

**502.201 Exempt securities.**

All of the following securities are exempt from the requirements of sections 502.301 through 502.306 and 502.504:

1. *United States government and municipal securities.* A security, including a revenue obligation or a separate security as defined in rule 131, 17 C.F.R. § 230.131, adopted by the securities and exchange commission under the Securities Act of 1933, issued, insured, or guaranteed by the United States; by a state; by a political subdivision of a state; by a public authority, agency, or instrumentality of one or more states; by a political subdivision of one or more states; or by a person controlled or supervised by and acting as an instrumentality of the United States under authority granted by the Congress; or a certificate of deposit for any of the foregoing.

2. *Foreign government securities.* A security issued, insured, or guaranteed by a foreign government with which the United States maintains diplomatic relations, or any of its political subdivisions, if the security is recognized as a valid obligation by the issuer, insurer, or guarantor.

3. *Depository institution and international banking institution securities.* A security issued by and representing or that will represent an interest in or a direct obligation of, or be guaranteed by any of the following:

a. An international banking institution.

b. A banking institution organized under the laws of the United States; a member bank of the United States federal reserve system; or a depository institution, a substantial portion of the business of which consists or will consist of receiving deposits or share accounts that are insured to the maximum amount authorized by statute by the federal deposit insurance corporation, the national credit union share insurance fund, or a successor authorized by federal law or exercising fiduciary powers that are similar to those permitted for national banks under the authority of the comptroller of the currency pursuant to Pub. L. No. 87-722, § 1, 12 U.S.C. § 92a.

c. Any other depository institution, unless by rule or order the administrator proceeds under section 502.204.

4. *Insurance company securities.* A security issued by and representing an interest in, or a debt of, or insured or guaranteed by, an insurance company authorized to do business in this state.

5. *Common carrier and public utility securities.* A security issued or guaranteed by a railroad, other common carrier, public utility, or public utility holding company that is any of the following:

a. Regulated in respect to its rates and charges by the United States or a state.

b. Regulated in respect to the issuance or guarantee of the security by the United States, a state, Canada, or a Canadian province or territory.

c. A public utility holding company registered under the Public Utility Holding Company Act of 1935 or a subsidiary of such a registered holding company within the meaning of that Act.

6. *Certain options and rights.* A federal covered security specified in section 18(b)(1) of the Securities Act of 1933, 15 U.S.C. § 77r(b)(1), or by rule adopted under that provision or a security listed or approved for listing on another securities market specified by rule under this chapter; a put or a call option contract; a warrant; a subscription right on or with respect to such securities; or an option or similar derivative security on a security or an index of securities or foreign currencies issued by a clearing agency registered under the Securities Exchange Act of 1934 and listed or designated for trading on a national securities exchange, a facility of a national securities exchange, or a facility of a national securities association registered under the Securities Exchange Act of 1934 or an offer or sale, of the underlying security in connection with the offer, sale, or exercise of an option or other security that was exempt when the option or other security was written or issued; or an option or a derivative security designated by the securities and exchange commission under section 9(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78i(b).

7. *Nonprofit securities.* A security issued by a person organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, social, athletic, or reformatory

purposes, or as a chamber of commerce, and not for pecuniary profit, no part of the net earnings of which inures to the benefit of a private stockholder or other person, or a security of a company that is excluded from the definition of an investment company under section 3(c)(10)(B) of the Investment Company Act of 1940, 15 U.S.C. § 80a-3(c)(10)(B); except that with respect to the offer or sale of a note, bond, debenture, or other evidence of indebtedness issued by such a person, a rule may be adopted under this chapter limiting the availability of this exemption by classifying securities, persons, and transactions, imposing different requirements for different classes, specifying with respect to paragraph “b” the scope of the exemption and the grounds for denial or suspension, and requiring an issuer to do any of the following:

- a. File a notice specifying the material terms of the proposed offer or sale and copies of any proposed sales and advertising literature to be used and provide that the exemption becomes effective if the administrator does not disallow the exemption within the period established by the rule.

