members who acquire such securities from those persons through gifts or domestic relations orders.
- c. Former employees, directors, general partners, trustees, officers, consultants, and advisers if those individuals were employed by or providing services to the issuer when the securities were offered.
- d. Insurance agents who are exclusive insurance agents of the issuer, or the issuer's subsidiaries or parents, or who derive more than fifty percent of their annual income from those organizations.

22. *Specified dividends and tender offers and judicially recognized reorganizations.* A transaction involving any of the following:

- a. A stock dividend or equivalent equity distribution, whether the corporation or other business organization distributing the dividend or equivalent equity distribution is the issuer or not, if nothing of value is given by stockholders or other equity holders for the dividend or equivalent equity distribution other than the surrender of a right to a cash or property dividend if each stockholder or other equity holder may elect to take the dividend or equivalent equity distribution in cash, property, or stock.
- b. An act incident to a judicially approved reorganization in which a security is issued in exchange for one or

more outstanding securities, claims, or property interests, or partly in such exchange and partly for cash.

c. The solicitation of tenders of securities by an offeror in a tender offer in compliance with rule 162 adopted under the Securities Act of 1933, 17 C.F.R. § 230.162.

23. Nonissuer transactions involving specified foreign issuer securities traded on designated security exchanges. A nonissuer transaction in an outstanding security by or through a broker-dealer registered or exempt from registration under this chapter, if the issuer is a reporting issuer in a foreign jurisdiction designated by this subsection or by rule adopted or order issued under this chapter; has been subject to continuous reporting requirements in the foreign jurisdiction for not less than one hundred eighty days before the transaction; and the security is listed on the foreign jurisdiction's securities exchange that has been designated by this subsection or by rule adopted or order issued under this chapter, or is a security of the same issuer that is of senior or substantially equal rank to the listed security or is a warrant or right to purchase or subscribe to any of the foregoing. For purposes of this subsection, Canada, together with its provinces and territories, is a designated foreign jurisdiction and the Toronto stock exchange, inc., is a designated securities exchange. After an administrative hearing in compliance with chapter 17A, the administrator, by rule adopted or order issued under this chapter, may revoke the designation of a securities exchange under this subsection, if the administrator finds that revocation is necessary or appropriate in the public interest and for the protection of investors.

[SS15, § 1920-u1; C24, 27, § 8526; C31, 35, § 8581-c4; C39, § **8581.04**; C46, 50, 54, 58, 62, § 502.4; C66, 71, 73, 75, § 496B.18, 502.4; C77, 79, § 496B.18, 502.202; C81, § 502.202]

83 Acts, ch 95, § 1, 2; 83 Acts, ch 169, § 3; 87 Acts, ch 181, § 2; 88 Acts, ch 1020, § 1; 91 Acts, ch 40, §69; 91 Acts, ch 230, §6, 7; 96 Acts, ch 1025, § 2, 3; 97 Acts, ch 114, §6; 98 Acts, ch 1119, §2; 99 Acts, ch 134, §4; 99 Acts, ch 166, §1; 2000 Acts, ch 1147, §34; 2003 Acts, ch 44, §90; 2004 Acts, ch 1161, §6, 68