

# Table of Contents

## Title 10

### FINANCIAL INSTITUTIONS, CONSUMER CREDIT, INVESTMENT SECURITIES AND UCC

#### Part I. Financial Institutions

Chapter 1. General Provisions (Reserved) .....	1
Chapter 3. Fees and Assessments .....	1
§301. General Provisions .....	1
§303. Establishment of Fees and Assessments .....	1
§305. Administration .....	2
Chapter 5. Applications .....	2
Subchapter A. Certificate of Authority for New Financial Institutions; Branches; or Relocation of Main Office or Branch Office .....	2
§501. Definitions.....	2
§503. Application for Certificate of Authority .....	3
§505. Application to Relocate a Main Office or Branch Office .....	3
Subchapter B. Loan Production Offices, Deposit Production Offices, and Electronic Financial Terminals; Notice, Activities and Requirements .....	3
§509. Application for Loan Production Office (LPO).....	3
§511. Deposit Production Office .....	6
§513. Combination of Loan Production Office, Deposit Production Office, and Electronic Financial Terminal .....	8
Chapter 7. Powers.....	9
§701. Financial Institution Agency Activities .....	9
§703. Variable Rate Loans.....	10
Chapter 9. Records Retention.....	11
§901. Records Retention Schedule .....	11
Chapter 11. Premises .....	12
§1101. Holding of Property for Premises Purposes .....	12
Chapter 13. Powers of Homesteads and Building and Loan Associations.....	12
§1301. Corporate Title .....	12
Chapter 15. Louisiana Trust Company.....	12
§1501. General Provisions .....	12
§1503. Fees and Assessments .....	12

#### Part III. Banking

Chapter 1. General Provisions (Reserved) .....	15
Chapter 3. Powers.....	15
Subchapter A. Miscellaneous Lending Activities .....	15
§301. Direct Lease-Financing Transactions.....	15
§303. Banker's Acceptances.....	15
§305. Loans Secured by Bank or Bank Holding Company Stock .....	15
§307. Agreement Corporations .....	16
Subchapter B. Legal Lending Limit Exception—Real Estate Financing.....	16
§311. Authority and Purpose .....	16
§313. Definitions.....	16
§315. Regulation .....	17

Table of Contents

Subchapter C. Exchange of Other Real Estate .....	17
§321. Authority and Purpose .....	17
§323. Definitions.....	18
§325. Regulation .....	18
Subchapter D. Legal Lending Limit Exception—Acquisition of Loan Pools.....	18
§331. Authority and Purpose .....	18
§333. Definitions.....	19
§335. Review of Representative Portion .....	19
§337. Pool Treated as Individual Loans for Lending Limit Purposes .....	20
§339. Other .....	20
Subchapter E. Sale of Annuities .....	20
§341. Definitions.....	20
§343. General Provisions .....	21
Subchapter F. Sale of Insurance .....	21
§351. Bank Insurance Activities .....	21
Chapter 5. Subsidiary Mortgage Corporation .....	24
§501. General; Considerations for Approval .....	24
§503. Powers.....	24
§505. Regulation by Commissioner.....	24
§507. Separate Records and Funds .....	24
§509. Prohibited Stock Ownership .....	24
§511. Transactions between Parent and Subsidiary.....	24
§513. Branching.....	25
§515. Automated Teller Machines Prohibited.....	25
§517. Name .....	25
Chapter 7. Directors' Examination Requirements .....	25
§701. General Provisions .....	25
§702. Definitions.....	27
§705. Audit Program.....	28
Chapter 11. Louisiana International Banking.....	32
§1101. General Provisions .....	32
§1103. Fees and Assessments .....	32

**Part V. Thrifts**

Chapter 1. Reserved.....	33
Chapter 5. Mutual to Stock Conversion .....	33
§501. Introduction.....	33
§503. Definitions.....	33
§505. Application to Commissioner .....	33
§507. Content of Proposed Stock Articles of Incorporation and By-Laws .....	33
§509. Content of Applicant's Plan of Conversion.....	33
§511. Standard for Approval of Application .....	34
§513. Vote by Applicant's Members on Plan of Conversion.....	34
§515. Filing of Offering Circulars .....	34
§517. Effective Date of Conversion.....	34
Chapter 15. Related Organizations and Services .....	35
Subchapter A. Service Organizations.....	35
§1501. Generally.....	35
§1503. Definitions.....	35
§1505. Application.....	35

Table of Contents

§1507. Pre-Authorized Subsidiary Investments..... 35  
§1509. Operations ..... 36  
§1511. Investments and Debt Limitation..... 36

**Part VII. Savings Banks**

Chapter 1. General Provisions (Reserved) ..... 39  
Chapter 3. Conversions ..... 39  
    §301. Scope..... 39  
    §303. Definitions..... 39  
    §305. Contents of Plan of Conversion ..... 41  
    §307. Optional Provisions in Plan of Conversion..... 43  
    §309. Determination of Amount of Qualifying Deposits ..... 44  
    §311. Prohibited Stock Transfers, Offers, and Post-Conversion Acquisition Limit;  
    Stock Options and Insider Benefits..... 44  
    §313. Manipulative and Deceptive Devices Prohibited..... 46  
    §315. Liquidation Account ..... 46  
    §317. Grounds for Denial of Application for Conversion ..... 47  
    §319. Prohibition on Repurchases of Stock and Restrictions on Payment of Dividends ..... 47  
    §321. Statements Prior to Approval of Plan of Conversion..... 47  
    §323. Actions after Board Approves Conversion ..... 47  
    §325. Notice of Filing ..... 48  
    §327. Requirements as to Proxies ..... 49  
    §329. Vote by Members..... 51  
    §331. Pricing and Sale of Securities ..... 51  
    §333. Procedural Requirements for Filing Application ..... 53  
    §335. Conversion of a Savings Bank in Connection with the Formation of a Stock Holding  
    Company ..... 53  
    §337. Conversion of a Savings Bank Involving Acquisition by an Existing Stock Holding  
    Company ..... 54  
    §339. Merger with an Existing Stock Savings Bank ..... 54  
    §341. Merger with an Existing Stock Savings Bank Owned by a Stock Holding Company ..... 54  
    §343. Penalties ..... 54  
Chapter 5. Mutual Holding Company Reorganizations ..... 54  
    §501. Scope..... 54  
    §503. Definitions..... 54  
    §505. Procedural Requirements for Reorganizations ..... 55  
    §507. Grounds for Disapproval of Reorganizations ..... 56  
    §509. Membership Rights ..... 57  
    §511. Contents of Reorganization Plans ..... 57  
    §513. Stock Issuance Plans ..... 58  
    §515. Full Disclosure Required ..... 60  
    §517. Activities of Mutual Holding Companies ..... 60  
    §519. Registration, Reports, and Examinations ..... 61  
    §521. Conversion or Liquidation of Mutual Holding Companies ..... 61  
    §523. Procedural Requirements for Filing Applications ..... 61

**Part IX. Credit Unions**

Chapter 1. General Provisions ..... 63  
 §101. Assessments ..... 63  
 Chapter 3. Credit Union Service Organizations ..... 63  
 §301. Credit Union Service Contracts ..... 63  
 §303. Investments in and Loans to Credit Union Service Organizations ..... 64  
 Chapter 5. Criteria to Organize within Residential Groups, and Add Associational Groups ..... 65  
 §501. Definitions..... 65  
 §503. Well-Defined Neighborhood, Small Community, and Rural District ..... 66  
 §505. Residential Group Common Bond..... 67  
 §507. Applications ..... 68  
 §509. Public Policy ..... 68  
 §511. Mergers ..... 68  
 §513. Adding Associational Groups ..... 69  
 §515. Public Notification ..... 69  
 §517. Exceptions..... 69  
 §519. Effective Date ..... 69  
 §521. Severability ..... 69

**Part XI. Consumer Credit**

Chapter 1. Reserved..... 71  
 Chapter 7. Powers..... 71  
 §701. Sale of Thrift Club Membership ..... 71  
 Chapter 9. Additional Fees and Charges ..... 71  
 §901. Definitions..... 71  
 §903. Procedure for Requesting Approval of an Additional Fee or Charge..... 71  
 §905. Procedure for Consumers of Financial Services to Comment on Petitioner's Request for Approval of Additional Fees and Charges ..... 71  
 Chapter 11. Lender Education ..... 72  
 §1101. Application..... 72  
 §1103. Definitions..... 72  
 §1105. Required Education..... 72  
 §1107. Administration ..... 73  
 §1109. Severability ..... 73

**Part XIII. Investment Securities**

**Subpart 1. Securities**

Chapter 1. General Requirements..... 75  
 §101. Application of Regulations ..... 75  
 §103. Definitions..... 75  
 §105. Filing an Application; Requirements as to Proper Form ..... 76  
 §107. Date of Filing ..... 77  
 §109. Number of Copies; Signatures ..... 77  
 §111. Requirements as to Paper, Printing and Language ..... 77  
 §113. Preparation of Application for Registration..... 77  
 §115. Registration by Notification; Filing Fees..... 78  
 §117. Registration by Qualification; Filing Fees ..... 78  
 §119. Incorporation of Certain Information by Reference ..... 78

Table of Contents

§121.	Disclaimer of Control .....	78
§123.	Title of Securities .....	78
§125.	Written Consents; Formal Requirements as to Consents .....	79
§127.	Consents Required in Special Cases .....	79
§129.	Application to Dispense with Consent.....	79
§131.	Consent to Use of Material Incorporated by Reference.....	79
§133.	Additional Exhibits .....	79
§135.	Omission of Substantially Identical Documents.....	79
§137.	Incorporation of Exhibits by Reference .....	79
§139.	Place of Filing .....	80
§141.	Formal Requirements for Amendments.....	80
§143.	Delaying Amendments.....	80
§145.	Withdrawal of Registration Statement or Amendment.....	80
§147.	Powers to Amend or Withdraw Registration Statement .....	80
§149.	Registration of Additional Securities.....	80
§151.	Reports Subsequent to Registration .....	80
§153.	Severability .....	81
Chapter 3.	Form and Content of Prospectus.....	81
§301.	Scope of Rule .....	81
§303.	Registration by Qualification and Notification .....	81
§305.	Legibility of Prospectus .....	81
§307.	Presentation of Representation of Prospectus .....	81
§309.	Date of Prospectus .....	81
§311.	Exchange Offers.....	81
§313.	Use of Prospectus.....	82
§315.	Circulation of Preliminary Prospectuses.....	82
§317.	Amendments to Prospectus.....	82
§319.	Prohibition of Use of Certain Financial Statements .....	82
§321.	Pooling of Interests .....	82
§323.	Requirements as to Appraisals.....	83
Chapter 5.	Standards of Qualification .....	83
§501.	Application of Standards.....	83
§503.	Promoters Equity Investment.....	83
§505.	Commissions and Expenses .....	83
§507.	Options, Warrants and Convertible Debenture .....	84
§509.	Promotional Securities of "Cheap Stock" .....	86
§511.	Impoundment of Proceeds .....	87
§513.	Offering Price.....	88
§515.	Rights of Security Holders.....	89
Chapter 7.	Private Offering Exemptions .....	90
§701.	Preliminary Notes .....	90
§703.	Uniform Limited Offering Exemption .....	91
§705.	Private Offering Exemption .....	92
§707.	Effective Date of Chapter 7 .....	93
Chapter 8.	Compensatory Benefit Plans.....	94
§801.	Compensatory Benefit Plan Exemption.....	94
Chapter 9.	Oil and Gas Auction .....	94
§901.	Oil and Gas Auction Exemption .....	94

Table of Contents

Chapter 11. Stock Exchanges .....	94
§1101. Stock Exchanges Exemption.....	94
§1103. Form A. Schedule A—Outline of Prospectus.....	95
Chapter 12. Dishonest or Unethical Practices .....	103
§1201. General.....	103
§1203. Dealers and Salesmen .....	103
§1205. Investment Advisers and Investment Adviser Representatives .....	104
Chapter 13. Investment Adviser Registration Procedure .....	106
§1301. Definitions.....	106
§1303. Examination Requirements.....	106
§1305. Waivers .....	106
§1307. Continuing Education .....	106
§1311. Exemption.....	106
Chapter 17. Dealer and Investment Adviser Recordkeeping Requirements .....	106
§1701. Broker-Dealer Requirements .....	106
§1703. Investment Adviser Requirements.....	107
§1705. Cessation of Business .....	107
Chapter 19. Supervision of Salesmen and Investment Adviser Representatives .....	107
§1901. Supervision of Salesmen and Investment Adviser Representatives .....	107

**Part XV. Other Regulated Entities**

Chapter 1. Business and Industrial Development Corporations.....	109
§101. Declaration of Policy .....	109
§103. Definitions.....	109
§105. General Provisions .....	109
§107. Reports .....	110
§109. Licensing Procedures, Instructions and Guidelines .....	110
§111. Small Business Administration.....	111
Chapter 3. Capital Companies Tax Credit Program.....	111
§301. Description of Program.....	111
§303. Definitions Provided by Rule.....	111
§305. Income and Premium Tax Credits .....	117
§307. Application Fees; Other Fees.....	118
§309. Application Process .....	119
§311. Conditions of Certification .....	119
§313. Requirements for Continuance of Certification and Decertification .....	120
§315. Information Required from Qualified Louisiana Businesses.....	121
§317. CAPCO Report and Record Requirements.....	121
§319. Change of Control.....	121
§320. Investment in Approved Funds.....	122
§321. Severability .....	123
§323. Fees and Assessments .....	123
§325. Notes Receivable .....	124
§327. Louisiana-Based Economic Development Infrastructure Projects .....	125
§331. Qualified Technology Funds.....	126
Chapter 5. Debt Collection Agencies .....	129
Subchapter A. Defunct Collection Agencies.....	129
§501. Reserved.....	129

Table of Contents

Subchapter B. Examinations .....	129
§505. Parameters .....	129
§507. Reserved .....	129
Subchapter C. Nonsufficient Funds .....	129
§509. Collection of Nonsufficient Funds Fees .....	129
Chapter 7. Pawn Brokers (Reserved) .....	129
Chapter 9. Bond for Deed Escrow Agents .....	129
§901. Definitions .....	129
§903. License Requirement, Ownership Change, Location Change, Name Change, Ceasing to do Business .....	130
§905. Application for License and Renewal, Forms, Contents, Fees .....	130
§907. Escrow Deposit Account .....	130
§909. Irrevocable Letter of Credit, Surety Bond, Other Security .....	131
§911. Record Keeping and Retention, Examination .....	131
§913. Significant Developments .....	132
§915. Suspension or Revocation of License .....	132
§917. Enforcement Powers of the Commissioner .....	132
Chapter 11. Money Transmitters .....	132
§1101. Examinations and Visitations .....	132
Chapter 13. Repossession Agents .....	133
§1301. Definitions .....	133
§1303. Licensing Requirements and Qualifications .....	134
§1305. Renewal Application; Change of Control; Change of Location; Change of Name .....	136
§1307. Fees .....	136
§1309. Conduct of Business .....	137
§1311. Personal Effects .....	137
§1313. Examination and Record Keeping .....	138
§1315. Prohibitions .....	138
§1317. Powers of the Commissioner .....	139
§1319. Notification or Service .....	139
§1321. Severability .....	140
Chapter 15. Licensure .....	140
§1501. Definitions .....	140
§1503. Licensure of Loan Brokers .....	140
§1505. Prohibition .....	140
§1507. Civil Money Penalties .....	140
§1509. Administrative Procedure .....	140
Chapter 17. Louisiana Community Development Financial Institution Program .....	141
§1701. Description of Program .....	141
§1702. Definitions .....	141
§1703. Applications .....	144
§1704. Certification Instructions and Guidelines .....	145
§1705. Conditions of Certification .....	145
§1706. Requirements for Continuance of Certification and Decertification .....	146
§1707. Change of Control .....	147
§1708. Information Required from Louisiana Entrepreneurial Businesses .....	147
§1709. General Provisions .....	147
§1710. Directors and Officers .....	148
§1711. Income Tax Credits .....	148
§1712. Fees and Assessments .....	149

Table of Contents

Chapter 19. Virtual Currency .....	150
§1901. Definitions.....	150
§1905. Application for License or Notice of Registration.....	150
§1913. Renewal of License or Notice of Registration .....	151
§1915. Net Worth/Tangible Net Worth .....	151
§1917. Examination .....	151
§1923. Records .....	152
§1927. Consent Agreements .....	152
§1929. Civil Penalties .....	152
§1931. Miscellaneous Provisions.....	152
§1933. Fees .....	152
§1935. Exceptions.....	152
§1937. Severability .....	152

**Part XVII. Miscellaneous Provisions**

Chapter 1. Reserved.....	155
Chapter 5. Procedures.....	155
§501. Informal Opportunity to Show Compliance .....	155
§503. Interested Party Petitions .....	155
Chapter 7. College Campus Credit Card Solicitation.....	156
§701. Form for Registration of Intent to Solicit Students.....	156
Chapter 9. Records Retention.....	156
§901. Non-Depository Records Retention.....	156

**Part XIX. Uniform Commercial Code**

Chapter 1. Secured Transactions .....	157
§101. Policy .....	157
§103. Place of Filing—When Filing Is Required in Louisiana.....	157
§105. Formal Requisites of Financing Statement .....	157
§107. Forms to be Used in Filing.....	158
§109. Presentation of Filing.....	158
§111. Indexing .....	159
§113. Duration .....	159
§115. Subsequent Filings .....	159
§117. Procedure for Filing Form UCC-3.....	159
§119. Place of Filing Form UCC-3.....	159
§121. Preparation of Form UCC-3 Filing .....	159
§123. Additional Specific Requirements for Filings Changing the Status of an Initial UCC Filing.....	160
§125. Request for Information or Copies.....	161
§127. Schedule of Fees for Filing and Information Requests.....	162
Chapter 2. Internal Revenue Service Tax Liens .....	162
§201. Place of Filing .....	162
§203. Forms to be used in Filing .....	162
§205. Filing Fees.....	162
Chapter 3. Central Registry .....	162
§301. Definitions.....	162
§303. Administration .....	164
§305. Formal Requisites of an Effective Financing Statement (EFS).....	164
§307. Filing Procedures .....	164

Table of Contents

§309.	Procedures for Filing Amendments, Assignments, Releases, Continuations and Terminations of EFS .....	165
§311.	Registrations .....	165
§313.	Master List .....	166
§315.	Requests for Information from Non-registrants.....	166
§317.	Encumbrance Certificates .....	166
§319.	Farm Products List and Codes .....	167
§321.	Schedules of Fees for Filing and Encumbrance Certificates .....	167
§323.	Filing Officers .....	167

**Title 10**  
**FINANCIAL INSTITUTIONS, CONSUMER CREDIT,**  
**INVESTMENT SECURITIES AND UCC**

**Part XIII. Investment Securities**

Editor's Note: LAC 10.XIII.Subpart 2. Public Funds Investments  
has been moved to LAC 71.I.Chapter 5 for topical arrangements.

