

# Title 460 WAC

## FINANCIAL INSTITUTIONS, DEPARTMENT OF (SECURITIES DIVISION)

<b>Chapters</b>			
<b>460-10A</b>	<b>Definitions.</b>	460-16-150	Other documents required for registration by coordination. [Order 11, § 460-16-150, filed 3/3/72. Formerly WAC 308-132-184.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-11A</b>	<b>Multijurisdictional disclosure system.</b>	460-16-210	Nonvoting stock. [Order 10, § 460-16-210, filed 11/12/71. Formerly WAC 308-132-310.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-12A</b>	<b>Fraudulent and other prohibited practices.</b>	460-16-220	Cheap stock. [Order 10, § 460-16-220, filed 11/12/71. Formerly WAC 308-132-340.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-16A</b>	<b>General rules.</b>	460-16-260	Options and warrants. [Order 10, § 460-16-260, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-17A</b>	<b>Small company offering registration.</b>	460-16-270	Standards for options and warrants. [Order 10, § 460-16-270, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-18A</b>	<b>Notice filings for federal covered securities.</b>	460-16-320	Quarterly reports. [Order 11, § 460-16-320, filed 3/3/72. Formerly WAC 308-132-174.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-20B</b>	<b>Broker-dealer registration.</b>	460-16-350	Financial statements. [Order 11, § 460-16-350, filed 3/3/72. Formerly WAC 308-132-176.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-21B</b>	<b>Broker-dealer practices.</b>	460-16-390	Notice of termination of offering—Change of officers. [Order 11, § 460-16-390, filed 3/3/72. Formerly WAC 308-132-090.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-21C</b>	<b>Broker-dealer services at financial institutions.</b>	460-16-400	Promoter's investment. [Order 10, § 460-16-400, filed 11/12/71. Formerly WAC 308-132-180.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-22B</b>	<b>Salespersons of broker-dealers.</b>	460-16-410	Promotional securities—Standard. [Order 11, § 460-16-410, filed 3/3/72. Formerly WAC 308-132-110.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-23B</b>	<b>Salespersons for issuers.</b>	460-16-420	Reimbursement for promotion expense—Standard. [Order 11, § 460-16-420, filed 3/3/72. Formerly WAC 308-132-120.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-24A</b>	<b>Investment advisers.</b>	460-16-430	Escrow. [Order 11, § 460-16-430, filed 3/3/72. Formerly WAC 308-132-030.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-28A</b>	<b>Advertisements.</b>	460-16-440	Consent to transfer. [Order 11, § 460-16-440, filed 3/3/72. Formerly WAC 308-132-040.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-32A</b>	<b>Real estate related securities programs.</b>	460-16-450	Waivers. [Order 11, § 460-16-450, filed 3/3/72. Formerly WAC 308-132-050.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-33A</b>	<b>Regulations concerning securities involving mortgages, trust deeds or property sales contracts.</b>	460-16-460	Voting rights. [Order 11, § 460-16-460, filed 3/3/72. Formerly WAC 308-132-060.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-42A</b>	<b>Exempt securities.</b>	460-16-510	Rules relating to impound—Impound of funds. [Order 11, § 460-16-510, filed 3/3/72. Formerly WAC 308-132-170.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-44A</b>	<b>Exempt transactions.</b>	460-16-520	Release of funds from impound. [Order 11, § 460-16-520, filed 3/3/72. Formerly WAC 308-132-172.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.
<b>460-52A</b>	<b>Nonprofit organizations.</b>		
<b>460-60A</b>	<b>Financial statements and reports—Contents and filing requirements.</b>		
<b>460-64A</b>	<b>Capital requirements—Definitions.</b>		
<b>460-80</b>	<b>Franchise registration.</b>		
<b>460-82</b>	<b>Broker.</b>		
<b>DISPOSITION OF CHAPTERS FORMERLY CODIFIED IN THIS TITLE</b>			
<b>Chapter 460-10</b>			
<b>DEFINITIONS</b>			
460-10-040	Definitions—Costs of selling. [Order 11, § 460-10-040, filed 3/3/72. Formerly WAC 308-132-020.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-10A WAC.		
460-10-100	Definitions—Recognized securities manuals. [Order 11, § 460-10-100, filed 3/3/72. Formerly WAC 308-132-178.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-10A WAC.		
<b>Chapter 460-16</b>			
<b>GENERAL RULES FOR ISSUANCE</b>			
460-16-050	Opinion of counsel. [Order 11, § 460-16-050, filed 3/3/72. Formerly WAC 308-132-080.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.		
460-16-060	Bond on treasurer. [Order 11, § 460-16-060, filed 3/3/72. Formerly WAC 308-132-070.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.		
460-16-080	Subscription agreement. [Order 11, § 460-16-080, filed 3/3/72. Formerly WAC 308-132-186.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.		
460-16-100	Offering circular. [Order 11, § 460-16-100, filed 3/3/72. Formerly WAC 308-132-100.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-16A WAC.		
460-20-100	Minimum net capital requirement rule. [Order 11, § 460-20-100, filed 3/3/72. Formerly WAC 308-132-		

- 130.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-20A WAC.
- 460-20-120 Minimum net capital requirement rule—Definitions. [Order 11, § 460-20-120, filed 3/3/72. Formerly WAC 308-132-132.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-20A WAC.
- 460-20-130 Minimum net capital requirement rule—Exceptions. [Order 11, § 460-20-130, filed 3/3/72. Formerly WAC 308-132-134.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-20A WAC.
- 460-20-200 Rules relating to broker-dealers—Records required of dealers. [Order 11, § 460-20-200, filed 3/3/72. Formerly WAC 308-132-162.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-20A WAC.
- 460-20-300 Rules relating to broker-dealers—Unethical conduct. [Order 11, § 460-20-300, filed 3/3/72. Formerly WAC 308-132-164.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-20A WAC.
- 460-20-320 Rules relating to broker-dealers—Switching mutual funds. [Order 11, § 460-20-320, filed 3/3/72. Formerly WAC 308-132-166.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-20A WAC.
- 460-20-400 Rules relating to broker-dealers—Salesman for only one issuer. [Order 11, § 460-20-400, filed 3/3/72. Formerly WAC 308-132-180.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-20A WAC.
- 460-20-410 Rules relating to broker-dealers—Part-time salesman. [Order 11, § 460-20-410, filed 3/3/72. Formerly WAC 308-132-182.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-20A WAC.
- Chapter 460-20A**  
**BROKER-DEALERS AND SALESMEN**
- 460-20A-005 Definitions. [Order 304, § 460-20A-005, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-008 Fraudulent practices of broker-dealers and sales agents. [Statutory Authority: RCW 21.20.010, 21.20.110 and 21.20.450. 89-17-079 (Order SDO-126-89), § 460-20A-008, filed 8/17/89, effective 9/17/89.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-010 Churning. [Order 304, § 460-20A-010, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-015 Confirmation of transactions. [Order 304, § 460-20A-015, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-020 Disclosure of control of issuer. [Order 304, § 460-20A-020, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-025 Disclosure of interest in distributions. [Order 304, § 460-20A-025, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-030 Record of transactions in discretionary accounts. [Order 304, § 460-20A-030, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-035 Control of the market. [Order 304, § 460-20A-035, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-045 Transmission or maintenance of payments received in connection with underwritings. [Order 304, § 460-20A-045, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-050 Disclosure and other requirements when extending or arranging credit in certain transactions. [Order 304, § 460-20A-050, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-100 Minimum net capital requirement for broker-dealers. [Order 304, § 460-20A-100, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-105 Net capital defined. [Order 304, § 460-20A-105, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-200 Books and records of broker-dealers. [Order 304, § 460-20A-200, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-205 Preservation of records. [Order 304, § 460-20A-205, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-210 Notice of changes by broker-dealers. [Statutory Authority: RCW 21.20.450. 85-23-063 (Order SDO-220-85), § 460-20A-210, filed 11/19/85; 85-16-068 (Order SDO-128-85), § 460-20A-210, filed 8/1/85; Order 304, § 460-20A-210, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-215 Notice of complaint. [Order 304, § 460-20A-215, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-220 Salesperson registration and examination. [Statutory Authority: RCW 21.20.070 and 21.20.450. 89-17-077 (Order SDO-123-89), § 460-20A-220, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.070, 21.20.080, 21.20.340 and 21.20.450. 88-17-011 (Order SDO-047-88), § 460-20A-220, filed 8/8/88. Statutory Authority: RCW 21.20.450. 85-23-063 (Order SDO-220-85), § 460-20A-220, filed 11/19/85; 85-16-068 (Order SDO-128-85), § 460-20A-220, filed 8/1/85; 82-02-033 (Order SDO-149-81), § 460-20A-220, filed 12/31/81; 80-04-037 (Order SDO-37-80), § 460-20A-220, filed 3/19/80; Order 304, § 460-20A-220, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-225 Exemptions from salesmen examinations. [Order 304, § 460-20A-225, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 88-17-011 (Order SDO-047-88), filed 8/8/88. Statutory Authority: RCW 21.20.450.
- 460-20A-230 Broker-dealer registration and examination. [Statutory Authority: RCW 21.20.070 and 21.20.450. 89-17-077 (Order SDO-123-89), § 460-20A-230, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.070, 21.20.080, 21.20.340 and 21.20.450. 88-17-011 (Order SDO-047-88), § 460-20A-230, filed 8/8/88. Statutory Authority: RCW 21.20.450. 85-23-063 (Order SDO-220-85), § 460-20A-230, filed 11/19/85; 85-16-068 (Order SDO-128-85), § 460-20A-230, filed 8/1/85; 82-02-033 (Order SDO-149-81), § 460-20A-230, filed 12/31/81; Order 342, § 460-20A-230, filed 9/29/75; Order 304, § 460-20A-230, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-235 Condominium salesmen and broker-dealers. [Order 304, § 460-20A-235, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-400 Dual representation and affiliation. [Statutory Authority: RCW 21.20.450. 90-09-058, § 460-20A-400, filed 4/17/90, effective 5/18/90; 85-23-063 (Order SDO-220-85), § 460-20A-400, filed 11/19/85; 85-16-068 (Order SDO-128-85), § 460-20A-400, filed 8/1/85; Order 342, § 460-20A-400, filed 9/29/75; Order 304, § 460-20A-400, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.

- 460-20A-405 Receipt of both securities sales commission and investment adviser fees. [Statutory Authority: RCW 21.20.450. 85-03-042 (Order SDO-1-85), § 460-20A-405, filed 1/11/85.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-410 Part-time salesman or investment adviser salesman. [Order 342, § 460-20A-410, filed 9/29/75; Order 304, § 460-20A-410, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-415 Broker-dealer financial statement. [Order 304, § 460-20A-415, filed 2/28/75, effective 4/1/75. Formerly chapter 460-20 WAC.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-420 Dishonest or unethical business practices—Broker-dealers. [Statutory Authority: RCW 21.20.010, 21.20.110 and 21.20.450. 89-17-079 (Order SDO-126-89), § 460-20A-420, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.450. 85-02-023 (Order SDO-202-84), § 460-20A-420, filed 12/27/84.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- 460-20A-425 Dishonest or unethical business practices—Salespersons. [Statutory Authority: RCW 21.20.010, 21.20.110 and 21.20.450. 89-17-079 (Order SDO-126-89), § 460-20A-425, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.450. 85-02-023 (Order SDO-202-84), § 460-20A-425, filed 12/27/84.] Repealed by 95-16-026, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.070 and 21.20.450.
- Chapter 460-24  
INVESTMENT ADVISERS**
- 460-24-010 Investment advisers—Where rules apply. [Order 11, § 460-24-010, filed 3/3/72. Formerly WAC 308-132-200.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-030 Use of the term "investment counsel." [Order 11, § 460-24-030, filed 3/3/72. Formerly WAC 308-132-330.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-050 Use of the term "investment counsel"—Examination required. [Order 11, § 460-24-050, filed 3/3/72. Formerly WAC 308-132-210.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-060 Use of the term "investment counsel"—Financial statements required of investment advisers. [Order 11, § 460-24-060, filed 3/3/72. Formerly WAC 308-132-220.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-100 Advertising—General policy. [Order 11, § 460-24-100, filed 3/3/72. Formerly WAC 308-132-230.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-110 Advertising—Matters of general application. [Order 11, § 460-24-110, filed 3/3/72. Formerly WAC 308-132-240.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-120 Advertising—Opinions and conclusions. [Order 11, § 460-24-120, filed 3/3/72. Formerly WAC 308-132-250.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-130 Advertising—Descriptive superlatives. [Order 11, § 460-24-130, filed 3/3/72. Formerly WAC 308-132-260.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-140 Advertising—Guarantees of success. [Order 11, § 460-24-140, filed 3/3/72. Formerly WAC 308-132-270.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-150 Advertising—Selected past recommendations. [Order 11, § 460-24-150, filed 3/3/72. Formerly WAC 308-132-280.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-160 Advertising—Refunds. [Order 11, § 460-24-160, filed 3/3/72. Formerly WAC 308-132-290.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-200 Records required of investment advisers. [Order 11, § 460-24-200, filed 3/3/72. Formerly WAC 308-132-300.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-210 Compensation. [Order 11, § 460-24-210, filed 3/3/72. Formerly WAC 308-132-310.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-220 Authority of investment adviser. [Order 11, § 460-24-220, filed 3/3/72. Formerly WAC 308-132-340.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- 460-24-300 Inequitable and fraudulent practices. [Order 11, § 460-24-300, filed 3/3/72. Formerly WAC 308-132-320.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-24A WAC.
- Chapter 460-28  
ADVERTISING**
- 460-28-010 Advertising. [Order 11, § 460-28-010, filed 3/3/72.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-28A WAC.
- Chapter 460-31A  
REAL ESTATE PROGRAMS EXCEEDING  
FIVE MILLION DOLLARS**
- 460-31A-410 Application. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-410, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-415 Definitions. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-415, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-420 Experience of sponsor. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-420, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-425 Net worth of sponsor. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-425, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-430 Reports to administrator. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-430, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-435 Liability of sponsor. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-435, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-440 Suitability standards for the participants. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-440, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-445 Sales to appropriate persons. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-445, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-450 Maintenance of record of suitability. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-450, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-455 Minimum investment of participant. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-455, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-460 Fees, compensation and expenses. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-460, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-465 Organization and offering expenses. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-465, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-470 Investment in properties. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-

- 470, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-475 Program management fee. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-475, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-480 Promotional interest. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-480, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-485 Real estate commissions on resale. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-485, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-490 Property management fee. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-490, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-495 Insurance services. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-495, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-500 Sales, leases, loans, and related programs. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-500, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-505 Exchange of limited partnership interests. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-505, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-510 Exclusive agreement. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-510, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-515 Sales commissions on reinvestment or distribution. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-515, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-520 Expenses of the program. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-520, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-525 Reimbursement of costs. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-525, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-530 Other services by sponsor. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-530, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-535 Rebates, kickbacks and reciprocal arrangements. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-535, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-540 Commingling. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-540, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-545 Investments in other programs. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-545, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-550 Lending practices. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-550, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-555 Development or construction contract. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-555, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-560 Completion bond requirements. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-560, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-565 Requirement for real property appraisal. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-565, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-570 Nonspecified property programs. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-570, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-575 Minimum capitalization. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-575, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-580 Experience of sponsor. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-580, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-585 Statement of investment objectives. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-585, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-590 Period of offering and expenditure of proceeds. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-590, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-595 Special reports. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-595, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-600 Assessments. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-600, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-605 Multiple programs. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-605, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-610 Rights and obligations of participants—Meetings. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-610, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-615 Voting rights of limited partners. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-615, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-620 Reports to holders of limited partnership interests. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-620, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-625 Access to records. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-625, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-630 Admission of participants. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-630, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-635 Redemption of program interests. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-635, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-640 Transferability of program interests. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-640, filed 11/21/83.] Repealed by 91-04-

- 012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-645 Assessments and defaults. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-645, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-650 Sales literature. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-650, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-655 Group meetings. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-655, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-660 Contents of prospectus. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-660, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-665 Use of forecasts. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-665, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-670 Forecasts for specified property programs. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-670, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-675 Realistic forecasts. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-675, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-680 Material information. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-680, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-685 Presentation of forecasts. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-685, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-690 Additional disclosures and limitations. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-690, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-695 Forecasts for unimproved property programs. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-695, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-700 Fiduciary duty. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-700, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-705 Deferred payments. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-705, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-710 Reserves. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-710, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-715 Reinvestment of cash flow and proceeds on disposition of property. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-715, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-720 Financial information required on application. [Statutory Authority: RCW 21.20.180(8) and 21.20.210(14). 83-23-087 (Order SDO-215-83), § 460-31A-720, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-725 Opinions of counsel. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-725, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 460-31A-730 Provisions of the partnership agreement. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-31A-730, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
- 215-83), § 460-31A-730, filed 11/21/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.

