

**PROPOSED REGULATION OF THE ADMINISTRATOR
OF THE SECURITIES DIVISION OF THE OFFICE
OF THE SECRETARY OF STATE**

LCB File No. R033-08

April 10, 2008

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1, 2, 5-10 and 12-27, NRS 90.750; §3, NRS 90.350 and 90.750; §4, NRS 90.380 and 90.750; §11, NRS 90.750 and 90.770.

A REGULATION relating to securities; revising provisions governing security transactions that are exempt from registration with the Securities Division of the Office of the Secretary of State; revising provisions governing transfer agents; revising references to certain entities; and providing other matters properly relating thereto.

Section 1. Chapter 90 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 6, inclusive, of this regulation.

Sec. 2. *The Administrator will interpret the term “institutional buyer” as used in subsection 6 of NRS 90.240 to include, without limitation, any accredited investor as defined under Rule 501 of Regulation D of the Securities Act of 1933, 17 C.F.R. § 230.501.*

Sec. 3. 1. *An applicant for licensing as a transfer agent must file an application with the Administrator. The application must include:*

(a) A copy of the most recent Uniform Form for Registration as a Transfer Agent filed by the applicant (SEC Form TA-1);

(b) The Uniform Consent to Service of Process (Form U-2);

(c) A balance sheet prepared in the manner prescribed in NAC 90.335 for an applicant for licensing as a broker-dealer; and

(d) A certificate that the applicant has qualified to do business in this State, if qualification is required by NRS 80.010.

2. The original signature of the applicant must be used on the forms required pursuant to paragraphs (a) and (b) of subsection 1.

Sec. 4. *The license of a transfer agent expires on December 31 of each year. A transfer agent must renew his license annually.*

Sec. 5. *Each licensed transfer agent shall comply with the provisions of Rule 3110 of the Conduct Rules, as adopted by reference in NAC 90.321, whether or not he is a member of the Financial Industry Regulatory Authority.*

Sec. 6. *A transfer agent who withdraws from licensing in this State shall file with the Administrator a Notice of Withdrawal From Registration as Transfer Agent (SEC Form TA-W).*

Sec. 7. NAC 90.011 is hereby amended to read as follows:

90.011 As used in this chapter, unless the context otherwise requires, the words and terms defined in NAC 90.015 to 90.078, inclusive, *and section 2 of this regulation* have the meanings ascribed to them in those sections.

Sec. 8. NAC 90.030 is hereby amended to read as follows:

90.030 “Central Registration Depository” means the Central Registration Depository of the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* and the North American Securities Administrators Association.

Sec. 9. NAC 90.053 is hereby amended to read as follows:

90.053 “Investment Adviser Registration Depository” means the Investment Adviser Registration Depository operated by ~~[NASD Regulation, Inc.]~~ *the Financial Industry*

Regulatory Authority or its successor, to provide a system for the electronic registration of investment advisers and representatives of investment advisers.

Sec. 10. NAC 90.315 is hereby amended to read as follows:

90.315 1. Except as otherwise provided in this section, any form referred to in this chapter that pertains to the registration of securities or the licensing of investment advisers may be obtained from the Securities and Exchange Commission, Publications Unit, Mail Stop C-11, 450 Fifth Street, N.W., Washington, D.C. 20549, or from the Securities and Exchange Commission at the Internet address <http://www.sec.gov/divisions/corpfin/forms/securities.shtml> or the Internet address <http://www.sec.gov/divisions/investment/iard/iastuff.shtml>, respectively.

The Small Company Offering Registration Form (Form U-7) and the Uniform Investment Company Notice Filing (Form NF) may be obtained from the North American Securities Administrators Association, ~~10 G~~ *750 First* Street, N.E., Suite ~~710,~~ *1140*, Washington, D.C. 20002. The Small Company Offering Registration Form (Form U-7) and the Uniform Investment Company Notice Filing (Form NF) may also be obtained from the North American Securities Administrators Association at the Internet address

~~http://www.nasaa.org/nasaa/corpfin/scor_forms.asp and the Internet address http://www.nasaa.org/nasaa/library/uniform_forms.html, respectively.]~~

http://www.nasaa.org/Industry_Regulatory_Resources/Uniform_Forms/. An informational packet concerning the Small Company Offering Registration which contains a Small Company Offering Registration Form (Form U-7) may be obtained from the Office of the Administrator by submitting a check payable to the “Secretary of State” in the amount of \$3.

