

1 Department of Commerce

2

3 Adopted Rules Relating to Securities Regulation

4

5 Rules as Adopted

6 2875.0150 ISOLATED SALES.

7 Subpart 1. [Unchanged.]

8 Subp. 2. Computation. For the purpose of computing the  
9 number of sales that have been made, or will have been made upon  
10 completion of a proposed offering pursuant to Minnesota  
11 Statutes, section 80A.15, subdivision 2, clause (a):

12 A. the following sales shall be excluded if made  
13 within 48 hours of a sale to another purchaser, which other sale  
14 is included in such computation:

15 (1) the sale to any relative or spouse of a  
16 purchaser and any relative of such spouse, who has the same home  
17 as such purchaser; and

18 (2) the sale to any trust or estate in which a  
19 purchaser and any of the persons related to him as specified in  
20 subitem (1) or (3) collectively have more than 50 percent of the  
21 beneficial interest (excluding contingent interest); and

22 (3) the sale to any corporation or other  
23 organization of which a purchaser and any of the persons related  
24 to him as specified in subitem (1) or (2) collectively are the  
25 beneficial owners of more than 50 percent of the equity  
26 securities (excluding directors' qualifying shares) or equity  
27 interests; and

28 B. and C. [Unchanged.]

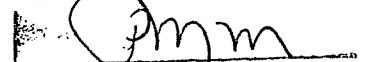
29 D. the sales to any "accredited investor" within the  
30 meaning of Code of Federal Regulations, title 17, section  
31 230.501(a) shall be excluded.

32 Subp. 3. and 4. [Unchanged.]

33 2875.0180 PERSONS TO WHOM SALES HAVE BEEN MADE.

34 Subpart 1. Computing. For the purpose of calculating the  
35 number of persons to whom sales have been made, or will have

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1 been made upon completion of a proposed offering pursuant to  
 2 Minnesota Statutes, section 80A.15, subdivision 2, clause (h),  
 3 the calculation shall follow the rules for calculation in Code  
 4 of Federal Regulations, title 17, section 230.501(e).

5 Clients of an investment adviser, customers of a  
 6 broker-dealer, or persons with similar relationships shall be  
 7 considered to be separate purchasers regardless of the amount of  
 8 discretion given to the investment adviser, broker-dealer, bank  
 9 trust department, or other person to act on behalf of the  
 10 client, customer, or trust.

11 Subp. 2. [See Repealer.]

12 Subp. 3. to 5. [Unchanged.]

13 2875.0185 EFFECTIVE DATES OF STATEMENT OF ISSUER.

14 The exemption set forth in Minnesota Statutes, section  
 15 80A.15, subdivision 2, paragraph (h), ~~clause (3)~~ shall only be  
 16 effective for a period of one year commencing from ten days  
 17 after the date on which the statement of issuer is filed with  
 18 the commissioner.

19 ~~2875.1590-BANKS, SAVINGS INSTITUTIONS, AND SAVINGS AND LOAN~~  
 20 ~~ASSOCIATIONS, PROMOTION OR ESTABLISHMENT OF SECURITIES BROKERAGE~~  
 21 ~~SERVICES INVOLVING EXECUTION OF CUSTOMER PURCHASE AND SALE~~  
 22 ~~ORDERS.~~

23 ~~Subpart 1. License requirements. A bank, savings~~  
 24 ~~institution, or savings and loan association which is not~~  
 25 ~~licensed as a broker-dealer may effect transactions in~~  
 26 ~~securities for the account of others by promoting or~~  
 27 ~~establishing accounts for broker-dealers only if the bank,~~  
 28 ~~savings institution, or savings and loan association:~~

29 ~~A. does not hold itself out to the public as a~~  
 30 ~~securities broker through publishing, broadcasting,~~  
 31 ~~distributing, or circulating any form of advertising through any~~  
 32 ~~type of media or any other manner;~~