## Chapter 460-32

## RULES FOR LIMITED PARTNERSHIPS

- 460-32-010 Preamble. [Order 10, § 460-32-010, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-020 Definitions. [Order 10, § 460-32-020, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-030 Investors, stockholders, officers, directors. [Order 10, § 460-32-030, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-040 Duration. [Order 10, § 460-32-040, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-050 Dissolution. [Order 10, § 460-32-050, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-060 Promotional interests. [Order 10, § 460-32-060, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-070 Participation in profits. [Order 10, § 460-32-070, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-080 Transferability. [Order 10, § 460-32-080, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-090 Affiliates-fees, commissions. [Order 10, § 460-32-090, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-100 Real estate transactions. [Order 10, § 460-32-100, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-110 Limited partnership assessments. [Order 10, § 460-32-110, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-120 Default. [Order 10, § 460-32-120, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-130 Promissory notes. [Order 10, § 460-32-130, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-140 Finders fees. [Order 10, § 460-32-140, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-150 Disclaimer. [Order 10, § 460-32-150, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-160 Obligations. [Order 10, § 460-32-160, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-170 Surrounding property. [Order 10, § 460-32-170, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-180 Financial disclosures. [Order 10, § 460-32-180, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-190 Impound. [Order 10, § 460-32-190, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-200 Trust accounts. [Order 10, § 460-32-200, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-210 Insurance. [Order 10, § 460-32-210, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-220 Offering circular disclosures. [Order 10, § 460-32-220, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.
- 460-32-230 Exceptions. [Order 10, § 460-32-230, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-32A WAC.

## Chapter 460-34A

## OIL AND GAS PROGRAMS

- 460-34A-010 Application. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-010, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.

460-34A-015	Definitions. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-015, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-095	Cash redemption values. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-095, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-020	Net worth, experience and investment requirements of sponsor. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-020, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-100	Future exchange. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-100, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-025	Participants suitability standards. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-025, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-105	Reinvestment of revenues. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-105, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-030	Minimum investment. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-030, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-110	Distribution of revenues. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-110, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-035	Fees, compensation and expenses. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-035, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-112	Selling of units. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-112, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-037	Organization and offering expenses, and management fees. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-037, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-115	Sales materials and marketing restrictions. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-115, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-040	Promotional compensation. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-040, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-120	Contents of the prospectus. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-120, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-045	Program expenses. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-045, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-125	Financial information required on applications. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-125, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-050	Transactions with affiliates. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-050, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-130	Opinions of counsel. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-130, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-055	Farm-outs. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-055, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-135	Liability and indemnification. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-135, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-060	Rights and obligations of participants. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-060, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-34A-200	Regulation B filings. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-200, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-34A-065	Assessability and defaults. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-065, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.		
460-34A-070	Voting rights of limited partners. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-070, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.		
460-34A-075	Minimum program capital. [Statutory Authority: RCW 21.20.250 and 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-075, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.		
460-34A-080	Temporary investment of proceeds. [Statutory Authority: RCW 21.20.250 and 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-080, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.		
460-34A-085	Return of unused proceeds. [Statutory Authority: RCW 21.20.250 and 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-085, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.		
460-34A-090	Deferred payments. [Statutory Authority: RCW 21.20.450. 83-19-035 (Order SDO-181-83), § 460-34A-090, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.		

## Chapter 460-36

## RULES FOR REAL ESTATE INVESTMENT TRUSTS

460-36-010	Preamble. [Order 10, § 460-36-010, filed 11/12/71. Formerly WAC 308-132-136.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.
460-36-100	Trustees. [Order 10, § 460-36-100, filed 11/12/71. Formerly WAC 308-132-140.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.
460-36-110	Self dealing. [Order 10, § 460-36-110, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.
460-36-120	Fees and expenses. [Order 10, § 460-36-120, filed 11/12/71. Formerly WAC 308-132-152.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.
460-36-130	Leverage. [Order 10, § 460-36-130, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.
460-36-140	Minimum capital. [Order 10, § 460-36-140, filed 11/12/71. Formerly WAC 308-132-146.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.
460-36-150	Other limitations. [Order 10, § 460-36-150, filed 11/12/71. Formerly WAC 308-132-158.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.

460-36-160	Advisory contract. [Order 10, § 460-36-160, filed 11/12/71. Formerly WAC 308-132-150.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.	460-36A-110	Trustees. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-110, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36-170	Reports and meetings. [Order 10, § 460-36-170, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.	460-36A-115	Investment policy. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-115, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36-180	Application to prior filings. [Order 10, § 460-36-180, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-36A WAC.	460-36A-120	Liability of shareholders. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-120, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
<b>Chapter 460-36A</b>			
<b>REAL ESTATE INVESTMENT TRUSTS</b>			
460-36A-010	Amendment of declaration of trust. [Order 304, § 460-36A-010, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-125	Reports and meetings. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-125, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-015	Investment policy. [Order 304, § 460-36A-015, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-130	Special meetings. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-130, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-020	Minimum net capital. [Order 304, § 460-36A-020, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-135	Inspection of records. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-135, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-025	Annual expenses. [Order 304, § 460-36A-025, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-140	Distributions. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-140, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-030	Investment and activities. [Order 304, § 460-36A-030, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-145	Change in declaration of trust. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-145, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-035	Period of investment advisory contract. [Order 304, § 460-36A-035, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-150	Termination of REIT. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-150, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-040	Number and election of trustees. [Order 304, § 460-36A-040, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-155	Advisory contract. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-155, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-045	Removal of trustees. [Order 304, § 460-36A-045, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-160	Adviser compensation. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-160, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-050	Terms and conditions of securities. [Order 304, § 460-36A-050, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-165	Total expenses. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-165, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-055	Annual meetings. [Order 304, § 460-36A-055, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-170	Leverage. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-170, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-060	Annual reports. [Order 304, § 460-36A-060, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-175	Minimum capital. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-175, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-065	Inspection of records. [Order 304, § 460-36A-065, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-180	Appraisal. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-180, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-070	Disclosure on distribution. [Order 304, § 460-36A-070, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-185	Indemnification. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-185, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-075	Termination of trust. [Order 304, § 460-36A-075, filed 2/28/75, effective 4/1/75. Formerly chapter 460-36 WAC.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.	460-36A-190	Other limitations. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-190, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-100	Definitions of terms. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-100, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.	460-36A-195	Implementation. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-195, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.
460-36A-105	Fairness of REIT offerings. [Statutory Authority: RCW 21.20.450. 83-19-036 (Order SDO-180-83), § 460-36A-105, filed 9/14/83.] Repealed by 91-04-012, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450.		

<b>Chapter 460-40A INVESTMENT COMPANIES</b>			
460-40A-015	Prohibition on promotional shares. [Order 304, § 460-40A-015, filed 2/28/75, effective 4/1/75.] Repealed by 98-01-071, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-46A-055	Voting rights of common stock. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-055, filed 1/25/91, effective 2/25/91.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
460-40A-020	Prohibition on options. [Order 304, § 460-40A-020, filed 2/28/75, effective 4/1/75.] Repealed by 98-01-071, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-46A-060	Promoter—Definition. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 82-20-068 (Order SDO-116-82), § 460-46A-060, filed 10/5/82.] Repealed by 89-07-042 (Order SDO-035-89), filed 3/13/89. Statutory Authority: RCW 21.20.320(9) and 21.20.450.
460-40A-025	Selling expenses. [Order 304, § 460-40A-025, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-018, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.	460-46A-061	Availability of corporate limited offering exemption for debt offerings—Debt service requirements. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-061, filed 1/25/91, effective 2/25/91.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
460-40A-030	Management fee. [Order 304, § 460-40A-030, filed 2/28/75, effective 4/1/75.] Repealed by 79-09-028 (Order SD-57-79), filed 8/14/79. Statutory Authority: RCW 21.20.450.	460-46A-065	Availability of corporate limited offering exemption for debt offerings not meeting the debt service requirements of WAC 460-46A-060. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-065, filed 1/25/91, effective 2/25/91.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
460-40A-040	Insurance plan. [Order 304, § 460-40A-040, filed 2/28/75, effective 4/1/75.] Repealed by 98-01-071, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-46A-070	Cheap and promotional shares—Definition. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 82-20-068 (Order SDO-116-82), § 460-46A-070, filed 10/5/82.] Repealed by 89-07-042 (Order SDO-035-89), filed 3/13/89. Statutory Authority: RCW 21.20.320(9) and 21.20.450.
<b>Chapter 460-46A CORPORATE LIMITED OFFERING EXEMPTION</b>			
460-46A-010	Corporate limited offering exemption—Conditions to be met. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-46A-010, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-010, filed 3/13/89; 82-20-068 (Order SDO-116-82), § 460-46A-010, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).	460-46A-071	Availability of corporate limited offering exemption for offerings of preferred stock. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-071, filed 1/25/91, effective 2/25/91.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
460-46A-020	Availability of exemption. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-020, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-46A-020, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 86-18-012 (Order SDO-114-86), § 460-46A-020, filed 8/22/86; 83-15-025 (Order SDO-95-83), § 460-46A-020, filed 7/15/83; 82-20-068 (Order SDO-116-82), § 460-46A-020, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).	460-46A-072	Prohibited practices with regard to preferred stock. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-072, filed 1/25/91, effective 2/25/91.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
460-46A-025	No sales commission. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340 (11). 90-09-059, § 460-46A-025, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 82-20-068 (Order SDO-116-82), § 460-46A-025, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).	460-46A-080	Stock options. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 83-15-025 (Order SDO-95-83), § 460-46A-080, filed 7/15/83; 82-20-068 (Order SDO-116-82), § 460-46A-080, filed 10/5/82.] Repealed by 89-07-042 (Order SDO-035-89), filed 3/13/89. Statutory Authority: RCW 21.20.320(9) and 21.20.450.
460-46A-030	Affiliate—Definition. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 82-20-068 (Order SDO-116-82), § 460-46A-030, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).	460-46A-085	Inapplicability of cheap and promotional share, and stock option, restrictions. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 83-15-025 (Order SDO-95-83), § 460-46A-085, filed 7/15/83; 82-20-068 (Order SDO-116-82), § 460-46A-085, filed 10/5/82.] Repealed by 89-07-042 (Order SDO-035-89), filed 3/13/89. Statutory Authority: RCW 21.20.320(9) and 21.20.450.
460-46A-040	Maximum number of purchasers under exemption. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-040, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340 (11). 90-09-059, § 460-46A-040, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 87-15-084 (Order SDO-80-87), § 460-46A-040, filed 7/20/87; 82-20-068 (Order SDO-116-82), § 460-46A-040, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).	460-46A-090	Disclosure document. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340 (11). 90-09-059, § 460-46A-090, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-090, filed 3/13/89; 86-18-012 (Order SDO-114-86), § 460-46A-090, filed 8/22/86; 83-15-025 (Order SDO-95-83), § 460-46A-090, filed 7/15/83; 82-20-068 (Order SDO-116-82), § 460-46A-090, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
460-46A-050	Promotional shares. [Statutory Authority: RCW 21.20.450. 96-11-015, § 460-46A-050, filed 5/6/96, effective 6/6/96; 95-17-068, § 460-46A-050, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 91-04-011, § 460-46A-050, filed 1/25/91, effective 2/25/91; 89-07-042 (Order SDO-035-89), § 460-46A-050, filed 3/13/89; 82-20-068 (Order SDO-116-82), § 460-46A-050, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).	460-46A-091	Advertisements. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 83-15-025 (Order SDO-95-83), § 460-46A-091, filed 7/15/83.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
		460-46A-092	Financial statements. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-092, filed 3/13/89.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
		460-46A-095	Price of shares. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-095, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340 (11). 90-09-059, § 460-46A-095, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-095, filed 3/13/89; 83-15-025 (Order SDO-95-83), § 460-46A-095, filed 7/15/83; 82-20-068 (Order SDO-



- 116-82), § 460-46A-095, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-100 Time purchase of shares under corporate limited offering exemption. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-46A-100, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 82-20-068 (Order SDO-116-82), § 460-46A-100, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-105 Maximum and minimum offering amounts. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-46A-105, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-105, filed 3/13/89; 82-20-068 (Order SDO-116-82), § 460-46A-105, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-110 Monies to be deposited in escrow account—Period of escrow and of offering. [Statutory Authority: RCW 21.20.450 and 21.20.320(9). 91-04-011, § 460-46A-110, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-46A-110, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-110, filed 3/13/89; 82-20-068 (Order SDO-116-82), § 460-46A-110, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-115 Report of sales. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 86-18-012 (Order SDO-114-86), § 460-46A-115, filed 8/22/86.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-120 Startup management compensation prohibited. [Statutory Authority: RCW 21.20.320(9) and 21.20.450. 82-20-068 (Order SDO-116-82), § 460-46A-120, filed 10/5/82.] Repealed by 89-07-042 (Order SDO-035-89), filed 3/13/89. Statutory Authority: RCW 21.20.320(9) and 21.20.450.
- 460-46A-145 Restrictions on transferability. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-46A-145, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-145, filed 3/13/89; 82-20-068 (Order SDO-116-82), § 460-46A-145, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-150 Suitability of investors. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340 (11). 90-09-059, § 460-46A-150, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-150, filed 3/13/89; 86-18-012 (Order SDO-114-86), § 460-46A-150, filed 8/22/86; 82-20-068 (Order SDO-116-82), § 460-46A-150, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-155 Attorney's opinion. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340 (11). 90-09-059, § 460-46A-155, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 89-07-042 (Order SDO-035-89), § 460-46A-155, filed 3/13/89; 83-15-025 (Order SDO-95-83), § 460-46A-155, filed 7/15/83; 82-20-068 (Order SDO-116-82), § 460-46A-155, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-160 Signing and verification of information in disclosure document. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-46A-160, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 82-20-068 (Order SDO-116-82), § 460-46A-160, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- 460-46A-165 Annual reports to stockholders. [Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-46A-165, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(9) and 21.20.450. 82-20-068 (Order SDO-116-82), § 460-46A-165, filed 10/5/82.] Repealed by 00-04-095, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9).
- Chapter 460-48A**  
**RESTRICTED REAL ESTATE SECURITIES**
- 460-48A-020 Filing of restricted real estate securities application. [Order 342, § 460-48A-020, filed 9/29/75.] Repealed by 79-09-028 (Order SD-57-79), filed 8/14/79. Statutory Authority: RCW 21.20.450.
- 460-48A-030 Filing of completion report. [Order 342, § 460-48A-030, filed 9/29/75.] Repealed by 79-09-028 (Order SD-57-79), filed 8/14/79. Statutory Authority: RCW 21.20.450.
- 460-48A-040 Restricted real estate salesmen. [Order 342, § 460-48A-040, filed 9/29/75.] Repealed by 79-09-028 (Order SD-57-79), filed 8/14/79. Statutory Authority: RCW 21.20.450.
- 460-48A-050 Examinations for restricted real estate securities. [Order 342, § 460-48A-050, filed 9/29/75.] Repealed by 79-09-028 (Order SD-57-79), filed 8/14/79. Statutory Authority: RCW 21.20.450.
- Chapter 460-60**  
**RULES FOR FILING OF ANNUAL FINANCIAL REPORTS FOR INTRASTATE OFFERINGS**
- 460-60-001 General. [Order 10, § 460-60-001, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-010 Definitions. [Order 10, § 460-60-010, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-100 Qualifications of accountants. [Order 10, § 460-60-100, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-110 Accountants' certificates. [Order 10, § 460-60-110, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-120 Certification by foreign government auditors. [Order 10, § 460-60-120, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-130 Certification of financial statements of persons other than the registrant. [Order 10, § 460-60-130, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-140 Certification of financial statements by more than one accountant. [Order 10, § 460-60-140, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-200 Form, order, and terminology. [Order 10, § 460-60-200, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-205 Generally accepted accounting principles. [Order 10, § 460-60-205, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-210 Items not material. [Order 10, § 460-60-210, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-215 Inapplicable captions and omission of unrequired or inapplicable financial statements. [Order 10, § 460-60-215, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-220 Omission of substantially identical notes. [Order 10, § 460-60-220, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-225 Omission of names of certain subsidiaries. [Order 10, § 460-60-225, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-230 Additional information. [Order 10, § 460-60-230, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-235 Changes in accounting principles and practices and retroactive adjustments of accounts. [Order 10, § 460-60-235, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
- 460-60-240 Summary of accounting principles and practices. [Order 10, § 460-60-240, filed 11/12/71.] Repealed by Order