**Subpart 1. Securities**

**Chapter 1. General Requirements**

**§101. Application of Regulations**

A. The regulations contained in this rule shall govern every registration of securities under the Act, except that any provision in a form covering the same subject matter as any such rules shall be controlling unless otherwise specifically provided herein.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:702.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§103. Definitions**

A. Unless the context otherwise requires, all terms used in this regulation or in the form for registration have the same meanings as in the act and in the general rules and regulations. In addition, the following definitions apply, unless the context otherwise requires.

*Affiliate, an Affiliate of, or a Person Affiliated With a Specified Person*—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.

*Amount*—when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to shares, and the number of units if relating to any other kind of security.

*Certified*—when used in regard to financial statements, means certified by an independent public or independent certified public accountant or accountants.

*Charter*—includes articles of incorporation, declarations of trust, articles of association or partnership, or any similar instrument, as amended, affecting (either with or without filing with any governmental agency) the organization or creation of an incorporated or unincorporated person.

*Commissioner*—the Commissioner of Securities.

*Control*—(including the terms *controlling*, *controlled by* and *under common control with*) possession (direct or indirect) of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

*Controlling Person*—

a. any person selling a security, or group of persons acting in concert in the sale of a security, owning beneficially (and in the absence of knowledge, or reasonable grounds for belief, to the contrary, record ownership shall for the purposes hereof be presumed to be beneficial ownership) either:

i. 25 percent or more of the outstanding voting securities of the issuer of such security where no other person owns or controls a greater percentage of such securities; or

ii. such number of outstanding securities of the issuer of such security as would enable such person, or group of persons, to elect a majority of the board of directors or other managing body of such issuer;

b. in case of unincorporated issuers, the words *controlling persons* shall mean any person selling a security, or group of persons acting in concert in the sale of a security, who directly or indirectly controls the activities of the issuer.

*Director*—any director of a corporation or any person performing similar functions with respect to any organization whether incorporated or unincorporated.

*Employee*—does not include a director, trustee, or officer.

*Equity Security*—any stock or similar security; or any security convertible, with or without consideration, into such a security; or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right.

*Fiscal Year*—the annual accounting period or, if no closing date has been adopted, the calendar year ending on December 31.

*Majority-Owned Subsidiary*—a subsidiary, 50 percent of whose outstanding securities representing the right, other than as affected by events of default, to vote for the election of directors, is owned by the subsidiary's parent and/or one or more of the parent's other majority-owned subsidiaries.

*Material*—when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters as to which an average prudent investor ought reasonably to be informed before purchasing the security registered.

*Officer*—a president, vice-president, secretary, treasurer or principal financial officer, comptroller or principal accounting officer, and any other person performing similar functions with respect to any organization whether incorporated or unincorporated.

*Parent*—a specified person is an affiliate controlling such person directly, or indirectly through one or more intermediaries.

*Predecessor*—a person the major portion of the business and assets of which another person acquired in a single succession, or in a series of related successions, or in a series of related successions in each of which the acquiring person acquired the major portion of the business and assets of the acquired person.

*Principal Underwriter*—an underwriter in privity of contract with the issuer of the securities as to which he is underwriter.

*Promoter*—includes:

a. 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;

b. 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 percent or more of any class of securities of the issuer or 10 percent or more of the proceeds from the sale of any class of securities. However, a person who receives such securities or proceeds either solely as underwriting commissions or solely in considerations of property shall not be deemed a promoter within the meaning of this Paragraph if such person does not otherwise take part in founding and organizing the enterprise.

*Prospectus*—unless otherwise specified or the context otherwise requires, the term *prospectus* means a prospectus meeting the requirements of the act, and any rule or order issued by the Louisiana Commissioner of Securities.

*Registrant*—the issuer of the securities which are the subject matter of an application for registration or a report.

*Share*—a share of stock in a corporation or unit of interest in an unincorporated person.

*Significant Subsidiary*—a subsidiary meeting any one of the following conditions:

a. the assets of the subsidiary, or the investments in and advances to the subsidiary by its parent and the parent's other subsidiaries, if any, exceed 15 percent of the assets of the parent and its subsidiaries on a consolidated basis;

b. the subsidiary is the parent of one or more subsidiaries and together with such subsidiaries would, if considered in the aggregate, constitute a significant subsidiary.

*Subsidiary*—a *subsidiary* of a specified person is an affiliate controlled by such person directly, or indirectly.

*Succession*—the direct acquisition of the assets comprising a going business, whether by merger, consolidation, purchase, or other direct transfer. The term does not include the acquisition of control of a business, unless followed by the direct acquisition of its assets. The terms *succeed* and *successor* have meanings correlative to the foregoing.

*Totally-Held Subsidiary*—a subsidiary:

a. substantially all of whose outstanding securities are owned by its parent and/or the parent's other totally-held subsidiaries; and

b. which is not indebted to any person other than its parent and/or the parent's other totally-held subsidiaries, in an amount which is material in relation to the particular subsidiary, excepting indebtedness incurred in the ordinary course of business which is not overdue and which matures within one year from the date of its creation, whether evidenced by securities or not.

*Underwriter*—any person who has purchased from an issuer with a view to, or offers or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commissions. As used in this Paragraph, the term *issuer* shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.

*Voting Securities*—securities the holders of which are presently entitled to vote for the election of directors.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:702.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

### **§105. Filing an Application; Requirements as to Proper Form**

A. An application for registration shall be prepared in accordance with the form prescribed by the Commissioner of Securities of the State of Louisiana as in effect on the date of filing and in accordance with the requirements set out in Sections 51:706, 51:707, and 51:708 of the Louisiana Revised Statutes of 1950 as amended. Any application for registration shall be deemed to be filed on the proper form unless objection to the form is made by the Commissioner of Securities.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§107. Date of Filing**

A. At least 10 days (Saturdays, Sundays, and holidays excluded) prior to the date on which the initial offering of any security is to be made, there shall be filed with the Commissioner of Securities one copy of the required application. The Commissioner of Securities may, however, in his discretion, authorize the commencement of the offering prior to the expiration of such 10-day period upon a written request for such authorization.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§109. Number of Copies; Signatures**

A. Two copies of the competed application for registration, including exhibits and all other papers and documents filed as a part of the application, shall be filed with the Commissioner of Securities.

B. At least one copy of every application for registration shall be manually signed by the applicant. If the application for registration is typewritten, the original "ribbon" copy shall be signed. Unsigned copies shall be conformed.

C. If any name is signed to the application for registration pursuant to a power of attorney, copies of such power of attorney shall be filed with the application for registration. In addition, if the name of any officer signing on behalf of the applicant, or attesting the applicant's seal, is signed pursuant to a power of attorney, certified copies of a resolution of the applicant's board of directors authorizing such signature shall also be filed with the application for registration.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§111. Requirements as to Paper, Printing and Language**

A. Application for registration shall be filed on good quality, unglazed, white paper, 8 1/2 by 14 inches in size insofar as practicable. However, tables, charts, maps, and financial statements may be on larger paper, if folded to that size, and the prospectus may be on smaller paper if the registrant so desires.

B. The application for registration and, insofar as practicable, all papers and documents filed as a part thereof, shall be printed, lithographed, mimeographed, or typewritten. However, the application or any portion thereof may be prepared by any similar process which, in the opinion of the Commissioner of Securities, produces copies suitable for permanent record. Irrespective of the process used, all copies of any such material shall be clear, easily readable and suitable for repeated photocopying. Debits in credit categories shall be designated so as to be clearly distinguishable as such on photocopies.

C. The application for registration shall be in the English language. If any exhibit or other paper or document filed with the application for registration is in a foreign language, it shall be accompanied by a translation into the English language.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§113. Preparation of Application for Registration**

A. Investment Companies. Applications for registration of securities of investment companies registered or required to be registered under the Investment Company Act of 1940 shall be filed on the Uniform Application Form.

B. Other Securities. Applications for registration by qualification of all other securities shall be filed on the Uniform Application Form.

C. Notification. Applications for registration by notification shall be filed on the Uniform Application Form.

D. Securities Registered with the Securities and Exchange Commission. In all cases in which an application for registration of securities by qualification or notification is filed and a registration statement covering the same securities has been filed with the Federal Securities and Exchange Commission, a copy of the registration statement and prospectus so filed will be accepted by the Commissioner of Securities in lieu of the exhibits required by Sections 51:706, 51:707, and/or 51:708 of the Louisiana Revised Statutes of 1950, as amended. The application shall substantially comply with the provisions of Section 51:706 of the Louisiana Revised Statutes of 1950, as amended and the regulations prescribed by the Commissioner of Securities of the State of Louisiana.

E. Interpretation of Requirements. Unless the context clearly shows otherwise:

1. the forms require information only as to the registrant;
2. whenever words relate to the future, they have reference solely to present intention;
3. any words indicating the holder of a position or office include persons, by whatever titles designated, whose duties are those ordinarily performed by holders of such positions or offices.

F. Additional Information. In addition to the information expressly required to be included in an application for registration, there shall be added such further material information, if any, as may be necessary to make the required statement, in the light of the circumstances under which they are made, not misleading. The Commissioner of Securities may require an applicant to submit other supplemental information at any time.

G. Information Unknown or Not Reasonably Available. Information required need be given only insofar as it is known or reasonably available to the registrant. If any

required information is unknown and not reasonably available to the registrant, either because the obtaining thereof would involve unreasonable effort or expense, or because it rests peculiarly within the knowledge of another person not affiliated with the registrant, the information may be omitted, subject to the following conditions:

1. the registrant shall give such information on the subject as it possess or can acquire without unreasonable effort or expense, together with the sources thereof;

2. the registrant shall include a statement either showing that unreasonable effort or expense would be involved or indicating the absence of any affiliation with the person within whose knowledge the information rests and stating the result of a request made to such person for the information.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

#### **§115. Registration by Notification; Filing Fees**

A. Notwithstanding the foregoing, one copy of the application for registration of securities which are permitted by Section 51:707 of the Louisiana Revised Statutes of 1950, as amended, to be filed by notification shall be filed at least two days (Saturdays, Sundays, and holidays excluded) prior to the date on which the initial offering is to be made or such shorter period as the Commissioner of Securities in his discretion, may authorize.

B. Filing Fees. All applications shall be accompanied by a check payable to "Commissioner of Securities, State of Louisiana." The applicant shall pay to the Commissioner of Securities 1/20 of 1 percent of the aggregate price of the securities to be offered to be sold in the state of Louisiana for which the applicant is seeking registration, but in no case shall the fee be less than \$25 nor more than \$200, and in addition thereto shall pay a charge of \$100, to be used to defray the expenses of the Commissioner of Securities.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:707.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

#### **§117. Registration by Qualification; Filing Fees**

A. Notwithstanding the foregoing, one copy of the application for registration of securities which are permitted by Section 51:708 of the Louisiana Revised Statutes of 1950, as amended, to be filed by qualification, shall be filed at least 10 days (Saturdays, Sundays, and holidays excepted) prior to the date on which the next offering is to be made, or such shorter period as the Commissioner of Securities, in his discretion, may authorize.

B. Filing Fees. All applications shall be accompanied by a check payable to "Commissioner of Securities, state of Louisiana." The applicant shall pay to the commissioner a fee of 1/10 of 1 percent of the aggregate price of the securities to be registered and offered to be sold in this state, for which the applicant is seeking registration, but in no case

shall the fee be less than \$50 nor more than \$1,000, and in addition thereto shall pay a charge of \$100, to be used to defray the expenses of the commissioner.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

#### **§119. Incorporation of Certain Information by Reference**

A. Where an item calls for information not required to be included in the prospectus, matter contained in any part of the application for registration, other than exhibits, may be incorporated by reference in answer, or partial answer, to such item.

B. Any financial statement or part thereof filed with the Commissioner of Securities pursuant to this act may be incorporated by reference in any application for registration if it substantially conforms to the requirements of the appropriate form and is not required to be included in the prospectus.

C. Material incorporated by reference shall be clearly identified in the reference. An express statement that the specified matter is incorporated by reference shall be made at the particular place in the application for registration where the information is required. Matter shall not be incorporated by reference in any case where such incorporation would render the statement incomplete, unclear or confusing.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

#### **§121. Disclaimer of Control**

A. If the existence of control is open to reasonable doubt in any instance, the registrant may disclaim the existence of control and any admission thereof. In any case, however, the registrant shall state the material facts pertinent to the possible existence of control.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

#### **§123. Title of Securities**

A. Wherever the title of securities is required to be stated there shall be given such information as will indicate the type and general character of the securities, including the following:

1. in the case of shares, the par or stated value, if any; the rate of dividends, if fixed, and whether cumulative or noncumulative; a brief indication of the preference, if any; and if convertible, a statement to that effect;

2. in the case of funded debt, the rate of interest; the date of maturity, or if the issue matures serially, a brief indication of the serial maturities, such as "maturing serially from 1950 to 1960;" if the payment of principal or interest is

contingent, an appropriate indication of such contingency; a brief indication of the priority of the issue; and if convertible, a statement to that effect;

3. in the case of any other kind of security, appropriate information of comparable character.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:708

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§125. Written Consents; Formal Requirements as to Consents**

A. If the name of any accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him, has been made any part of the application for registration, or if such person is named as having prepared or certified a report, the written consent of such person shall be filed with the application for registration. All written consents of experts filed with an application for registration pursuant to these rules shall be dated and signed manually. A list of such consents shall be filed with the application for registration. Where the consent of an expert is contained in his report, a reference shall be made in the list to the report containing the consent.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:702.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§127. Consents Required in Special Cases**

A. If any portion of the report of an expert is quoted or summarized as such in the application for registration or in a prospectus the written consent of the expert shall expressly state that the expert consents to such quotation or summarization.

B. If it is stated that any information contained in the application for registration has been reviewed or passed upon by any persons and that such information is set forth in the application for registration upon the authority of or in reliance upon such persons as experts, the written consents of such persons shall be filed with the application for registration.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:702.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§129. Application to Dispense with Consent**

A. An application to the Commissioner of Securities to dispense with any written consent of an expert shall be made by the registrant and shall be supported by an affidavit or affidavits establishing that the obtaining of such consent is impracticable or involves undue hardships on the registrant. Such application shall be filed and the consent of the Commissioner of Securities shall be obtained prior to the date of registration.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:702.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§131. Consent to Use of Material Incorporated by Reference**

A. If the act or the rules and regulations of the Commissioner of Securities require the filing of a written consent to the use of any material in connection with the application for registration, such consent shall be filed with the application for registration even though the material is incorporated therein by reference.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§133. Additional Exhibits**

A. This registrant may file such exhibits as it may desire, in addition to those required by the appropriate form. Such exhibits shall be so marked as to indicate clearly the subject matters to which they refer.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§135. Omission of Substantially Identical Documents**

A. In any case where two or more indentures, contracts, franchises, or other documents required to be filed as exhibits are substantially identical in all material respects except as to the parties thereto, the dates of execution, or other details, the registrant need file a copy of only one of such documents, with a schedule identifying the other documents omitted and setting forth the material details in which such documents differ from the document of which a copy is filed. The Commissioner of Securities may at any time, in his discretion, require the filing of copies of any documents so omitted.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§137. Incorporation of Exhibits by Reference**

A. Any document or part thereof filed with the Commissioner of Securities pursuant to any act administered by the Commissioner of Securities may be incorporated by reference as an exhibit to any application for registration.

B. If any modification has occurred in the text of any document incorporated by reference since the filing thereof, the registrant shall file with the reference a statement containing the text of any such modification and the date thereof.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§139. Place of Filing**

Editor's Note: The address for the office of the Commissioner of Securities has changed to:

Commissioner of Securities  
State of Louisiana  
8660 United Plaza Boulevard  
Baton Rouge, LA 70809

A. All applications and papers in connection therewith and requests for information shall be addressed to:

Commissioner of Securities  
State of Louisiana  
315 Louisiana State Office Building  
325 Loyola Avenue  
New Orleans, LA 70112.

