

WAC 474-10-040 Private placements. The following transactions are private placements for the purposes of section 1(4), chapter 117, Laws of 1997:

- (1) Any offer or sale to an accredited investor.
- (2) Any transaction between the issuer or other person on whose behalf the offering is made and an underwriter, or among underwriters.
- (3) Any transaction by an executor, administrator, sheriff, marshal, receiver, trustee in bankruptcy, guardian, or conservator.
- (4) Any transaction executed by a bona fide pledgee without any purpose of evading this chapter.

In any sales pursuant to exemption (1) by an issuer, an affiliate of the issuer, or an underwriter, the person selling the securities shall exercise reasonable care to assure that the securities are being sold only to accredited investors and to assure that any resale(s) of the securities complies with the provisions of section 1(4), chapter 117, Laws of 1997 and the provisions of chapter 474-10 WAC. Reasonable care may be demonstrated by the following:

- (a) Reasonable inquiry to determine that the purchaser is an accredited investor;
- (b) Reasonable inquiry to determine if the purchaser is acquiring the securities for himself or herself or for other persons;
- (c) Written disclosure to each purchaser prior to sale that the securities may only be resold in private placements pursuant to the provisions of section 1(4), chapter 117, Laws of 1997 and the provisions of chapter 474-10 WAC; and
- (d) Placement of a legend on the certificate or other document that evidences the securities stating that the securities are subject to section 1(4), chapter 117, Laws of 1997 and the provisions of chapter 474-10 WAC, and setting forth or referring to the restrictions on transferability and sale of the securities.

In any proceeding involving the rules in WAC 474-10-040, the burden of proving compliance with or an exception from a rule, definition or condition is upon the person claiming it.

[Statutory Authority: 1997 c 117. WSR 99-03-004, § 474-10-040, filed 1/7/99, effective 2/7/99.]