	304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-500	Schedule I. Marketable securities—Other security investments. [Order 10, § 460-60-500, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-245	Conversion of items in foreign currencies. [Order 10, § 460-60-245, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-505	Schedule II. Amounts due from directors, officers, and principal holders of equity securities other than affiliates. [Order 10, § 460-60-505, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-250	Valuation and qualifying reserves. [Order 10, § 460-60-250, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-510	Schedule III. Investments in securities of affiliates. [Order 10, § 460-60-510, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-255	Basis of determining amounts—Book value. [Order 10, § 460-60-255, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-515	Schedule IV. Indebtedness of affiliates. [Order 10, § 460-60-515, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-260	Current assets. [Order 10, § 460-60-260, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-520	Schedule V. Property, plant, and equipment. [Order 10, § 460-60-520, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-265	Current liabilities. [Order 10, § 460-60-265, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-525	Schedule VI. Reserves for depreciation, depletion, and amortization of property, plant, and equipment. [Order 10, § 460-60-525, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-270	Reacquired evidences of indebtedness. [Order 10, § 460-60-270, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-530	Schedule VII. Intangible assets. [Order 10, § 460-60-530, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-275	Reacquired shares. [Order 10, § 460-60-275, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-535	Schedule VIII. Reserves for depreciation and amortization of intangible assets. [Order 10, § 460-60-535, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-280	Discount on capital shares. [Order 10, § 460-60-280, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-540	Schedule IX. Bonds, mortgages, and similar debt. [Order 10, § 460-60-540, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-285	Commitments. [Order 10, § 460-60-285, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-545	Schedule X. Indebtedness to affiliates—Not current. [Order 10, § 460-60-545, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-290	General notes to balance sheets. [Order 10, § 460-60-290, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-550	Schedule XI. Guarantees of securities of other issuers. [Order 10, § 460-60-550, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-295	General notes to profit and loss statements. [Order 10, § 460-60-295, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-555	Schedule XII. Reserves. [Order 10, § 460-60-555, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-300	Consolidated and combined statements. [Order 10, § 460-60-300, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-560	Schedule XIII. Capital shares. [Order 10, § 460-60-560, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-310	Consolidated statements of the registrant and its subsidiaries. [Order 10, § 460-60-310, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-565	Schedule XIV. Warrants or rights. [Order 10, § 460-60-565, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-320	Group statements of subsidiaries not consolidated. [Order 10, § 460-60-320, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-570	Schedule XV. Other securities. [Order 10, § 460-60-570, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-330	Statement as to principle of consolidation or combination followed. [Order 10, § 460-60-330, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-575	Schedule XVI. Supplementary income or loss information. [Order 10, § 460-60-575, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-340	Reconciliation of investment of parent in subsidiaries and fifty-percent owned persons and equity of parent in their net assets. [Order 10, § 460-60-340, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.	460-60-580	Schedule XVII. Income from dividends. [Order 10, § 460-60-580, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.
460-60-350	Reconciliation of dividends received from, and earnings of, unconsolidated subsidiaries. [Order 10, § 460-60-350, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.		
460-60-360	Minority interests. [Order 10, § 460-60-360, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.		
460-60-370	Intercompany items and transactions. [Order 10, § 460-60-370, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.		
460-60-400	Balance sheets for commercial and industrial companies. [Order 10, § 460-60-400, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.		
460-60-420	Statement of income (loss). [Order 10, § 460-60-420, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.		
460-60-440	Statement of source and application of funds. [Order 10, § 460-60-440, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.		
460-60-460	What schedules are to be filed. [Order 10, § 460-60-460, filed 11/12/71.] Repealed by Order 304, filed 2/28/75, effective 4/1/75. See chapter 460-60A WAC.		
			<b>Chapter 460-65A</b> <b>REGULATIONS ON PROCEDURES RELATED TO THE ENTRY OF ORDERS</b>
		460-65A-010	Grounds for issuance of stop order pursuant to RCW 21.20.200. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order SDO-6-83), § 460-65A-010, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.
		460-65A-020	Grounds for issuance of cease and desist orders pursuant to RCW 21.20.390. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order SDO-6-83), § 460-65A-020, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.
		460-65A-030	Grounds for denial, suspension and revocation of exemption. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order

	SDO-6-83), § 460-65A-030, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-70-045	Records to be preserved by commodity broker-dealers. [Statutory Authority: RCW 21.20.400 and 21.30.320. 87-02-044 (Order SDO-137-86), § 460-70-045, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.
460-65A-040	Grounds for denial, condition or revocation exemption pursuant to RCW 21.20.325. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order SDO-6-83), § 460-65A-040, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-70-050	Denial, revocation, and suspension of registration. [Statutory Authority: RCW 21.20.400 and 21.30.350. 87-02-044 (Order SDO-137-86), § 460-70-050, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.
460-65A-100	Summary procedure. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order SDO-6-83), § 460-65A-100, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-70-060	Promotional materials to be filed, materials permitted without filing and prohibited materials. [Statutory Authority: RCW 21.20.400. 87-02-044 (Order SDO-137-86), § 460-70-060, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.
460-65A-105	Summary order—Hearing. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order SDO-6-83), § 460-65A-105, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.		
460-65A-110	Summary hearing—Appearance before the director. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order SDO-6-83), § 460-65A-110, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-90-100	Camping club registration applications. [Order 12, § 460-90-100, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-010.
460-65A-115	Requests for hearing on summary order time limits. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order SDO-6-83), § 460-65A-115, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-90-110	Camping club registration exhibits. [Order 453-DOL, § 460-90-110, filed 10/5/77; Order 12, § 460-90-110, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-020.
460-65A-125	Nonsummary procedure. [Statutory Authority: RCW 21.20.450, 21.20.200, 21.20.390 and 21.20.325. 83-03-024 (Order SDO-6-83), § 460-65A-125, filed 1/13/83.] Repealed by 98-01-072, filed 12/12/97, effective 1/12/98. Statutory Authority: RCW 21.20.450.	460-90-120	Signing of application. [Order 12, § 460-90-120, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-030.
		460-90-122	Consent to service process. [Order 12, § 460-90-122, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
		460-90-125	Availability of campsites. [Order 12, § 460-90-125, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
	<b>Chapter 460-70</b> <b>COMMODITY BROKER-DEALERS</b>	460-90-130	Membership contract. [Order 453-DOL, § 460-90-130, filed 10/5/77; Order 12, § 460-90-130, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
460-70-005	Net capital requirements for commodity broker-dealers. [Statutory Authority: RCW 21.20.400 and 21.30.300. 87-02-044 (Order SDO-137-86), § 460-70-005, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.	460-90-140	Financial statements. [Order 453-DOL, § 460-90-140, filed 10/5/77; Order 12, § 460-90-140, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-040.
460-70-010	Commodity broker-dealer notice of net capital deficiency. [Statutory Authority: RCW 21.20.400 and 21.30.300. 87-02-044 (Order SDO-137-86), § 460-70-010, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.	460-90-150	Management fees. [Order 12, § 460-90-150, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
460-70-015	Bond requirements for commodity broker-dealers and commodity sales representatives. [Statutory Authority: RCW 21.20.400 and 21.30.300. 87-02-044 (Order SDO-137-86), § 460-70-015, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.	460-90-160	Certificates of local authorities. [Order 12, § 460-90-160, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
460-70-020	Application for registration and post-effective requirements for a commodity broker-dealer and commodity sales representatives. [Statutory Authority: RCW 21.20.400 and 21.30.230. 87-02-044 (Order SDO-137-86), § 460-70-020, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.	460-90-170	Change of development plans. [Order 12, § 460-90-170, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
460-70-025	Financial statements for commodity broker-dealers. [Statutory Authority: RCW 21.20.400 and 21.30.310. 87-02-044 (Order SDO-137-86), § 460-70-025, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.	460-90-180	Amendments. [Order 12, § 460-90-180, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
460-70-030	Segregation of accounts by commodity broker-dealers. [Statutory Authority: RCW 21.20.400. 87-02-044 (Order SDO-137-86), § 460-70-030, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.	460-90-190	Approval not endorsement. [Order 12, § 460-90-190, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-050.
460-70-035	Confirmations. [Statutory Authority: RCW 21.20.400 and 21.30.320. 87-02-044 (Order SDO-137-86), § 460-70-035, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.	460-90-200	Notice of termination of sale. [Order 12, § 460-90-200, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-060.
460-70-040	Records required of commodity broker-dealers. [Statutory Authority: RCW 21.20.400 and 21.30.320. 87-02-044 (Order SDO-137-86), § 460-70-040, filed 1/6/87.] Repealed by 98-17-058, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.30.400.	460-90-300	Receipt of offering circular. [Order 453-DOL, § 460-90-300, filed 10/5/77; Order 12, § 460-90-300, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
		460-90-310	Offering circular. [Order 453-DOL, § 460-90-310, filed 10/5/77; Order 12, § 460-90-310, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.
		460-90-320	Required information in offering circular. [Order 12, § 460-90-320, filed 4/25/72.] Repealed by 83-06-076

	(Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.	460-90A-018	Material events that are amendments requiring notice and a filing fee. [Statutory Authority: RCW 43.24.086. 90-06-051, § 460-90A-018, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.530. 85-19-093 (Order 133 R), § 460-90A-018, filed 9/18/85; 85-12-021 (Order RE 131), § 460-90A-018, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-040.
460-90-330	Sequence of presentation. [Order 453-DOL, § 460-90-330, filed 10/5/77; Order 12, § 460-90-330, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.		
460-90-400	Imposition of impound. [Order 12, § 460-90-400, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.		
460-90-410	Special impound. [Order 12, § 460-90-410, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.	460-90A-020	Camping club contract registration exhibits. [Statutory Authority: RCW 19.105.320(1). 83-06-076 (Order SDO-40-83), § 460-90A-020, filed 3/2/83. Formerly WAC 460-90-110.] Repealed by 85-12-021 (Order RE 131), filed 5/29/85. Statutory Authority: RCW 19.105.530.
460-90-420	Presumption of impound. [Order 12, § 460-90-420, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.		
460-90-430	Depository. [Order 12, § 460-90-430, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-080.	460-90A-022	Exemptions from registration—Noncommercial resale contract offerings. [Statutory Authority: RCW 19.105.530. 85-12-021 (Order RE 131), § 460-90A-022, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-050.
460-90-440	Purchase receipts. [Order 12, § 460-90-440, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.		
460-90-450	Operation of impound condition. [Order 12, § 460-90-450, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-090.	460-90A-025	Statement of record—Filings and information required upon application for registration of start-up camp resort projects and contract offerings. [Statutory Authority: RCW 19.105.530, 19.105.320 and 19.105.380. 85-12-021 (Order RE 131), § 460-90A-025, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-060.
460-90-460	Release of a portion of the impound. [Order 12, § 460-90-460, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.	460-90A-027	The public offering statement—Form, content, and preparation. [Statutory Authority: RCW 19.105.530 and 19.105.320 (1)(b). 85-12-021 (Order RE 131), § 460-90A-027, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-070.
460-90-470	Cost of selling. [Order 12, § 460-90-470, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.		
460-90-480	Release of impounds. [Order 12, § 460-90-480, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-100.	460-90A-030	Signing of application and the permit. [Statutory Authority: RCW 19.105.530. 85-19-093 (Order 133 R), § 460-90A-030, filed 9/18/85; 85-12-021 (Order RE 131), § 460-90A-030, filed 5/29/85. Statutory Authority: RCW 19.105.320(1). 83-06-076 (Order SDO-40-83), § 460-90A-030, filed 3/2/83. Formerly WAC 460-90-120.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-070.
460-90-490	Fee for impound. [Order 12, § 460-90-490, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-105.		
460-90-500	Advertising. [Order 12, § 460-90-500, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-140.	460-90A-032	The public offering statement—Delivery to prospective purchasers. [Statutory Authority: RCW 43.24.086. 90-06-051, § 460-90A-032, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.530. 85-19-093 (Order 133 R), § 460-90A-032, filed 9/18/85. Statutory Authority: RCW 19.105.530 and 19.105.370. 85-12-021 (Order RE 131), § 460-90A-032, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-090.
460-90-510	Renewals. [Order 453-DOL, § 460-90-510, filed 10/5/77.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530. Later promulgation, see WAC 460-90A-110.		
460-90-900	Application form. [Order 12, § 460-90-900, filed 4/25/72.] Repealed by 83-06-076 (Order SDO-40-83), filed 3/2/83. Statutory Authority: RCW 19.105.530.	460-90A-035	Purchaser cancellations of contracts—Prompt refund of funds and consideration. [Statutory Authority: RCW 43.24.086. 90-06-051, § 460-90A-035, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.530. 85-19-093 (Order 133 R), § 460-90A-035, filed 9/18/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-100.
<b>Chapter 460-90A</b>			
<b>CAMPING CLUBS—CONTRACTS—RESALE, ETC.</b>			
460-90A-005	Organization. [Statutory Authority: RCW 43.24.086. 90-06-051, § 460-90A-005, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.530. 85-12-021 (Order RE 131), § 460-90A-005, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-010.		
460-90A-010	Camping club contract registration application. [Statutory Authority: RCW 19.105.320(1). 83-06-076 (Order SDO-40-83), § 460-90A-010, filed 3/2/83. Formerly WAC 460-90-100.] Repealed by 85-12-021 (Order RE 131), filed 5/29/85. Statutory Authority: RCW 19.105.530.	460-90A-040	Financial statements. [Statutory Authority: RCW 19.105.320(1). 83-06-076 (Order SDO-40-83), § 460-90A-040, filed 3/2/83. Formerly WAC 460-90-140.] Repealed by 85-12-021 (Order RE 131), filed 5/29/85. Statutory Authority: RCW 19.105.530.
460-90A-015	Definitions. [Statutory Authority: RCW 19.105.530. 85-19-093 (Order 133 R), § 460-90A-015, filed 9/18/85; 85-12-021 (Order RE 131), § 460-90A-015, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-020.	460-90A-045	Financial statements and information. [Statutory Authority: RCW 19.105.530 and 19.105.320 (1)(a). 85-19-093 (Order 133 R), § 460-90A-045, filed 9/18/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-110.
460-90A-017	Reporting events that shall require that the operator keep written disclosures current. [Statutory Authority: RCW 43.24.086. 90-06-051, § 460-90A-017, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.530. 85-19-093 (Order 133 R), § 460-90A-017, filed 9/18/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-030.	460-90A-050	Registration not endorsement. [Statutory Authority: RCW 19.105.320(1). 83-06-076 (Order SDO-40-83), § 460-90A-050, filed 3/2/83. Formerly WAC 460-90-190.] Repealed by 85-19-093 (Order 133 R), filed 9/18/85.
		460-90A-055	Written disclaimer of endorsement. [Statutory Authority: RCW 19.105.530 and 19.105.320(1). 85-19-093 (Order 133 R), § 460-90A-055, filed 9/18/85.] Repealed