B. Every statement authorized or required to be filed with the commissioner under any of the provisions of this regulation shall be transmitted to the commissioner by mail, and the commissioner shall never receive, nor shall he be authorized to receive or accept for filing any statement or document transmitted to him by any mode other than by the United States mail.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707, and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§141. Formal Requirements for Amendments**

A. One copy of each amendment to an application shall be filed with the Commissioner of Securities at least five days prior to any offering of the securities subsequent to the filing of such amendment, or such shorter period as the Commissioner of Securities, in his discretion, may authorize. The Commissioner of Securities may, in his discretion, authorize an offering to commence prior to the receipt of all amendments where he has been informed by telephone, telegraph or letter of the substance of such amendments, as in the case of "price amendments" or other amendments, where he may deem such action proper.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§143. Delaying Amendments**

A. An amendment altering the proposed date of the public offering may be made by telegram or by letter. Each such telegraphic amendment shall be confirmed within a reasonable time by the filing of one copy, which shall be signed. Such confirmation shall not be deemed an amendment.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§145. Withdrawal of Registration Statement or Amendment**

A. Any application for registration or any amendment or exhibit thereto may be withdrawn upon application if the Commissioner of Securities, finding such withdrawal

consistent with the public interest and the protections of investors, consents thereto. The application for such consent shall be signed and shall state fully the grounds upon which made. The examination fee paid upon the filing of the application for registration will not be returned. The papers comprising the application for registration or amendment thereto shall not be removed from the files of the Commissioner of Securities but shall be plainly marked with the date of the giving of such consent, and in the following manner: "Withdrawn without prejudice, the Commissioner of Securities consenting thereto."

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§147. Powers to Amend or Withdraw Registration Statement**

A. All persons signing an application for registration shall be deemed, in the absence of a statement to the contrary, to confer upon the applicant and upon the correspondent named in the application for registration the following powers:

1. a power to amend the application for registration:

- a. by altering the date of the proposed offering;
- b. by filing any required written consent;
- c. by correcting typographical errors; or

d. by reducing the amount of securities registered, pursuant to an understanding contained in the application for registration;

2. a power to make application for the Commissioner of Securities' consent to the filing of an amendment;

3. a power to withdraw the application for registration or any amendment or exhibit thereto.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§149. Registration of Additional Securities**

A. The registration of additional securities of the same class as other securities for which an application for registration is already in effect, shall be effected through a separate application for registration relating to the additional securities.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§151. Reports Subsequent to Registration**

A. Upon the termination of an offering, the registrant must file a Termination of Offering Report to the Commissioner of Securities of the State of Louisiana, within 30 days subsequent to the termination of the offering in the state of Louisiana.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707, and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§153. Severability**

A. If any provision or clause of this regulation or the application thereof to any person or situation is held invalid, such invalidity shall not affect any other provision or application of the regulation which can be given effect without the invalid provision or application, and to this end the provisions of this regulation are declared to be severable.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706, R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**Chapter 3. Form and Content of Prospectus**

**§301. Scope of Rule**

A. This rule prescribes the form and content of the prospectus, intended as of the effective date to be used in connection with the offering of securities registered by notification, or required to be filed as a part of a registration statement for registration of securities by qualification and to be used in connection with the offering of securities so registered. (Louisiana Revised Statutes of 1950, as amended, Section 51:706, Paragraph B).

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706(B).

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§303. Registration by Qualification and Notification**

A. A prospectus filed as part of a registration statement for registration of securities by qualification and notification shall contain all the information required by Schedule A, "Outline of Prospectus," located in §1103 of this Part.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706(B).

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§305. Legibility of Prospectus**

A. The prospectus may be printed, mimeographed or typewritten, or prepared by any similar process which will result in clear, legible copies. If printed, it shall be set in clear Roman type at least as large as 10-point modern type, with financial data or other statistical or tabular matter at least as large as 8 point. All type shall be leaded at least 2 points.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706(B).

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§307. Presentation of Representation of Prospectus**

A. The prospectus shall contain the information called for by all items of Schedule A, "Outline of Prospectus" located in §1103 of this Part, required to be answered, except

that no reference need be made to inapplicable items, and negative answers to any item may be omitted. None of the other information or documents filed as part of the registration statement need be included in the prospectus.

B. The prospectus should set forth information in a clear concise and understandable manner, free of unnecessary and irrelevant details or technical language. The information shall not be presented in such form as to obscure required information, or information necessary to keep the required information from being incomplete or misleading. The prospectus should not include:

1. references to other companies, not affiliates of the registrant, by way of comparison or in any other manner;
2. puffing of the registrant's history and prospects or of officials' background;
3. the use of colors, designs, or pictures; or
4. any subject matter which goes beyond a fair and factual presentation necessary to disclose the material facts.

C. Unless clearly indicated otherwise, information set forth in any part of the prospectus need not be duplicated elsewhere in the prospectus. Where it is deemed necessary or desirable to call attention to such information in more than one part of the prospectus, this may be accomplished by appropriate cross-references.

D. Every prospectus shall include in the forepart thereof a reasonably detailed table of contents showing the subject matter of the various sections or subdivisions and the page number of which each section or subdivision begins.

E. All pages in the prospectus must be numbered consecutively. If any page of a prospectus should be left blank then the following statement should appear centered on that page in capitals and parenthesis:

(THIS PAGE INTENTIONALLY LEFT BLANK)

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706(B).

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§309. Date of Prospectus**

A. Each prospectus used after the effective date of the registration statement shall be dated approximately as of such effective date, provided however, that a revised or amended prospectus used thereafter bear both its original date and the "Amended as of \_\_\_\_\_" date. Each supplement prospectus shall be separately dated the approximate date of its issuance.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§311. Exchange Offers**

A. If any of the securities being registered are to be offered in exchange for securities of any other registrant, the prospectus shall also include the information with respect to the other registrant which would be required by §1103.L.1,

4, 5, 6, 7, 8, 9, 10, 12, 13, 16, 17, 19, 20, 21 and 22 of Schedule A, "Outline of Prospectus" of this Part, inclusive, if such securities of such registrant were being registered.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

### §313. Use of Prospectus

A. A copy of such prospectus shall be delivered to each prospective purchaser of securities before consummation of any sale or contract for sale.

B. When a prospectus is used more than nine months after the effective date of the registration statement, the information contained therein shall be as of a date not more than 16 months prior to such use, so far as such information is known to the user of such prospectus or can be furnished by such user without unreasonable effort or expense.

C. In addition to the requirements of Subsection B of this Section if a prospectus becomes misleading or inaccurate in any material respect, its use shall be discontinued, and it shall be revised or supplemented in such a way that it shall not be misleading or inaccurate in any material respect. Three copies of such revised or supplemented prospectus shall be filed promptly with the Commissioner of Securities.

D. Nothing herein shall prevent the distribution of preliminary or final prospectuses pertaining to securities registered or being registered with the Securities and Exchange Commission if such distribution takes place in accordance with the rules and regulations of the Securities and Exchange Commission.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

### §315. Circulation of Preliminary Prospectuses

A. Preliminary prospectuses may be distributed in Louisiana provided that an application to register the securities offered is pending before the commission, and provided:

1. an application to register the securities is also pending before the Securities and Exchange Commission;

2. the applicant has not been notified of proceedings under Sections 8(b) or 8(d) of the Securities Act of 1933 or by this commission that the application for registration is substantially deficient and the circulation of a preliminary prospectus is not appropriate in light of the deficient application;

3. the outside front cover page of such prospectus shall bear, in red ink, the caption, "Preliminary Prospectus," the date of its issuance, and the following statement printed in type as large as that generally in the body thereof:

"A registration statement relating to these securities has been filed with the Securities and Exchange Commission, but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not

be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state."

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

### §317. Amendments to Prospectus

A. The prospectus shall constitute a part of the application and shall be amended in accordance with the provisions of the rules dealing with amendments to applications. The amended prospectus submitted to this office must be "red lined" in order to point out the changes made in said prospectus. The registrant may provide, in place of the "red lined" prospectus, a cross reference table which would reference the changes between the old and new prospectus.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

### §319. Prohibition of Use of Certain Financial Statements

A. Financial statements which purport to give effect to the receipt and application of any part of the proceeds from the sale of securities for cash shall not be used unless the sale of such securities is underwritten and the underwriters are to be irrevocably bound, on or before the date of the public offering, to take issue. The caption of any such financial statement shall clearly set forth the names of the underwriters and the assumptions upon which such statement is based. The caption shall be in type at least as large as that used generally in the body of the statement.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

### §321. Pooling of Interests

A. All earnings statements required by Sections 51:701-51:720 of the Louisiana Revised Statutes of 1950, as amended to be filed with the Commissioner of Securities which reflect poolings of interest must be set out for each period reported:

1. total actual historical earnings and earnings per share of the issuer;

2. total earnings and earnings per share of the company or companies taken over;

3. show separately the detailed operating results for the company or companies taken over for the period reported up to the date of the take-over of the take-over occurred during the last fiscal year or interim period reported.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§323. Requirements as to Appraisals**

A. There shall be included as an exhibit in every application for registration of securities of an issuer under this law which:

1. has not been engaged in the business in which it is engaged for five years; or

2. has not had a net profit in each of the last three years, an appraisal of the assets of the issuer as specified by the commissioner in each case prepared by a disinterested qualified person designated by the Commissioner of Securities. Such appraisal shall bear a dollar valuation as to the assets of the issuer and shall be prepared as of a date not more than 120 days prior to the date filed with the Commissioner of Securities.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**Chapter 5. Standards of Qualification****§501. Application of Standards**

A. Standards set forth in these regulations are intended to furnish guidelines for qualification, pursuant to the discretion of the commissioner authorized by Section 51:708(10) of Louisiana Revised Statutes of 1950, as amended, of offers and sales of securities. However, because it is impossible to foresee and provide for all variations of circumstances, these standards are not intended to preclude the application of more liberal or more stringent standards as the circumstances justify.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§503. Promoters Equity Investment**

A. The fair value of equity investment shall be deemed to mean the total of all sums conveyed to the issuer in the form of paid in or contributed cash or other tangible items with an established or determinable value.

B. The burden of justifying as equitable, the quantity of promotional securities to be issued for assets so conveyed, and of establishing reasonable or market value thereof, shall rest with the applicant.

C. Promoters Equity Investment Ratio. In offerings where the issuer is in a promotional or development phase and the ratio of equity investment by promoters or insiders is less than 15 percent of the total equity investment resulting from the sale of the entire offering, the offering will not be considered to be based on sound business principles unless:

1. the offering is supported by a firm commitment of an underwriter duly registered under the Securities Exchange Act of 1934; and

2. the net worth of the issuer is in excess of \$100,000.

**D. Recognition of Appraised Value**

1. In determining compliance with this rule, the commissioner may recognize the appraised value of the issuer's real property. In no event will the appraised value be considered if it is higher than the acquisition cost, unless (since the acquisition of the property) at least one of the following has occurred and it is reasonably indicated that a material increase in the value thereof has resulted:

a. erection of a structure on the land;

b. substantial improvements to existing structures located on the realty;

c. re-zoning to a broader zone;

d. availability of utility services previously unavailable to the property, but excluding such normal utilities as telephone, normal electric and normal gas. Examples of the utilities, but without being limited as to the general type thereof, are water, sewer, highline service and trackage;

e. a material change in the nature of the surrounding property;

f. elimination of an element that had a depreciatory effect on the value of the subject property (e.g., covering of a dump);

g. the existence of any other element (appropriately documented) which would normally indicate a substantial increase in the value of the property.

2. The utilization of an appraisal value in determining whether the minimum equity investment has been made lies within the sole discretion of the commissioner. Pursuant to R.S. 51:708(9), the commissioner may require, at the issuer's expense an independent appraisal by a qualified real estate appraiser selected by the commissioner prior to rendering his decision regarding recognition of the appraised value. This appraisal may be in addition to any independent appraisals that may have been made at the issuer's request prior to filing the application.

3. If the commissioner permits the appraised value to be used for the purposes of complying with the minimum equity investment, that appraised value may not be reflected in any form, either in the prospectus or in the issuer's financial statements or any footnotes thereto.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§505. Commissions and Expenses**

A.1. Selling Expenses of Offering of Securities. Selling expenses in connection with an offering of securities (whether such offering is sold entirely or partially within Louisiana) shall include underwriting discounts or commissions, the value of options or warrants to acquire securities granted or proposed to be granted in connection with the offering to an underwriter, or its partners, officers, directors or shareholders, or otherwise as such underwriter

may lawfully direct; finder's fees paid or to be paid in connection with the offering; the value of the difference between the fair value at the time of issuance and the price paid for securities of the issuer, issued within two years prior to the offering or proposed to be issued to an underwriter, or any of its partners, officers, directors or shareholders, to the extent such sales or issuances may be deemed by the commissioner to have been in lieu of commissions, or material in the selection of an underwriter by the issuer, or otherwise directly or indirectly connected with the offering; and all other expenses directly or indirectly incurred in connection with the offering, excluding, however:

- a. attorneys' fees for services in connection with the offer, sale and issuance of the securities and their qualification for offer and sale under applicable laws and regulations, except such attorneys' fees of the underwriter as are paid by the issuer or selling stockholders;
- b. charges of transfer agents, registrars, indenture trustees, escrow holders, depositaries, auditors, accountants, engineers, appraisers and other experts;
- c. cost of prospecti, circulars and other documents required to comply with such laws and regulations;
- d. other expenses incurred in connection with such qualification and compliance with such laws and regulations;
- e. cost of authorizing and preparing the securities and documents relating thereto, including issue taxes and stamps.

2. Selling expenses shall, at all times, be reasonable and, unless good cause for an exception is shown, shall not exceed the following percentages for the specified types of companies or securities based upon percentages of the aggregate offering price.

	<b>Firm Undertaking</b>	<b>Best Efforts Undertaking</b>
Finance, mortgage and related companies	15%	10%
Bonds, notes, debentures and secured issuers	15%	10%
Common stock	15%	10%
Preferred stocks and other stock senior to common stock	15%	10%
Investment companies	10%	10%
Oil or gas interests	12 1/2%	12 1/2%

3. Securities of an issuer whose securities are sold under a Louisiana broker-dealer permit granted said issuer. In those cases, no commissions shall inure to the benefit of any officers or directors selling the securities of the issuer. All agents registered under said broker-dealer permit, who are not officers or directors will be allowed to receive a maximum commission as set out under the above column headed "Best Efforts Undertaking." For a company in the exploratory or development stage and whose securities are not registered under Federal Securities Act of 1933, one-half of the commissions which inure to the agents of an issuer broker-dealer, must be escrowed for a period of time as stipulated by the Commissioner of Securities of the State of Louisiana.

4. Options or warrants to underwriters, or their partners, officers directors or shareholders or otherwise as lawfully directed by such underwriters shall be valued at market value, if any exists. In cases where no market value exists, an option or warrant to acquire common stock shall be valued at 20 percent of the public offering price of such numbers of shares under option or warrant, unless it is shown to the satisfaction of the commissioner that a contrary valuation exists.

B. Other Expenses. Provision may be made for additional allowance by the issuer from the public offering price of securities actually sold to pay the sales expenses incurred in making the public offering. Such sales expenses shall, however, be limited to the following categories:

- 1. advertising directly associated with the sale of the public offering being registered;
- 2. attorneys' fees for services in connection with the issue and sale of the securities and their qualification for sale under applicable laws and regulations;
- 3. the cost of prospecti, circulars and other documents required to comply with such laws and regulations;
- 4. other expenses directly incurred in connection with such qualifications and compliance with such laws and regulations (filing fees and investigation fees prior to registration);
- 5. cost of authorizing and preparing the securities and documents relating thereto, including issue taxes and stamps;
- 6. charges of transfer agents, registrars, indenture trustees, escrow holders, depositaries, auditors, and of engineers, appraisers and other experts;
- 7. a listing of all "other expenses" must be presented to the office of the Commissioner of Securities of the state of Louisiana within a reasonable period of time not to exceed one month from the date the permit for a public offering was issued.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

**§507. Options, Warrants and Convertible Debenture**

A. Warrants or stock purchase options, conversion privileges and other rights to acquire stock or other securities must be justified by the applicant. The following standards will be followed in determining whether the issuance of such warrants and stock options is justified.

- 1. Fifteen Percent Limitation. Unless good cause for an exception is shown, authorized warrants and options to purchase shares (excluding those specified in §507.A.3) shall not be in excess of 15 percent of the common shares to be outstanding if the entire public offering is sold, except as may otherwise be permitted under §507.A.7.g.
- 2. Five-Year Limitation. Except as otherwise permitted under §507.A.7.a, or unless good cause for an exception is shown, a warrant or option to purchase shares shall not be exercisable after the expiration of five years from the date such warrant or option is granted.

3. Pro-Rata Offerings. Prorate issuance of options or warrants to all purchasers in connection with a public offering will be considered justified if reasonable in number and method of exercise.

4. Employee Options. Options to employees shall be considered justified if reasonable in number and method of exercise.

a. Qualified stock options, as defined in Section 422(b) of the United States Internal Revenue Code of 1954, issued in accordance with the terms of a qualified stock option plan will be considered reasonable in number when the total number of shares subject to such options (and any restricted stock options outstanding) at any one time does not exceed 10 percent of the then outstanding common shares of the issuer.

b. Options granted to employees of the issuer which are not qualified stock options will be considered on an individual basis, provided, however, that the total number of shares subject to such stock options (and any options outstanding pursuant to a qualified stock option plan) shall not exceed 10 percent of the then outstanding common shares of the issuer, and further provided that, in determining whether such options are justified, consideration shall be given to whether such options contain a step-up provision similar to the one set forth in §507.A.5.c.