2. Any form pertaining to the licensing of broker-dealers and sales representatives may be obtained from the ~~[National Association of Securities Dealers Media Source,]~~ *Financial*

Industry Regulatory Authority MediaSource, P.O. Box 9403, Gaithersburg, Maryland 20898-9403, or from the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* at the Internet address ~~[<<http://www.nasdr.com/forms.asp>>.]~~
<http://www.finra.org/Resources/FINRAForms/index.htm>.

3. The forms prescribed and authorized by the Administrator for use in Nevada are:

- (a) The Application for Licensing of a Branch Office (Nevada Form 360-2).
- (b) The Amendment to Registration of a Branch Office (Nevada Form 360-2A).
- (c) The Request for Withdrawal of a Branch Office (Nevada Form 360-2W).
- (d) The Year-End Securities Sales Report (Nevada Form 500-3).
- (e) The Notice of Withdrawal of Registration (Nevada Form 500-12).
- (f) The Claim of Exemption From Securities Registration (Nevada Form N-9).

↪ Any of these forms may be obtained from the Office of the Administrator or from the Secretary of State at the Internet address

~~[<<http://www.sos.state.nv.us/securities/licensing/index.htm>>.]~~
<http://sos.state.nv.us/licensing/securities/forms.asp>.

Sec. 11. NAC 90.3155 is hereby amended to read as follows:

90.3155 1. An applicant for licensing as a broker-dealer satisfies the requirement set forth in NRS 90.770 concerning the filing of an irrevocable consent to service of process by filing with the Administrator the Uniform Consent to Service of Process (Form U-2) as required by NAC 90.330.

2. *An applicant for licensing as a transfer agent satisfies the requirement set forth in NRS 90.770 concerning the filing of an irrevocable consent to service of process by filing with the*

Administrator the Uniform Consent to Service of Process (Form U-2) as required by section 3 of this regulation.

3. An applicant for licensing as a sales representative, assistant sales representative or representative of an investment adviser or an issuer who proposes to offer a security in this State through an agent satisfies the requirement set forth in NRS 90.770 concerning the filing of an irrevocable consent to service of process by filing with the Administrator:

- (a) The Uniform Consent to Service of Process (Form U-2);
- (b) The Uniform Application for Broker-Dealer Registration (Form BD); or
- (c) The Uniform Application for Investment Adviser Registration (Form ADV).

Sec. 12. NAC 90.321 is hereby amended to read as follows:

90.321 1. The Administrator hereby adopts by reference the *Conduct Rules* adopted by the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* as published in the manual of that ~~[association.]~~ *Authority*. A softcover copy of the manual is available from the ~~[National Association of Securities Dealers Media Source,]~~ *Financial Industry Regulatory Authority MediaSource*, P.O. Box 9403, Gaithersburg, Maryland 20898-9403, at the price of \$10, plus \$4.95 for shipping and handling for members , or at the price of \$29.95, plus \$8.50 for shipping and handling for nonmembers. The manual is also available, free of charge, from the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* at the Internet address

~~[<<http://secure.nasdr.com/wbs/NETbos.dll?RefShow?ref=NASD4;&xinfo=/goodbye.htm>>.]~~
<http://finra.complinet.com/finra/>.

2. The Administrator will periodically review the *Conduct Rules* and determine within 30 days after the review whether any change made to those rules is appropriate for application in

this State. If the Administrator does not disapprove a change to an adopted rule within 30 days after the review, the change is deemed to be approved by the Administrator.

Sec. 13. NAC 90.325 is hereby amended to read as follows:

90.325 Registration materials for the Uniform Securities Agent State Law Examination (Series 63), the Uniform Investment Adviser *Law* Examination (Series 65) and the Uniform Combined State Law Examination (Series 66) may be obtained from the ~~[National Association of Securities Dealers,]~~ *Financial Industry Regulatory Authority*, 9509 Key West Avenue, Rockville, Maryland 20850, or from the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* at the Internet address ~~[<http://www.nasdr.com/5200_explan.asp>.]~~ <http://www.finra.org/RegistrationQualifications/BrokerGuidanceResponsibility/Qualifications/p011051>.

Sec. 14. NAC 90.327 is hereby amended to read as follows:

90.327 1. A broker-dealer, sales representative, investment adviser , ~~[or]~~ representative of an investment adviser *or transfer agent* who engages in any of the following acts or practices shall be deemed to have engaged in an unethical or dishonest practice within the meaning of paragraph (h) of subsection 1 of NRS 90.420:

(a) Engaging in any act or practice enumerated in NAC 90.328.