- by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-120.
- 460-90A-060 Notice of termination of sales. [Statutory Authority: RCW 19.105.320(1), 83-06-076 (Order SDO-40-83), § 460-90A-060, filed 3/2/83. Formerly WAC 460-90-200.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-130.
- 460-90A-070 Receipt of written disclosures. [Statutory Authority: RCW 19.105.530, 85-19-093 (Order 133 R), § 460-90A-070, filed 9/18/85. Statutory Authority: RCW 19.105.320(1), 83-06-076 (Order SDO-40-83), § 460-90A-070, filed 3/2/83.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-140.
- 460-90A-080 Depository. [Statutory Authority: RCW 19.105.320(1), 83-06-076 (Order SDO-40-83), § 460-90A-080, filed 3/2/83. Formerly WAC 460-90-430.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-150.
- 460-90A-090 Operation of impound condition. [Statutory Authority: RCW 43.24.086, 90-06-051, § 460-90A-090, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.530, 85-19-093 (Order 133 R), § 460-90A-090, filed 9/18/85. Statutory Authority: RCW 19.105.320(1), 83-06-076 (Order SDO-40-83), § 460-90A-090, filed 3/2/83. Formerly WAC 460-90-450.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-160.
- 460-90A-100 Release of impounds. [Statutory Authority: RCW 19.105.530, 85-19-093 (Order 133 R), § 460-90A-100, filed 9/18/85. Statutory Authority: RCW 19.105.320(1), 83-06-076 (Order SDO-40-83), § 460-90A-100, filed 3/2/83. Formerly WAC 460-90-480.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-170.
- 460-90A-105 Fee for impound. [Statutory Authority: RCW 19.105.320(1), 83-06-076 (Order SDO-40-83), § 460-90A-105, filed 3/2/83. Formerly WAC 460-90-490.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-180.
- 460-90A-110 Renewals. [Statutory Authority: RCW 19.105.320(1), 83-06-076 (Order SDO-40-83), § 460-90A-110, filed 3/2/83. Formerly WAC 460-90-510.] Repealed by 85-12-021 (Order RE 131), filed 5/29/85. Statutory Authority: RCW 19.105.530.
- 460-90A-115 Renewals. [Statutory Authority: RCW 43.24.086, 90-06-051, § 460-90A-115, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.530, 85-19-093 (Order 133 R), § 460-90A-115, filed 9/18/85; 85-12-021 (Order RE 131), § 460-90A-115, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-190.
- 460-90A-120 Salesperson registration. [Statutory Authority: RCW 19.105.440(3), 83-06-076 (Order SDO-40-83), § 460-90A-120, filed 3/2/83.] Repealed by 85-12-021 (Order RE 131), filed 5/29/85. Statutory Authority: RCW 19.105.530.
- 460-90A-122 Salesperson registrations. [Statutory Authority: RCW 43.24.086, 90-06-051, § 460-90A-122, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.530 and 19.105.440(3), 85-12-021 (Order RE 131), § 460-90A-122, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-200.
- 460-90A-125 Salesperson registration—For persons in the business of offering resale contracts. [Statutory Authority: RCW 19.105.530 and 19.105.440(3), 85-12-021 (Order RE 131), § 460-90A-125, filed 5/29/85.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130.
- 460-90A-130 Request for withdrawal of camping club property. [Statutory Authority: RCW 19.105.530, 83-06-076 (Order SDO-40-83), § 460-90A-130, filed 3/2/83.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-210.
- 460-90A-140 Advertisements. [Statutory Authority: RCW 19.105.530 and 19.105.360, 85-12-021 (Order RE 131), § 460-90A-140, filed 5/29/85. Statutory Authority: RCW 19.105.320(1), 83-06-076 (Order SDO-40-83), § 460-90A-140, filed 3/2/83. Formerly WAC 460-90-500.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-220.
- 460-90A-145 Fees and charges. [Statutory Authority: RCW 43.24.086, 90-06-051, § 460-90A-145, filed 3/2/90, effective 4/2/90. Statutory Authority: RCW 19.105.411, 89-01-082 (Order PM 807), § 460-90A-145, filed 12/20/88.] Repealed by 91-01-082, filed 12/17/90, effective 1/17/91. Statutory Authority: RCW 19.105.130. Later promulgation, see WAC 308-420-240.
- 460-90A-150 Resale by salesperson for commission of camping club contracts exempt form registration. [Statutory Authority: RCW 19.105.440(3), 83-06-076 (Order SDO-40-83), § 460-90A-150, filed 3/2/83.] Repealed by 85-12-021 (Order RE 131), filed 5/29/85. Statutory Authority: RCW 19.105.530.

## Chapter 460-10A WAC DEFINITIONS

### WAC

- 460-10A-001 Effect of adoption of rules.  
460-10A-00101 Definitions.  
460-10A-010 Administrator.  
460-10A-015 Division.  
460-10A-020 Charter documents.  
460-10A-025 Code.  
460-10A-030 Default or arrears.  
460-10A-070 Assessments.  
460-10A-110 Net worth.  
460-10A-160 Nationally recognized securities manual.  
460-10A-170 Officer.  
460-10A-175 Director.  
460-10A-215 Security—Viatical and life settlement agreements.

### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

- 460-10A-035 Seasoned corporation. [Order 304, § 460-10A-035, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-050 Promotional shares defined. [Statutory Authority: RCW 21.20.450, 96-11-026, § 460-10A-050, filed 5/6/96, effective 6/6/96; Order 304, § 460-10A-050, filed 2/28/75, effective 4/1/75.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-055 Acquisition fee. [Order 304, § 460-10A-055, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-060 Affiliate. [Statutory Authority: RCW 21.20.450, 96-11-026, § 460-10A-060, filed 5/6/96, effective 6/6/96; Order 304, § 460-10A-060, filed 2/28/75, effective 4/1/75.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-065 Appraised value. [Order 304, § 460-10A-065, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-075 Capital contribution. [Order 304, § 460-10A-075, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-080 Cash flow. [Order 304, § 460-10A-080, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-090 Cash available for distribution. [Order 304, § 460-10A-090, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.

- 460-10A-095 Construction fee. [Order 304, § 460-10A-095, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-100 Cost of property. [Order 304, § 460-10A-100, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-105 Development fee. [Order 304, § 460-10A-105, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-115 Nonspecified property program. [Order 304, § 460-10A-115, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-120 Organization and offering expenses. [Order 304, § 460-10A-120, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-125 Participant. [Order 304, § 460-10A-125, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-130 Person. [Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-130, filed 5/6/96, effective 6/6/96; Order 304, § 460-10A-130, filed 2/28/75, effective 4/1/75.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-135 Program. [Order 304, § 460-10A-135, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-140 Program interest. [Order 304, § 460-10A-140, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-145 Program management fee. [Order 304, § 460-10A-145, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-150 Property management fee. [Order 304, § 460-10A-150, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-155 Sponsor. [Order 304, § 460-10A-155, filed 2/28/75, effective 4/1/75.] Repealed by 96-11-026, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
- 460-10A-165 Real estate investment trusts. [Order SD-131-77, § 460-10A-165, filed 11/23/77.] Repealed by 83-19-036 (Order SDO-180-83), filed 9/14/83. Statutory Authority: RCW 21.20.450.
- 460-10A-180 Promoter. [Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-180, filed 5/6/96, effective 6/6/96; Order SD-131-77, § 460-10A-180, filed 11/23/77.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-185 Control. [Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-185, filed 5/6/96, effective 6/6/96.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-190 Equity security. [Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-190, filed 5/6/96, effective 6/6/96.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-195 Promotional or developmental stage corporation. [Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-195, filed 5/6/96, effective 6/6/96.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-200 Public market. [Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-200, filed 5/6/96, effective 6/6/96.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-205 Significant earnings. [Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-205, filed 5/6/96, effective 6/6/96.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-10A-210 Unaffiliated institutional investor. [Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-210, filed 5/6/96, effective 6/6/96.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.

**WAC 460-10A-001 Effect of adoption of rules.** Those registration statements received prior to the effective date of these rules and regulations, concerning the form and content of that statement, will be governed by the rules and regulations in existence at the time of the filing of the registration statement with the securities division.

[Order 304, § 460-10A-001, filed 2/28/75, effective 4/1/75. Formerly chapter 460-10 WAC.]

**WAC 460-10A-00101 Definitions.** The terms used in these rules shall have the meanings set forth in the statutes pursuant to which these rules are adopted, if defined therein, or the meanings expressed in the definitions contained in these rules.

Note: Additional definitions may be found in the North American Securities Administrators Association (NASAA) statement of policy regarding corporate securities definitions, which has been adopted pursuant to WAC 460-16A-205 (1)(m).

[Statutory Authority: RCW 21.20.450. 98-17-013, § 460-10A-00101, filed 8/10/98, effective 9/10/98; Order 304, § 460-10A-000 (codified as WAC 460-10A-00101), filed 2/28/75, effective 4/1/75. Formerly chapter 460-10 WAC.]

**WAC 460-10A-010 Administrator.** Means the administrator of the Washington Securities Act appointed pursuant to RCW 21.20.460.

[Order 304, § 460-10A-010, filed 2/28/75, effective 4/1/75. Formerly chapter 460-10 WAC.]

**WAC 460-10A-015 Division.** Means the securities division of the department of financial institutions.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-10A-015, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.450. 80-04-037 (Order SDO-37-80), § 460-10A-015, filed 3/19/80; Order 304, § 460-10A-015, filed 2/28/75, effective 4/1/75.]

**WAC 460-10A-020 Charter documents.** Means certificate of incorporation, articles of incorporation, agreement of consolidation or merger, and bylaws of a corporation; declaration of trust; agreement of partnership, certificate of limited partnership, or any other document or instrument adopted to establish or regulate any association, joint stock company, trust, or other entity; as such documents are currently in effect.

[Order 304, § 460-10A-020, filed 2/28/75, effective 4/1/75.]

**WAC 460-10A-025 Code.** Means the Washington Securities Act. Chapter 21.20 RCW et seq.

[Order 304, § 460-10A-025, filed 2/28/75, effective 4/1/75.]

**WAC 460-10A-030 Default or arrears.** Means default or arrears in payment of dividends, interest, sinking fund payment, or principal, on the date due.

[Order 304, § 460-10A-030, filed 2/28/75, effective 4/1/75.]

**WAC 460-10A-070 Assessments.** Additional amounts of capital which may be mandatorily required of or paid at the option of a participant beyond his subscription commitment.

[Order 304, § 460-10A-070, filed 2/28/75, effective 4/1/75.]

**WAC 460-10A-110 Net worth.** The excess of total assets over total liabilities as determined by generally accepted accounting principles.

[Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-110, filed 5/6/96, effective 6/6/96; Order 304, § 460-10A-110, filed 2/28/75, effective 4/1/75.]

**WAC 460-10A-160 Nationally recognized securities manual.** For the purpose of WAC 460-44A-100, "Nationally recognized securities manual" shall mean: *Fitch Investors Service, Moodys Investors Service, and Standard and Poor's Corporation Records.*

[Statutory Authority: RCW 21.20.450. 98-17-013, § 460-10A-160, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450 and 21.20.320(2). 89-21-032 (Order SDO-161-89), § 460-10A-160, filed 10/11/89, effective 11/11/89; 86-15-023 (Order SDO-89-86), § 460-10A-160, filed 7/14/86; Order 342, § 460-10A-160, filed 9/29/75.]

**WAC 460-10A-170 Officer.** The term "officer" means a president, vice-president in charge of a business unit or division, treasurer, secretary, chief executive officer, chief operating officer, chief financial officer, person who performs a principal policy making function for a principal business unit or division, or any person occupying a similar status and performing a similar function with respect to any organization, whether incorporated or unincorporated.

[Statutory Authority: RCW 21.20.450. 96-11-026, § 460-10A-170, filed 5/6/96, effective 6/6/96; Order SD-131-77, § 460-10A-170, filed 11/23/77.]

**WAC 460-10A-175 Director.** The term "director" means any director of a corporation or any person occupying a similar status and performing a similar function with respect to any organization, whether incorporated or unincorporated.

[Order SD-131-77, § 460-10A-175, filed 11/23/77.]

**WAC 460-10A-215 Security—Viatical and life settlement agreements.** (1) A viatical or life settlement agreement constitutes a security if the agreement falls within the definition of "security" under RCW 21.20.005(12) as an investment contract; an investment of money or other consideration in the risk capital of a venture with the expectation of some valuable benefit to the investor where the investor does not receive the right to exercise practical and actual control over the managerial decisions of the venture; or otherwise.

(2) For purpose of this section, a "viatical or life settlement agreement" means an agreement for consideration for the purchase, assignment, transfer, sale, devise or bequest of any portion of the death benefit under, or ownership of, either an insurance policy or certificate of insurance. A viatical or life settlement agreement does not include:

(a) Any agreement for the original issuance of an insurance policy or certificate of insurance;

(b) An assignment, transfer, sale, devise or bequest of a death benefit under, or ownership of, either an insurance policy or certificate of insurance by the original owner, or a person who has an insurable interest in the insured, to any of the following:

(i) The insured;

(ii) A person who has an insurable interest in the insured;

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(iii) A dealer; or  
(iv) A person who is engaged in the business of purchasing the death benefit under, or ownership of, either insurance policies or certificates of insurance;

(c) An assignment of an insurance policy or certificate of insurance to any bank, savings bank, savings and loan association, credit union, or other licensed lending institution as collateral for a loan; or

(d) The exercise of accelerated benefits pursuant to the life insurance policy.

[Statutory Authority: RCW 21.20.450. 02-18-044, § 460-10A-215, filed 8/28/02, effective 9/28/02.]

## Chapter 460-11A WAC

### MULTIJURISDICTIONAL DISCLOSURE SYSTEM

#### WAC

460-11A-010	Multijurisdictional disclosure system.
460-11A-020	Time for taking effect of multijurisdictional registration statement.
460-11A-030	Multijurisdictional offering financial statements.
460-11A-040	Multijurisdictional offering notice of claim of exemption under RCW 21.20.320(11).

**WAC 460-11A-010 Multijurisdictional disclosure system.** The rules set forth in this chapter accommodate offerings in compliance with the multijurisdictional disclosure system as set forth in United States Securities and Exchange Commission Release No. 33-6902 (1991). For the purposes of this chapter, a "multijurisdictional offering" means a class of offering for which a registration statement designated as Form F-7, F-8, F-80, F-9, or F-10 by the Securities and Exchange Commission has been filed with the administrator.

[Statutory Authority: RCW 21.20.450 and 21.20.240. 91-18-014, § 460-11A-010, filed 8/26/91, effective 9/26/91.]

**WAC 460-11A-020 Time for taking effect of multijurisdictional registration statement.** The period of time under RCW 21.20.190(2) a registration statement must be on file before it becomes automatically effective shall be reduced from ten full business days to seven full business days for a multijurisdictional offering.

[Statutory Authority: RCW 21.20.450 and 21.20.240. 91-18-014, § 460-11A-020, filed 8/26/91, effective 9/26/91.]

**WAC 460-11A-030 Multijurisdictional offering financial statements.** A multijurisdictional offering registration statement may include, to the extent allowed by the Securities and Exchange Commission, financial statements and financial information that have been prepared in accordance with Canadian generally accepted accounting principles consistently applied.

[Statutory Authority: RCW 21.20.450 and 21.20.240. 91-18-014, § 460-11A-030, filed 8/26/91, effective 9/26/91.]

**WAC 460-11A-040 Multijurisdictional offering notice of claim of exemption under RCW 21.20.320(11).** An issuer or underwriter conducting a multijurisdictional offering to existing security holders of the issuer pursuant to the exemption of RCW 21.20.320 (11)(b) may give notice to

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the director by filing the registration statement Form F-7 with a cover letter claiming that exemption.

[Statutory Authority: RCW 21.20.450 and 21.20.240. 91-18-014, § 460-11A-040, filed 8/26/91, effective 9/26/91.]

