

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

*NAC 90.052 "Institutional Buyer" defined (NRS 90.240) As used in NRS 90.240(6), "institutional buyer" includes:*

- 1. Any Accredited Investor as defined under Rule 501 of Regulation D of the Securities Act of 1933; and*
- 2. Who invests in an investment vehicle with assets at the time of investment in excess of \$5,000,000.*

**NAC 90.315 Availability of forms. (NRS 90.750)**

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 Street, N.E., Suite 710, 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](http://www.nasaa.org/nasaa/corpfin/scor_forms.asp)> and the Internet address <[http://www.nasaa.org/nasaa/library/uniform\\_forms.html](http://www.nasaa.org/nasaa/library/uniform_forms.html)>, respectively. 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]~~ Financial Industry Regulatory Authority (**FINRA**) Media Source, P.O. Box 9403, Gaithersburg, Maryland 20898-9403, or from the ~~[National Association of Securities Dealers]~~ (**FINRA**) 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).

**(g) Registration of Transfer Agent. (Nevada Form TA-1)**

➡ 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>>.

**NAC 90.3155 Irrevocable consent to service of process.** (NRS 90.750, 90.770)

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 registration as a Transfer Agent must submit the Uniform Consent to Service of Process (Form U-2)***

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).

**NAC 90.317 Issuance of written interpretations of provisions.** (NRS 90.715, 90.750) The Division will not render a written interpretation of any provision of this chapter or chapter 90 of NRS.

**NAC 90.318 Request for waiver or no-action letter.** (NRS 90.715, 90.750)

1. A request for a waiver or no-action letter must be submitted in writing to the Office of the Administrator, accompanied by the fee set forth in NRS 90.715.

2. Two copies of the request for a waiver or no-action letter must be filed. The request for a waiver or no-action letter must contain:

- (a) A brief summary of the statutory and regulatory provisions to which it pertains;
- (b) A detailed statement of the relevant facts;
- (c) A detailed discussion and analysis of the law as it relates to the facts;
- (d) A statement of the legal authority for granting the request;
- (e) A statement of the reasons a waiver or no-action letter is appropriate;
- (f) A statement explaining any adverse or beneficial effect upon the public interest resulting from the granting of the request;
- (g) A certification that, within the knowledge of the person on whose behalf the request is made, the transaction described is not directly or indirectly the subject of any pending judicial or administrative proceeding or, if such a proceeding is pending, a description of the proceeding;
- (h) A certification that the transaction in question has not been commenced or, if it has commenced, a statement concerning its status; and
- (i) An acknowledgment by the person on whose behalf the request is made that the request, together with any documents or information submitted and any response from the Division, is, except as otherwise provided in NRS 90.730, public information which may be released for publication.

3. A request for a waiver or no-action letter must be limited to the particular situation involving the problem at hand and must not attempt to include every possible type of situation that may arise in the future.

4. As used in this section, “no-action letter” has the meaning ascribed to it in NRS 90.715.

## SECURITIES AGENTS

### General Provisions

#### **NAC 90.321 Adoption by reference of *Conduct Rules*; review of changes.** (NRS 90.750)

1. The Administrator hereby adopts by reference the *Conduct Rules* adopted by the ~~[National Association of Securities Dealers]~~ (FINRA) as published in the manual of that association. A softcover copy of the manual is available from the ~~[National Association of Securities Dealers]~~ (FINRA) Media Source, 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]~~ (FINRA) at the Internet address ~~[http://secure.nasdr.com/wbs/NETbos.dll?RefShow?ref=NASD4;&xinfo=/goodbye.htm]~~ <http://www.finra.org/index.htm>.

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.

**NAC 90.325 Availability of registration materials for uniform examinations.** (NRS 90.750) Registration materials for the Uniform Securities Agent State Law Examination (Series 63), the Uniform Investment Adviser Examination (Series 65) and the Uniform Combined State Law Examination (Series 66) may be obtained from the ~~[National Association of Securities Dealers]~~ (FINRA), 9509 Key West Avenue, Rockville, Maryland 20850, or from the ~~[National Association of Securities Dealers]~~ (FINRA) at the Internet address ~~[http://www.nasdr.com/5200\_explan.asp]~~ <http://www.finra.org/RegistrationQualifications/BrokerGuidanceResponsibility/Qualifications/p011051>.

#### **NAC 90.327 Unethical and dishonest practices.** (NRS 90.420, 90.750)

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; 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.

**NAC 90.328 Fraudulent practices. (NRS 90.570, 90.750)**

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 or representative of an investment adviser 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 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 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.