5. Options and Warrants to Underwriters. Ordinarily, warrants or options to underwriters will be considered with disfavor, unless all of the following conditions are met:

a. the warrants or options are issued to a managing underwriter in connection with a firm underwriting and are not exercisable for 11 months after the date of the offering, or, in connection with a best efforts basis, and are not issued and are not exercisable for 11 months following the sale of the entire issue or such lesser amount as is approved by the commissioner;

b. the warrants or options are nontransferable other than by will or pursuant to the laws of descent and distribution, except to a partner of the underwriter when the underwriter is a partnership or to a person who is both a stockholder and officer of the underwriter when the underwriter is a corporation;

c. the initial exercise price of the options is at least equal to the public offering price plus a step-up of said public offering price of either:

i. 7 percent each year they are outstanding, commencing one year after issuance, so that the exercise price throughout the second year is 107 percent; throughout the third year 114 percent; throughout the fourth year 121 percent; and throughout the fifth year 128 percent; or in the alternative;

ii. 20 percent at any time after one year from the date of issuance; provided that an election as to either alternative must be made by the underwriters at the time the options are issued to the underwriters;

d. the options and warrants are issued by a relatively small company which is in the promotional stage or which, because of its size, lack of public ownership of its shares or other facts and circumstances, makes it appear to the commissioner that the issuance of options is necessary to obtain competent investment banking services, and the direct commissions to the underwriters are lower than the usual and customary commissions would be in the absence of such options;

e. the prospectus issued in connection with the registration statement contains a full disclosure as to the terms and the reason for the issuance of the warrants and options, and if such reason is in connection with future advisory services to be performed by the underwriter without compensation in consideration of the issuance of the options, a statement to that effect shall be placed in the prospectus;

f. the same tests shall be applied to options issued by the selling shareholders unless evidence indicates that the selling shareholders are so separated from the corporate entity and so lacking in control of the corporate entity as to require more liberal treatment;

g. the number of shares or units called for by such warrants or options does not exceed 5 percent of the number of shares or units to be sold, or in fact, sold for the issuer in the offering;

h. selling expenses, commissions and discounts, including the value of such options to be issued, do not exceed the limitations contained in §505.

6. No Options to Issuer's Agents. No options or warrants shall be issued to an agent of the issuer.

7. Options, Warrants and Convertible Debentures Issued in Connection with Financing Arrangements. Ordinarily, options, warrants and convertible debentures issued in connection with financing arrangements made by the corporation will be considered with disfavor unless all of the following conditions are met.

a. The options, warrants or convertible debentures are issued to the lender for valuable consideration. "Valuable consideration" shall be deemed to have been given if the requirements of §507.A.7.g are satisfied in respect to the percentage limitation set forth therein.

b. The options or warrants shall expire not later than the original maturity date of the loan and the convertible debenture shall expire upon payment of the loan. Notwithstanding the limitation of §507.A.2 and §507.A.7.b, if the requirements of §507.A.7.g are met, the options or warrants may have an expiration date up to, but not exceeding 10 years from the date such option or warrants are granted, even if the maturity date of the loan is less than 10 years from the date the loan is made.

c. The options, warrants and convertible debentures shall have been issued as a result of bona fide negotiations between the corporation and the lender.

d. At the date of issuance, the lender shall not be affiliated with the corporation nor be a party to an agreement which creates or contemplates creating an affiliation. For the purposes of this provision, a lender will be considered affiliated with the corporation if it directly, or indirectly, controls, or is controlled by, or is under common control with the corporation. *Control* means the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company. Any person who owns beneficially (either directly or through one or more controlled companies) more than 25 percent of the issued and outstanding voting securities of any company shall be presumed not to control such company.

e. The exercise or conversion price of such options, warrants or convertible debentures shall not be less than the fair market value of the shares into which they are exercisable or convertible on the date the corporation receives a commitment in writing from the lender to make the loan. "Fair market value" shall be deemed to be the trading price of the stock if there is a public market therefor and if such public market is broadly based, meaningful and significant. Otherwise, "fair market value" will be deemed to be the price determined through bona fide negotiation of the parties. The existence of a public market shall not in itself be a presumption that it is broadly based, meaningful and significant.

f. Upon exercise of the options or warrants or conversion of the convertible debentures, both of the following conditions shall be satisfied.

i. The number of shares issuable shall be fair and reasonable both in number and method of exercise at the time of issuance of the options, warrants or convertible debentures. The standard required by the preceding sentence shall be deemed to be satisfied if the conditions set forth in §507.A.7 are met.

ii. At the time of issuance, the product obtained by multiplying the number of shares issuable by the exercise or conversion price did not exceed the face amount of the loan.

g. Notwithstanding any percentage limitation applicable to options, warrants and convertible debentures set forth in this Section, options, warrants and convertible debentures issued in connection with financing arrangements may cover shares which total in number 20 percent of the common shares to be outstanding, if the entire public offering is sold or if either of the following conditions is satisfied.

i. The issuance thereof to the lender was in conjunction with the lender's unconditionally guaranteeing the payment of a loan or loans being made to the company, provided, however, that as of the date of issuance of warrants, options or convertible debentures, the product obtained by multiplying the number of shares issuable by the exercise or conversion price thereof did not exceed an amount equal to that portion of the loan unconditionally guaranteed by the lender.

ii. If issued to the lender in conjunction with a loan by the lender of cash funds to the company and if:

(a) the loan is subordinated (including any security interest against the assets of the company) by its terms to all borrowing of the company from banks and other institutional lenders;

(b) no part of such loan was required by its term to be amortized during the first three years. The company may prepay such loan, however, without adversely affecting the exception granted by this Subparagraph; and

(c) as of the date of issuance of the warrants, options or convertible debentures, the product obtained by multiplying the number of shares issuable by the exercise of conversion price thereof did not exceed the face amount of the loan.

h. Options, warrants or convertible debentures held by other than the original holder, which options, warrants or convertible debentures were issued by the corporation in connection with financing arrangements, will be subject to the conditions provided by this Section.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

#### §509. Promotional Securities of "Cheap Stock"

A. Securities which have been issued within two years of the date of filing, or are to be issued to underwriters, promoters or insiders for an amount less than the public offering price or for a consideration other than cash (unless the value of such consideration can be conclusively established) will be subject to the following conditions and restrictions.

1. The issue of such securities in connection with a public offering may be permitted if the application discloses:

a. a reasonable relationship between:

i. the consideration paid by such persons and the public offering price;

ii. the number of shares issued and the total amount of securities to be outstanding upon completion of the offering; and

iii. the ratio of the promoters' equity to the amount of their investment;

b. a representation by the grantees that such shares were acquired for investment and will not be traded, transferred or sold for a period of at least one year from date of commencement of the offering, or upon completion thereof, and until there has been compliance with all legal requirements imposed for the redistribution thereof;

c. that the shares issued (together with commission and expenses of sale) will not result in a dilution of more than 33 1/3 percent of the value of the shares outstanding in the hands of the public at any time, based on the public offering price.

2. Such shares will ordinarily be required held in escrow in accordance with the following provisions:

a. an escrow holder may be the commissioner or a bank or trust company, approved by him in this or any other state;

b. an application for escrow arrangements shall contain, in addition to whatever other information the commissioner may require, the following:

i. a list of the owners of such shares and respective amounts held;

ii. copy of resolution of the board of directors or letter of authorization selecting the agent, and written consent of the latter to act as such;

iii. copies of escrow agreements, instruments and instructions;

c. the escrow conditions shall provide that the securities subject thereto will not be released without notification and consent of the commissioner.

3. The same standards shall apply to shares acquired from selling shareholders unless it appears that they are so separated from the issuer and lacking in control as to permit waiver or modification of these requirements.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 51:707 and R.S. 51:708.

**HISTORICAL NOTE:** Adopted by the Commissioner of Securities, November 9, 1971.

### **§511. Impoundment of Proceeds**

#### **A. General**

1. Where, in the opinion of the commissioner, the protection of public investors so requires, the commissioner may require as a condition of registration that all or a portion of the proceeds from the sale of the securities registered shall be impounded with an impoundment agent satisfactory to the commissioner. In cases where the offering of securities is not firmly underwritten, the commissioner shall require (unless reason for exception can be demonstrated) that the proceeds be impounded. The conditions of impoundment shall be determined by the commissioner in each case.

2. The commissioner shall determine conditions of impoundment which he deems applicable to all impoundment agreements, and shall prescribe forms embodying such general conditions. The commissioner may prescribe additional conditions applicable to each particular case, which shall be typed upon the form in space provided or upon separate sheets which shall be attached to and made a part of the prescribed form. All impoundment agreements shall be prepared on forms so prescribed by the commissioner. Upon notification by the commissioner of the additional terms and conditions of impoundment, the issuer shall submit a proposed impoundment agreement for approval as to form. Upon notification by the commissioner that the impoundment agreement is approved as to form, the issuer, the impoundment agent and any agent or underwriter shall execute an original and such copies of the

impoundment agreement as may be necessary and shall file the same with the commissioner. An original of said impoundment agreement will remain on file with the commissioner and copies noting acceptance for filing will be returned to the issuer. No order of registration shall issue until an executed original of the impoundment agreement is filed with the commissioner.

3. The conditions of the proceeds impoundment shall be incorporated by reference in the order of registration, and impounded proceeds shall be subject to the continuing jurisdiction of the commissioner until he directs termination of the impoundment.

**B. Definitions.** When used in this rule of these regulations or in any proceeds impoundment agreement entered into pursuant to these regulations, unless the context otherwise requires.

*Conditions of Impoundment*—those conditions specified in the impoundment agreement which must be performed before any issuer or impoundment agent may apply to the commissioner for termination of the impoundment agreement and the release of impounded proceeds.

*Impoundment*—the receipt by the impoundment agent of all proceeds from the sale of securities subject to the impoundment agreement, whether sold by the issuer, by an agent for the issuer or by an underwriter.

*Impoundment Agent*—an independent corporate fiduciary which will impound all proceeds from sale of securities subject to the impoundment agreement according to the conditions and for the term of the impoundment agreement.

*Impoundment Agreement*—an agreement, accepted by the commissioner for filing, and executed by the impoundment agent, the issuer, and any underwriter or agent engaged in the sale of securities subject to the impoundment agreement, specifying the conditions and terms of impoundment.

*Proceeds*—include all valuable consideration given by any person in connection with the purchase of any securities subject to the impoundment agreement.

*Release of Impounded Proceeds*—release of the impounded proceeds by the impoundment agent at the direction of the commissioner to any person entitled thereto according to the terms of the impoundment agreement.

*Securities Subject to the Impoundment Agreement*—all securities sold pursuant to an order of registration which requires the impoundment of proceeds.

*Subscribers*—include all persons who subscribe for securities subject to the impoundment agreement and deliver payment therefor.

*Termination of Impoundment*—a written authorization by the commissioner directing the impoundment agent to terminate the impoundment and to release the impounded proceeds.

*Terms of Impoundment*—the number of days, specified in the impoundment agreement, beginning from date of order of registration, within which the issuer of any agent or underwriter must sell the securities subject to the impoundment agreement in order to meet the minimum of impoundment relating to the amount of proceeds.

#### C. Termination of Impoundment and Release of Impounded Proceeds

1. The commissioner shall authorize the impounding agent to terminate the impoundment and release the impounded proceeds to the issuer when the full amount specified in the impoundment agreement has been impounded, and any other conditions to such release have been satisfied, unless there have been changes in the plan of operation or in other circumstances that would render the amount of impounded proceeds inadequate to finance the proposed plan of operation, or unless such other material changes have occurred as would render the representations contained in the prospectus by which securities were offered for sale to be fraudulent, false or materially misleading.

2. An application to the commissioner for authorization to terminate the impoundment and release the impounded proceeds shall contain:

a. a statement of the issuer any agent or underwriter engaged in the sale of securities subject to the impoundment agreement, setting forth the number of securities sold, and stating that all proceeds from sale of the securities subject to the impoundment agreement have been delivered to the impoundment agent in accordance with the terms and conditions of the impoundment agreement, and that there have been no material adverse changes in the financial condition of the issuer or in other circumstances that would render the amount of impounded proceeds inadequate to finance the proposed plan of operations and that there have been no other material changes which would render the representations contained in the prospectus or offering circular to be fraudulent, false or materially misleading;

b. a statement of the impoundment agent signed by an appropriate officer setting forth the aggregate amount of the impounded proceeds;

c. such other information as the commissioner may require in a particular case.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

### §513. Offering Price

A. Securities shall be offered and sold at a price which is fair to the issuer or selling stockholders and to the purchasers. In determining whether a price is fair, the commissioner will give predominant weight to the standards set forth below as shown to the satisfaction of the commissioner.

1. If there is an active and informed public market in the class of securities to be offered and sold, the offering price shall bear a reasonable relationship to the recent public market price. An active public market may be evidenced by:

a. daily or weekly quotation of the class of securities in the *Wall Street Journal* for the period of at least six months preceding the offering; or

b. at least 300,000 shares outstanding to public shareholders; 20,000 or more shares traded by public shareholders during each of six or more preceding months; the absence of transactions by insiders during the preceding six months having a material effect upon the market price; the number of public stockholders at the beginning and end of each of said months of not less than 1,000; and at least two dealers regularly making a market in such class of securities; or

c. such other facts or circumstances which tend to show, to the satisfaction of the commissioner, that the class of securities is traded sufficiently by public stockholders unrelated to the issuer so that the prevailing market price at any given time during the six preceding months accurately reflected the fair value of the security and was a price independent of any influence other than the normal buying and selling of public stockholders. An informed public market may be evidenced by:

i. reports to the public shareholders which were provided by the issuer during the preceding year at least quarterly; or

ii. such other facts or circumstances which tend to show, to the satisfaction of the commissioner, that there is a free flow of information from the issuer about the business of the issuer to the investment community of the public. The commissioner may require an applicant for registration to submit sufficient evidence to show the existence of an active and informed public market.

2. If there is not an active and informed public market in the class of securities to be offered and sold, the offering price shall conform to at least one of the standards set forth below, except that the commissioner, in his discretion, may require conformity to more than one of the standards set forth below.

a. In connection with a public offering of securities for cash pursuant to a registration statement under the Securities Act of 1933, which offering is the subject of a firm underwriting commitment by an underwriter or syndicate of underwriters, all of whom are registered under the Securities Act of 1934, the offering price shall be the public offering price determined under such firm underwriting commitment by the parties thereto. For the purposes of this Subsection, a firm underwriting commitment shall not include an underwriting commitment subject to a "market out" or similar condition operative after the time of the commencement of the offering, which is based on something less than substantial or material changes in conditions deemed relevant by the parties, or otherwise subject to other than the usual or customary conditions, nor shall it include a firm underwriting commitment under which the commissioner may determine that the underwriter or syndicate of underwriters may not have the financial ability to perform such commitment in the light of its net capital position. The commissioner may require an applicant for registration to submit sufficient evidence to enable his determination under this standard to be made.

b. The offering price shall be reasonably related to the price at which similar securities of reasonably comparable companies in the same industry are being actively traded, subject to appropriate adjustment respecting dissimilarities between the companies being compared. Comparisons of companies may relate to relative sizes, products, earnings, financial history, management or other relevant factors, but must, in the aggregate, reflect a reasonable spectrum of companies in the particular industry. In the event the issuer does not fit into generally used industry classification, the "same industry" shall include such industries or segments of industries as most closely relate to the issuer's business. The commissioner will generally require an applicant for registration to submit sufficient evidence of such comparisons under this standard. An underwriter's memorandum evidencing a thorough and appropriate evaluation of the foregoing considerations may be used to provide such evidence, except the commissioner, in his discretion, may require more.

c. The offering price shall not exceed 25 times net earnings per share after taxes, or such higher price/earnings multiple as the commissioner may determine to be reasonable in light of the industry and/or the current general market. In determining the foregoing price/earnings multiple, the relevant net earnings per share shall be the net earnings per share for the last complete fiscal year of the issuer prior to the date of filing of application for registration as is set forth in the prospectus or offering circular. The net earnings per share for a portion of the current fiscal year may be considered relevant, provided:

- i. that such portion is for at least a three-month period;
- ii. that such portion of the current fiscal year and such comparable portion of the last complete fiscal year are adequately disclosed in the prospectus or offering circular; and
- iii. that the net earnings per share for such portion added to the net earnings per share for the appropriate portion of the last complete fiscal year, equal a sum not less than one twenty-fifth of the offering price or such other fraction of the offering price as may be appropriate in the discretion of the commissioner when the proposed offering price is in excess of 25 times earnings as described above, the burden shall be on the applicant to provide information with respect to industry or current general market as may be sufficient to permit determination by the commissioner that the proposed price/earnings multiple is not excessive or not based on unsound business principles.

d. The offering price shall be reasonably related to the book value of the securities, with appropriate adjustment for the earnings history of the issuer and its general business and for reasonable appraisals or valuation of the market value of its assets, shown to the satisfaction of the commissioner. The commissioner may require an applicant for registration to submit sufficient information to make his determination under this standard.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 51:707 and R.S. 51:708.