- b. File a request for exemption authorization for which a rule under this chapter may specify the scope of the exemption, the requirement of an offering statement, the filing of sales and advertising literature, the filing of consent to service of process complying with section 502.611, and grounds for denial or suspension of the exemption.

- c. Register under section 502.304.

8. Reserved.

8A. *Cooperative associations.* A stock or similar security, including a patronage refund certificate, issued by any of the following:

- a. A cooperative housing corporation described in paragraph 1 of subsection “b” of section 216 of the Internal Revenue Code, if its activities are limited to the ownership, leasing, management, or construction of residential properties for its members, and activities incidental thereto.

- b. A mutual or cooperative organization, including a cooperative association organized in good faith under and for any of the purposes enumerated in chapter 497, 498, 499, 501, or 501A, that deals in commodities or supplies goods or services in transactions primarily with and for the benefit of its members, if all of the following apply:

- (1) Such stock or similar security is part of a class issuable only to persons who deal in commodities with, or obtain goods or services from, the issuer.

- (2) Such stock or similar security is transferable only to the issuer or a successor in interest of the transferor who qualifies for membership in such mutual or cooperative organization.

- (3) No dividends other than patronage refunds are payable to holders of such stock or similar security except on a complete or partial liquidation.

8B. *Agricultural cooperative associations.* A security issued by an agricultural cooperative association, provided all of the following conditions are satisfied:

- a. A commission or remuneration must not be paid or provided either directly or indirectly for the sale, except as permitted by the administrator by rule or by order issued upon written application showing good cause for allowance of a commission or other remuneration.

- b. If the securities to be issued are notes or other evidences of indebtedness and are issued after July 1, 1991, the issuer must file with the administrator a written notice specifying the name of the issuer, the date of the issuer’s organization, the name of a contact person, a copy of the issuer’s current audited financial statement, the types of security or securities to be offered, and the class of persons to whom the offer will be made in accordance with such rules as prescribed by the administrator.

9. *Equipment trust certificate.* An equipment trust certificate with respect to equipment leased or conditionally sold to a person, if any security issued by the person would be exempt under this section or would be a federal covered security under section 18(b)(1) of the Securities Act of 1933, 15 U.S.C. § 77r(b)(1).

- 9A. *Economic development corporations.* Any security issued by a corporation formed under chapter 496B.

- 9B. *Agricultural development authority.* Any security issued by the agricultural development authority under chapter 175.

9C. *Membership campgrounds.* Any security representing a membership camping contract which is registered pursuant to section 557B.2 or exempt under section 557B.4.

9D. *Time-shares.* Any security representing a time-share interval as defined in section 557A.2.

9E. *Viatical settlement investment contracts.* A viatical settlement investment contract, or fractional or pooled interest in such contract, provided any of the following conditions are satisfied:

a. The assignment, transfer, sale, devise, or bequest of a death benefit of a life insurance policy or contract is made by the viator to an insurance company as provided under Title XIII, subtitle 1.

b. The assignment, transfer, sale, devise, or bequest of a life insurance policy or contract, for any value less than the expected death benefit, is made by the viator to a family member or other person who enters into no more than one such agreement in a calendar year.

c. A life insurance policy or contract is assigned to a bank, savings bank, savings and loan association, credit union, or other licensed lending institution as collateral for a loan.

d. Accelerated benefits are exercised as provided in the life insurance policy or contract and consistent with applicable law.

e. The assignment, transfer, sale, devise, or bequest of the death benefit or ownership of a life insurance policy or contract made by the policyholder or contract owner to a viatical settlement provider, if the viatical settlement transaction complies with chapter 508E, including rules adopted pursuant to that chapter.

[C31, 35, §8581-c6; C39, **§8581.06**; C46, 50, 54, 58, 62, 66, 71, 73, 75, §502.6; C77, 79, 81, §502.201]

97 Acts, ch 114, §5; 2004 Acts, ch 1161, §5, 68; 2006 Acts, ch 1117, §7; 2008 Acts, ch 1123, §1

Referred to in §502.203, 502.204, 502.301, 502.302, 502.504, 557B.14