(b) In connection with any solicitation of the sale or purchase of a security that is not included in the Nasdaq or listed or approved for listing on a securities exchange described in paragraph (g) of subsection 2 of NRS 90.520, failing promptly to provide information requested by a customer, such as:

(1) The current prospectus concerning an offering;

(2) The most recently filed periodic report filed pursuant to section 13 of the Securities Exchange Act of 1934 ~~[§]~~, *15 U.S.C. § 78m*; or

(3) Any information required by Rule 15c2-11 of the Securities and Exchange Commission.

(c) Marking any order ticket or confirmation as unsolicited if the transaction is solicited.

(d) Failing to comply with any applicable provision of:

(1) The *Conduct Rules* as adopted by reference in NAC 90.321; or

(2) Any applicable rule of conduct or ethical standard promulgated by:

(I) The Securities and Exchange Commission;

(II) A self-regulatory organization approved by the Securities and Exchange

Commission; or

(III) Any other organization approved by the Administrator by written order.

(e) Receiving compensation in connection with referring a customer to an unlicensed investment adviser who is required to be licensed in this State.

2. The provisions of this section are not all-inclusive. Any act or practice not enumerated in subsection 1 may also be deemed an unethical or dishonest practice within the meaning of NRS 90.420.

Sec. 15. NAC 90.328 is hereby amended to read as follows:

90.328 1. A broker-dealer, sales representative, investment adviser, ~~[or]~~ representative of an investment adviser *or transfer agent* who engages in any of the following acts or practices shall be deemed to have engaged in an act, practice or course of business which operates or would operate as a fraud within the meaning of NRS 90.570:

(a) Entering into a transaction with a customer in any security at an unreasonable price or at a price not reasonably related to the current market price of the security.

(b) Receiving an unreasonable commission or profit in a transaction with a customer in any security.

(c) Contradicting or negating the importance of any information contained in a prospectus or other offering materials with the intent to deceive or mislead another person.

(d) Using any advertising or sales presentation in a deceptive or misleading manner.

(e) In connection with the offer, sale or purchase of a security, falsely leading a customer to believe that the broker-dealer, sales representative, investment adviser, ~~for~~ representative of an investment adviser *or transfer agent* is in possession of material information, not available to the public, which would affect the value of the security.

(f) In connection with the solicitation of a sale or purchase of a security, engaging in a pattern or practice of making contradictory recommendations concerning the sale or purchase to different investors with similar investment objectives, if the recommendations:

(1) Are made at or about the same time; and

(2) Are not justified by the particular circumstances of each investor.

(g) Failing to make a bona fide public offering of all the securities allotted to a broker-dealer for distribution by, among other acts:

(1) Transferring securities to a customer, another broker-dealer or a fictitious account with the understanding that the securities will be returned to the broker-dealer or his nominee; or

(2) Parking or withholding securities.

(h) In connection with the solicitation of the purchase or sale of any equity security traded over the counter, other than a security included in the Nasdaq ~~National~~ *Global* Market:

(1) Recommending any speculative low-priced security to a customer without attempting to obtain information about:

- (I) The other securities held by the customer;
- (II) The financial situation of the customer; and
- (III) Other data necessary to determine the suitability of the investment for the customer;

(2) Failing to disclose the firm's bid and ask price of a particular security:

- (I) At the time of solicitation; and
- (II) At the time of execution on the confirmation;

(3) If the firm is a market maker at the time of the solicitation, failing to disclose, both at the time of solicitation and on the confirmation in connection with a principal transaction, a short inventory position in the firm's account of more than 5 percent of the issued and outstanding shares of that class of securities of the issuer;

(4) Conducting any sale contests in a security;

(5) Failing or refusing, in connection with a principal transaction, to promptly execute a sell order after a solicited purchase by a customer;

(6) Soliciting a secondary market transaction if the broker-dealer, sales representative, investment adviser, ~~or~~ representative of an investment adviser *or transfer agent* knows or should know that there has not been a bona fide distribution in the primary market;

(7) Effecting any transaction in or inducing the purchase or sale of any security by means of any manipulative, deceptive or other fraudulent device or contrivance, including, without limitation, the use of boiler room tactics or a fictitious or nominee account; or

(8) Failing to comply with any requirement for delivery of a prospectus promulgated under state or federal law.

↪ Nothing in this paragraph shall be deemed to preclude application of the general anti-fraud provisions of chapter 90 of NRS against any person for any practice similar in nature to the practices described in this paragraph.