**HISTORICAL NOTE:** Adopted by the Commissioner of Securities, November 9, 1971.

### **§515. Rights of Security Holders**

A. Voting Rights of Common Stock. The offering or proposed offering of securities of an issuer having more than one class of common stock authorized shall generally be considered unsound and unfair to public investors if the class of shares of common stock offered to the public:

1. has no voting rights; or
2. (except in exceptional circumstances) has less than equal voting rights, in proportion to the shares of each class outstanding, on all matters, including the election of members of the board of directors of the issuer.

B. Nonvoting Stock. Registration by qualification involving the sale of nonvoting common stock will not be permitted unless:

1. the corporation registering securities by qualification has been engaged in its business for at least two years prior to the registration;
2. dividend rights on voting and nonvoting stock are equal per share;
3. full and complete disclosure is made to the prospective purchaser and imprinted on the cover of the prospectus in bold face type in a contrasting color, the following notation:

"THESE SECURITIES DO NOT ENTITLE THE  
HOLDER THEREOF TO VOTE"

C. Voting Rights of Preferred Stock. In the case of an offering or proposed offering of preferred shares (which are nonparticipating and nonconvertible) without full voting rights, provision should normally be made under which the holders of such preferred shares shall have the right to reasonable representation on the board of directors of the issuer upon default for a reasonable, specified period, whether consecutive or not, of payment of dividends on such preferred shares, which right shall continue until the full payment of all arrears in dividends on such preferred shares. For purposes of this Paragraph, the right to elect a majority of the board of directors is presumptively reasonable.

D. Protective Provisions for Preferred Shares. In the case of an offering or proposed offering of preferred shares (which are nonparticipating and nonconvertible) reasonable protective provisions for the holders of such preferred shares should normally be made, including where appropriate:

1. a provision that the dividends on such shares be cumulative;
2. a provision prohibiting any dividends on common stock during the existence of any arrears on the preferred shares;
3. an appropriate requirement for the approval by the vote or written consent of a specified percentage of the preferred shares of any adverse change in the rights of such shares and of the issuance of any shares having priority over such preferred shares; and

4. appropriate dividend restrictions on the common stock.

E. Debt Securities. The indenture or other instrument pursuant to which nonconvertible debt securities are proposed to be issued should normally provide for the following:

1. a sinking fund provision whereby all or a reasonable portion of the issue is to be retired in installments prior to maturity. The deferral of sinking fund payments and the amount of the balloon payment at maturity which will be permitted will depend upon the financial condition and other circumstances of the issuer;

2. an appropriate negative pledge or equal protection clause restricting the creation of liens on the property of the issuer;

3. if the debt is unsecured, an appropriate restriction on the creation of other funded debt;

4. an appropriate restriction on the payment of dividends upon stock of the issuer. Such provisions will not be required in connection with debt securities having a rating making such provisions unnecessary.

F. Trust Indentures. In the case of an offering or proposed offering of debt securities to be secured by mortgage, pledge or security agreement respecting real and/or personal property of the issuer, such debt securities will normally be required to be issued under a trust indenture. In the case of an offering or proposed offering of debt securities which are not secured, the issuance of such debt securities under a trust indenture may be required where appropriate. The form and substance of any such trust indenture shall be subject to the approval of the Commissioner of Securities. A trust indenture complying with the provisions of the Trust Indenture Act of 1939 is presumptively sufficient. The requirement of issuance of debt securities under a trust indenture pursuant to this Paragraph may be required, where appropriate, whether or not a trust indenture would be required pursuant to the provisions of the Trust Indenture Act of 1939.

G. Convertible Senior Securities. In the case of an offering or proposed offering of convertible preferred shares, convertible debt securities, options or warrants, provisions should normally be made containing an appropriate antidilution provision providing for an adjustment of the number of shares into which such shares or units are convertible or the number of shares purchasable pursuant to such options or warrants upon any stock split or stock dividend or other recapitalization of the issuer.

H. Assessments. Securities should be nonassessable, except that issuers organized solely to supply services or property to their members on a continuing basis may provide for an equitable assessment corresponding to the services or property supplied.

I. Restrictions on Transfer. No application or notification will be approved to issue securities the transfer of which is subject to any restrictions imposed by the charter documents of the issuer or the indenture or other instrument pursuant to which the securities are issued. Limited offering

qualifications may be approved for the issuance of securities subject to such restrictions, provided they are not of such a nature as to unfairly prejudice the opportunity of the holder to realize a reasonable price for his securities. Provisions which base the price at which the corporation or the other shareholders may purchase the securities, in the event of a desire to sell by the holder, upon the offer received from a third party, upon the appraised value of the securities, or upon the book value (except in the case of a type of business where book value is not a significant indication of the value of the securities) are presumptively reasonable. Provisions which base the price upon the par value or original purchase price, or which absolutely prohibit the transfer of securities or permit such transfer only upon the consent of the corporation or the other shareholders, or which give an option to the corporation or the other shareholders to purchase, regard less of the desire of the holder to sell (other than for a limited time upon termination of employment in the case of employees of the issuer or for a limited time upon the death of a holder) will only be permitted in unusual circumstances.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:707 and R.S. 51:708.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

## Chapter 7. Private Offering Exemptions

### §701. Preliminary Notes

A. The exemption contained in §703 of this Chapter is intended to provide a state safe-harbor exemption for private placements similar to the federal exemption provided by Rules 501, 502, 503, 505, 506, 507 and 508 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended. The exemption contained in §705 of this Chapter is intended to provide a state exemption similar to the federal exemption provided by §4(2) of the Securities Act of 1933. As with the federal §4(2) exemption, the determination whether an offer or sale does not involve any public offering is to be made upon the basis of a consideration of all the relevant facts.

B. Nothing in Chapter 7 is intended to or should be construed as in any way relieving issuers or persons acting on behalf of issuers from providing disclosure to prospective investors adequate to satisfy the anti-fraud provisions of the Louisiana Securities Law.

C. In view of the objective of this Chapter and the purposes and policies underlying the Louisiana Securities Law, these exemptions are not available to any issuer with respect to any transaction that, although in technical compliance with this Chapter, is part of a plan or scheme to evade registration or the conditions or limitations explicitly stated in this Chapter.

D. Nothing in this Chapter is intended to relieve registered dealers or salesmen from the due diligence, suitability or know-your-customer standards or any other requirements of law otherwise applicable to such registered persons.

E. Attempted compliance with the following Sections of this Chapter does not act as an exclusive election the seller can also claim the availability of any other applicable exemption.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:709(15).

HISTORICAL NOTE: Promulgated by the Department of Commerce, Office of Financial Institutions, LR 10:742 (October 1984), amended by the Department of Economic Development, Office of Financial Institutions, LR 16:677 (August 1990).

**§703. Uniform Limited Offering Exemption**

A. By authority delegated to the commissioner in R.S. 51:709(15) to promulgate rules thereunder, a transaction described in Subsection B is determined to be exempt from the registration provisions of R.S. 51:705.

B. Any offer or sale of securities offered or sold in compliance with the Securities Act of 1933, Regulation D, Rules 230.501-503 and 230.507-508, and any one of 230.505, or 230.506, as made effective in Release No. 33-6389 and as amended in Release Nos. 33-6437, 33-6663, 33-6758 and 33-6825 and as may be hereafter amended from time-to-time, and which satisfies the following further conditions and limitations.

1. No commission, fee or other remuneration shall be paid or given, directly or indirectly, to any person for soliciting any prospective purchaser in this state unless such person is appropriately registered in this state. It is a defense to a violation of this Paragraph B.1 if the issuer sustains the burden of proof to establish that it did not know and in the exercise of reasonable care could not have known that the person who received a commission, fee or other remuneration was not appropriately registered in this state.

2. No exemption under this Section shall be available for the securities of any issuer if any of the parties described in Securities Act of 1933, Regulation A, Rule 230.252 Sections (c), (d), (e) or (f):

a. has filed a registration statement which is the subject of a currently effective registration stop order entered pursuant to any state's securities law within five years prior to the filing of the notice required under this exemption;

b. has been convicted within five years prior to the filing of the notice required under this Section of any felony or misdemeanor in connection with the offer, purchase or sale of any security or any felony involving fraud or deceit, including but not limited to forgery, embezzlement, obtaining money under false pretenses, larceny or conspiracy to defraud;

c. is currently subject to any state administrative enforcement order or judgment entered by the state securities administrator within five years prior to the filing of the notice required under this Section or is subject to any state's administrative enforcement order judgment in which fraud or deceit, including but not limited to making untrue statements of material facts and omitting to state material facts, was found and the order or judgment was entered within five years prior to the filing of the notice required under this exemption;

d. is subject to any state's administrative enforcement order or judgment which prohibits, denies or revokes the use of any exemption from registration in connection with the offer, purchase or sale of securities;

e. is currently subject to any order, judgment, or decree of any court of competent jurisdiction temporarily or preliminarily restraining or enjoining such party from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving the making of false filing with the state entered within five years prior to the filing of the notice required under this Section:

i. the prohibitions of Subparagraphs 2.a-c and e above shall not apply if the person subject to the disqualification is duly licensed or registered to conduct securities-related business in the state in which the administrative order or judgment was entered against such person or if the broker/dealer employing such party is licensed or registered in this state and the Form B-D filed with this state discloses the order, conviction, judgment or decree relating to such person. No person disqualified under this Paragraph 2 may act in a capacity other than that for which the person is licensed or registered;

ii. any disqualification caused by Paragraph 2 is automatically waived if the state securities administrator or agency of the state which created the basis for disqualification determines upon a showing of good cause that it is not necessary under the circumstances that the exemption be denied.

3. If notice on Form D is then required by Regulation D under the Securities Act of 1933 to be filed with the Securities and Exchange Commission by the issuer, then the issuer shall file with the commissioner a notice on Form D (17 CFR 239.500):

a. no later than 15 days after the receipt of consideration from an investor in this state that results from an offer being made in reliance upon this exemption and at such other times thereafter and in the form required under Regulation D, Rule 230.503 to be filed with the Securities and Exchange Commission;

b. the notice shall contain an undertaking by the issuer to furnish to the commissioner, upon written request, the information furnished by the issuer to offerees, except where the commissioner pursuant to regulation requires that the information be filed at the same time with the filing of the notice;

c. unless otherwise available, included with or in the initial notice shall be a consent to service of process;

d. a person filing the initial notice provided for in Subparagraph 3.a above shall pay a filing fee of \$300.

4. In all sales to non-accredited investors in this state the issuer and any person acting on its behalf shall have reasonable grounds to believe and after making reasonable inquiry shall believe that one of the following conditions is satisfied.

a. The investment is suitable for the purchaser upon the basis of the facts, if any, disclosed by the purchaser as to his other security holdings and as to his financial situation and needs. For the purpose of this condition only, it may be presumed that if the investment does not exceed 25 percent of the investor's net worth, it is suitable.

b. The purchaser either alone or with his/her purchaser representative(s) has such knowledge and experience in financial and business matters that he/she is or they are capable of evaluating the merits and risk of the prospective investment.

C. Transactions which are exempt under this Section may not be combined with offers and sales exempt under any other section of the Louisiana Securities Law; 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.

D. Any general partner, or executive officer of any general partner, of an issuer or executive officer of an issuer, shall not be deemed to be in violation of §703.B.1 so long as he is not paid or given, directly or indirectly, any commission, fee, or other remuneration for soliciting any prospective purchaser in this state and such solicitation activities do not constitute his principal service to such issuer or such partner of such issuer. Such persons shall not be deemed to have received a commission, fee, or other remuneration within the meaning of §703.B.1 by reason of having received payments from an issuer or from a partner of an issuer for services performed for the payor that are not directly related to the solicitation of prospective purchasers.

E. The commissioner may, by rule or order, increase the number of purchasers or waive any other conditions of the exemption.

F. The exemption authorized by this Section shall be known and may be cited as the "Uniform Limited Offering Exemption."

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:709(15).

HISTORICAL NOTE: Promulgated by the Department of Commerce, Office of Financial Institutions, LR 10:742 (October 1984), amended by the Department of Economic Development, Office of Financial Institutions, LR 16:677 (August 1990).

#### **§705. Private Offering Exemption**

A. By authority delegated to the commissioner in R.S. 51:709(15) to promulgate rules thereunder, a transaction described in Subsection B is determined to be exempt from the registration provisions of R.S. 51:705.

B. Any offer or sale of securities, other than an offer or sale described in §703.B, made in compliance with §4(2) of the Securities Act of 1933 and which satisfies the following further conditions and limitations.

1. The transaction meets the requirements of §703.B.1.

2. The transaction meets the requirements of §703.B.2.

3. Neither the issuer nor any person acting on its behalf shall offer or sell the securities by any form of general solicitation or general advertising, including, but not limited to, the following:

a. any advertisement, article, notice, or other communications published in any newspaper, magazine or similar media or broadcast over television or radio; and

b. any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

4.a. Any offer or sale not involving any public offering so long as:

i. the issuer or other seller shall reasonably believe that there are no more than 35 purchasers of securities from the issuer or other seller in any offering during any period of 12 consecutive months; and

ii. the buyers represent that they are buying for investment and not for public distribution or resale.

b. For purposes of calculating the number of purchasers under this Paragraph 4, Rule 501(e) promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, as that rule now exists and as it may hereafter be amended from time-to-time, shall apply.

c. For purposes of determining whether a purchaser is a resident of Louisiana within the meaning of this Paragraph 4, Rule 147(d) promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, as that rule now exists and as it may hereafter be amended from time-to-time, shall apply.

5. The transaction meets the requirements of Rule 502(d) promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, as that rule now exists and as it may hereafter be amended from time-to-time.

C. Without excluding other types of communications which may not constitute general solicitation or general advertising, the following types of communications shall not be deemed to violate the prohibitions of §705.B.3 of this Section:

1. a notice, circular, advertisement, letter, article, or other communication published or transmitted by an issuer, a sponsor, a dealer or an affiliate of an issuer, whether or not such communication is published during the time when an offering (the "current offering") is being made by such issuer, sponsor, dealer, or affiliate, that another offering has been completed, that another program has sold property owned by such program, that another program has been completed, or any similar notice not making any reference to the current offering;

2. generic advertising by a dealer which refers to the types of investments offered by such dealer and which does not make reference to any specific offering sponsored by the dealer or an affiliate of the dealer;

3. a notice, circular, advertisement, letter, article or other communication concerning the business of the issuer, a sponsor or one or more of their affiliates or concerning the industry in which the issuer, a sponsor or one or more of their affiliates is engaged and which communication does not make reference to the offering of securities by the issuer, the sponsor or their affiliates;

4. an article, speech, letter or other communication concerning the issuer, a sponsor, a dealer or one or more of their affiliates which is not paid for by any of such persons, and which is by nature more educational or informative than solicitatory, even though such article, speech, letter or other communication makes reference to offerings by such persons in general;

5. an article, speech, letter or other communication concerning the issuer, a sponsor, a dealer or one or more of their affiliates, which is not paid for by any of such persons, which is by nature more educational or informative than solicitatory, and which is published by someone other than such issuer, sponsor, dealer or one or more of their affiliates, even though such article, speech, letter or other communication makes references to offerings of such persons in general and to specific offerings of such persons currently being made;

6. a seminar or meeting whose attendees have not been invited by any general solicitation or general advertising.

D.1. For purposes of this Section, offers and sales that are made more than six months before the start of an offering or are made more than six months after completion of an offering will not be considered part of that offering, so long as during those six-month periods there are no offers or sales of securities by or for the issuer that are of the same or similar class as those offered or sold under the offering, other than those offers or sales of securities under an employee benefit plan as defined in Rule 405 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

2. For purposes of this Section, offers, offers to sell, offers for sale and sales of interests, including preformation interests, in a partnership shall be deemed to constitute a discrete offering not integrable with other offers or sales of interests in other entities involving the same sponsor or an affiliate thereof (a common sponsor), even if other safe harbor provisions provided by rule and administrative or judicial interpretation are not available, if all of the following conditions are met. No presumption shall arise as to whether offerings that do not meet all of the following conditions are integrable with other offerings, and the administrative and judicial interpretations on integration in effect at the time thereof shall apply.

a. Separate Entity. The partnership shall be a separate legal entity with separate books and records, and funds received by or contributed to the partnership shall not be commingled with funds of a common sponsor or any other entity with a common sponsor.

b. Economic Independence. The partnership shall, at the time interests therein are offered and sold, have an independent opportunity to meet its primary investment objectives, i.e., the economic results of its investments shall not be substantially dependent upon the creation, continued existence or economic results of the investments of another entity previously, simultaneously, or subsequently formed with a common sponsor.

c. Application of Proceeds. Whether or not the assets in which the partnership proposes to invest are specifically identified to offerees, no material portion of the gross offering proceeds of the partnership shall be invested in properties in which another entity with a common sponsor shall invest, or shall have invested (and continue to hold invested) a material portion of its gross offering proceeds.

d. If the assets in which the partnership intends to invest at least 50 percent of its gross offering proceeds as its principal business or businesses are not specifically identified to offerees, then:

i. each other entity with a common sponsor previously formed to conduct the same general types of activities shall have invested or committed for investment the major portion of its gross offering proceeds prior to the commencement of the offering of the partnership interests; and

ii. no simultaneous or subsequent offering of interests in another entity with a common sponsor organized for the same general types of activities shall be commenced before the partnership has invested or committed for investment the major portion of its gross offering proceeds, unless the assets in which such other entity intends to invest at least 50 percent of its gross offering proceeds are specifically identified to its offerees.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:709(15).