33 ~~B. contracts with a broker-dealer to promote or~~  
 34 ~~establish accounts for that broker-dealer and the following~~  
 35 ~~conditions are all met:~~

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1                   (1)-the-broker-dealer-is-a-National-Association  
2 of-Securities-Dealers-member-who-is-licensed-in-Minnesota;

3                   (2)-all-determinations-of-suitability-are-made-by  
4 the-licensed-broker-dealer;

5                   (3)-promotional-or-account-establishing-functions  
6 are-only-performed-by-persons-who-are-licensed-as-agents-to-the  
7 broker-dealer;-and

8                   (4)-the-bank,-savings-association,-or-savings-and  
9 loan-association-has-a-contract-with-only-one-broker-dealer  
10 during-the-same-period-of-time;

11                   C.--does-not-engage-in-investment-advice-or  
12 underwriting-in-connection-with-the-securities-activities  
13 described-in-this-rule;

14                   D.--conducts-all-securities-activities-in-a-manner-not  
15 exceeding-the-powers-conferred-by-federal-and-state-laws  
16 regulating-banks,-savings-institutions,-and-savings-and-loan  
17 associations;-and

18                   E.--does-not-receive-compensation-for-referrals-to  
19 broker-dealers-whose-activities-are-not-within-the-scope-of  
20 these-rules.

21                   Subp.-2.--Employees-as-agents.--No-bank-employees-may-be  
22 licensed-as-agents-to-more-than-one-broker-dealer.

23                   Subp.-3.--Filing-requirements.--If-a-bank,-savings  
24 institution,-or-savings-and-loan-association-contracts-with-a  
25 licensed-broker-dealer-to-promote-or-establish-accounts,-the  
26 following-information-must-be-provided-to-the-commissioner-at  
27 least-30-days-prior-to-the-effective-date-of-the-contract:

28                   A.--the-training-manual-to-be-used-in-the-training-of  
29 bank-employees-by-the-broker-dealer-and-a-description-of-all  
30 other-training-to-be-provided;

31                   B.--a-written-description-of-the-allocation-of-the  
32 following-functions-between-the-contracting-parties-with-respect  
33 to-securities-transactions;

34                   (1)-opening,-approving,-and-monitoring-of  
35 accounts;

36                   (2)-extension-of-credit;

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1 ~~(3)-maintenance-of-books-and-records;~~

2 ~~(4)-receipt-of-and-delivery-of-funds-and~~  
3 ~~securities;~~

4 ~~(5)-safeguarding-of-funds-and-securities;~~

5 ~~(6)-confirmations-and-statements;-and~~

6 ~~(7)-acceptance-of-orders-and-execution-of~~  
7 ~~transactions;~~

8 ~~C.--a-written-commitment-from-the-bank;-savings~~  
9 ~~institution;-or-savings-and-loan-association-that-the~~  
10 ~~commissioner-will-have-access-to-customer-records-of-securities~~  
11 ~~transactions-in-their-possession;~~

12 ~~D.--identification-of-all-bank;-savings-institution;~~  
13 ~~or-savings-and-loan-association-employees-involved-with-the~~  
14 ~~marketing-program;-a-description-of-their-functions-and-method~~  
15 ~~of-compensation;-and-identification-of-the-agents-of-the~~  
16 ~~licensed-broker-dealer;-and~~

17 ~~E.--a-U-4-application-for-designated-agents-of-the~~  
18 ~~licensed-broker-dealer.~~

19 2875.2410 ESCROW AGREEMENTS.

20 Subpart 1. Conditions of registration. As a condition of  
21 registration of securities by an issuer, restrictions on  
22 transferability of all cheap stock owned by officers, directors,  
23 or persons owning greater than ten percent of the then  
24 outstanding stock of the issuer, may be required for a period of  
25 up to three years. The restrictions on transferability may be  
26 by means of escrow of shares, legending of share certificates,  
27 or by other means, as may be determined by the commissioner upon  
28 the facts and circumstances of each case to be necessary for the  
29 protection of public investors, or by any combination of the  
30 foregoing.