### Chapter 460-12A WAC FRAUDULENT AND OTHER PROHIBITED PRACTICES

#### WAC

460-12A-010 Certain insider trading deemed not to violate RCW 21.20.010.

**WAC 460-12A-010 Certain insider trading deemed not to violate RCW 21.20.010.** The purchase or sale of a security of any issuer on the basis of material nonpublic information about that security or issuer in breach of a duty of trust or confidence that is owed directly, indirectly, or derivatively, to the issuer of that security or the shareholders of that issuer, or to any other person who is the source of the material nonpublic information, will be deemed not to violate RCW 21.20.010 if the person making the purchase or sale complies with Rule 10b5-1(c) of the Securities Exchange Act of 1934.

[Statutory Authority: RCW 21.20.450. 02-10-103, § 460-12A-010, filed 4/30/02, effective 5/31/02.]

### Chapter 460-16A WAC GENERAL RULES

#### WAC

460-16A-005 Application.  
460-16A-010 Appearance and practice before the securities division.  
460-16A-015 Electronic or telephonic submissions.  
460-16A-020 Interpretive opinions and no-action letters.  
460-16A-025 Applications and reports.  
460-16A-030 Payment of fees and refunds.  
460-16A-040 Voting rights of preferred stocks.  
460-16A-045 Protective provisions for preferred shares.  
460-16A-050 Opinion of counsel.  
460-16A-055 Corporate resolution.  
460-16A-065 Convertible senior securities.  
460-16A-070 Assessments.  
460-16A-080 Subscription agreement.  
460-16A-115 Reimbursement of expenses incurred by promoters.  
460-16A-120 Price variance.  
460-16A-125 Prospectus or offering circular.  
460-16A-126 Annual revision of offering circular.  
460-16A-127 Offering registered with the Securities and Exchange Commission ("SEC").  
460-16A-180 Technical reports.  
460-16A-185 Technical reports prepared by state employee.  
460-16A-200 Debt offering standards.  
460-16A-205 Adoption of NASAA statements of policy.  
460-16A-390 Notice of termination of offering—Change of officers.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-16A-035 Voting rights of common stock. [Order 304, § 460-16A-035, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.  
460-16A-075 Selling expenses. [Order 304, § 460-16A-075, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.  
460-16A-085 Options to underwriters. [Statutory Authority: RCW 21.20.450. 80-04-037 (Order SDO-37-80), § 460-16A-085, filed 3/19/80; Order 304, § 460-16A-085, filed

2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.

460-16A-090 Pro rata options to shareholders. [Order 304, § 460-16A-090, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.

460-16A-095 Options to purchasers of debt securities. [Order 304, § 460-16A-095, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.

460-16A-100 Number of outstanding options. [Order 304, § 460-16A-100, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 88-03-015 (Order SDO-164A-87), filed 1/11/88. Statutory Authority: RCW 21.20.450.

460-16A-101 Application to promotional shares. [Statutory Authority: RCW 21.20.250 and 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-101, filed 1/11/88.] Repealed by 95-17-068, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.450.

460-16A-102 Definitions applicable to promotional shares. [Statutory Authority: RCW 21.20.450. 91-04-008, § 460-16A-102, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.250 and 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-102, filed 1/11/88.] Repealed by 95-17-068, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.450.

460-16A-103 Amount of promotional shares. [Statutory Authority: RCW 21.20.250 and 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-103, filed 1/11/88.] Repealed by 95-17-068, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.450.

460-16A-104 Escrow of promotional shares. [Statutory Authority: RCW 21.20.250 and 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-104, filed 1/11/88.] Repealed by 95-17-068, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.450.

460-16A-105 Release provisions. [Statutory Authority: RCW 21.20.250 and 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-105, filed 1/11/88; Order 304, § 460-16A-105, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 95-17-068, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.450.

460-16A-106 Terms of escrow. [Statutory Authority: RCW 21.20.250 and 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-106, filed 1/11/88; Order 304, § 460-16A-106, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 95-17-068, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.450.

460-16A-107 Amount of cheap stock. [Order 304, § 460-16A-107, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 88-03-015 (Order SDO-164A-87), filed 1/11/88. Statutory Authority: RCW 21.20.450.

460-16A-108 Inapplicability of restrictions on amounts of promotional shares. [Statutory Authority: RCW 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-108, filed 1/11/88; 82-20-067 (Order SDO-115-82), § 460-16A-108, filed 10/5/82.] Repealed by 95-17-068, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.450.

460-16A-109 Hi-tech exemption from promotional shares rules. [Statutory Authority: RCW 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-109, filed 1/11/88. Statutory Authority: RCW 21.20.280(8) and 21.20.450. 84-07-043 (Order SDO-39-84), § 460-16A-109, filed 3/21/84.] Repealed by 95-17-068, filed 8/16/95, effective 9/16/95. Statutory Authority: RCW 21.20.450.

460-16A-110 Rights of promotional shares. [Statutory Authority: RCW 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-110, filed 1/11/88; Order 304, § 460-16A-110, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.

460-16A-111 Equity investment of promoters. [Statutory Authority: RCW 21.20.450. 96-11-020, § 460-16A-111, filed 5/6/96, effective 6/6/96; Order SD-131-77, § 460-16A-111, filed 11/23/77.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.



- 460-16A-130 Escrow. [Order 304, § 460-16A-130, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 88-03-015 (Order SDO-164A-87), filed 1/11/88. Statutory Authority: RCW 21.20.450.
- 460-16A-135 Operation of escrow. [Order SD-131-77, § 460-16A-135, filed 11/23/77; Order 304, § 460-16A-135, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 88-03-015 (Order SDO-164A-87), filed 1/11/88. Statutory Authority: RCW 21.20.450.
- 460-16A-140 Consent to transfer escrowed shares. [Order 304, § 460-16A-140, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 88-03-015 (Order SDO-164A-87), filed 1/11/88. Statutory Authority: RCW 21.20.450.
- 460-16A-145 Restrictions on dividends/distribution for promotional shares. [Order 304, § 460-16A-145, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 88-03-015 (Order SDO-164A-87), filed 1/11/88. Statutory Authority: RCW 21.20.450.
- 460-16A-150 Imposition of impound condition. [Statutory Authority: RCW 21.20.450. 96-11-024, § 460-16A-150, filed 5/6/96, effective 6/6/96; Order SD-131-77, § 460-16A-150, filed 11/23/77; Order 304, § 460-16A-150, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-16A-155 Operation of impound condition. [Order 304, § 460-16A-155, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-16A-156 Source of impound deposits. [Statutory Authority: RCW 21.20.250. 79-09-028 (Order SD-57-79), § 460-16A-156, filed 8/14/79.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-16A-160 Subscription agreements and purchase receipts. [Order 304, § 460-16A-160, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-16A-165 Depository. [Order 304, § 460-16A-165, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-16A-170 Release of impounds. [Statutory Authority: RCW 21.20.450. 79-09-028 (Order SD-57-79), § 460-16A-170, filed 8/14/79; Order 304, § 460-16A-170, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-16A-175 Failure to comply with impound condition. [Order 304, § 460-16A-175, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-16A-190 Petition for repeal or adoption of new rules. [Order 304, § 460-16A-190, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.
- 460-16A-210 Prohibited practices with regard to preferred stock. [Statutory Authority: RCW 21.20.450. 93-01-074, § 460-16A-210, filed 12/14/92, effective 1/14/93.] Repealed by 98-17-013, filed 8/10/98, effective 9/10/98. Statutory Authority: RCW 21.20.450.

**WAC 460-16A-005 Application.** (1) The rules contained in these regulations apply to general registrations. While applications not conforming to the standards contained herein shall be looked upon with disfavor, where good cause is shown certain regulations may be modified or waived by the administrator.

(2) Where the individual characteristics of specific offerings warrant modification from these standards, they will be accommodated, insofar as possible, while still being consistent with the spirit of these rules.

[Order 304, § 460-16A-005, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

(2003 Ed.)

**WAC 460-16A-010 Appearance and practice before the securities division.** In any proceeding before the division, any person may be represented by an attorney at law admitted to practice before the highest court of any state or territory of the United States, or the Court of Appeals or the District Court of the United States, or for the District of Columbia. Any individual may, however, appear before the division in his own behalf, an authorized member of a partnership may represent the partnership, and an authorized officer of a corporation, trust or association may represent such corporation, trust or association, however no such officer may participate in an adjudicative proceeding as defined in RCW 34.05.010 unless such officer is also an attorney at law.

[Statutory Authority: RCW 21.20.450. 96-11-023, § 460-16A-010, filed 5/6/96, effective 6/6/96; Order 304, § 460-16A-010, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-015 Electronic or telephonic submissions.** (1) Issuers filing by coordination may file electronically with the division. The Securities Registration Depository, Inc., its successors or assigns, is designated to receive electronic filings on behalf of the division.

(2) For issuers not filing electronically, messages directed to the division by means of facsimile, other telephone transceiving equipment or electronic transmission will be accepted by the administrator as complying with the requirement of notification under RCW 21.20.190 of the Securities Act concerning the date and time a federal registration statement has become effective and with respect to the content of the price amendment, if any. Such notification must be followed up by filing of a post-effective amendment to the application containing the information and documents in the price amendment and telephonic or electronic transmissions may not be utilized for that filing.

[Statutory Authority: RCW 21.20.450, 21.20.190 and 21.20.510. 96-11-019, § 460-16A-015, filed 5/6/96, effective 6/6/96; Order 304, § 460-16A-015, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-020 Interpretive opinions and no-action letters.** The administrator, in his or her discretion, may honor requests from interested persons for no-action letters and interpretive opinions. The following procedures must be followed in requesting a no-action or interpretive opinion from the division:

(1) The request must be submitted to the administrator in writing. The letter should be captioned with the name of the party who will be relying upon the administrator's response and should indicate that a no-action or interpretive opinion is sought. The filing fee required by RCW 21.20.340 must accompany the request.

(2) The requesting letter should cite the particular statutes or rules for which interpretation or no-action is sought.

(3) The names of all involved companies and parties should be disclosed. The division cannot issue interpretive or no-action letters relating to unnamed companies or individuals or hypothetical situations, nor on matters of pending, or in preparation for, litigation.

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(4) The request should be tailored to resolving the immediate issues and should not attempt to discuss every possible situation that may arise in the future.

(5) The letter should be concise and contain all material facts necessary to resolve the issues at hand. Relevant supporting documents may be included, but are not a substitute for subsection (6) of this section.

(6) It is important that the letter identify the issues at hand, the proposed resolution, and the precedents or other legal authority supporting that position.

(7) The administrator will not issue no-action or interpretive opinions regarding the availability of exemptions pursuant to RCW 21.20.320(1).

Letters that are not prepared in accordance with the above-listed procedures may be returned to the sender for compliance.

[Statutory Authority: RCW 21.20.450, 98-17-013, § 460-16A-020, filed 8/10/98, effective 9/10/98; Order 304, § 460-16A-020, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-025 Applications and reports.** Each application or report filed with the administrator must be in the form, if any, prescribed by these rules, unless the administrator consents to the use of a different form. Only the original of any application or report need be submitted, unless otherwise provided in these rules or otherwise requested by the administrator.

[Order 304, § 460-16A-025, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-030 Payment of fees and refunds.** Fees required by RCW 21.20.340 are due and payable upon filing of the application regardless of the action taken thereon and should be submitted together with the application or other filing to which they refer. Checks should be made payable to the "state treasurer" and need not be certified. Refunds of fees paid the division are made in accordance with RCW 21.20.340. Request for refunds must be submitted no later than 12 months after the refund becomes due. A request for any refund due should specify the following:

- (1) The name of the applicant;
- (2) The provision of chapter 21.20 RCW which the application was filed and the date of filing the application;
- (3) The total amount paid and how paid (check, cash);
- (4) The amount of the refund claimed as due and the grounds upon which the claim is made.

[Order 304, § 460-16A-030, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-040 Voting rights of preferred stocks.** The charter documents of a corporation proposing to issue preferred shares (which are nonparticipating and nonconvertible) without full voting rights should normally provide that the holders of such preferred shares shall have the right to reasonable representation on the board of directors upon a cumulative default, whether consecutive or not, of dividend payments for two years and that such shall continue until the full payment of all arrears in dividends on such preferred shares. The right to elect a majority of the board is presumptively reasonable.

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[Order 304, § 460-16A-040, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-045 Protective provisions for preferred shares.** The charter documents of a corporation proposing to issue preferred shares which are nonparticipating and nonconvertible should normally provide reasonable protective provisions for the preferred shareholders, including where appropriate:

(1) A provision that the dividends on such shares shall be cumulative;

(2) A provision prohibiting any dividends on common stock during the existence of any arrears on the preferred shares;

(3) An appropriate requirement for the approval by the vote or written consent of a specified percentage of the preferred shares of any substantial sale of assets or any adverse change in the rights of such shares and of the issuance of any shares having priority over such preferred shares; and

(4) Appropriate dividend restrictions on the common stock.

[Order 304, § 460-16A-045, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-050 Opinion of counsel.** There shall be submitted a signed or conformed copy of an attorney's opinion as to:

(1) The legality of form and status of existence of the registrant;

(2) Status of litigation in which the registrant is involved or of which the attorney has actual notice that may be pending or threatened.

[Statutory Authority: RCW 21.20.450, 88-03-015 (Order SDO-164A-87), § 460-16A-050, filed 1/11/88; Order 304, § 460-16A-050, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-055 Corporate resolution.** There shall be submitted a copy of the corporate resolution authorizing the registrant's filing the registration statement and authorizing the issue.

[Order 304, § 460-16A-055, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-065 Convertible senior securities.** The charter documents of a corporation proposing to issue convertible preferred shares or the indenture or other instrument pursuant to which convertible debt securities or options or warrants are proposed to be issued should normally contain an appropriate antidilution provision providing for an adjustment of the number of shares into which such shares or units are convertible or the number of shares purchasable pursuant to such options or warrants upon any stock split or stock dividend or other recapitalization of the issuer. Such charter documents or indenture or other instrument may also provide for a similar adjustment upon the issuance of additional common stock by the issuer for a consideration less than the conversion price of the options or warrants for less than the then current market price for the common stock.

[Order 304, § 460-16A-065, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

(2003 Ed.)

**WAC 460-16A-070 Assessments.** Securities should be nonassessable, except that issuers organized solely to supply services or property to their members on a continuing basis may provide for an equitable assessment corresponding to the services or property supplied.

[Order 304, § 460-16A-070, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-080 Subscription agreement.** The subscription agreement shall contain among other things an acknowledgment by the subscriber that he has received a copy of the offering circular. Each completed subscription agreement shall be kept in the office of the issuer or broker-dealer for a period of three years after the transaction.

[Order 304, § 460-16A-080, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-115 Reimbursement of expenses incurred by promoters.** Actual and necessary expenses paid by a promoter in connection with the founding or organizing of a business enterprise, the offering of its securities and the acquisition of assets with which the issuer is to carry on its business may be reimbursed out of the proceeds of the sale of securities, subject, however, in the case of selling expenses to the limitation on total selling expenses contained in WAC 460-16A-205 (1)(t).

[Statutory Authority: RCW 21.20.450. 98-17-013, § 460-16A-115, filed 8/10/98, effective 9/10/98; Order 304, § 460-16A-115, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-120 Price variance.** (1) Securities of the same class to be offered under the same registration statement should be offered and sold at the same price.

(2) The administrator may waive the provision of subsection (1) of this section to allow reduced sales commissions for purchases of large blocks of the issuer's securities, provided the net proceeds from such sales are the same as those realized from the sale of securities at the full commission price.

[Statutory Authority: RCW 21.20.450. 98-17-013, § 460-16A-120, filed 8/10/98, effective 9/10/98; 96-11-021, § 460-16A-120, filed 5/6/96, effective 6/6/96; Order 304, § 460-16A-120, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-125 Prospectus or offering circular.** (1) The administrator shall require the use of an offering circular or prospectus for each registration that is filed with the division.

(2) The prospectus or offering circular may be printed, mimeographed, lithographed, or typewritten, or prepared by any similar process which will result in clear legible copies. If printed, it shall be set in clear roman type at least as large as ten point modern type, with financial data or other statistical or tabular matter at least as large as eight point (all type shall be leaded at least two point).