HISTORICAL NOTE: Promulgated by the Department of Commerce, Office of Financial Institutions, LR 10:742 (October 1984), amended by the Department of Economic Development, Office of Financial Institutions, LR 16:678 (August 1990).

#### **§707. Effective Date of Chapter 7**

A. This Chapter 7 shall become effective upon publication in the *Louisiana Register* §§701-725, both inclusive, of Chapter 7 of Title 10, Part XIII of the *Louisiana Administrative Code*, which includes the private offering exemption rules adopted by the commissioner effective October 20, 1984, as supplemented on March 20, 1987, are hereby rescinded in their entirety and shall be null and void on and after the effective date of this Chapter 7.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:709(15).

HISTORICAL NOTE: Promulgated by the Department of Commerce, Office of Financial Institutions, LR 10:742 (October 1984), amended by the Department of Economic Development, Office of Financial Institutions, LR 16:679 (August 1990).

## Chapter 8. Compensatory Benefit Plans

### §801. Compensatory Benefit Plan Exemption

A. By authority delegated to the commissioner in R.S.51:709(15) to promulgate rules thereunder, a security or transaction described in Subsection B is determined to be exempt from the registration requirements of R.S.51:705.

B. Offers or sales of a security by an issuer pursuant to a written compensatory benefit plan or contract, including, without limitation, a purchase, savings, option, bonus, salary appreciation, profit-sharing, thrift, incentive, pension or similar plan, and interests in any such plan, provided that the offers and sales qualify for use of the registration exemption in Rule 230.701 under Section 28 of the Securities Act of 1933.

AUTHORITY NOTE: Promulgated in accordance with R.S.51:709(15)

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 34:2125 (October 2008).

## Chapter 9. Oil and Gas Auction

### §901. Oil and Gas Auction Exemption

A. Mineral interest definition for purposes of this rule only, "mineral interest" an interest in or under an oil, gas, or mining lease, fee, or title, including real property from which the minerals have not been covenanted, 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 R.S. 51:705, if all of the following conditions are met.

B. Auctioneer. The auctioneer or auction company through which the mineral interest is offered or sold must be licensed as a dealer by the Louisiana Commissioner of Securities in accordance with R.S. 51:703.

C. Seller

1. 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.

2. No Fractionalization of Mineral Interest

a. The seller has the full right and authority to sell the mineral interest and is selling 100 percent 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 Subparagraph b below.

b. 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 servers the property by retaining all of its existing rights in certain formations or depths under the whole property.

D. The mineral interest offered or sold pursuant to this rule does not constitute an investment contract.

E. Purchaser

1. 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:

- a. has no business relationship with the seller;
- b. represents only the purchaser and not the seller;

and

- c. is compensated only by the purchaser.

2. Financial Ability. The purchaser has sufficient financial resources in order to bear the risk of loss attendant to the purchase of the property.

3. 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 §901.A and B. This requirement could be met by obtaining a document signed by the purchaser to the effect that the purchaser meets these conditions.

F. Auction. For purposes of this rule only, *auction* shall mean the sale of the seller's mineral interest by public outcry.

G. 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.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:710(D) and 709(15).

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of Financial Institutions, Commissioner of Securities, LR 18:1115 (October 1992).

## Chapter 11. Stock Exchanges

### §1101. Stock Exchanges Exemption

A. Securities listed on the Chicago Board Options Exchange, Inc., shall be exempt from the securities registration requirements of R.S. 51:705.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:710(D) and 708(b).

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of Financial Institutions, Commissioner of Securities, LR 18:1116 (October 1992).

**§1103. Form A. Schedule A—Outline of Prospectus**

A. Front Cover—Preface. The following is the form of the outline of a prospectus as suggested by the Commissioner of Securities of the State of Louisiana. This form is a suggested guide only and is not intended to limit disclosure in any manner where appropriate or necessary. The Commissioner of Securities of the State of Louisiana reserves the right to require additional disclosure.

1. Description of Securities Being Offered:

PROSPECTUS  
THE \_\_\_\_\_ COMPANY  
000,000 (Number of Shares) of Capital Stock  
Par Value \$0.00 per share  
\$000,000 (Total Principal Amount) of Debt Securities  
Face Amount \$0.00 per unit

a. When more than one security is offered in units, describe briefly but clearly, the composition of such units.

B. Speculative Securities. There shall be set forth on the outside front cover page of every prospectus relating to a registrant under this law which:

1. has not been engaged in the business in which it is then engaged in for five years; or

2. has not had a net profit in each of the last three years, the following statement in capital letters printed in bold-face Roman type at least as large as 10-point modern type and at least two points leaded:

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK

C. Information Relative to Description of Securities

1. Describe herein the securities or units which will be sold through this prospectus. If only one type of security; i.e., common stock, debentures, shares of beneficial interest, etc. is to be sold in this offering, then the description given in Paragraph A.1 will be sufficient.

2. If present shareholders are selling their securities, the number and type of the securities to be sold by the shareholders and by the registrant should be clearly stated here.

D. Determination of the Public Offering Price

1. If there has been no public market prior to this offering, the statement below, or one similar to it should follow here:

"Prior to this offering there has been no public market for the company's common stock. The public offering price has been arbitrarily determined solely by negotiations between the company, the selling shareholders (if applicable), and the underwriters."

2. If the company plans to apply for an exchange listing of the securities it is selling via this prospectus, then this should be stated herein.

E. The following statements shall be set forth on every prospectus in capital letters printed in bold-face Roman type at least as large as 10-point modern type and at least 1-points leaded:

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSIONER OF SECURITIES OF THE STATE OF LOUISIANA (or—THE SECURITIES and EXCHANGE COMMISSION—If the offering is registered with the United States Securities and Exchange Commission) NOR HAS THE COMMISSIONER OF SECURITIES OF THE STATE OF LOUISIANA (or—THE SECURITIES EXCHANGE COMMISSIONER—if the offering is registered with the United States Securities and Exchange Commission) PASSED UPON ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

F. Pricing Information

	Price to Public	Underwriting Discounts or Commissions	Net Proceeds to Company
Per Unit	\$ 0.00	\$ 0.00	\$ 0.00
Total Offering	\$00,000.00	\$ 00,000.00	\$ 00,000.00

1. Any variation from the price set forth in the first column of the table at which any proportion of the offering is to be made to any person or class of persons other than the underwriters shall be disclosed following the table with a reference thereto in the first column of the table. Specify the person or class and the proposed offering price to such person or class.

2. The term *commissions* means all cash commissions or discounts paid or to be paid, directly or indirectly, by the registrant or selling security holders to the underwriters in respect of the sale of the security to be offered. A commission paid or to be paid in connection with the sale of such security by a person in which the registrant has an interest or which is controlled or directed by, or under common control with the registrant, shall be deemed to have been paid by the registrant. Only commissions paid by the registrant or selling security holders are to be included in the table. Commissions paid by other persons shall be set forth following the table with a reference thereto in the second column of the table.

3. If securities, contracts or anything else of value (other than cash) are to accrue to the underwriters in connection with the offering, the amount and nature of such considerations shall be set forth following the table with a reference thereto in the second column of the table.

4. If any finder's fees are to be paid in connection with the offering, the name of each recipient thereof, together with the amount and nature of the fee, shall be set forth following the table with a reference thereto in the second column of the table.

5. If the securities to be offered are to be sold directly to the public by the company through licensed agents of the company, officers and directors of the company will not be paid any commissions on the sale of securities being offered. A statement to that effect must be made on the front page of the prospectus, following the table with a reference thereto in the second column of the table.

6. If the underwriting discounts or commissions are variable, set forth their maximum and minimum amounts in the second column of the table and set forth the maximum and minimum proceeds in the third column of the table. The basis of determining such discounts and commissions shall be set forth following the table with a reference thereto in the second and third columns of the table.

7. An estimate of the aggregate selling expenses (other than underwriting discounts and commissions and finder's fees) payable by the registrant or selling security holders shall be set forth following the table with a reference thereto in the third column of the table. Such estimate shall include printing, legal, engineering, accounting and other charges.

8. If a best effort underwriting, or if offered through the registrant's licensed agents, reference should be made to the third column to the table stating that "there is no assurance that all or any of the units offered will be sold and hence the proceeds to be received by the company are shown on the assumption that all shares will be sold."

9. If it is impracticable to state the price to the public, the method by which it is to be determined shall be explained. In addition, if the securities are to be offered at the market, indicate the market involved and the market price as of the latest practicable date.

10. If any of the securities being registered are to be offered for the account of security holders, refer on the outside front cover page of the prospectus to the information called for.

G. Special Features of the Offering. If any of the following are involved in this offering, a statement setting out each such feature shall be printed in capital letters in bold-face Roman type at least as large as 10-point modern type and at least 2-point leaded:

1. SPECIAL RISKS CONCERNING THE COMPANY—should be in similar 10-point type. (Refer readers to "Introductory Statement—Risk Factors.")

2. SUBSTANTIAL IMMEDIATE DILUTION OF THE INVESTMENT MADE BY THE PURCHASERS OF THE SHARES OFFERED HEREBY. (Refer Readers to "Introductory Statement—Dilution.")

3. SIGNIFICANT ADDITIONAL UNDERWRITING COMPENSATION THROUGH THE SALE TO name of the underwriter, THE REPRESENTATIVE OF THE UNDERWRITERS, (Relate here to the reader any warrants, stock options, or other such securities sold to the underwriter as additional compensation.) (Refer the reader to "Underwriting" for a description of such warrants, options, etc.)

H. Nature of Offering. State clearly the nature of the underwriter's obligation to take the securities.

I. Underwriter. The name of the underwriter should follow here in bold-face roman type at least as large as 10-point modern type and at least 2-point leaded. The address of the underwriter and the effective date of the prospectus should also be stated here. For intrastate issues, the following statement must appear in capital letters,

printed in bold-face roman type at least as large as 10-point modern type and at least 2-point leaded:

THESE SECURITIES ARE OFFERED BY PROSPECTUS ONLY TO BONA FIDE RESIDENTS OF LOUISIANA.

J. Example of the Front Cover

200,000 Shares

NO NAME COMPANY, INC.

Common Stock

(\$ .10 Par Value)

THESE SHARES INVOLVE A HIGH DEGREE OF RISK

The company has not heretofore actively engaged in business and is in the process of commencing operations. Prior to this offering there has been no market for its common stock. The public offering price of the common stock offered hereby has been arbitrarily determined by negotiation between the company and the underwriters. The underwriters are offering these shares on a firm-commitment basis, subject to certain conditions referred to below.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts or Commissions(1)	Proceeds to Company(2)
Per Share	\$	\$	\$
Total	\$	\$	\$

1. The company has agreed to reimburse the representative of the underwriters for its costs in connection with this offering, up to a maximum of \$ \_\_\_\_\_ (\$ per share), which is included in the foregoing table. The table does not include substantial additional underwriting compensation to be received by the representative through the issuance to it of warrants. See c. below.

2. Before deducting expenses estimated at \$ . . . . . This offering involves the following.

a. Special Risks Concerning the Company. See "Introductory Statement—Risk Factors" on page 3.

b. Substantial immediate dilution of the investment made by the purchasers of the shares offered hereby. See "Introductory Statement—Dilution" on page 4.

c. Significant additional underwriting compensation through the sale to \_\_\_\_\_, the representative of the underwriters, for \_\_\_\_\_ of warrants to purchase \_\_\_\_\_ shares of the company's common stock, exercisable during the four-year period commencing one year from the date of this prospectus. See "Underwriting" on page 16.

The shares of common stock are offered when, as and if delivered to and accepted by the underwriters, subject to prior sale, to approval of certain legal matters by counsel for the company and by counsel for the underwriters and to certain other conditions.

JOHN DOE SECURITIES CORPORATION

The date of this Prospectus is . . . . . 1970

**K. Inside Front Cover or Back Cover**

**1. Statements Relative to Offers or Solicitations of Sale by Prospectus**

a. There shall be set forth on the inside front cover or the rear cover of every prospectus the following statements in capital letters printed in bold-face roman type.

i. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this prospectus, in connection with the offer contained in this prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the company or the underwriter. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the securities by anyone, in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the company since the date hereof.

ii. This prospectus does not contain all of the information set forth in the registration statement filed with the Commissioner of Securities of the State of Louisiana, New Orleans, LA 70112 (or Securities and Exchange Commission, Washington, D.C. 20549, where applicable). For further information with respect to the company and the securities offered by this prospectus, reference is made to the registration statement, including the financial statements, schedules and exhibits filed as a part thereof.

b. There shall also be set forth on the inside front cover of every prospectus dealing in a firm commitment offering the following or similar statement printed in bold-face type.

For a period of 90 days from the date of this prospectus, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

**2. Table of Contents**

a. This table has been set forth as a guide for the assistance of the registrant and may be varied from by the particular registrant. Sections that do not apply should be omitted and additional Sections should be added where applicable. In all cases list all Sections with its corresponding page number.

TABLE OF CONTENTS

ITEM	PAGE NO.
Introductory Statement	_____
1. Background of the Registrant	_____
2. Risk Factors	_____
3. Dilution	_____
Application of Proceeds	_____
Capitalization	_____
Summary of Earnings	_____

Dividends	_____
1. Price Range of Common Stock	_____
Description of Business	_____
1. Proposed Business	_____
2. Products	_____
3. Supplies	_____
4. Servicing	_____
5. Backlog	_____
6. Patents	_____
7. Competition	_____
8. Employees	_____
9. Customers	_____
10. Foreign Sales	_____
11. Company Growth	_____
12. Recent Developments	_____
13. Etc.	_____
Description of Property	_____
Regulations	_____
Management	_____
1. Directors and Executive Officers	_____
2. Positions held	_____
3. Qualifications	_____
4. Remuneration	_____
5. Stock Option Plan	_____
Principal Holders of Equity Securities	_____
Certain Transactions	_____
1. Escrow Provisions	_____
2. Sales Otherwise than for cash	_____
3. Selling Securities Holders	_____
Description of Securities	_____
Being Registered	_____
1. Undertaken to report annually to stockholders	_____
Underwriting	_____
Opinions	_____
1. Legal Opinions	_____
2. Experts Opinions	_____
3. Additional Information	_____
Report of Independent Public Accountants	_____
Financial Statements	_____
1. Balance Sheets	_____
2. Statement of operating expenses	_____
3. Notes to Financial Statement	_____

3. Statement as to Stabilizing

a. If the registrant or any of the underwriters knows or has reasonable grounds to believe that there is an intention to over allot or that the price of any security may be stabilized to facilitate the offering of the registered securities, there shall be set forth, either on the outside front cover page or on the inside front cover page of the prospectus, a statement in substantially the following form, subject to appropriate modifications where circumstances require. Such statement shall be in capital letters, printed in bold-face roman type at least as large as 10-point modern type and at least 2-point leaded.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF (identify each class of securities in which such transactions may be effected) AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

b. If the stabilizing began prior to the effective date of the registration, set forth in the prospectus the amount of securities bought, the prices at which bought and the period within which they were bought.

L. Body of Prospectus

1. Introductory Statement

a. Background of the Registrant. State the year in which the registrant was organized, its form or organization, and the name of the state under the laws of which it was organized, and a brief statement as to the type of business in which the company is engaged, or in which it proposes to engage. Also state the names of the person or persons considered to be the parents of the registrant.

b. Risk Factors. Set out a brief succinct summary of the risk factors with reference to a supporting explanation as set forth in the body of the prospectus. The risk factors should include but are not to be limited by the following suggested topics.

i. Competition in this type of business, whether competitive companies are larger than you own, and are they well established.

ii. How was the public offering price established?

iii. Has there been a public market for the shares? The following statement or one similar to it may be used:

"There is no market for the company's common stock and it is unlikely that a market will develop as a result of this offering. Consequently, investors may not be able to resell any shares purchased should they need or wish to do so for emergency purposes or otherwise."

iv. If the company is newly organized, without history or past business, so state. A statement similar to the following may be used:

"The company is still in the development stage, has not commenced its proposed business activities and has no property or assets other than those shown on the financial statements herein."

v. Will any of the proceeds of the offering be placed in escrow until such time as a definite dollar amount of stock has been sold? If so, state the escrow arrangements. If the definite dollar figure is not reached, are the funds returned to the investor?

vi. If it is necessary for the company to raise a definite amount with which to start business, indicate that there can be no assurance of any return on the investment, even if sufficient funds are raised.

vii. If the type of business in which you are engaged does not ordinarily earn profits from the outset, so state and fully explain.

viii. If the officers, directors or promoters are receiving or have received salaries, fees or other compensation from the company, indicate the amounts, how paid, and services rendered.

ix. If the officers or directors have little or no experience in the venture in which they are about to undertake via this offering, this should be stated clearly.

x. If the company is to be the underwriter for its own securities, so state, and clearly indicate that no officers or directors shall receive a commission for the sale of its securities.

c.i. Dilution Aspects of the Offering. Provide in detail the number of shares purchased by officers, directors, promoters and insiders at prices less than the public offering price, the consideration paid for such stock and, the book value of the stock prior to the offering, immediately after the offering, assuming all of the stock is sold, and the benefit to the officers, directors, promoters and insiders in increased book value.

ii. Provide figures setting out the number of shares owned by officers, directors, promoters and insiders, the consideration paid for such shares and the percentage of the total class of shares to be outstanding after the public offering that these shares represent. Set out the number of shares the public will own, the total consideration paid for such shares and the percent of the total class of shares that the public will own.

iii. The following dilution statement or one similar to it may be used.