**NAC 90.329 Notification of customers before assessing new charges for services performed.** (NRS 90.750) A broker-dealer, sales representative, investment adviser or 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.

**NAC 90.3292 Broker-dealers and sales representatives: Exemption from licensing requirements under certain circumstances.** (NRS 90.320, 90.750)

- 1. A broker-dealer who:
  - (a) Is a resident of Canada; and
  - (b) Meets the conditions of paragraph (a) of subsection 1 of NRS 90.320,
- ↪ is exempt from the licensing requirements of NRS 90.310.
- 2. If a sales representative is acting for a broker-dealer who is exempt from the licensing requirements of NRS 90.310 pursuant to subsection 1, the sales representative is exempt from the licensing requirements of NRS 90.310.

**NAC 90.3293 Investment advisers and representatives of investment advisers: Electronic transfer of fees to and filing of documents with certain depositories.** (NRS 90.350, 90.750, 90.845, 90.847)

1. Pursuant to subsection 2 of NRS 90.350, the Administrator designates the investment adviser registration depository, or any other depository for electronic registration that is approved by the Administrator by order, to receive and store filings and collect related fees from investment advisers and representatives of investment advisers on behalf of the Administrator.

2. Except as otherwise provided in subsection 5 and NAC 90.3294, an investment adviser or representative of an investment adviser who is required by this chapter or chapter 90 of NRS to pay a fee to the Administrator or file a document with the Administrator, including, without limitation, an application, amendment, report or notice, must comply with that requirement by:

(a) Transferring the fee electronically to the depository designated or approved pursuant to subsection 1; or

(b) Filing the document electronically with the depository designated or approved pursuant to subsection 1,

↪ as applicable.

3. If the instructions accompanying a document that is required to be electronically filed pursuant to subsection 2 require a signature, the applicant or an authorized officer of the applicant, as required, shall affix his electronic signature to the document by typing his name in the appropriate fields and submitting the document to the depository designated or approved pursuant to subsection 1. If a document is submitted in the manner set forth in this subsection, the document shall be deemed to include the legal signature of the person whose name is typed on the document.

4. A document that is required to be electronically filed pursuant to subsection 2 shall be deemed to be filed with the Administrator when all the required fees are received and the document is filed with and accepted on behalf of the Administrator by the depository.

5. If a fee or document that an investment adviser or representative of an investment adviser is required by this chapter or chapter 90 of NRS to pay to or file with the Administrator cannot be paid to, filed with or accepted by the depository designated or approved pursuant to subsection 1, the fee or document must be directly paid to or filed with the Administrator, as applicable.

**NAC 90.3294 Federal covered advisers: Licensing requirements inapplicable under certain circumstances. (NRS 90.340, 90.350, 90.360, 90.750, 90.845, 90.847)**

1. The licensing requirements of NRS 90.330 do not apply to a federal covered adviser if the federal covered adviser complies with the requirements set forth in this section.

2. Except as otherwise provided in subsection 3, a federal covered adviser shall file a notice with the Administrator in the manner set forth in NAC 90.3293. The notice must consist of:

(a) An executed Uniform Application for Investment Adviser Registration (Form ADV); and

(b) The fee required by NRS 90.360 for an investment adviser.

3. If the depository designated or approved pursuant to subsection 1 of NAC 90.3293 does not allow the filing of Part 2 of Form ADV and the Administrator so requests, the federal covered adviser shall submit Part 2 of Form ADV to the Administrator within 5 days after the Administrator requests the federal covered adviser to submit the form.

4. A federal covered adviser must renew the notice required by subsection 2 annually, on or before December 31, by paying the fee required by NRS 90.360 for an investment adviser to the Administrator in the manner set forth in NAC 90.3293.



5. A federal covered adviser shall file with the Administrator in the manner set forth in NAC 90.3293 any amendments to the most recent Form ADV filed by the federal covered adviser that are required by the instructions set forth in Form ADV.

**NAC 90.3296 Federal covered advisers: Employment restrictions. (NRS 90.750)**

1. Except as otherwise provided in subsection 3, a federal covered adviser shall not employ, in order to engage in any activity related to the sale of securities in this State, any person having a place of business in this State who is suspended or barred from association with a broker-dealer or investment adviser by the Administrator.

2. A federal covered adviser does not violate this section unless the federal covered adviser knows or in the exercise of reasonable care should know of the suspension or bar.

3. Upon request from a federal covered adviser and for good cause shown, the Administrator may, by order, waive the prohibition of this section with respect to a particular person who has been suspended or barred.