2. The provisions of this section are not all-inclusive. Any act or practice not enumerated in subsection 1 may also be deemed an act, practice or course of business which operates or would operate as a fraud within the meaning of NRS 90.570.

Sec. 16. NAC 90.329 is hereby amended to read as follows:

90.329 A broker-dealer, sales representative, investment adviser, ~~for~~ representative of an investment adviser *or transfer agent* shall notify a customer in writing at least 30 days before assessing any new charges for services performed. The notice must be placed on the front of the account statement or other document containing the notice. The notice must be printed in a type size which is equal to the type used to print any statement of charges or fees sent to the customer.

Sec. 17. NAC 90.330 is hereby amended to read as follows:

90.330 1. An applicant for licensing as a broker-dealer who is not registered with the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* must pay to the Office of the Administrator the fee required by NRS 90.360 and file an application with the Office of the Administrator. The application must include:

- (a) The Uniform Application for Broker-Dealer Registration (Form BD);
- (b) The Uniform Consent to Service of Process (Form U-2);
- (c) A balance sheet prepared in the manner prescribed in NAC 90.335;

(d) A certificate that he has qualified to do business in this State, if qualification is required by NRS 80.010;

(e) A fidelity bond in the amount of \$10,000, issued by a corporate surety qualified to do business in this State, or proof of membership in the Securities Investor Protection Corporation;

(f) The Uniform Application for Securities Industry Registration or Transfer (Form U-4) for a designated official of the applicant; and

(g) Proof of successful completion by one or more designated employees of the applicant of:

(1) The Uniform Securities Agent State Law Examination (Series 63) or the Uniform Combined State Law Examination (Series 66); and

(2) Any principal examination required by the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* for registration of the applicant.

2. The original signature of the applicant must be used on the Uniform Application for Broker-Dealer Registration (Form BD) and the Uniform Consent to Service of Process (Form U-2) required by paragraphs (a) and (b) of subsection 1.

3. An applicant for licensing as a broker-dealer who is registered with the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* must:

(a) File with the Central Registration Depository the documents required for licensing pursuant to paragraphs (a) to (d), inclusive, of subsection 1; and

(b) Pay to the Central Registration Depository the fees required by NRS 90.360.

Sec. 18. NAC 90.342 is hereby amended to read as follows:

90.342 For the purposes of subsection 5 of NRS 90.390, each licensed broker-dealer shall comply with the provisions of Rule 3110 of the *Conduct Rules*, as adopted by reference in NAC

90.321, whether or not he is a member of the ~~[National Association of Securities Dealers.]~~
Financial Industry Regulatory Authority.

Sec. 19. NAC 90.345 is hereby amended to read as follows:

90.345 1. The license of a broker-dealer expires on December 31 of each year. A broker-dealer must renew his license annually by paying the fee required by NRS 90.360 and, if the provisions of subsection 2 are applicable to him, by filing the documents required by that subsection. Except as otherwise provided in subsection 3, the fee must be paid to and the documents must be filed with the Office of the Administrator on or before December 31.

2. A broker-dealer who is not registered with the ~~[National Association of Securities Dealers.]~~ *Financial Industry Regulatory Authority*, or who is not registered under the Securities Exchange Act of 1934, must file with the Office of the Administrator:

(a) A written request for renewal of his license; and

(b) A fidelity bond, in a form acceptable to the Administrator, or proof of membership in the Securities Investor Protection Corporation.

3. A broker-dealer who is a member of the ~~[National Association of Securities Dealers.]~~ *Financial Industry Regulatory Authority* must pay the fee required by NRS 90.360 to the Central Registration Depository on or before December 31.

Sec. 20. NAC 90.350 is hereby amended to read as follows:

90.350 1. Except as otherwise provided in subsection 2, a broker-dealer who withdraws from licensing in this State shall file with the Office of the Administrator the Uniform Request for ~~[Withdrawal From Registration as a]~~ Broker-Dealer *Withdrawal* (Form BDW).

2. If a broker-dealer who withdraws from licensing is a member of the ~~[National Association of Securities Dealers.]~~ *Financial Industry Regulatory Authority* and is withdrawing

from licensing in all states in which he is licensed, he shall file the request for withdrawal with the Central Registration Depository.