31 Subp. 2. and 3. [Unchanged.]

32 2875.2490 ANNUAL SHAREHOLDERS' REPORT.

33 So long as a registration statement is effective, other  
34 than for industrial revenue bonds, within 150 days of the end of  
35 the fiscal year, the registrant shall distribute an annual

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1 report to all shareholders. Said annual report shall contain a  
2 balance sheet, income statement, statement of changes in  
3 financial position, all of which must be audited by an  
4 independent certified public accountant with his opinion  
5 expressed thereon, and such other information as may be  
6 necessary for complete disclosure.

7 2875.2500 REPORT FORM.

8 So long as a registration statement is effective, other  
9 than for industrial revenue bonds, the issuer shall file an  
10 annual report in such form, and containing such information as  
11 the commissioner prescribes. At a minimum, the annual report  
12 shall contain the following:

13 A. to T. [Unchanged.]

14 2875.2510 REPORT FILINGS.

15 Subpart 1. Alternate filings. Any issuer filing annual  
16 reports under the Securities Exchange Act of 1934 may file, in  
17 lieu of the report required by part 2875.2500, a duplicate copy  
18 of the annual report filed with the Securities and Exchange  
19 Commission.

20 Any issuer filing reports under the Investment Company Act  
21 of 1940 may file, in lieu of the report required by part  
22 2875.2500, a current updated prospectus as filed with the  
23 Securities and Exchange Commission or a copy of the annual  
24 report required to be filed with the Securities and Exchange  
25 Commission.

26 Subp. 2. Filing of annual report or prospectus. The  
27 annual report or prospectus required by parts 2875.2500 and  
28 2875.2510 shall be filed on or prior to the 90th day (or 120th  
29 day in the case of issuers registered under the Investment  
30 Company Act of 1940) following the close of the issuer's fiscal  
31 year, except that if the information required by part 2875.2500,  
32 item S is not reasonably available at such time, such  
33 information may be filed on or before the 150th day following  
34 the close of the issuer's fiscal year.

35 Subp. 3. Contents regarding registration of industrial

1 revenue bonds. So long as a registration is effective for  
2 industrial revenue bonds, as an annual report there must be  
3 filed with the commissioner financial statements of the person  
4 or persons directly liable to make payments for the purpose of  
5 paying principal and interest. Notwithstanding parts 2875.0950  
6 and 2875.0960, unless the foregoing financial statements are  
7 otherwise audited by independent certified public accountants,  
8 the financial statements filed need not be so audited, unless  
9 required by the commissioner, but must be prepared in accordance  
10 with generally accepted accounting principles unless otherwise  
11 permitted by order.

12 2875.3000 MINIMUM INVESTMENT REQUIRED.

13 Subpart 1. [Unchanged.]

14 Subp. 2. Fair value of equity investment. "Fair value of  
15 the equity investment" shall mean the higher of:

16 A. the total of all sums irrevocably conveyed to the  
17 issuer in cash, together with the reasonable value of all  
18 tangible assets irrevocably conveyed to the issuer, and together  
19 with an evaluation by a qualified independent appraiser or other  
20 reasonable demonstration of value of intangible assets  
21 including, but not limited to, patents, licenses, technologies,  
22 trademarks, and technical or professional services contributed  
23 by the promoters, as adjusted by the retained earnings of the  
24 issuer subsequent to the dates of such conveyances, payments, or  
25 contributions; or

26 B. the total shareholders' equity as set forth in a  
27 certified balance sheet prepared in accordance with parts  
28 2875.0950 and 2875.0960, less the value assigned to any  
29 intangible assets for which no reasonable demonstration of value  
30 has been provided.

31 Subp. 3. and 4. [Unchanged.]

32

33 REPEALER. Minnesota Rules, parts 2875.0180, subpart 2;  
34 2875.3920; and 2875.3930 are repealed.

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