**NAC 90.3298 Securities industry personnel: Use of Internet for distribution of information. (NRS 90.320, 90.340, 90.750)**

1. Securities industry personnel who use the Internet to distribute information on available products and services shall not be deemed to be transacting business in this State for the purposes of NRS 90.310 or 90.330 if the information so distributed:

(a) Contains a legend clearly stating that the securities industry personnel may only transact business in those states in which they are licensed or otherwise excluded from applicable state licensing requirements;

(b) Contains a mechanism which reasonably ensures that a subsequent interaction between prospective customers or clients residing in states where the securities industry personnel are not licensed is limited so that the securities industry personnel are not required to be licensed by the state and the securities are not required to be registered;

(c) Does not involve the actual effecting of securities trades;

(d) Does not involve the rendering of personalized investment advice for compensation;

(e) Is limited to the dissemination of information about a product or service; and

(f) Prominently discloses the affiliation of the sales representative with the broker-dealer or the representative of an investment adviser with the investment adviser.

2. The broker-dealer or investment adviser shall:

(a) Review and approve the content of the information distributed on the Internet; and

(b) Specifically authorize the distribution of that information regarding the product or service; and

(c) Recognize that the sales representative or representative of the investment adviser is acting within the scope of his authority.

**Broker-Dealers**

**NAC 90.330 Applicant for licensing: Filing requirements; payment of fee. (NRS 90.350, 90.360, 90.390, 90.750, 90.845, 90.847)**

1. An applicant for licensing as a broker-dealer who is not registered with the ~~[National Association of Securities Dealers]~~ (FINRA) 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]~~ (*FINRA*) 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]~~ (*FINRA*) 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.

**NAC 90.335 Filing of balance sheet.** (NRS 90.350, 90.750) The balance sheet filed pursuant to NAC 90.330 by an applicant for licensing as a broker-dealer:

- 1. Must be prepared in accordance with generally accepted accounting principles;
- 2. Must be accompanied by a report of audit containing the unqualified opinion of an independent certified public accountant;
- 3. In the case of an applicant who is not acting as a broker-dealer in another state, must be prepared as of a date not earlier than 60 days before the date of filing; and
- 4. In the case of an applicant who is acting as a broker-dealer in another state, must consist of:
  - (a) The most recent audited financial statement relating to the applicant; and
  - (b) An interim unaudited financial statement, prepared as of a date not earlier than 60 days before the date of filing.

**NAC 90.340 Failure to comply with Rule 15c3-1: Disciplinary proceedings.** (NRS 90.420, 90.750) Disciplinary proceedings may be commenced pursuant to NRS 90.420 against a broker-dealer who fails to comply with the provisions of Rule 15c3-1 of the Securities and Exchange Commission, relating to capital requirements.

**NAC 90.342 Compliance with certain provisions of *Conduct Rules*.** (NRS 90.390, 90.750) 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]~~ (*FINRA*).

**NAC 90.345 Expiration and renewal of license.** (NRS 90.350, 90.360, 90.390, 90.750, 90.845)

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]~~ (*FINRA*), 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]~~ (*FINRA*) must pay the fee required by NRS 90.360 to the Central Registration Depository on or before December 31.

**NAC 90.350 Withdrawal from licensing.** (NRS 90.750, 90.847)

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 (Form BDW).

2. If a broker-dealer who withdraws from licensing is a member of the ~~[National Association of Securities Dealers]~~ (*FINRA*) 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.

#### **Sales Representatives**

**NAC 90.355 Applicant for licensing: Filing requirements; payment of fee; required examinations.** (NRS 90.350, 90.360, 90.750, 90.845, 90.847)

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]~~ (*FINRA*) 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]~~ (*FINRA*), 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]~~ (FINRA) 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, he must also apply for registration as a Municipal Securities Representative with the ~~[National Association of Securities Dealers]~~ (FINRA) and pass the Series 52 Municipal Securities Representative Examination.

**NAC 90.360 Cessation of employment or contractual relationship with broker-dealer.** (NRS 90.350, 90.360, 90.380, 90.750, 90.845, 90.847)

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]~~ (FINRA), 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]~~ (FINRA), the application and fee may be processed through the relicensing program of the Central Registration Depository.

;

**NAC 90.365 Expiration and renewal of license.** (NRS 90.350, 90.360, 90.750, 90.845)

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]~~ (FINRA), 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.

**NAC 90.368 Licensing as representative of investment adviser: Exemption from licensing requirements under certain circumstances.** (NRS 90.340, 90.750)

1. A sales representative who is:
  - (a) Licensed pursuant to NRS 90.310;
  - (b) Not employed in the offer or sale of investment advice unless as part of a wrap fee program; and
  - (c) Employed by:

(1) A broker-dealer licensed pursuant to NRS 90.310 and 90.330; or  
(2) A broker-dealer licensed pursuant to NRS 90.310 who offers investment advice provided by an investment adviser licensed pursuant to NRS 90.330,  
→ is exempt from licensing under NRS 90.330.