Sec. 21. NAC 90.355 is hereby amended to read as follows:

90.355 1. Except as otherwise provided in this section, an applicant for licensing as a sales representative must include in his application the Uniform Application for Securities Industry Registration or Transfer (Form U-4) with his original signature and:

(a) Proof of successful completion of:

(1) The Uniform Securities Agent State Law Examination (Series 63) or the Uniform Combined State Law Examination (Series 66); and

(2) Any applicable qualifying examination required by the Securities and Exchange Commission or the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* for sales representatives; or

(b) Proof of waiver of those examinations.

2. If an applicant is to be licensed for a broker-dealer who is a member of the ~~[National Association of Securities Dealers,]~~ *Financial Industry Regulatory Authority*, the documents required by this section and the fee required by NRS 90.360 must be filed with and paid to the Central Registration Depository. In any other case, the documents and the fee must be filed with and paid to the Administrator.

3. An applicant who is in good standing as a sales representative with the Securities Association of the United Kingdom may provide proof of successful completion of the Series 17 Limited Registered Representative Examination of the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* in lieu of the Series 7 General Securities Representative Examination, if required pursuant to the provisions of subparagraph (2) of

paragraph (a) of subsection 1. However, if that applicant engages in the solicitation, purchase or sale of municipal securities as that phrase is defined in section 3(a)(29) of the Securities Exchange Act of 1934, *15 U.S.C. § 78c*, he must also apply for registration as a Municipal Securities Representative with the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* and pass the Series 52 Municipal Securities Representative Examination.

Sec. 22. NAC 90.360 is hereby amended to read as follows:

90.360 1. The license of a sales representative terminates upon the withdrawal, cancellation or termination of his employment or contractual relationship with a broker-dealer. Except as otherwise provided in subsection 2, the sales representative, broker-dealer or issuer shall file with the Office of the Administrator the Uniform Termination Notice for Securities Industry Registration (Form U-5).

2. In the case of the termination, cancellation or withdrawal of a sales representative who is a member of the ~~[National Association of Securities Dealers,]~~ *Financial Industry Regulatory Authority*, the notice referred to in subsection 1 must be submitted by the broker-dealer to the Central Registration Depository.

3. A sales representative whose employment or contractual relationship with a broker-dealer ceases and who intends to continue to transact business in this State as a sales representative must file a new application for a license, together with the required fee. If the sales representative is applying for a license with a broker-dealer who is a member of the ~~[National Association of Securities Dealers,]~~ *Financial Industry Regulatory Authority*, the application and fee may be processed through the relicensing program of the Central Registration Depository.

Sec. 23. NAC 90.365 is hereby amended to read as follows:

90.365 1. The license of a sales representative expires on December 31 of each year. Except as otherwise provided in subsection 2, a sales representative must renew his license annually by paying to the Administrator the fee required by NRS 90.360 and filing with the Administrator a written request for renewal of his license. The fee must be paid and the request for renewal filed on or before December 31.

2. If the sales representative is licensed for a broker-dealer who is a member of the ~~[National Association of Securities Dealers,]~~ *Financial Industry Regulatory Authority*, no request for renewal is required and the fee required by NRS 90.360 must be paid to the Central Registration Depository on or before December 31.

Sec. 24. NAC 90.371 is hereby amended to read as follows:

90.371 1. A person desiring to transact business as an assistant sales representative must apply to the Administrator for licensure.

2. An applicant for licensure as an assistant sales representative must include in his application the Uniform Application for Securities Industry Registration or Transfer (Form U-4) with his original signature and:

(a) Proof of successful completion of the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* Qualification Examination for Assistant

Representatives-Order Processing (Series 11); or

(b) Proof of waiver of that examination.

3. Such an applicant must pay the fee required by NRS 90.360 for a sales representative.

4. If an applicant is to be licensed for a broker-dealer who is a member of the ~~[National Association of Securities Dealers,]~~ *Financial Industry Regulatory Authority*, the documents and

fee required by this section must be filed with and paid to the Central Registration Depository. In any other case, the documents and the fee must be filed with and paid to the Administrator.

5. The license of an assistant sales representative expires on December 31 of each year. An assistant sales representative must renew his license annually, on or before December 31, by paying the fee required by NRS 90.360 for a sales representative.

Sec. 25. NAC 90.391 is hereby amended to read as follows:

90.391 1. An applicant for an initial license as a representative of an investment adviser must file an application with the Administrator in the manner set forth in NAC 90.3293.

2. Except as otherwise provided in subsections 3 and 5, the application must include:

(a) The Uniform Application for Securities Industry Registration or Transfer (Form U-4); and

(b) Proof of successful completion by the applicant of:

(1) The Uniform Investment Adviser Law Examination (Series 65); or

(2) The Uniform Combined State Law Examination (Series 66) and the General Securities Registered Representative Examination (Series 7).