"As of (date), the shares of the company's common stock had a net tangible book value of \$ \_\_\_\_\_ per share. After giving effect to the net proceeds received from this offering, such book value will increase to \$ \_\_\_\_\_ per share. Thus the public shareholders will have paid \$ \_\_\_\_\_ per share for common stock having a net tangible book value of \$ \_\_\_\_\_ per share and will sustain an immediate dilution of \$ \_\_\_\_\_ per share. On the other hand, the private investors will enjoy a gain in the net tangible book value of \$ \_\_\_\_\_ per share."

"Upon completion of this offering, the purchasers of the shares offered by this prospectus will own approximately \_\_\_\_\_ percent of the company's outstanding common stock for which they will have paid an aggregate of \$ \_\_\_\_\_ (\$ \_\_\_\_\_ per share) whereas the private investors will own approximately \_\_\_\_\_ percent of the shares outstanding for which they paid approximately \$ \_\_\_\_\_ (average price \$ \_\_\_\_\_ per share)."

"As of (date), options to purchase an aggregate of \_\_\_\_\_ shares of the company's common stock at prices ranging from \$ \_\_\_\_\_ to \$ \_\_\_\_\_ per share were outstanding (see "Stock Options and Warrants"). If all outstanding stock options and warrants were exercised subsequent to the public offering, the net tangible book value of the shares offered by this prospectus would be \$ \_\_\_\_\_ (\$ \_\_\_\_\_ per share), or approximately \_\_\_\_\_ percent of the public offering price."

2. Application of Proceeds

a. State the principal purposes for which the net proceeds to the registrant from the offering are to be used, the approximate amount to be used for each such purpose and the order of priority in which the proceeds are to be used for each such purpose.

b. Describe any arrangements for the return of funds to subscribers if all of the securities to be offered are not sold; if there are no such arrangements, so state.

i. Details of proposed expenditures are not to be given; for example, there need be furnished only a brief outline of any program of construction or addition of equipment.

ii. Include a statement as to the use of the actual proceeds if they are not sufficient to accomplish the purposes set forth and the order of priority in which they will be applied.

iii. If any material amount of other funds are to be used in conjunction with the proceeds, state the amounts and sources of such other funds.

iv. If any material amount of the proceeds is to be used to acquire assets, otherwise than in the ordinary course of business, briefly describe the assets and give the names and addresses of the persons from whom they are to be acquired. State the purchase price of the assets, the names of any persons who have received or are to receive commissions in connection with the acquisition, the amounts of such commissions and any other expense in connection with the acquisition.

3. Capitalization. Furnish the information called for by the following table in substantially the tabular form indicated, as to each class of securities of the registrant and each class of securities, other than those owned by the registrant of its totally held subsidiaries of all significant subsidiaries of the registrant:

Title of Class	Amount Authorized* or to be Authorized*	Amount Outstanding as of a Specified Date within 90 Days	Amount to be Outstanding if All Securities Being Registered Are Sold
----------------	---	--	--

\*"Authorized" is defined as meaning authorized by charter or indenture or in case of notes or similar securities, by resolution of the board of directors.

a. Securities held by or for the account of the registrant thereof are not to be included in the amount outstanding, but the amount so held shall be stated in a note to the table.

b. If any such securities were issued within the last two years or will be issued for a consideration other than cash at least equal to par value, disclose in appropriate footnotes to the table the amount and kind of such consideration.

4. Summary of Earnings. Furnish in comparative columnar form a summary of earnings for the registrant or for the registrant and its subsidiaries consolidated (or both as appropriate) for each of the last five fiscal years of the registrant; or for the life of the registrant and its immediate predecessors, if less; and for any period between the end of the latest of such fiscal years and the date of the latest balance sheet furnished, and for the corresponding period of the preceding fiscal year. In connection with such summary, whenever necessary, reflect information or explanation of material significance to investors in appraising the results shown, or refer to such information or explanation set forth elsewhere in the prospectus.

a. If any part of the proceeds of the offering is to be applied to the purchase of any business, furnish with respect to such business, the earnings statements required in Paragraph L.4.

5. Dividends. The registrant must state its policy or intended policy concerning dividends in this Section.

6. Price Range of Common Shares. Specify the exchange, if any, or market on which the price of the common shares has been quoted, and give the price range for those shares over the last three years. Furthermore, give the quarterly price range from the end of the last calendar year to the current date.

7. Description of Business

a. Briefly describe the business done and intended to be done by the registrant and its significant subsidiaries and the general development of such business during the past five years. If the business consists of the production or distribution of different kinds of products or the rendering of different kinds of services, indicate, insofar as practicable, the relative importance of each product or service or class of similar products or services which contributed 15 percent or more to the gross volume of business done during the last fiscal year.

b. In describing developments, information shall be given as to matters such as the following: The nature and results of any bankruptcy, receivership or similar proceedings with respect to the registrant or any of its significant subsidiaries; the nature and results of any other materially important reorganization, readjustments or succession of the registrant or any of its significant subsidiaries; the acquisition of any material amount of assets otherwise than in the ordinary course of business; any materially important changes in the types of products produced or services rendered by the registrant and its significant subsidiaries; and any materially important changes in the mode of conducting the business, such as fundamental changes in the methods of distribution.

c. Also, include in the description of business of the registrant, if applicable any awards received by the registrant, any backlog of orders if materially significant, a description of customers if the loss of any particular customer or groups of customers may materially affect the business of the registrant, and statements on any of the following items: employee relations, foreign sales, patents, government contracts, company growth, recent developments, seasonal trends, and trade names.

d. Indicate briefly, to the extent material, the general competitive conditions in the industry in which the registrant and its significant subsidiaries are engaged or intend to engage, and the position of the enterprise in the industry. If several products or services are involved, separate consideration should be given to the principal products or services or classes of products or services.

8. Description of Property

a. State briefly the location and general character of the principal plants, mines and other materially important physical properties of the registrant and its significant subsidiaries. If any such property is not held in fee or is held subject to any major encumbrance, so state and briefly describe how held.

b. The description should be limited to information essential to an investor's appraisal of the securities being registered. In the case of a manufacturing enterprise, for example, the answer should be limited to such over-all statements as will reasonably inform investors as to the suitability, adequacy and productive capacity of the facilities used in the enterprise. In the case of an extra active enterprise, appropriate information should be given as to production and reserves. Detailed descriptions of the physical characteristics of individual properties or legal descriptions by metes and bounds, are not required and should not be given.

9. Regulations. Describe any regulations and/or discretionary controls set upon the registrant by any governmental body or any industry-wide, self-regulatory body which in any manner will materially affect the business of the registrant.

10. Management

a. Directors and Executive Officers. List the names and addresses of all directors and officers of the registrant and all persons chosen to become directors or officers. Indicate all positions and offices with the registrant held by each person named, and the principal occupations during the past five years of each officer and each person chosen to become an officer. State the amount and type of securities of this registrant held by each person named as of a specified date within 30 days of the dating of the registration statement and the amount of the securities covered by the registration statement to which he has indicated his intention to subscribe. If any person chosen to become a director or officer has not consented to act as such, so state.

b. Remuneration

i. Furnish the following information in substantially the tabular form indicated below as to all direct remuneration paid by the registrant and its subsidiaries during the registrant's last fiscal year to the following persons for services in all capacities.

(a). Each director, and each of the three highest paid officers of the registrant whose aggregate direct remuneration exceeded \$30,000 (\$12,000 if intrastate offering only) naming each such person.

(b). All directors and officers of the registrant as a group without naming them.

(A) Name of Individual or Identity of Group	(B) Capacities in which Remuneration Was Received	(C) Aggregate Direct Remuneration
--	--	--

ii. This item applies to any person who was a director or officer of the registrant at any time during the fiscal year. However, remuneration is not to be included for any portion of the period during which any such person was not a director or officer of the registrant.

(a). To the extent that such remuneration is to be computed upon the basis of a percentage of profits, it will suffice to state such percentage without estimating the amount of such profits to be paid.

(b). State separately the total amount set aside or accrued during the periods pursuant to all pension, retirement or other offered compensation plans for the benefit of directors or officers.

iii. Furnish the following information, in substantially the tabular form indicated below, as to all pension or retirement benefits proposed to be paid under any existing plan in the event of retirement at normal retirement date, directly or indirectly by the registrant or any of its subsidiaries to each director or officer named.

(A) Name of Individual	(B) Amounts Set Aside or Accrued during Registrant's Last Fiscal Year	(C) Estimated Annual Benefits Upon Retirement
------------------------------	--	--

iv. Describe briefly all remuneration payments proposed to be made in the future, directly or indirectly, by the registrant or any of its subsidiaries pursuant to any existing plan or arrangement to each director or officer of the registrant as a group, without naming them.

11. Options to Purchase Securities. Furnish the following information as to options to purchase securities from the registrant or any of its subsidiaries, which are outstanding as of a specified date within 30 days prior to the date of filing, or which are to be created in connection with the offering.

a. Describe the options, stating the material provisions including the consideration received or to be received by the grantor thereof and the market value of the securities called for on a granting date.

- b. State:
  - i. the title and amount of the securities called for by such options;
  - ii. the purchase prices of the securities called for and the expiration dates of such options; and
  - iii. the market value of the securities called for by such options as of the latest practicable date.
- c.i. State the amount of any such options held or to be held by each of the following persons:
  - (a). any director or officer of the registrant;
  - (b). any security holder named in Paragraph L.11;
  - (c). any person considered to be a promoter of the company;
  - (d). any person on whose behalf any part of the offering;
  - (e). any underwriter or recipient of a finder's fee;
  - (f). any person who holds or will hold 10 percent or more in the aggregate of any such options.

ii. The term *options* as used in this item includes all options, warrants and other rights other than those issued to security holders as such on a pro rata basis.

12. Principal Holders of Equity Securities. Furnish the following information as of a specified date within 90 days prior to the date of filing in substantially the tabular form indicated.

a. As to the voting securities of the registrant owned of record or beneficially by each person who owns of record, or is known by the registrant to own beneficially more than 10 percent of any class of such securities. Show in column (3) whether the securities are owned both of record and beneficially of record only, or beneficially only, and show in columns (4) and (5) the respective amounts and percentages owned in each such manner:

(1) Name and Address	(2) Title of Class	(3) Type of Ownership	(4) Amount Owned	(5) Percent of Class
----------------------------	--------------------------	-----------------------------	------------------------	----------------------------

b. As to each class of equity securities of the registrant or any of its parents or subsidiaries, other than directors' qualifying shares, beneficially owned directly or indirectly by all directors and officers of the registrant, as a group, without naming them:

Title of Class	Amount Beneficially Owned	Percent of Class
----------------	---------------------------	------------------

13. Interest of Management and Others in Certain Transactions

a. Describe briefly and, where practicable, state the approximate amount of any material interest, direct or indirect, of any of the persons specified below in any material transaction during the last three years, or any material proposed transaction, to which the registrant or any of its subsidiaries was or is to be a party:

- i. any director or officer of the registrant;
- ii. any security holder as described in Paragraph L.11;
- iii. any person on whose behalf any part of the offering is to be made in a nonregistrant distribution;
- iv. any person (other than the registrant or its subsidiaries) with whom any of the foregoing persons had a material relationship.

b. State the dates of, the parties to, and the general effect of every management or other material contract made or to be made otherwise than in the ordinary course of business if it is to be performed in whole or in part at or after the filing of the registration statement or was made within the past two years.

14. Escrow Provisions. If the officers, directors, promoters or insiders have stock which is subject to escrow pursuant to any state or federal statute or regulation, make a complete disclosure of the number of shares escrowed, name of persons escrowing said stock, when escrowed and the terms and conditions of said escrow.

15. Sales Otherwise than for Cash. If any of the securities being registered are to be offered otherwise than for cash, state briefly the general purpose of the distribution, the basis upon which the securities are to be offered, the amount of compensation and other expenses of distribution, and by whom they are to be borne.

16. Selling Security Holders. With respect to the registrant and any significant subsidiary of the registrant, state the year in which it was organized, its form of organization (such as "a corporation," "an unincorporated association" or other appropriate statement), the name of the state or other jurisdiction under the laws of which it was organized and the address of its principal executive offices.

17. Description of Securities Being Registered

a. If capital stock is being registered, state the title of the class and outline briefly the following: dividend rights or preferences; voting rights; liquidation rights; pre-emptive rights; conversion rights; redemption provisions; sinking fund provisions, and liability to further assessment.

b. State if any new class of securities is to be created by this offering, and describe any limitation or qualification of the rights of the securities being offered by the rights of any other class of securities.

c. Describe any long-term debt being registered, stating the title of the issue and outline such of the following provisions as are relevant:

- i. interest; maturity; conversion; redemption; amortization; sinking fund or retirement;
- ii. any restrictions on the declaration of dividends or maintenance of any ratio of assets;
- iii. any restrictions on the issuance of any additional securities; and

iv. names of trustee, its material relationships with registrant or affiliates; the percentage of class of securities required for trustee to take action, and what indemnification trustee may require before proceeding to enforce lien.

d. If securities other than capital stock or debt securities are being registered, outline briefly the rights evidenced thereby.

e. Describe also any other material provisions, presenting all the above in language that is non-technical and easily understandable.

18. Undertaking to Report Annually to Stockholders. A statement should be made that: the company's fiscal year ends on date. A financial report prepared and certified by an independent certified public accountant or independent public accountant will be sent to all stockholders each year after the close of the fiscal year. The first report will be sent to the stockholders before date, and annually thereafter. This report will include a balance sheet and profit and loss statement for the preceding fiscal year. This requirement is applicable where securities are being registered for offering on behalf of the registrant.

#### 19. Plan of Distribution

a. If the securities being registered are to be offered through underwriters, give the name of the principal underwriters, and state the respective amounts underwritten. Identify each such underwriter having a material relationship to the registrant and state the nature of the relationship. State briefly the nature of the underwriters' obligation to take the securities.

b. State briefly the discounts and commissions to be allowed or paid to dealers, including all cash, securities, contracts, options, warrants, or other consideration to be received by any dealer in connection with the sale of the securities.

c. Outline briefly the plan of distribution for any securities being registered which are offered other than through underwriters.

20. Pending Legal Proceedings. Briefly describe any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the registrant or any of its subsidiaries is a party or of which any of their property is the subject. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

#### 21. Legal Matters and Statements Made on the Basis of Named Experts

a. State the name and address of counsel passing upon the legality of the securities being offered.

b. State the name and address of the independent public accountant or independent certified public accountant who has certified the financial statements of the registrant included in the registration statement.

c. If an engineer, appraiser or other expert whose profession gives authority to statements made by him is named in the prospectus as having prepared a report which is

used in connection with the registration statement, the name and address of such person should be stated and the statements in the prospectus which are made in reliance upon his opinion as an expert should be identified clearly.

22. Additional Information. The registrant shall furnish the name of the governing body from which additional information not contained in the prospectus, concerning the registrant, may be obtained. A statement such as the following may be written into the prospectus.

"This prospectus does not contain all the information set forth in the registration statement which the company has filed with the Commissioner of Securities of the State of Louisiana, New Orleans, Louisiana, (or the Securities and Exchange Commission, Washington, D.C. where applicable). For further information with respect to the Company and the Securities offered hereby, reference is made to the registration statement, including the exhibits thereto and the financial statements, notes and schedules filed as a part thereof. The registration statement may be inspected without charge at the Office of the Commissioner of Securities, 315 Louisiana State Office Building, New Orleans, LA 70112, (or Securities and Exchange Commission, Washington, D.C. 20549, where applicable) and copies of all or any part thereof may be obtained upon payment of the applicable charges."

23. Opinion of Certified Public Accountant. Reproduce here the statement of the independent public accountant in certification of the financial statements and notes thereunder.

a. The accountant's certificate shall be dated, signed manually, and shall identify without detailed enumeration the financial statements covered by the certificate.

b.i. Representations as to the Audit. The accountant's certificate:

(a). shall state whether the audit was made in accordance with generally accepted auditing standards; and

(b). shall designate any auditing procedures generally recognized as normal, or deemed necessary by the accountant under the circumstances of the particular case, which procedures have been omitted, and the reasons for their omission.

ii. Nothing in this Subsection shall be construed to imply authority for the omission of any procedure which independent accountants would ordinarily employ in the course of an audit made for the purpose of expressing the opinions required by Clause iii below.

iii. Opinions to be Expressed. The accountant's certificate shall state clearly:

(a). the opinion of the accountant in respect of the financial statements covered by the certificate and the accounting principles and practices reflected therein;

(b). the opinion of the accountant as to any material changes in accountant principles or practices, or adjustments of the accounts; and

(c). the nature of, and the opinion of the accountant as to, any material differences between the accounting principles and practices reflected in the financial statements and those reflected in the accounts after the entry of adjustments for the period under review.

iv. Exceptions. Any matters to which the accountant takes exception shall be clearly identified, the exception thereto specifically and clearly stated, and, to the extent practicable, the effect of each such exception on the related financial statements given.

#### 24. Financial Statements

a. Furnish a balance sheet of the registrant as of a date within four months prior to the filing of the registration statement.

b. Furnish in comparative columnar form a profit and loss statement and analysis of surplus for each of the last three fiscal years of the registrant (or for the life of the registrant and its immediate predecessors, if less) preceding the date of the balance sheet furnished and for any period subsequent to the latest of such fiscal years and the date of the balance sheet.

c. If any part of the proceeds of the offering is to be applied to the purchase of any business furnish, with respect to such business, the financial statements required in Paragraph L.24.

d. In accordance with the Louisiana Revised Statute of 1950, as amended, Section 51:706(C)(13), all financial statements of the registrant must be prepared by an independent certified public accountant.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:706.