(3) Every offering circular or prospectus must disclose all material facts affecting the sale of securities.

[Statutory Authority: RCW 21.20.450. 96-11-024, § 460-16A-125, filed 5/6/96, effective 6/6/96; Order 304, § 460-16A-125, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

(2003 Ed.)

**WAC 460-16A-126 Annual revision of offering circular.** The prospectus or offering circular shall be amended whenever there is a material change which would affect the offering and in no event shall it be revised less often than every twelve months.

[Statutory Authority: RCW 21.20.450. 88-03-015 (Order SDO-164A-87), § 460-16A-126, filed 1/11/88; Order 304, § 460-16A-126, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-127 Offering registered with the Securities and Exchange Commission ("SEC").** With respect to offerings registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and qualified with the administrator by coordination, a prospectus which is part of a registration statement which has been declared effective by the SEC shall be deemed to comply with all requirements as to form of this rule: Provided, however, That the administrator reserves the right to require additional disclosure of substance in his discretion.

[Order 304, § 460-16A-127, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-180 Technical reports.** (1) The administrator may require the submission of a technical report whenever he determines that such a report is necessary in resolving a matter pending before him. The cost of the technical report shall be borne by the person requested by the administrator to submit it. The administrator may require or permit a technical report to be prepared by an employee of the state of Washington.

(2) The engineer, appraiser or other skilled person preparing a technical report shall submit with such report a statement as to his qualifications and experience and a statement of any material relationship or other factors which tends to impair his independence from the subject matter to which or the person to whom the technical report relates.

[Order 304, § 460-16A-180, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-185 Technical reports prepared by state employee.** When a technical report is to be prepared by an employee of the state of Washington, the administrator shall estimate the expense of making such report and notify the applicant thereof. Before any preparation of the technical report is commenced, the applicant shall deposit with the administrator the estimate cost thereof in cash, accompanied by written instructions authorizing the disbursement of the funds. If it appears that the expense of preparing the report will exceed the estimate, an additional deposit may be required before the report is filed. When the deposit exceeds the actual expense incurred in preparing the report, the excess will be returned to the applicant.

[Order 304, § 460-16A-185, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

**WAC 460-16A-200 Debt offering standards.** (1) Debt securities may be offered and sold only if the issuer shows a reasonable ability to service the debt.

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(2) For purposes of this section, unless otherwise allowed by the administrator, "reasonable ability to service the debt" means:

(a) The issuer must have a positive net worth and not be in the development stage; and

(b) The issuer must demonstrate, based upon the results of its operations for its most recently ended fiscal year and for its latest interim period as reflected in its financial statements, a pro forma earnings to fixed-charges ratio of 1 to 1 or greater.

(3) For purposes of this section:

(a) "Earnings" shall mean pretax income from continuing operations plus fixed charges as defined in (b) of this subsection, adjusted to exclude any interest capitalized during the period.

(b) "Fixed charges" shall mean the total of (i) interest, whether expensed or capitalized, (ii) amortization of debt expense and discount or premium relating to indebtedness, whether expensed or capitalized, and (iii) such portion of rental expense as can be demonstrated to be representative of the interest factor in the particular case.

(c) The pro forma earnings to fixed charges ratio shall be calculated by adjusting the corresponding historical ratio to give effect to the net increase or decrease in interest expense resulting from (i) the proposed issuance of new debt, and (ii) the corresponding retirements of any debt presently outstanding (but only for the period of time outstanding) which will be retired with the proceeds of the proposed offering. If only a portion of the proceeds will be used to retire presently outstanding debt, then only a related portion of interest should be used in the pro forma adjustment.

(d) An issuer may elect to use the definitions of "earnings," "fixed charges," and the method for determining the ratio of earnings to fixed charges set forth in Item 503 of Securities and Exchange Commission Regulation S-K to determine whether that issuer meets the requirement of subsection (2)(b) of this section.

[Statutory Authority: RCW 21.20.450, 91-04-008, § 460-16A-200, filed 1/25/91, effective 2/25/91.]

**WAC 460-16A-205 Adoption of NASAA statements of policy.** (1) In order to promote uniform regulation, the administrator adopts the following North American Securities Administrators Association (NASAA) statements of policy for offerings registering pursuant to RCW 21.20.180 or 21.20.210:

(a) Registration of publicly offered cattle feeding programs, as adopted September 17, 1980;

(b) Registration of commodity pool programs, as adopted with amendments through August 30, 1990;

(c) Equipment programs, as adopted with amendments through October 24, 1991;

(d) Registration of oil and gas programs, as adopted with amendments through October 24, 1991;

(e) Real estate investment trusts, as adopted with amendments through September 29, 1993;

(f) Real estate programs, as adopted with amendments through September 29, 1993;

(g) Loans and other material affiliated transactions, as adopted with amendments through November 18, 1997;

(h) Options and warrants, as adopted with amendments through September 28, 1999;

(i) Registration of direct participation programs - omnibus guidelines, as adopted March 29, 1992;

(j) Mortgage program guidelines, as adopted September 10, 1996;

(k) Church bonds, as adopted April 14, 2002;

(l) Health care facility offerings, pertaining to the offering of nonprofit health care facility bonds, as adopted April 5, 1985;

(m) Corporate securities definitions, as adopted September 28, 1999;

(n) Impoundment of proceeds, as adopted with amendments through September 28, 1999;

(o) Preferred stock, as adopted with amendments through April 27, 1997;

(p) Promotional shares, as adopted September 28, 1999, except that the term promotional shares shall be limited to those equity securities which were issued within the last three years and that all promotional shares in excess of twenty-five percent of the shares to be outstanding upon completion of the offering may be required to be deposited in escrow absent adequate justification that escrow of such shares is not in the public interest and not necessary for the protection of investors;

(q) Registration of asset-backed securities, as adopted October 25, 1995, except for offerings registering or required to register pursuant to chapter 460-33A WAC or RCW 21.20.705 through 21.20.855;

(r) Promoters' equity investment, as adopted with amendments through April 27, 1997;

(s) Specificity in use of proceeds, as adopted September 28, 1999;

(t) Underwriting expenses, underwriter's warrants, selling expenses, and selling security holders, as adopted with amendments through September 28, 1999;

(u) Unsound financial condition, as adopted September 28, 1999;

(v) Unequal voting rights, as adopted October 24, 1991;

(w) Guidelines for general obligation financing by religious denominations, as adopted April 17, 1994; and

(x) Risk disclosure guidelines, as adopted September 9, 2001.

(2) An offering registering pursuant to RCW 21.20.180 or 21.20.210 that falls within one or more of the statements of policy listed in subsection (1) of this section must comply with the requirements of said statement of policy or policies.

(3) The statements of policy referred to in subsection (1) of this section are found in *CCH NASAA Reports* published by Commerce Clearing House. Copies are also available at the office of the securities administrator.

[Statutory Authority: RCW 21.20.450, 02-22-106, § 460-16A-205, filed 11/6/02, effective 12/7/02; 98-17-013, § 460-16A-205, filed 8/10/98, effective 9/10/98; 96-11-017, § 460-16A-205, filed 5/6/96, effective 6/6/96; 95-17-068, § 460-16A-205, filed 8/16/95, effective 9/16/95; 93-01-075, § 460-16A-205, filed 12/14/92, effective 1/14/93; 91-04-008, § 460-16A-205, filed 1/25/91, effective 2/25/91.]

**WAC 460-16A-390 Notice of termination of offering—Change of officers.** An issuer who has completed or discontinued the sale of securities registered with the depart-

ment of financial institutions shall notify the administrator in writing to that effect. Until such notice has been given, notices of all withdrawals or changes of officers, directors, trustees, partners or other principal members of registrants shall be made to the administrator of securities as soon as possible, but within five days, after such withdrawals or changes in the personnel of such organization shall become effective.

[Statutory Authority: RCW 21.20.450, 96-11-023, § 460-16A-390, filed 5/6/96, effective 6/6/96; Order 304, § 460-16A-390, filed 2/28/75, effective 4/1/75. Formerly chapter 460-16 WAC.]

## Chapter 460-17A WAC

### SMALL COMPANY OFFERING REGISTRATION

#### WAC

460-17A-010	SCOR registration.
460-17A-020	Application.
460-17A-030	Availability.
460-17A-040	Disqualification from use of SCOR registration.
460-17A-050	Agreement by registrant on splits and dividends of stock or ownership interests.
460-17A-060	Documents to be filed with administrator by SCOR registrant.
460-17A-070	Application of chapter 460-16A WAC to registrations under this chapter.

**WAC 460-17A-010 SCOR registration.** These rules are intended to encourage investment in small businesses. The rules in this chapter offer an optional method of registration for companies issuing securities exempt from registration with the Securities and Exchange Commission under Rule 504 of Regulation D or under Section 3(a)(11) of the Securities Act of 1933. The administrator recognizes that small issuers raising small amounts of money face special problems not faced by issuers raising larger amounts, and that standards appropriate to registrations of larger offerings may become unduly burdensome when applied to registrations of small offerings. The optional registration method offered by these rules is intended to reduce the costs and burdens of raising capital for small business without sacrificing investor protection, and to maximize the amount of offering proceeds available to the issuer for investment in the business. Issuers eligible for this method of registration shall use the SCOR registration form as the disclosure document for the offering. This method of registration shall be known as SCOR registration.

[Statutory Authority: RCW 21.20.450, 96-11-027, § 460-17A-010, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.210, 21.20.240 and 21.20.450, 88-17-012 (Order SDO-048-88), § 460-17A-010, filed 8/8/88.]

**WAC 460-17A-020 Application.** (1) The rules in this chapter shall apply to SCOR registrations. While applications not conforming to the standards contained herein shall be looked upon with disfavor, where good cause is shown certain rules may be modified or waived by the administrator.

(2) Where individual characteristics of specific offerings warrant modification from these standards, they will be accommodated, insofar as possible, while still being consistent with the spirit of these rules.

[Statutory Authority: RCW 21.20.450, 96-11-027, § 460-17A-020, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.210, 21.20.240

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and 21.20.450, 88-17-012 (Order SDO-048-88), § 460-17A-020, filed 8/8/88.]

**WAC 460-17A-030 Availability.** (1) SCOR is intended to allow small companies to conduct limited offerings of securities. SCOR uses a simplified offering format designed to provide adequate disclosure to investors concerning the issuer, the securities offered, and the offering itself. Certain issuers may not be able to make adequate disclosure using the SCOR format and will, therefore, be unable to utilize SCOR. The administrator finds that SCOR is generally unsuitable for the following issuers and programs and that, therefore, they will not be allowed to utilize SCOR unless written permission is obtained from the administrator based upon a showing that adequate disclosure can be made to investors using the SCOR format:

(a) Holding companies, companies whose principal purpose is owning stock in, or supervising the management of, other companies;

(b) Portfolio companies, such as a real estate investment trusts;

(c) Issuers with complex capital structures;

(d) Commodity pools;

(e) Equipment leasing programs; and

(f) Real estate programs.

(2) These rules are available only to the issuer of the securities and not to any affiliate of that issuer or to any other person for resale of the issuer's securities. In addition, each of the following requirements must be met:

(a) The issuer must be a corporation or centrally managed limited liability company organized under the law of the United States or Canada, or any state, province, or territory or possession thereof, or the District of Columbia, and have its principal place of business in one of the foregoing.

(b) The issuer must engage in a business other than petroleum exploration or production or mining or other extractive industries.

(c) The issuer is not a development stage company that either has no specific business plan or purpose or has indicated that its business plan is to engage in merger or acquisition with an unidentified company or companies or other entity or person.

(d) The offering price for common stock (and the exercise price, if the securities offered are options, warrants or rights for common stock, and the conversion price if the securities are convertible into common stock) must be equal to or greater than \$1.00 per share. The offering price for common ownership interests in limited liability company (and the exercise price, if the securities are options, warrants, or rights for common ownership interests, and the conversion price if the securities are convertible into common ownership interests) must be equal to or greater than \$1.00 per unit of interest.

(e) The aggregate offering price of the securities offered (within or outside this state) shall not exceed \$1,000,000 less the aggregate offering price of all securities sold within the twelve months before the start of and during the offering of the securities under Securities and Exchange Commission Rule 504 in reliance on any exemption under section 3(b) of the Securities Act of 1933, in reliance on the exemption

under section 3 (a)(11) of that act, or in violation of section 5(a) of that act.

(3) SCOR registration is not available to investment companies subject to the Investment Company Act of 1940, nor is it available to issuers subject to the reporting requirements of section 13 or section 15(d) of the Securities Exchange Act of 1934.

[Statutory Authority: RCW 21.20.450, 98-17-013, § 460-17A-030, filed 8/10/98, effective 9/10/98; 96-11-027, § 460-17A-030, filed 5/6/96, effective 6/6/96; 91-04-009, § 460-17A-030, filed 1/25/91, effective 2/25/91; 88-17-012 (Order SDO-048-88), § 460-17A-030, filed 8/8/88.]

**WAC 460-17A-040 Disqualification from use of SCOR registration.** (1) SCOR registration shall not be available for securities of any issuer if that issuer or any of its officers, directors, ten percent shareholders, promoters or any selling agents of the securities to be offered, or any officer, director, or partner of such selling agent:

(a) Has filed an application for registration which is the subject of a currently effective registration stop order entered pursuant to any federal, state, or provincial securities law within five years prior to the filing of the SCOR registration application;

(b) Has been convicted within five years prior to the filing of the SCOR registration application of any felony or misdemeanor in connection with the offer, purchase or sale of any security or any felony involving fraud or deceit, including, but not limited to, forgery, embezzlement, obtaining money under false pretenses, larceny, or conspiracy to defraud;

(c) Is currently subject to any federal, state, or provincial administrative enforcement order or judgment entered by any state or provincial securities administrator or the Securities and Exchange Commission within five years prior to the filing of the SCOR registration application;

(d) Is subject to any federal, state, or provincial administrative enforcement order or judgment in which fraud or deceit, including but not limited to making untrue statements of material facts and omitting to state material facts, was found and the order or judgment was entered within five years prior to the filing of the SCOR registration application;

(e) Is subject to any federal, state, or provincial administrative enforcement order or judgment which prohibits, denies, or revokes the use of any exemption from registration in connection with the offer, purchase, or sale of securities;

(f) Is currently subject to any order, judgment, or decree of any court of competent jurisdiction temporarily, preliminarily, or permanently restrains or enjoins such party from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security, or involving the making of any false filing with any state or with the Securities and Exchange Commission, entered within five years prior to the filing of the SCOR registration application; or

(g) Has violated the law of a foreign jurisdiction governing or regulating any aspect of the business of securities or banking or, within the past five years, has been the subject of an action of a securities regulator of a foreign jurisdiction denying, revoking, or suspending the right to engage in the business of securities as a broker-dealer, agent, or investment adviser or is the subject of an action of any securities

exchange or self-regulatory organization operating under the authority of the securities regulator of a foreign jurisdiction suspending or expelling such person from membership in such exchange or self-regulatory organization.

(2) The prohibitions of subsection (1)(a) through (c) and (e) of this section shall not apply if the person subject to the disqualification is duly licensed or registered to conduct securities related business in the state or province in which the administrative order or judgment was entered against such person, or if the broker-dealer employing such person is licensed or registered in this state and the Form BD filed in this state discloses the order, conviction, judgment, or decree relating to such person.

(3) No person disqualified under this section may act in any capacity other than that for which the person is licensed or registered. Any disqualification caused by this section is automatically waived if the jurisdiction which created the basis for disqualification determines upon a showing of good cause that it is not necessary under the circumstances that registration be denied.

[Statutory Authority: RCW 21.20.450, 98-17-013, § 460-17A-040, filed 8/10/98, effective 9/10/98; 96-11-027, § 460-17A-040, filed 5/6/96, effective 6/6/96; 88-17-012 (Order SDO-048-88), § 460-17A-040, filed 8/8/88.]