2. As used in this section:

(a) Sales representative has the meaning ascribed to it in NRS 90.285.

(b) “Wrap fee program” means a program that charges a client a fee which is not directly based upon transactions in the client’s account for:

(1) Investment advisory services, including portfolio management and advice concerning the selection of other investment advisers, and the execution of transactions; or

(2) Advice relating to the allocation of the assets of a client among investment companies or to investments within an investment company, if the adviser or a related person serves as an investment adviser, administrator or a principal underwriter for an investment company. As used in this subsection, “related person” means any officer, director or partner of an adviser or any person directly or indirectly controlling, controlled by or under common control with the adviser.

**NAC 90.369 Licensing requirements inapplicable under certain circumstances.** (NRS 90.320, 90.750) The provisions of NRS 90.310 do not apply to a sales representative acting for an issuer effecting offers to sell or sales of securities if:

1. The securities are set forth in subparagraph (3) of paragraph (b) of section 18 of the Securities Act of 1933, 15 U.S.C. § 77r(b)(3), or subparagraph (D) of subparagraph (4) of paragraph (b) of section 18 of the Securities Act of 1933, 15 U.S.C. § 77r(b)(4)(D), and the sales representative is not paid, directly or indirectly, for soliciting any person in this State; or

2. The transactions in this State are limited to only those transactions set forth in subparagraph (2) of paragraph (h) of section 15 of the Securities Exchange Act of 1934, 15 U.S.C. § 78o(h)(2).

#### **Assistant Sales Representatives**

**NAC 90.371 Licensing requirements; expiration and renewal of license.** (NRS 90.350, 90.360, 90.380, 90.750, 90.845, 90.847)

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]~~ (FINRA) 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]~~ (FINRA), 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.

**NAC 90.373 Restrictions on activities and compensation. (NRS 90.380, 90.750)**

1. An assistant sales representative shall not:
  - (a) Solicit a transaction or a new account on behalf of a broker-dealer;
  - (b) Render investment advice;
  - (c) Make recommendations to customers regarding the appropriateness of a securities transaction;
  - (d) Effect transactions in a securities market on behalf of a broker-dealer; or
  - (e) Act as an assistant sales representative for more than one broker-dealer at any one time.
2. The activities of an assistant sales representative may only be conducted at a business location of the broker-dealer which is under the direct supervision of an appropriately registered principal of the broker-dealer.
3. A broker-dealer may only compensate an assistant sales representative on an hourly wage or salaried basis and may not in any way, directly or indirectly, relate his compensation to the number or size of the transactions effected for customers. This provision does not prohibit persons registered in this capacity from receiving bonuses or other compensation based on a member's profit-sharing plan or similar arrangement.

**Investment Advisers**

**NAC 90.375 Applicant for initial license: Filing requirements; payment of fee. (NRS 90.350, 90.360, 90.750, 90.845, 90.847)**

1. An applicant for an initial license as an investment adviser must file an application with the Administrator in the manner set forth in NAC 90.3293. The application must include:
  - (a) The Uniform Application for Investment Adviser Registration (Form ADV), completed in accordance with the instructions accompanying that application;
  - (b) Proof:
    - (1) Of successful completion by the applicant, if he is a natural person, or by an owner, officer or director of the applicant if the applicant is not a natural person, of:
      - (I) The Uniform Investment Adviser Law Examination (Series 65); or
      - (II) The Uniform Combined State Law Examination (Series 66) and the General Securities Registered Representative Examination (Series 7); or
    - (2) That the applicant, if he is a natural person, or an owner, officer or director of the applicant if the applicant is not a natural person, holds a professional designation listed in subsection 3 of NAC 90.391;
  - (c) The Uniform Application for Securities Industry Registration or Transfer (Form U-4) which is signed by the person submitting proof of the requirements set forth in paragraph (b); and
  - (d) Such other information as the Administrator may reasonably require.
2. In addition to the requirements set forth in subsection 1, an applicant for an initial license as an investment adviser must pay the fee required by NRS 90.360 to the Administrator in the manner set forth in NAC 90.3293.

**NAC 90.380 Expiration and renewal of license; filing of amendments and updates to Form ADV.** (NRS 90.350, 90.360, 90.750, 90.845, 90.847)

1. The license of an investment adviser expires on December 31 of each year. An investment adviser must renew his license annually, on or before December 31, by paying the fee required by NRS 90.360 to the Administrator in the manner set forth in NAC 90.3293.