HISTORICAL NOTE: Adopted by the Commissioner of Securities, November 9, 1971.

## Chapter 12. Dishonest or Unethical Practices

### §1201. General

A. Any dealer, salesman, investment adviser, or investment adviser representative who engages in one or more of the following practices set out in Section 1203 or Section 1205 shall be deemed to have engaged in dishonest or unethical practices as provided by R.S. 51:704(A)(10), and such conduct may constitute grounds for suspension or revocation of registration or such other action authorized by statute. This Rule is not intended to be all inclusive, and thus, acts or practices not enumerated herein may also be deemed to be dishonest or unethical

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:704(A)(10)

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 38:3169 (December 2012).

### §1203. Dealers and Salesmen

A. *Dealers and Salesmen*—includes the following actions:

1. engaging in a pattern of unreasonable and unjustifiable delays in the delivery of securities purchased by any customer or in the payment upon request of free credit balances reflecting completed transactions of any customer;

2. inducing trading in a customer's account which is excessive in size or frequency in view of the financial resources and character of the account;

3. recommending to a customer the purchase, sale or exchange of a security without reasonable grounds to believe that the transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs and other relevant information known by the dealer;

4. executing a transaction on behalf of a customer without authorization to do so;

5. exercising discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer, unless the discretionary power relates solely to the time or price, or both, for the execution of orders;

6. executing a transaction in a margin account without securing from the customer a properly executed written margin agreement promptly after the initial transaction in the account;

7. failing to segregate customers' free securities or securities held in safekeeping;

8. hypothecating a customer's securities without having a lien thereon unless the dealer secures from the customer a properly executed written consent promptly after the initial transaction, except as permitted by rules of the Securities and Exchange Commission;

9. entering into a transaction with or for a customer at a price not reasonably related to the current market price of the security or receiving an unreasonable commission or profit;

10. failing to furnish to a customer purchasing securities in an offering, no later than the date of confirmation of the transaction, either a final prospectus or a preliminary prospectus and an additional document, which together include information set forth in the final prospectus;

11. charging unreasonable and inequitable fees for services performed, including miscellaneous services such as collection of monies due for principal, dividends or interest, exchange or transfer of securities, appraisals, safekeeping or custody of securities and other services related to its securities business;

12. offering to buy from or sell to a person a security at a stated price unless the dealer or salesman is prepared to purchase or sell the security at such price and under the conditions that are stated at the time of the offer to buy or sell;

13. representing that a security is being offered to a customer "at the market" or a price relevant to the market price unless the dealer or salesman knows or has reasonable grounds to believe that a market for the security exists other than that made, created or controlled by the dealer, or by a person for whom the dealer is acting, or by a person with whom the dealer is associated in the distribution, or by a

person controlled by, controlling or under common control with the dealer;

14. effecting a transaction in, or inducing the purchase or sale of, a security by means of a manipulative, deceptive or fraudulent device, practice, plan, program, design or contrivance, which may include:

a. effecting a transaction in a security which involves no change in the beneficial ownership thereof;

b. entering an order for the purchase or sale of a security with the knowledge that an order of substantially the same size, at substantially the same time, and substantially the same price, for the sale of the security, has been or will be entered by or for the same or different parties for the purpose of creating a false or misleading appearance of active trading in the security or a false or misleading appearance with respect to the market for the security. Nothing in this subsection prohibits a dealer from entering bona fide agency cross transactions for its customers;

c. effecting, along or with one or more other persons, a series of transactions in a security creating actual or apparent active trading in the security or raising or depressing the price of the security, for the purpose of inducing the purchase or sale of the security by others;

15. guaranteeing a customer against loss in a securities account of the customer or in a securities transaction effected with or for the customer;

16. publishing or circulating, or causing to be published or circulated, a notice, circular, advertisement, newspaper article, investment service or communication of any kind which purports to report a transaction as a purchase or sale of a security unless the dealer or salesman believes that the transaction was a bona fide purchase or sale of the security; or which purports to quote the bid price or asked price for a security, unless the dealer believes that the quotation represents a bona fide bid for, or offer of, the security;

17. using an advertising or sales presentation in such a fashion as to be deceptive or misleading;

18. failing to disclose that the dealer is controlled by, controlling, affiliated with, or under common control with the issuer of a security before entering into a contract with or for a customer for the purchase or sale of the security. If the disclosure is not made in writing, it shall be supplemented by the giving or sending of written disclosure at or before the completion of the transaction;

19. failing to make a bona fide public offering of all of the securities allotted to a dealer for distribution, whether acquired as an underwriter, a selling group member or from a member participating in the distribution as an underwriter or selling group member;

20. failure or refusal to furnish a customer, upon reasonable request, information to which he is entitled, or to respond to a formal written request or complaint;

21. failing to comply with an applicable provision of the Rules of Fair Practice of the Financial Industry

Regulatory Authority or an applicable fair practice or ethical standard promulgated by the Securities and Exchange Commission or by a self-regulatory organization approved by the Securities and Exchange Commission;

22. engaging in the practice of lending or borrowing money or securities from a customer, or acting as a custodian for money, securities or an executed stock power of a customer without proper authority to do so;

23. effecting securities transactions not recorded on the regular books or records of the dealer, unless the transactions are authorized in writing by the dealer prior to execution of the transaction;

24. establishing or maintaining an account containing fictitious information in order to execute transactions which would otherwise be prohibited;

25. sharing directly or indirectly in profits or losses in the account of a customer without the written authorization of the customer;

26. dividing or otherwise splitting a salesman's commissions, profits or other compensation from the purchase or sale of securities with a person not also registered as a salesman for the same dealer, or for a dealer under direct or indirect common control.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:704(A)(10).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 38:3169 (December 2012).

**§1205. Investment Advisers and Investment Adviser Representatives**

A.1. Investment Advisers and Investment Adviser Representatives—includes the following actions:

a. recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or exchange of a security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known by the investment adviser or investment adviser representative;

b. exercising any discretionary power in placing an order for the purchase or sale of securities for a client without obtaining written discretionary authority from the client within 10 business days after the date of the first transaction placed under oral discretionary authority, unless the discretionary power relates solely to the price at which, or the time when, an order involving a definite amount of a specified security shall be executed, or both;

c. inducing trading in a client's account that is excessive in size or frequency in view of the financial resources, investment objectives and character of the account;

d. placing an order to purchase or sell a security for the account of a client without authority to do so;

e. placing an order to purchase or sell a security for the account of a client upon instruction of a third party without first having obtained a written third-party trading authorization from the client;

f. borrowing money or securities from a client unless the client is a dealer, an affiliate of the investment adviser, or a financial institution engaged in the business of loaning funds;

g. loaning money to a client unless the investment adviser is a financial institution engaged in the business of loaning funds or the client is an affiliate of the investment adviser;

h. misrepresenting to an advisory client, or prospective advisory client, the qualifications of the investment adviser, investment adviser representative, or an employee of the investment adviser; misrepresenting the nature of the advisory services being offered; or misrepresenting fees to be charged for the service; or to omit to state a material fact necessary to make the statements made regarding qualifications, services or fees, in light of the circumstances under which they are made, not misleading;

i. providing a report or recommendation to an advisory client prepared by someone other than the investment adviser or investment adviser representative without disclosing that fact. This prohibition does not apply to a situation where the investment adviser or investment adviser representative uses published research reports or statistical analyses to render advice or where an investment adviser or investment adviser representative orders the report in the normal course of providing advice;

j. charging a client an unreasonable advisory fee in light of the type of service to be provided; the experience and expertise of the investment adviser; or the sophistication or bargaining power of the client; or without notice to the client, dividing or otherwise splitting the advisory fee or other compensation derived from the advisory services;

k. failing to disclose to clients in writing before advice is rendered a material conflict of interest relating to the investment adviser, the investment adviser representative or an employee of the investment adviser which could reasonably be expected to impair the rendering of unbiased and objective advice including:

i. compensation arrangements connected with advisory services to clients which are in addition to compensation from the clients for the services;

ii. charging a client an advisory fee for rendering advice when a commission for executing securities transactions pursuant to the advice will be received by the investment adviser, the investment adviser representative or an employee of the investment adviser;

l. guaranteeing a client that a specific result will be achieved, gain or no loss, with advice which will be rendered;

m. publishing, circulating or distributing an advertisement which does not comply with Rule 206(4)-1 under the Investment Advisers Act of 1940 (15 U.S.C.A. §§80b-1 - 80b-21);

n. disclosing the identity, affairs or investments of a client unless required by law to do so, or unless consented to by the client;

o. entering into, extending or renewing an investment advisory contract unless the contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee, the formula for computing the fee, the amount of a prepaid fee to be returned in the event of contract termination or nonperformance, whether the contract grants discretionary power to the adviser and that no assignment of the contract shall be made by the investment adviser without the consent of the other party to the contract;

p. failing to establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of material nonpublic information contrary to the provisions of section 204a of the Investment Advisers Act of 1940 (15 U.S.C.A. §80b-4a) and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder;

q. entering into, extending, or renewing any advisory contract contrary to the provisions of section 205 of the Investment Advisers Act of 1940 (15 U.S.C.A. §80b-5) and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder. This applies to all investment advisers and investment adviser representatives registered under section 703 of the LSL notwithstanding whether the investment adviser is exempt from registration with the United States Securities and Exchange Commission under section 203(b) of the Investment Advisers Act of 1940 (15 U.S.C.A. §80b-3);

r. to indicate, in an advisory contract, any condition, stipulation or provision binding any person to waive compliance with any provision of the LSL or any other language which may lead a client to believe that legal rights have been restricted or waived;

s. engaging in any act, practice or course of business which is fraudulent, deceptive or manipulative or contrary to the provisions of section 206(4) of the Investment Advisers Act of 1940 (15 U.S.C.A. §80b-6(4) and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder. This applies to all investment advisers and investment adviser representatives registered under section 703 of the LSL notwithstanding whether the investment adviser is exempt from registration with the United States Securities and Exchange Commission under section 203(b) of the Investment Advisers Act of 1940;

t. engaging in conduct or committing any act, directly, indirectly or through or by another person, which would be unlawful for the person to do directly under the provisions of the LSL or any rule, regulation or order issued thereunder, or engaging in other conduct such as nondisclosure, incomplete disclosure or deceptive practices shall be deemed an unethical practice.

2. This Section does not apply to Federally-covered advisers unless the conduct otherwise is actionable under section 712 of the LSL.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:704(A)(10)

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 38:3170 (December 2012).

## Chapter 13. Investment Adviser Registration Procedure

### §1301. Definitions

*Third-Party Solicitor*—an investment adviser representative who meets all of the following criteria:

1. investment advisory business consists solely of referring individuals to other investment adviser firm(s);
2. provides no advice to individuals regarding specific investments;
3. fees consist entirely of referral fees received from the investment adviser firms to whom the investment adviser representative makes referrals.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:703(D).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 32:2055 (November 2006), effective January 1, 2007, amended LR 34:2125 (October 2008), LR 42:1088 (July 2016).

### §1303. Examination Requirements

A. Any investment adviser firm applying for registration under R.S. 51:703(D), or renewal of any such registration, shall provide the commissioner with proof that each of its investment adviser representatives has met one of the two following examination requirements:

1. successfully passed the uniform investment adviser law examination (series 65 examination) after January 1, 2000; or
2. successfully passed the General Securities Representative Examination (Series 7 examination) and the Uniform Combined State Law Examination (Series 66 examination);
3. successfully passed the general securities representative examination (series 7 examination) and uniform registered investment adviser examination (series 65 examination) prior to January 1, 2000.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:703(D).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 32:2055 (November 2006), effective January 1, 2007, amended LR 42:1088 (July 2016).

### §1305. Waivers

A. The examination requirement set out in §1303 above, shall not apply to any individual who holds one of the following professional certifications:

1. Certified Financial Planner (CFP) awarded by the Certified Financial Planner Board of Standards, Inc.;
2. Chartered Financial Consultant (ChFC) awarded by the American College, Bryn Mawr, Pennsylvania;
3. Personal Financial Specialist (PFS) awarded by the American Institute of Certified Public Accountants;
4. Chartered Financial Analyst (CFA) awarded by the CFA Institute;
5. Chartered Investment Counselor (CIC) awarded by the Investment Adviser Association; or
6. such other professional certifications as the commissioner may approve upon written request from an applicant for registration. Such request shall include sufficient information regarding the certifying organization and its requirements, as determined by the commissioner.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:703(D).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 32:2056 (November 2006), effective January 1, 2007.

### §1307. Continuing Education

A. Investment adviser representatives subject to this rule shall complete the continuing education and/or recertification requirements necessary to maintain such examination or professional certification standards.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:703(D).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 32:2056 (November 2006), effective January 1, 2007.

### §1311. Exemption

A. The requirements of this Chapter shall not apply to third-party solicitors.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:703(D).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 32:2056 (November 2006), effective January 1, 2007, amended LR 34:2126 (October 2008), LR 42:1088 (July 2016).

## Chapter 17. Dealer and Investment Adviser Recordkeeping Requirements

### §1701. Broker-Dealer Requirements

A. Unless otherwise provided by order of the Securities and Exchange Commission (hereinafter "SEC"), each broker-dealer registered or required to be registered pursuant

to R.S. 51:703(A)(1) shall make, maintain and preserve books and records in compliance with SEC Rules 17a-3 (17 CFR 240.17a-3), 17a-4 (17 CFR 240.17a-4), and 15c2-11 (17 CFR 240.15c2-11), which are adopted and incorporated herein by reference.

B. To the extent that the SEC promulgates changes to the above referenced rules, broker-dealers in compliance with such rules as amended shall not be subject to enforcement action by the commissioner for violation of this rule to the extent that the violation results solely from the broker-dealer's compliance with the amended rule.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:703(I).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 37:1611 (June 2011), effective October 19, 2011, repromulgated LR 37:2149 (July 2011).

### **§1703. Investment Adviser Requirements**

A. Except as provided in Subsection C of this Section, unless otherwise provided by order of the SEC, each investment adviser registered or required to be registered pursuant to R.S. 51:703(A)(2) or notice filed pursuant to R.S. 51:703(D)(2) shall make, maintain and preserve books and records in compliance with SEC rule 204-2 (17 CFR 275.204-2), which is adopted and incorporated by reference, notwithstanding the fact that such investment adviser is not registered or required to be registered under section 203 of the Investment Advisers Act of 1940.

B. To the extent that the SEC promulgates changes to the above-referenced rules, investment advisers in compliance with such rules as amended shall not be subject to enforcement action by the commissioner for violation of this rule to the extent that the violation results solely from the investment adviser's compliance with the amended rule.

C. Every investment adviser that has its principal place of business in a state other than this state shall be exempt from the requirements of Subsection A of this Section, provided the investment adviser is licensed or registered in such state and is in compliance with such state's recordkeeping requirements.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:703(I).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 37:1611 (June 2011), effective October 19, 2011, repromulgated LR 37:2149 (July 2011).

### **§1705. Cessation of Business**

A. Before ceasing to conduct or discontinuing business, each broker-dealer and investment adviser shall arrange for and be responsible for the preservation of the books and records required to be maintained and preserved by this Rule for the remainder of the period specified.

B. Each broker-dealer and investment adviser shall notify the commissioner in writing of the exact address where such books and records will be maintained during such period. The filing with the Central Registration Depository of a Form BD-W by a broker-dealer or a Form

ADV-W by an investment adviser shall satisfy this notice requirement.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:703(I).

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 37:1612 (June 2011), effective October 19, 2011, repromulgated LR 37:2149 (July 2011).

## **Chapter 19. Supervision of Salesmen and Investment Adviser Representatives**

### **§1901. Supervision of Salesmen and Investment Adviser Representatives**

A. Every dealer registered or required to be registered pursuant to R.S. 51:703(A)(1), every investment adviser registered or required to be registered pursuant to R.S. 51:703(A)(2), every investment adviser notice filed pursuant to R.S. 51:703(D)(2), and officers, directors, and partners thereof, shall exercise diligent supervision over all the securities activities of its salesmen and investment adviser representatives.

B. As part of their responsibility under this Rule, every dealer or investment adviser shall establish, maintain, and enforce written supervisory procedures that may be reasonably expected to prevent and detect any violations of the Louisiana Securities Law and rules promulgated thereunder. A copy of these supervisory procedures shall be kept at all times, in each business office. At a minimum, these procedures shall address the following areas:

1. the supervision of every salesman and investment adviser representative by a designated supervisor possessing sufficient training and experience to carry out their assigned supervisory responsibilities;

2. the prior review and written approval by the designated supervisor of the opening of each new customer account;

3. the frequent examination by the designated supervisor of all customer accounts to detect and prevent irregularities or abuses;

4. the prompt review and written approval by the designated supervisor of all securities transactions and all correspondence pertaining to the solicitation or execution of all securities transactions;

5. the prior review and written approval by the designated supervisor of the delegation by any customer of discretionary authority with respect to his account, and the prompt written approval of each discretionary order on behalf of that account; and

6. the prompt review and written approval by the designated supervisor of the handling of all customer complaints.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:704(A)(9).

FINANCIAL INSTITUTIONS, CONSUMER CREDIT, INVESTMENT SECURITIES AND UCC

HISTORICAL NOTE: Promulgated by the Office of the Governor, Office of Financial Institutions, LR 37:2149 (July 2011).