**WAC 460-17A-050 Agreement by registrant on splits and dividends of stock or ownership interests.** By filing for SCOR registration in this state, the registrant agrees with the administrator that the registrant will not split its common stock or common ownership interests, or declare a stock or ownership interest dividend, for two years after the effectiveness of the registration without the prior written approval of the administrator.

[Statutory Authority: RCW 21.20.450, 96-11-027, § 460-17A-050, filed 5/6/96, effective 6/6/96; 88-17-012 (Order SDO-048-88), § 460-17A-050, filed 8/8/88.]

**WAC 460-17A-060 Documents to be filed with administrator by SCOR registrant.** In addition to filing a properly completed form SCOR, applicants for SCOR registration shall file the following exhibits with the administrator:

- (1) Form of selling agency agreement;
- (2) The issuer's articles of incorporation, articles of organization, or other charter documents and all amendments thereto;
- (3) The issuer's bylaws or operating agreement, as amended to date;
- (4) Copy of any resolutions by directors setting forth terms and provisions of capital stock to be issued or by managers or managing members setting forth terms and or capital ownership interest to be issued;
- (5) Any indenture, form of note or other contractual provision containing terms of notes or other debt, or of options, warrants, or rights to be offered;
- (6) Specimen of security or ownership interest certificate to be offered (including any legend restricting resale);
- (7) Consent to service of process accompanied by appropriate corporate or company resolution;
- (8) Copy of all advertising or other materials directed to or to be furnished investors in the offering;
- (9) Form of escrow agreement for escrow of proceeds;

Chapter 460-18A WAC

NOTICE FILINGS FOR FEDERAL COVERED SECURITIES

WAC

460-18A-010	Filing requirements—Investment companies other than closed-end companies.
460-18A-020	Filing requirements—Closed-end investment companies.
460-18A-030	Filing requirements—Investment companies—Name changes.
460-18A-040	Investment companies—Report of sales.
460-18A-100	Filing requirements—Municipal securities.

(10) Consent to inclusion in disclosure document of accountant's report;

(11) Consent to inclusion in disclosure document of any tax advisor's opinion or description of tax consequences;

(12) Consent to inclusion in disclosure document of any evaluation of litigation or administrative action by counsel;

(13) Form of any subscription agreement for the purchase of securities in this offering;

(14) Opinion of attorney licensed to practice in a state or territory of the United States that the securities to be sold in the offering have been duly authorized and when issued upon payment of the offering price will be legally and validly issued, fully paid and nonassessable and binding on the issuer in accordance with their terms;

(15) Schedule of residence street addresses of officers, directors, and principal stockholders or managers, managing members, and principal members.

[Statutory Authority: RCW 21.20.450, 96-11-027, § 460-17A-060, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.210, 21.20.240 and 21.20.450, 88-17-012 (Order SDO-048-88), § 460-17A-060, filed 8/8/88.]

**WAC 460-17A-070 Application of chapter 460-16A WAC to registrations under this chapter.** The provisions of chapter 460-16A WAC shall not apply to registrations under this chapter except:

(1) The promotional shares rules adopted in WAC 460-16A-205 (1)(p) shall apply except that promotional shares need be escrowed only to the extent that such shares exceed sixty percent of the shares to be outstanding upon the completion of the offering;

(2) The loan and material affiliated transaction provisions of WAC 460-16A-205 (1)(g) shall apply except that the independent director requirements may be waived;

(3) The options and warrants provisions of WAC 460-16A-205 (1)(h) shall apply;

(4) WAC 460-16A-205 (1)(t), concerning selling and underwriting expenses, shall apply;

(5) The impoundment of proceeds provisions of WAC 460-16A-205 (1)(n) shall apply;

(6) WAC 460-16A-205 (1)(s), concerning specificity in the use of proceeds, shall apply;

(7) WAC 460-16A-205 (1)(u) may be applied to issuers in unsound financial condition;

(8) The preferred stock provisions of WAC 460-16A-205 (1)(o) shall apply;

(9) WAC 460-16A-205 (1)(v), concerning unequal voting rights, shall apply; and

(10) The administrator reserves the right to apply chapter 460-16A WAC (or any provision therein) to offerings under this chapter if the administrator determines that such application, even in the small business offering context, is necessary for the protection of investors.

[Statutory Authority: RCW 21.20.450, 98-17-013, § 460-17A-070, filed 8/10/98, effective 9/10/98; 96-11-027, § 460-17A-070, filed 5/6/96, effective 6/6/96; 91-04-009, § 460-17A-070, filed 1/25/91, effective 2/25/91. Statutory Authority: RCW 21.20.210, 21.20.240, 21.20.250 and 21.20.450, 88-17-012 (Order SDO-048-88), § 460-17A-070, filed 8/8/88.]

**WAC 460-18A-010 Filing requirements—Investment companies other than closed-end companies.** The following provisions apply to investment companies other than closed-end companies, as those terms are defined by the Investment Company Act of 1940:

(1) Initial filing. An investment company, other than a closed-end company, making an initial notice filing pursuant to RCW 21.20.327 (1)(a) shall submit the following prior to the initial offer in this state:

(a) A completed Form NF or other document identifying the filing;

(b) A consent to service of process on Form U-2; and

(c) The filing fee prescribed by RCW 21.20.340 (2)(b).

The initial notice filing is effective for twelve months.

(2) Renewal. An investment company, other than a closed-end company, complying with RCW 21.20.327 (1)(b) may renew the unsold portion of its initial notice filing for one additional twelve-month period by filing the following on or before the expiration of the initial notice filing:

(a) The renewal announcement provided by the division and/or a cover letter or other document requesting renewal;

(b) The renewal fee prescribed by RCW 21.20.340 (2)(b) to renew the unsold portion of securities for which a filing fee has previously been paid; and

(c) If the amount of securities subject to the notice filing is being increased, the fee prescribed by RCW 21.20.340 (2)(b) to cover the increase in the amount of securities to be offered.

(3) Renotification. An investment company, other than a closed-end company, complying with RCW 21.20.327 (1)(b) may continue its offering following the twelve-month renewal period specified in subsection (2) of this section by complying with subsection (1) of this section.

(4) Amendment. An investment company, other than a closed-end company, complying with RCW 21.20.327 (1)(b) may increase the amount of securities offered in this state by submitting an amended Form NF or other document describing the transaction and a fee calculated pursuant to RCW 21.20.340 (2)(b) to cover the increase in the amount of securities being offered.

[Statutory Authority: RCW 21.20.450 and 1998 c 15 § 12, 98-18-031, § 460-18A-010, filed 8/26/98, effective 9/26/98.]

**WAC 460-18A-020 Filing requirements—Closed-end investment companies.** The following provisions apply to closed-end investment companies as that term is defined by the Investment Company Act of 1940:

(1) Initial filing. A closed-end investment company making an initial notice filing pursuant to RCW 21.20.327 (1)(a) shall file the following prior to the initial offer in this state:

(a) A completed Form NF or other document identifying the filing;

(b) A consent to service of process on Form U-2; and

(c) The filing fee prescribed by RCW 21.20.340 (3)(b).

The initial notice filing is effective for twelve months.

(2) Renewal. For each additional twelve-month period in which the same offering is continued, a closed-end investment company complying with RCW 21.20.327 (1)(b) may renew the unsold portion of its notice filing by filing the following on or before the expiration of the notice filing:

(a) The renewal announcement provided by the division and/or a cover letter or other document requesting renewal;

(b) The renewal fee prescribed by RCW 21.20.340 (3)(b) to renew the unsold portion of securities for which a filing fee has previously been paid; and

(c) If the amount of securities subject to the notice filing is being increased, the fee prescribed by RCW 21.20.340 (3)(b) to cover the increase in the amount of securities to be offered.

(3) A closed-end investment company complying with RCW 21.20.327 (1)(b) may increase the amount of securities offered in this state by submitting an amended Form NF or other document describing the transaction and a fee calculated pursuant to RCW 21.20.340 (3)(b) to cover the increase in the amount of securities being offered.

[Statutory Authority: RCW 21.20.450 and 1998 c 15 § 12. 98-18-031, § 460-18A-020, filed 8/26/98, effective 9/26/98.]

**WAC 460-18A-030 Filing requirements—Investment companies—Name changes.** The name, address, or telephone number of the investment company, applicant, or contact person may be changed by submitting a revised Form NF and the fee required by RCW 21.20.340 (5)(a).

[Statutory Authority: RCW 21.20.450 and 1998 c 15 § 12. 98-18-031, § 460-18A-030, filed 8/26/98, effective 9/26/98.]

**WAC 460-18A-040 Investment companies—Report of sales.** An investment company complying with RCW 21.20.327 (1)(c) shall file a report of sales of Form NF, together with the fee required by RCW 21.20.340 (5)(b), within sixty days of the annual expiration of its notice filing.

[Statutory Authority: RCW 21.20.450 and 1998 c 15 § 12. 98-18-031, § 460-18A-040, filed 8/26/98, effective 9/26/98.]

**WAC 460-18A-100 Filing requirements—Municipal securities.** The following provisions apply to an issuer of a covered security pursuant to sections 3(a)(2) and 18(b)(4)(C) of the Securities Act of 1933 and RCW 21.20.327(3), hereinafter referred to as a "municipal covered securities issuer":

(1) Initial notice filing. A municipal covered securities issuer making an initial filing shall submit the following prior to the initial offer in this state:

(a) A completed municipal securities notice filing form or other document identifying the transaction;

(b) A consent to service of process on Form U-2; and

(c) The filing fee required by RCW 21.20.340 (1)(b).

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Although not required, the issuer may wish to submit a copy of the official statement, or at least the first page, so that it is clear as to which offering the notification is being made. The initial notice filing is effective for one year.

(2) Renewal. A municipal covered securities issuer may renew the unsold portion of its initial notice filing for one additional twelve-month period by filing the following on or before the expiration of the initial notice filing:

(a) The renewal announcement provided by the division and/or a cover letter or other document requesting renewal;

(b) The renewal fee prescribed by RCW 21.20.340 (1)(b) to renew the unsold portion of securities for which a notice filing fee has previously been paid; and

(c) If the amount of securities subject to the notice filing is being increased, the fee prescribed by RCW 21.20.340 (1)(b) to cover the increase in the amount of securities to be offered.

(3) Renotification. A municipal covered securities issuer may continue its offering following the twelve-month renewal period specified in subsection (2) of this section by complying with subsection (1) of this section.

(4) Amendment. A municipal covered securities issuer may increase the amount of securities offered in this state by submitting an amended municipal securities notice filing form or other document describing the transaction and a fee calculated pursuant to RCW 21.20.340 (1)(b) to cover the increase in the amount of securities being offered.

Note: Notice filing procedures for issuers of covered securities pursuant to sections 4(2) and 18(b)(4)(D) and rule 506 of the Securities Act of 1933 and RCW 21.20.327(2) may be found at WAC 460-44A-503.

[Statutory Authority: RCW 21.20.450 and 1998 c 15 § 12. 98-18-031, § 460-18A-100, filed 8/26/98, effective 9/26/98.]

## Chapter 460-20B WAC BROKER-DEALER REGISTRATION

### WAC

460-20B-010	Application.
460-20B-020	Definitions.
460-20B-030	Registration procedure.
460-20B-035	Canadian broker-dealers and salespersons.
460-20B-040	Examination requirements.
460-20B-050	Expiration of broker-dealer license, renewal procedure, and delinquency fees.
460-20B-060	Notice of changes by broker-dealers.

**WAC 460-20B-010 Application.** The rules contained in this chapter apply to broker-dealers (other than mortgage broker-dealers under chapter 460-33A WAC).

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-20B-010, filed 7/21/95, effective 8/21/95.]

**WAC 460-20B-020 Definitions.** For the purposes of this chapter and chapters 460-21B, 460-22B, and 460-23B WAC:

(1) "Central Registration Depository" ("CRD") shall mean the national registration system operated by the National Association of Securities Dealers, Inc. pursuant to a contract with the North American Securities Administrators Association.

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(2) "Balance sheet" shall mean a balance sheet prepared in accordance with generally accepted accounting principles.

(3) "Branch office," for the purpose of this chapter, shall mean any office, residence or other place or location in this state where the business of a registered broker-dealer is conducted and which is owned or controlled by, or operated directly or indirectly for the benefit of, the registered broker-dealer, and where the business of a broker-dealer is conducted by a principal, salesperson, or salespersons for such registered broker-dealer, except that the following are not considered branch offices:

(a) Any location identified in a telephone directory line listing or on a business card or letterhead, which listing, card, or letterhead also sets forth the address and telephone number of the office from which persons conducting business from the location are directly supervised;

(b) Any location referred to, in an advertisement by a broker-dealer, by its local telephone number or local post office box provided that such reference may not include the street address of the location and that such reference also sets forth the address and telephone number of the office from which persons conducting business at the location are directly supervised;

(c) Any location identified by address in a broker-dealer's sales literature, provided that the sales literature also sets forth the address and telephone number of the office from which persons conducting business at the location are directly supervised; or

(d) The principal office of the broker-dealer.

(4) "OTC non-NASDAQ equity securities" shall mean equity securities not traded on a national securities exchange or on NASDAQ. Equity securities quoted on the NASD's OTC Bulletin Board are OTC non-NASDAQ equity securities.

[Statutory Authority: RCW 21.20.450. 95-24-002, § 460-20B-020, filed 11/22/95, effective 12/23/95. Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-20B-020, filed 7/21/95, effective 8/21/95.]

**WAC 460-20B-030 Registration procedure.** (1) Broker-dealers that are members of the National Association of Securities Dealers must:

(a) Submit Form BD designating Washington as a state in which the broker-dealer requests registration to the Central Registration Depository together with the required fee; and

(b) Submit to the securities division in a form acceptable to the administrator such additional information as the administrator may require.

(2) Broker-dealers that are not members of the National Association of Securities Dealers must submit the following to the securities division:

(a) A check for the required fee made out to "state treasurer";

(b) A complete Form BD;

(c) Balance sheet as of a date not more than ninety days before the date of filing, and computation of net capital and aggregate indebtedness ratio of the same date as the balance sheet;

(d) A copy of any subordination agreement;

(e) Proof of passage of qualifying examinations by the designated principals;

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(f) Such other information as the administrator may require.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-20B-030, filed 7/21/95, effective 8/21/95.]

**WAC 460-20B-035 Canadian broker-dealers and salespersons.** (1) A Canadian broker-dealer that is resident in Canada and has no office or other physical presence in the United States and is not an office of, branch of, or a natural person associated with, a broker-dealer otherwise registered in the United States may transact business in this state without registering as a broker-dealer pursuant to RCW 21.20.040 under the following conditions:

(a) The business transacted by the Canadian broker-dealer must be limited to:

(i) Transactions subject to the exemption provided by RCW 21.20.320(8);

(ii) Transactions with or for a Canadian person who is temporarily present in this state and with whom the Canadian broker-dealer had a bona fide customer relationship before the person entered this state; or

(iii) Transactions with or for a Canadian person in a self-directed tax advantaged retirement plan in Canada of which that person is the holder or contributor; and

(b) The Canadian broker-dealer must:

(i) File the following with the securities administrator:

(A) A notice in the form of that person's current application for registration required by the jurisdiction in which that person's head office is located; and

(B) A consent to service process pursuant to RCW 21.20.330; and

(ii) Be a member of a self-regulatory organization or stock exchange in Canada; and

(iii) Maintain provincial or territorial registration and membership in a Canadian self-regulatory organization or stock exchange in good standing; and

(c) Disclosure must be made to the customers in this state that the Canadian broker-dealer is not subject to the full regulatory requirements of the Securities Act of Washington.

(2) A Canadian securities salesperson representing a Canadian broker-dealer transacting business in this state pursuant to subsection (1) of this section need not register pursuant to RCW 21.20.040 provided that he or she is registered in good standing in the appropriate Canadian jurisdiction.

(3) Transactions by Canadian broker-dealers and their salespersons pursuant to subsections (1) and (2) of this section will be deemed not to involve the "offer" or "sale" of a security, as those terms are defined in RCW 21.20.005(10), for purposes of compliance with RCW 21.20.140. Nothing in this section shall affect the duty of the Canadian broker-dealer and its agents to comply with RCW 21.20.010 and the rules promulgated thereunder.