3. The examination requirements set forth in subsection 2 do not apply to a person who includes in his application proof that he:

(a) Is certified as a Certified Financial Planner (CFP) by the Certified Financial Planner Board of Standards, Inc.;

(b) Is designated as a Chartered Financial Consultant (ChFC) by The American College located in Bryn Mawr, Pennsylvania;

(c) Is designated as a Personal Financial Specialist (PFS) by the American Institute of Certified Public Accountants;

(d) Is designated as a Chartered Financial Analyst (CFA) by the ~~[Association for Investment Management and Research;]~~ *CFA Institute;*

(e) Is designated as a Chartered Investment Counselor (CIC) by the Investment ~~[Counsel]~~ *Adviser* Association ; ~~[of America, Inc.;]~~ or

(f) Holds such other professional designation as the Administrator may recognize by order.

4. An applicant for a license as a representative of an investment adviser must pay the fee required by NRS 90.360 to the Administrator in the manner set forth in NAC 90.3293.

5. In addition to the information required by subsection 2 and the fee required by subsection 4, a person licensed as a sales representative of a broker-dealer who is registered with the ~~[National Association of Securities Dealers]~~ *Financial Industry Regulatory Authority* and is also a licensed investment adviser in this State or is the affiliate of such a licensed investment adviser ~~[]~~ must include his Central Registration Depository number in his application for an initial license as a representative of an investment adviser.

Sec. 26. NAC 90.3925 is hereby amended to read as follows:

90.3925 1. A person who files an application pursuant to NAC 90.392 must designate the branch office as an office of supervisory jurisdiction if required to do so by the requirements of the ~~[National Association of Securities Dealers;]~~ *Financial Industry Regulatory Authority*, regardless of whether he is a member of that ~~[association;]~~ *Authority*.

2. A manager for each branch office must be designated and licensed with the Division as a principal. If the branch office is not designated as an office of supervisory jurisdiction, the manager need not be located at any office for which he is given supervisory responsibility. In any such case, the applicant must specify in writing to the Division the name of each associated person designated as the manager in charge.

Sec. 27. NAC 90.517 is hereby amended to read as follows:

90.517 1. A nonissuer transaction by a sales representative licensed in this State of an outstanding security that is included or designated for inclusion in the OTC Bulletin Board as operated by the ~~[National Association of Securities Dealers or the American Stock Exchange Emerging Company Marketplace]~~ *Financial Industry Regulatory Authority* is exempt from the registration requirements of NRS 90.460 if:

(a) The security is sold at a price reasonably related to the current market price of the security at the time of the transaction;

(b) The security does not constitute all or part of an unsold allotment to, or subscription or participation by, a broker-dealer who is an underwriter of the security;

(c) The issuer of the security has been in continuous operation for at least 5 years before inclusion or designation for inclusion of the security in the OTC Bulletin Board ; ~~[or American Stock Exchange Emerging Company Marketplace;]~~

(d) The issuer has not undergone a major reorganization, merger or acquisition during the 120 days preceding the inclusion or designation for inclusion of the security in the OTC Bulletin Board ~~[or American Stock Exchange Emerging Company Marketplace]~~ which is not reflected in the OTC Bulletin Board ~~[or American Stock Exchange Emerging Company Marketplace]~~ listing;

(e) The issuer of the security is not in bankruptcy or in receivership at the time of the offer or sale of the security; and

(f) The security has been, except as otherwise provided in subsection 2, outstanding for at least 2 years before inclusion in the OTC Bulletin Board ~~[or American Stock Exchange Emerging Company Marketplace]~~ and:

(1) Was part of an initial public offering which was registered in any state as a Small Company Offering Registration using the Small Company Offering Registration Form (Form U-7), as adopted by the North American Securities Administrators Association; or

(2) Was registered for sale in any state as a Regulation A filing with the Securities and Exchange Commission.

2. In the case of an insider, promoter or control person of the issuer or an affiliate of such an insider, promoter or control person, the security must have been held for at least 3 years before inclusion in the OTC Bulletin Board . ~~for American Stock Exchange Emerging Company Marketplace.]~~

3. An exemption provided by this section is available if, preceding the initial use of the exemption, the person claiming the exemption:

(a) Pays a fee of \$300 to the Administrator; and

(b) Files a Claim of Exemption From Securities Registration (Nevada Form N-9) with the Administrator.