2. An investment adviser shall file with the Administrator in the manner set forth in NAC 90.3293 any amendments to the most recent Form ADV filed by the investment adviser that are required by the instructions set forth in the Uniform Application for Investment Adviser Registration (Form ADV) within 30 days after the event that requires the filing of the amendment.

3. Within 90 days after the end of the fiscal year, an investment adviser must file an updated Form ADV with the Administrator in the manner set forth in NAC 90.3293.

**NAC 90.385 Withdrawal from licensing.** (NRS 90.750, 90.847) An investment adviser who withdraws from licensing shall file with the Administrator, in the manner set forth in NAC 90.3293, the Uniform Notice of Withdrawal From Registration as an Investment Adviser (Form ADV-W).

**NAC 90.3864 Adoption by reference of certain policies and rules governing practice.** (NRS 90.390, 90.750) For the purposes of subsection 5 of NRS 90.390, the Administrator hereby adopts by reference:

1. The Statement of Policy on Unethical Business Practices of Investment Advisers, as adopted by the North American Securities Administrators Association on April 5, 1985, and amended by that association on April 27, 1997, and published in the *Commerce Clearing House NASAA Reports*.

2. Model Rule 203(a)(2), Alternative 2, Recordkeeping Requirements for Investment Advisers, as adopted by the North American Securities Administrators Association on May 3, 1998.

3. The provisions of 17 C.F.R. § 275.204-2, as adopted by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940.

4. The provisions of 17 C.F.R. § 275.204-3, as adopted by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940.

**NAC 90.3866 Materials adopted by reference: Availability.** (NRS 90.390, 90.750)

1. The Statement of Policy on Unethical Business Practices of Investment Advisers of the North American Securities Administrators Association and Model Rule 203(a)(2), as adopted by reference in subsections 1 and 2 of NAC 90.3864, are available, free of charge, from the North American Securities Administrators Association, 10 G Street, N.E., Suite 710, Washington, D.C. 20002. The Statement of Policy on Unethical Business Practices of Investment Advisers and Model Rule 203(a)(2) are also available, free of charge, from the North American Securities Administrators Association at the Internet address <[http://www.nasaa.org/nasaa/scripts/fu\\_display\\_list.asp?ptid=142](http://www.nasaa.org/nasaa/scripts/fu_display_list.asp?ptid=142)> and at the Internet address <[http://www.nasaa.org/nasaa/scripts/fu\\_display\\_list.asp?ptid=82](http://www.nasaa.org/nasaa/scripts/fu_display_list.asp?ptid=82)>, respectively.

2. The provisions of 17 C.F.R. § 275.204-2 and 17 C.F.R. § 275.204-3, as adopted by reference in subsections 3 and 4 of NAC 90.3864, are available from the Superintendent of Documents, P.O. Box 371954, Pittsburgh, Pennsylvania 15250-7954, for the price of \$55. Those

provisions are also available, free of charge, from the Government Printing Office at the Internet address <<http://www.access.gpo.gov/nara/cfr/index.html>>.

**NAC 90.3868 Materials adopted by reference: Review of changes.** (NRS 90.390, 90.750)

The Administrator will periodically review:

1. The Statement of Policy on Unethical Business Practices of Investment Advisers of the North American Securities Administrators Association, as adopted by reference in subsection 1 of NAC 90.3864;

2. Model Rule 203(a)(2), as adopted by reference in subsection 2 of NAC 90.3864;

3. The provisions of 17 C.F.R. § 275.204-2, as adopted by reference in subsection 3 of NAC 90.3864; and

4. The provisions of 17 C.F.R. § 275.204-3, as adopted by reference in subsection 4 of NAC 90.3864,

➤ and determine within 30 days after the review whether any change made to the rules or statement is appropriate for application in this State. If the Administrator does not disapprove a change to an adopted rule or statement within 30 days after the review, the change is deemed to be approved by the Administrator.

**NAC 90.387 Recordkeeping requirements; disclosures to clients.** (NRS 90.390, 90.750)

1. Except as otherwise provided in subsection 2, an investment adviser licensed or required to be licensed pursuant to NRS 90.330 shall comply with the provisions of:

(a) Model Rule 203(a)(2), as adopted by reference in subsection 2 of NAC 90.3864;

(b) 17 C.F.R. § 275.204-2, as adopted by reference in subsection 3 of NAC 90.3864; and

(c) 17 C.F.R. § 275.204-3, as adopted by reference in subsection 4 of NAC 90.3864.

