

**TEXAS STATE SECURITIES BOARD ADOPTION OF A
RESTRICTED REGISTRATION FOR A "FINDER" - JULY
25, 2006**

§115.1. General Provisions.

(a) Definitions. Words and terms used in this chapter are also defined in §107.2 of this title (relating to Definitions). The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1)-(8) (No change.)

(9) Finder — An individual who receives compensation for introducing an accredited investor to an issuer or an issuer to an accredited investor solely for the purpose of a potential investment in the securities of the issuer, but does not participate in negotiating any of the terms of an investment and does not give advice to any such parties regarding the advantages or disadvantages of entering into an investment, and conducts this activity in accordance with §115.11 of this title (relating to Activities of a Finder). Note that **an individual registered as a finder is not permitted to register in any other capacity [other than as a restricted dealer] ; however, a registered general dealer is allowed to engage in finder activity without separate registration as a finder.**

(b) (No change.)

(c) Types of registrations.

(1) (No change.)

(2) Restricted registration. The restricted registrations are as follows:

(A)-(K) (No change.)

(L) registration to deal in all general securities except municipal securities; ~~and~~

¹ (M) registration to act exclusively as a finder; and

**TEXAS STATE SECURITIES BOARD ADOPTION OF A
RESTRICTED REGISTRATION FOR A "FINDER" - JULY
25, 2006**

(N) [~~(M)~~] registration with other restrictions which the
Securities Commissioner may impose based upon
the facts.

(3) (No change.)

(d) (No change.)

**TEXAS STATE SECURITIES BOARD ADOPTION OF A
RESTRICTED REGISTRATION FOR A "FINDER" - JULY
25, 2006**

§115.3. Examination.

(a)-(b) (No change.)

(c) Waivers of examination requirements.

(1) (No change.)

(2) A full waiver of the examination requirements of the Texas Securities Act, Section 13.D, is granted by the Board to the following classes of persons:

(A)-(D) (No change.)

(E) *a finder;*

(E) [~~(E)~~] a person who completed the required examinations, but whose registration has lapsed for more than two years and who has been continually employed in a securities-related position with an entity which was not required to be registered; and

(G) [~~(F)~~] a person who completed the required examinations, but whose registration has lapsed for more than two years and who has been continually registered during the period of the lapse (or unregistered for no more than 60 days when transferring from one employer to another) with the NASD and the state securities regulator in the state in which the person maintains its principal place of business.

(3)-(4) (No change.)

(d) (No change.)

**TEXAS STATE SECURITIES BOARD ADOPTION OF A
RESTRICTED REGISTRATION FOR A "FINDER" - JULY
25, 2006**

§115.11. Activities of a Finder.

(a) Prohibited activities. A finder shall not:

- (1) participate in negotiating any of the terms of an investment;
- (2) give advice to an accredited investor or an issuer regarding the advantages or disadvantages of entering into an investment;
- (3) conduct due diligence **on behalf of a potential issuer or potential investor**, provide valuation, or provide other analysis to an accredited investor or an issuer regarding an investment;
- (4) advertise to seek accredited investors or issuers;
- (5) have custody of an accredited investor's funds or securities; ~~or~~
- (6) serve as an escrow agent for the parties; or
- (7) disclose information to an accredited investor or to an issuer other than the information described in subsections (b) and (c) of this section.

(b) Required disclosures.

- (1) A finder must disclose the following to each accredited investor:
 - (A) that compensation will be paid to the finder;
 - (B) that the finder can neither recommend nor advise the accredited investor with respect to the offering; and
 - (C) any potential conflict of interest in connection with the finder's activities.
- (2) The disclosures required by paragraph (1) of this subsection must be provided in writing.

**TEXAS STATE SECURITIES BOARD ADOPTION OF A
RESTRICTED REGISTRATION FOR A "FINDER" - JULY
25, 2006**

(c) Permitted disclosures.

(1) A finder may provide to an accredited investor some or all of the following information:

(A) the name, address, and telephone number of the issuer of the securities;

(B) the name, a brief description, and price (if known) of any security to be issued;

(C) a brief description of the business of the issuer in 25 words or less;

(D) the type, number, and aggregate amount of securities being offered; and/or

(E) the name, address, and telephone number of the person to contact for additional information.

(2) A finder may provide to an issuer contact information regarding an accredited investor.

(d) Recordkeeping.

(1) A finder is not required to maintain the records listed in §115.5 of this title (relating to Minimum Records); however, compliance with the record-keeping requirements of §115.5 of this title will satisfy the requirements of this subsection.

(2) A finder shall maintain and preserve a copy of Form BD used to register the finder for a period of five (5) years from the date of the termination of the finder's registration.

(3) (2) A finder shall maintain and preserve for a period of five (5) years the following records related to transactions that are completed and to transactions where the finder receives compensation:

**TEXAS STATE SECURITIES BOARD ADOPTION OF A
RESTRICTED REGISTRATION FOR A "FINDER" - JULY
25, 2006**

- (A) records of compensation received for acting as a finder, including the name of the payor, the date of payment, name of the issuer, and name of the accredited investor;
- ~~(B)~~ a copy of Form BD used to register the finder;
- (B) ~~(C)~~ copies of information provided by the finder to prospective accredited investors;
- (C) ~~(D)~~ any agreements and/or contracts between the finder and the accredited investor;
- (D) ~~(E)~~ any agreements and/or contracts between the finder and the issuer;
- (E) ~~(F)~~ any lists of contacts/prospective accredited investors and/or issuers; and
- (F) ~~(G)~~ any correspondence with accredited investors and/or issuers.
- (4) ~~(3)~~ The records required to be maintained and preserved pursuant to this subsection must be **maintained** [arranged and indexed] in a manner that will permit the immediate location of any particular document.
- (5) **The records required to be maintained and preserved pursuant to this subsection may be archived if they are more than two years old.**
- (6) ~~(4)~~ **A finder shall not commingle records to be maintained and preserved pursuant to this subsection with other records. [In the event that a records retention system commingles records required to be kept under this subsection with records not required to be kept, representatives of the Securities Commissioner may review all commingled records.]**
- (7) ~~(5)~~ A finder shall, upon written request of the Securities Commissioner, furnish to the Securities Commissioner any

TEXAS STATE SECURITIES BOARD ADOPTION OF A
RESTRICTED REGISTRATION FOR A "FINDER" - JULY
25, 2006

records required to be maintained and preserved under this subsection.

- (e) Supervisory requirements. **Because a finder is an individual who will not have agents, a [A] finder is not required to maintain a supervisory system as provided in §115.10 of this title (relating to Supervisory Requirements).**