2. An investment adviser who has his principal place of business in a state other than this State shall maintain and preserve only such books and records as are required by the state in which the investment adviser maintains his principal place of business, if the investment adviser is licensed in that state and is in compliance with that state's requirements for the preservation of books and records.

**NAC 90.390 Minimum net capital or tangible net worth; submission of certificate of accountant.** (NRS 90.390, 90.750)

1. Unless he is exempt from registration under the Investment Advisers Act of 1940, an investment adviser who is not registered under that Act, and who takes or retains custody of securities or money of a client, shall:

(a) Maintain net capital of not less than \$20,000 or a tangible net worth of not less than \$35,000; and

(b) Promptly submit to the Office of the Administrator a copy of the certificate of an accountant that is required to be filed with the Securities and Exchange Commission pursuant to 17 C.F.R. § 275.206(4)-2.

2. As used in subsection 1, "tangible net worth" means the net worth of the investment adviser, reduced by the total of:

(a) Prepaid expenses, except items properly classified as current assets under generally accepted accounting principles;

(b) Deferred charges;



(c) The value of his intangible assets, including goodwill, franchises, organizational expenses, and unamortized debt discount and expense;

(d) In the case of a natural person, the value of his personal property which is not readily marketable and the fair market value of his homes, furnishings and automobiles, less any indebtedness secured by such property, to the extent that the indebtedness is not greater than the carrying value of the property;

(e) In the case of a corporation, advances or loans to stockholders or officers; and

(f) In the case of a partnership, advances or loans to partners.

3. An investment adviser who has a principal place of business in a state other than this State shall maintain only such minimum capital as is required by the state in which the adviser maintains his principal place of business, if the investment adviser is licensed in that state and is in compliance with that state's requirements for minimum capital.

#### **Representatives of Investment Advisers**

**NAC 90.391 Applicant for initial license: Filing requirements; payment of fee.** (NRS 90.350, 90.360, 90.750, 90.845, 90.847)

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;

(e) Is designated as a Chartered Investment Counselor (CIC) by the Investment Counsel 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]~~ (FINRA) 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.

**NAC 90.3911 Expiration and renewal of license; required updating of certain information.** (NRS 90.350, 90.360, 90.750, 90.845, 90.847)

1. The license of a representative of an investment adviser expires on December 31 of each year. A representative of an investment adviser must renew his license annually, on or before December 31, by paying the applicable fee required pursuant to NRS 90.360 to the Administrator in the manner set forth in NAC 90.3293.

2. A representative of an investment adviser and the investment adviser with whom the representative is employed or retained as an independent contractor shall update the information required by the Uniform Application for Securities Industry Registration or Transfer (Form U-4) filed with the Administrator pursuant to NAC 90.391 within 30 days after the change in that information occurs.

**NAC 90.3912 Licensing requirements inapplicable under certain circumstances.** (NRS 90.340, 90.750) The licensing requirements of NRS 90.330 do not apply to a representative of an investment adviser who is a federal covered adviser if the representative does not have a place of business in this State.

**NAC 90.3915 Cessation of employment or contractual relationship with investment adviser.** (NRS 90.350, 90.360, 90.750, 90.847)

1. The license of a representative of an investment adviser terminates upon the withdrawal, cancellation or termination of his employment or contractual relationship with an investment adviser. The investment adviser shall file the Uniform Termination Notice for Securities Industry Registration (Form U-5) with the Administrator, in the manner set forth in NAC 90.3293, upon the withdrawal, cancellation or termination of his employment or contractual relationship with a representative of an investment adviser.

2. A representative of an investment adviser whose employment or contractual relationship with an investment adviser ceases and who intends to transact business in this State as a representative of an investment adviser with another investment adviser must file a new application for a license, together with the required fee.

#### **Branch Offices**

**NAC 90.392 Licensing requirements; changes in certain information; expiration and renewal of license.** (NRS 90.360, 90.750)

1. A broker-dealer who maintains a branch office must obtain a license from the Division before doing business at that office.

2. A broker-dealer who desires to obtain the license required by this section must:

- (a) File an Application for Licensing of a Branch Office (Nevada Form 360-2);
- (b) Be licensed in this State as a broker-dealer and, if qualification is required by NRS 80.010, be qualified to do business in this State; and
- (c) Pay the appropriate fee set forth in NRS 90.360.

3. If any change occurs in the information set forth in an application made pursuant to this section, the applicant shall, within 30 days after the change, file an Amendment to Registration of a Branch Office (Nevada Form 360-2A) and pay the appropriate fee set forth in NRS 90.360.

4. A license obtained pursuant to this section expires on December 31 of each year. The license must be renewed annually on or before December 31 by paying the appropriate fee set forth in NRS 90.360.

**NAC 90.3925 Designation as office of supervisory jurisdiction; designation of manager.** (NRS 90.360, 90.750)

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]~~ (FINRA), regardless of whether he is a member of that association.

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.

**NAC 90.393 Licensing of person in charge; roster of affiliated sales representatives.** (NRS 90.360, 90.750)

1. The individual in charge of a branch office must be licensed in this State as a sales representative or broker-dealer.

2. A broker-dealer who maintains a branch office shall keep a current roster of the sales representatives affiliated with that office.

**NAC 90.3935 Restrictions on name and location of operation.** (NRS 90.360, 90.750) A branch office must not be operated:

1. Under any name other than:
  - (a) The name of the broker-dealer; or
  - (b) A fictitious name registered by the broker-dealer as required by chapter 602 of NRS.
2. Within the physical confines of another business unless:
  - (a) There are conspicuous signs or physical separation of the businesses that clearly indicate to the public that the businesses are separate and distinct from one another; and
  - (b) Any person referring customers to or soliciting business for the branch office for compensation complies with the licensing requirements set forth in this chapter and chapter 90 of NRS.

**NAC 90.394 Grounds for denial, suspension or revocation of license.** (NRS 90.360, 90.750) The Administrator may deny, suspend or revoke any license issued for the operation of a branch office on any ground applicable to the denial, suspension or revocation of the license of a broker-dealer.

**NAC 90.3945 Notification of Division before closing office or terminating business.** (NRS 90.360, 90.750) A broker-dealer shall notify the Division before closing a branch office or terminating business at that location. Notice must be given by the filing of a Request for Withdrawal of a Branch Office (Nevada Form 360-2W).

## **TRANSFER AGENTS**

### **NAC 90.\_\_\_\_\_ Application for licensing of Transfer Agents**

- 1. An applicant for licensing as a transfer agent as defined in NRS 90.307 must file an application with the Office of the Administrator. The application must include:**
  - (a) A copy of their application to Uniform Form for Registration as a Transfer Agent and for Amendment (SEC Form TA-1);**
  - (b) Uniform Consent to Service of Process (Form U-2);**
  - (c) Balance sheet prepared in the manner prescribed in NAC 90.335;**
  - (d) A certificate that it has qualified to do business in this State, if qualification is required by NRS 80.010; and**
  - (e) Original signatures on Form TA-1 and Form U-2.**

**NAC \_\_\_\_\_ Compliance with certain provisions of Conduct Rules. (NRS 90.390, 90.750)**  
**For the purposes of subsection 5 of NRS 90.390, 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 ~~[National Association of Securities Dealers]~~ (FINRA) where applicable.**

**NAC \_\_\_\_\_ Expiration and renewal of license. (NRS 90.350, 90.360, 90.390, 90.750, 90.845)**

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

**NAC \_\_\_\_\_ Withdrawal from licensing. (NRS 90.750, 90.847)**

- 1. Except as otherwise provided in subsection 2, a transfer agent who withdraws from licensing in this State shall file with the Office of the Administrator a copy of a Transfer Agent Withdrawal Form (SEC Form TAWF-1268).**

## **REGISTRATION OF SECURITIES**

### **General Provisions**

**NAC 90.395 Definitions. (NRS 90.750)** As used in NAC 90.395 to 90.538, inclusive, unless the context otherwise requires:

- 1. "Commission" means any consideration paid for services rendered, whether received by or accruing to the benefit of a person in connection with the distribution of securities or otherwise. The term includes cash, selling discounts, fees, securities, contracts and any other thing of value.**
- 2. "Dilution" means the difference between:**
  - (a) The net tangible asset value of the issuer allocable to the equity securities being offered, calculated by dividing the net tangible asset value of the issuer by the number of equity securities outstanding, including the securities being offered; and**
  - (b) The aggregate offering price for the securities being offered.**
- 3. "Underwriter" means a person who purchases any security from the issuer with a view to, or offers or sells any security for an issuer in connection with, the distribution of the security, or participates in the direct or indirect underwriting of any such undertaking, but does not include a person whose interest in an undertaking is limited to that of a distributor or seller, and who**

receives a commission, if a commission is paid, not in excess of the usual and customary commission received by a distributor or seller.

**NAC 90.398 Electronic filing; electronic payment of fees.** (NRS 90.750, 90.845, 90.847)

1. Any document which must be filed pursuant to NRS 90.470 to 90.500, inclusive, or 90.520 may be filed with the Securities Registration Depository or any other system for the electronic registration of securities which is approved by the Administrator by order.

2. If a document is filed pursuant to subsection 1, any fee required by NRS 90.500 or 90.520 may be paid by the electronic transfer of money to the system for the electronic registration of securities with which the document was filed.

3. As used in this section, "Securities Registration Depository" means the system for the electronic registration of securities that is owned and operated by SRD, Inc., or its successor.

**NAC 90.400 Filing of Year-End Securities Sales Report.** (NRS 90.500, 90.750) If an open-end management company, face amount certificate company or unit investment trust is required to file a report pursuant to paragraph (b) of subsection 3 of NRS 90.500, it shall satisfy that requirement by filing with the Administrator a Year-End Securities Sales Report (Nevada Form 500-3).

**NAC 90.402 Prospectus: Index.** (NRS 90.750) Any prospectus, amendment or supplement to a prospectus required by chapter 90 of NRS must have an index clearly identifying each topical heading in the order that it appears in the prospectus.

**NAC 90.403 Prospectus: Use and availability of Small Company Offering Registration Form.** (NRS 90.750)

1. The Small Company Offering Registration Form (Form U-7), as adopted by the North American Securities Administrators Association, may be used as a prospectus for the purposes of any requirement for a prospectus contained in this chapter or chapter 90 of NRS if the minimum offering price per share is equal to or more than \$1 per share. An offering submitted in connection with Rule 504 of Regulation D of the Securities and Exchange Commission must be submitted on Form U-7.

2. Each Form U-7 so submitted must be completed in conformance with the uniform instructions accompanying the form.

3. An issuer who uses Form U-7 in connection with an offering pursuant to Rule 504 of Regulation D of the Securities and Exchange Commission may elect in writing to participate in the Western Regional Review, as administered by the North American Securities Administrators Association.

4. Form U-7 may be obtained from the North American Securities Administrators Association or the Office of the Administrator in the manner described in NAC 90.315.

**NAC 90.405 Application of statements of policy to offerings; offerings made with unreasonable amounts of underwriters' and sellers' compensation; aggregate amount of compensation.** (NRS 90.510, 90.750)

1. For the purposes of NRS 90.510:

(a) Except as otherwise provided in paragraph (b), statements of policy adopted by the North American Securities Administrators Association may be used by the Administrator to determine whether an offering:

- (1) Is complete with respect to the disclosure provided;
- (2) Works or will tend to work a fraud upon purchasers; or
- (3) Is or will be made with unreasonable amounts of promoters' profits or participation, or unreasonable amounts or kinds of options.

(b) An offering is made with unreasonable amounts of underwriters' and sellers' discounts, commissions or other compensation if the aggregate amount of that compensation, calculated as provided in subsection 2:

- (1) Is greater than 15 percent; or
- (2) When added to the total amount of expenses incurred or to be incurred in connection with the offering, is greater than 20 percent,  
➔ of the aggregate offering price.

2. Except as otherwise provided in this subsection, the aggregate amount of compensation includes the fair market value of any options or warrants given in connection with the offering to underwriters and sellers. If there is no evidence sufficient to establish a fair market value or other value, the value of these options and warrants shall be deemed to be not less than 20 percent of the public offering price of the stock to which they relate.

**NAC 90.408 Registration statements: Use of financial statements and financial information prepared in accordance with generally accepted accounting principles of Canada.** (NRS 90.500, 90.750)

1. Financial statements and financial information which have been prepared in accordance with generally accepted accounting principles of Canada, consistently applied, may be included in a registration statement which is filed with the Administrator pursuant to NRS 90.470 or 90.480 if the registration statement has been designated as Form F-7, F-8, F-9 or F-10 by the Securities and Exchange Commission and:

(a) The securities which are the subject of a registration statement designated as Form F-7 by the Securities and Exchange Commission are offered for cash upon the exercise of rights granted to existing security holders.

(b) The securities which are the subject of a registration statement designated as Form F-8 by the Securities and Exchange Commission are securities to be issued in an exchange offer, merger or other business combination.

(c) The securities which are the subject of the registration statement designated as Form F-9 by the Securities and Exchange Commission are either nonconvertible preferred stock or nonconvertible debt which will be rated in one of the four highest rating categories by one or more nationally recognized statistical rating organizations.

(d) The securities which are the subject of a registration statement designated as Form F-10 by the Securities and Exchange Commission are offered and sold pursuant to a prospectus in which the Securities and Exchange Commission has not required a reconciliation to generally accepted accounting principles of the United States with respect to the financial information presented therein.

2. For the purposes of this section, preferred stock and debt securities which are not convertible for at least 1 year after the date of effectiveness of the registration statement shall be deemed to meet the requirement of paragraph (c) of subsection 1.