[Statutory Authority: RCW 21.20.450. 96-15-062, § 460-20B-035, filed 7/17/96, effective 8/17/96.]

**WAC 460-20B-040 Examination requirements.** (1) In order to be licensed in this state as a broker-dealer, the individual applicant, an officer if the applicant is a corporation, a manager if the applicant is a limited liability company, or a

general partner if the applicant is a partnership, shall pass the following examinations:

(a) The uniform securities agent state law examination (series 63); or the uniform combined state law examination (series 66); and

(b) The appropriate qualifying examination or examinations administered by such national securities association for the activities in which the broker-dealer is to engage.

(2) If the individual officer who takes the examination on behalf of a corporate applicant or the individual general partner who takes the examination on behalf of a partnership ceases to be an officer or general partner, then the broker-dealer must notify the securities administrator of a substitute officer or general partner who has passed the same category of examination specified in subsection (1) of this section within two months of the date of substitution in order to maintain the broker-dealer's license.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-20B-040, filed 7/21/95, effective 8/21/95.]

**WAC 460-20B-050 Expiration of broker-dealer license, renewal procedure, and delinquency fees.** The broker-dealer licenses issued pursuant to this chapter shall be effective until December 31 at which time they shall be renewed or be delinquent. For any renewal application post-marked after the expiration date but received by the administrator on or before March 1, the licensee shall pay a delinquency fee of one hundred dollars in addition to the renewal fee. No renewal applications will be accepted thereafter.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-20B-050, filed 7/21/95, effective 8/21/95.]

**WAC 460-20B-060 Notice of changes by broker-dealers.** (1) Each licensed broker-dealer shall, upon any change in the information contained in its application for a certificate (other than financial information contained therein), promptly file an amendment to such application setting forth the changed information (and in any event within thirty days after the change occurs).

(2) Each licensed broker-dealer shall notify the administrator of the employment of any new agent in Washington, giving the full name and Social Security number of the individual involved, the date of employment, and the location of the office in which he or she will be employed by submitting a completed NASD Form U-4 to the administrator or the administrator's designee within twenty-one days after the event occurs.

(3) Each licensed broker-dealer shall notify the administrator of the termination of employment of any agent in Washington by submitting a completed NASD Form U-5 to the administrator or the administrator's designee, within thirty days after the event occurs.

(4) With respect to any broker-dealer registered under the Securities Exchange Act of 1934, it shall be sufficient compliance with subsection (1) of this section if a copy of an amendment to Form BD of the Securities and Exchange Commission containing the required information, or transmitted for filing to, the administrator not later than the date on which such amendment is required to be filed with the Securities and Exchange Commission.

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[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-20B-060, filed 7/21/95, effective 8/21/95.]

## Chapter 460-21B WAC BROKER-DEALER PRACTICES

### WAC

460-21B-008	Fraudulent practices of broker-dealers.
460-21B-010	Churning.
460-21B-020	Transmission or maintenance of payments received in connection with underwritings.
460-21B-030	Minimum net capital requirement for broker-dealers.
460-21B-040	Net capital defined.
460-21B-050	Books and records of broker-dealers.
460-21B-060	Dishonest or unethical business practices—Broker-dealers.
460-21B-070	Supervision of securities salespersons.

### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-21B-080	Written procedures. [Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-080, filed 7/21/95, effective 8/21/95.] Repealed by 97-03-122, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.100 and 21.020.450.
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**WAC 460-21B-008 Fraudulent practices of broker-dealers.** A broker-dealer who engages in one or more of the following practices shall be deemed to have engaged in an "act, practice, or course of business which operates or would operate as a fraud" as used in RCW 21.20.010. This section is not intended to be all inclusive, and thus, acts or practices not enumerated herein may also be deemed fraudulent.

(1) 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 or receiving an unreasonable commission or profit.

(2) Contradicting or negating the importance of any information contained in a prospectus or other offering materials with intent to deceive or mislead or using any advertising or sales presentation in a deceptive or misleading manner.

(3) In connection with the offer, sale, or purchase of a security, falsely leading a customer to believe that the broker-dealer or agent is in possession of material, nonpublic information which would impact on the value of the security.

(4) In connection with the solicitation of a sale or purchase of a security, engaging in a pattern or practice of making contradictory recommendations to different investors with similar investment objectives for some to sell and others to purchase the same security, at or about the same time, when not justified by the particular circumstance of each investor.

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

(a) Transferring securities to a customer, another broker-dealer, or a fictitious account with the understanding that those securities will be returned to the broker-dealer or its nominees; or

(b) Parking or withholding securities.

(6) Although nothing in this section precludes application of the general antifraud provisions against anyone for practices similar in nature to the practices discussed below, the following subsections specifically apply only in connec-

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tion with the solicitation of a purchase or sale of OTC non-NASDAQ equity securities:

(a) Failing to comply with rules adopted by the Securities and Exchange Commission under authority granted by the Penny Stock Act of 1990, i.e., United States Securities and Exchange Commission Rules 15g-1 through 15g-9 and 15g-100 (17 C.F.R. §240.15g-1 through § 240.15g-6 adopted in Release 34-30608 issued 4/20/92; 17 C.F.R. §240.15g-8 adopted in Release 34-30577 issued 4/13/92; 17 C.F.R. §240.15g-9 originally adopted as § 240.15c2-6 in Release 34-27160 issued 8/22/89 and amended and redesignated as § 240.15g-9 in Release 34-32576 issued 8/11/93; 17 C.F.R. §240.15g-100 adopted in Release 34-30608 issued 4/20/92 and amended in Release 34-32576 issued 7/2/93) which are hereby incorporated by reference.

(b) Conducting sales contests in a particular security.

(c) After a solicited purchase by a customer, failing or refusing, in connection with a principal transaction, to promptly execute sell orders.

(d) Soliciting a secondary market transaction when there has not been a bona fide distribution in the primary market.

(e) Engaging in a pattern of compensating an agent in different amounts for effecting sales and purchases in the same security.

(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 but not limited to the use of boiler room tactics or use of fictitious or nominee accounts.

(8) Failing to comply with any prospectus delivery requirement promulgated under federal law.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-008, filed 7/21/95, effective 8/21/95.]

**WAC 460-21B-010 Churning.** The phrase "employ any device, scheme or artifice," as used in RCW 21.20.010(1), is hereby defined to include any act of any broker-dealer or agent designed to effect with or for any customer's account with respect to which such broker-dealer or his/her agent or employee is vested with any discretionary power, or with respect to which he/she is able by reason of the customer's trust and confidence to influence the volume and frequency of the trades, any transactions of purchase or sale which are excessive in size or frequency in view of the financial resources and character of such account.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-010, filed 7/21/95, effective 8/21/95.]

**WAC 460-21B-020 Transmission or maintenance of payments received in connection with underwritings.** It shall constitute a "device, scheme, or artifice to defraud" as used in RCW 21.20.010(1), for any broker-dealer participating in any distribution of securities, other than a firm commitment underwriting, to accept any part of the sale price of any security being distributed unless:

(1) The money or other consideration received is promptly transmitted to the persons entitled thereto; or

(2) If the distribution is being made on an "all-or-none" basis, or on any other basis which contemplates that payment is not to be made to the person on whose behalf the distribu-

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tion is being made until some further event or contingency occurs:

(a) The money or other consideration received is promptly deposited in a separate bank account, as agent or trustee for the persons who have the beneficial interests therein, until the appropriate event or contingency has occurred, and then the funds are promptly transmitted or returned to the persons entitled thereto; or

(b) All such funds are promptly transmitted to a bank which has agreed in writing to hold all such funds in escrow for the persons who have the beneficial interests therein and to transmit or return such funds directly to the persons entitled thereto when the appropriate event or contingency has occurred.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-020, filed 7/21/95, effective 8/21/95.]

**WAC 460-21B-030 Minimum net capital requirement for broker-dealers.** Every licensed broker-dealer shall meet the minimum net capital requirements required by the United States Securities and Exchange Commission. Copies of these requirements may be obtained from the securities division.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-030, filed 7/21/95, effective 8/21/95.]

**WAC 460-21B-040 Net capital defined.** The definition of "net capital" shall be the same as the definition promulgated by the United States Securities and Exchange Commission. Copies of this definition may be obtained from the securities division.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-040, filed 7/21/95, effective 8/21/95.]

**WAC 460-21B-050 Books and records of broker-dealers.** (1) Each registered broker-dealer shall make, maintain, and preserve books and records in compliance with United States Securities and Exchange Commission Rules 17a-3 (17 C.F.R. §240.17a-3 (1991)), 17a-4 (17 C.F.R. §240.17a-4 (1991)), 15c2-6 (17 C.F.R. §240.15c2-6 (1991)) and 15c2-11 (17 C.F.R. §240.15c2-11 (1991) as amended in Release No. 34-29094, 56 Fed. Reg. 19148 (1991)) which are hereby incorporated by reference. To the extent that the United States Securities and Exchange Commission promulgates changes to the above-referenced rules, dealers in compliance with such rules as amended shall not be subject to enforcement action by the commission for violation of this rule to the extent that the violation results solely from the dealer's compliance with the amended rule.

(2) The administrator may, by order, upon written request and for good cause shown, waive any of the requirements of this rule.

[Statutory Authority: RCW 21.20.100 and 21.20.450. 97-03-122, § 460-21B-050, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-050, filed 7/21/95, effective 8/21/95.]

**WAC 460-21B-060 Dishonest or unethical business practices—Broker-dealers.** The phrase "dishonest or unethical practices" as used in RCW 21.20.110 (1)(g) as applied to

broker-dealers is hereby defined to include any of the following:

(1) Engaging in a pattern of unreasonable and unjustifiable delays in the delivery of securities purchased by any of its customers and/or in the payment upon request of free credit balances reflecting completed transactions of any of its customers;

(2) Inducing trading in a customer's account which is excessive in size or frequency in view of the financial resources and character of the account;

(3) Recommending to a customer to purchase, sell or exchange any security without reasonable grounds to believe that such transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant information known by the broker-dealer;

(4) Executing a transaction on behalf of a customer without authorization to do so;

(5) Exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer, unless the discretionary power relates solely to the time and/or price for the execution of orders;

(6) Executing any transaction in a margin account without securing from the customer a properly executed written margin agreement promptly after the initial transaction in the account;

(7) Failing to segregate customers' free securities or securities held in safekeeping;

(8) Hypothecating a customer's securities without having a lien thereon unless the broker-dealer secures from the customer a properly executed written consent promptly after the initial transaction, except as permitted by rules of the securities and exchange commission;

(9) Entering into a transaction with or for a customer at a price not reasonably related to the current market price of the security or receiving an unreasonable commission or profit;

(10) Failing to furnish to a customer purchasing securities in an offering, no later than the date of confirmation of the transaction, a final or preliminary prospectus, and if the latter, failing to furnish a final prospectus within a reasonable period after the effective date of the offering;

(11) Charging unreasonable and inequitable fees for services performed, including miscellaneous services such as collection of monies due for principal, dividends or interest, exchange or transfer of securities, appraisals, safekeeping, or custody of securities and other services related to its securities business;

(12) Offering to buy from or sell to any person any security at a stated price unless such broker-dealer is prepared to purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell;

(13) Representing that a security is being offered to a customer "at the market" or a price relevant to the market price unless such broker-dealer knows or has reasonable grounds to believe that a market for such security exists other than that made, created or controlled by such broker-dealer, or by any person for whom he/she is acting or with whom

he/she is associated in such distribution, or any person controlled by, controlling or under common control with such broker-dealer;

(14) Effecting any transaction in, or inducing the purchase or sale of, any security by means of any manipulative, deceptive or fraudulent device, practice, plan, program, design or contrivance, which may include but not be limited to:

(a) Effecting any transaction in a security which involves no change in the beneficial ownership thereof;

(b) Entering an order or orders for the purchase or sale of any security with the knowledge that an order or orders of substantially the same size, at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties for the purpose of creating a false or misleading appearance of active trading in the security or a false or misleading appearance with respect to the market for the security; provided, however, nothing in this subsection shall prohibit a broker-dealer from entering bona fide agency cross transactions for its customer;

(c) Effecting, alone or with one or more other persons, a series of transactions in any security creating actual or apparent active trading in such security or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others;

(15) Guaranteeing a customer against loss in any securities account of such customer carried by the broker-dealer or in any securities transaction effected by the broker-dealer with or for such customer;

(16) Publishing or circulating, or causing to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such broker-dealer believes that such transaction was a bona fide purchase or sale of such security; or which purports to quote the bid price or asked price for any security, unless such broker-dealer believes that such quotation represents a bona fide bid for, or offer of, such security;

(17) Using any advertising or sales presentation in such a fashion as to be deceptive or misleading. An example of such practice would be a distribution of any nonfactual data, material or presentation based on conjecture, unfounded or unrealistic claims or assertions in any brochure, flyer, or display by words, pictures, graphs or otherwise designed to supplement, detract from, supersede or defeat the purpose or effect of any prospectus or disclosure;

(18) Failing to disclose that the broker-dealer is controlled by, controlling, affiliated with or under common control with the issuer of any security before entering into any contract with or for a customer for the purchase or sale of security, the existence of such control to such customer, and if such disclosure is not made in writing, it shall be supplemented by the giving or sending of written disclosure at or before the completion of the transaction;

(19) Failing to make bona fide public offering of all of the securities allotted to a broker-dealer for distribution, whether acquired as an underwriter, a selling group member or from a member participating in the distribution as an underwriter or selling group member;

(20) Failure or refusal to furnish a customer, upon reasonable request, information to which he is entitled, or to respond to a formal written request or complaint;

(21) In connection with the solicitation of a sale or purchase of an OTC non-NASDAQ security, failing to promptly provide the most current prospectus or the most recently filed periodic report filed under Section 13 of the Securities Exchange Act, when requested to do so by a customer;

(22) Marking any order ticket or confirmation as unsolicited when in fact the transaction is solicited;

(23) For any month in which activity has occurred in a customer's account, but in no event less than every three months, failing to provide each customer with a statement of account which with respect to all OTC non-NASDAQ equity securities in the account, contains a value for each such security based on the closing market bid on a date certain: Provided, That this subsection shall apply only if the firm has been a market maker in such security at any time during the month in which the monthly or quarterly statement is issued;

(24) Failing to comply with any applicable provision of the Conduct Rules of the National Association of Securities Dealers or any applicable fair practice or ethical standard promulgated by the Securities and Exchange Commission or by a self-regulatory organization approved by the Securities and Exchange Commission; or

(25) Any acts or practices enumerated in WAC 460-21B-010.

The conduct set forth above is not inclusive. Engaging in other conduct such as forgery, embezzlement, nondisclosure, incomplete disclosure or misstatement of material facts, or manipulative or deceptive practices shall also be grounds for denial, suspension or revocation of registration.

[Statutory Authority: RCW 21.20.450 and 21.20.110 (1)(g), 02-19-093, § 460-21B-060, filed 9/17/02, effective 10/18/02. Statutory Authority: RCW 21.20.450(1), 99-12-043, § 460-21B-060, filed 5/26/99, effective 7/9/99. Statutory Authority: RCW 21.20.070 and 21.20.450, 95-16-026, § 460-21B-060, filed 7/21/95, effective 8/21/95.]

**WAC 460-21B-070 Supervision of securities salespersons.** (1) In order to supervise its salespersons reasonably, a broker-dealer must designate a qualified person as supervisor for each salesperson. For the purpose of this section, that person shall be referred to as the "designated supervisor" of the salesperson or salespersons he or she supervises. To be qualified, a designated supervisor must demonstrate competence by passing the examinations required by WAC 460-20B-040 to qualify as a broker-dealer.

(2) The administrator finds that a designated supervisor generally cannot reasonably supervise salespersons who conduct business at locations far from the principal place of business of the designated supervisor. A designated supervisor of salespersons (other than salespersons who are themselves designated supervisors) located in this state must maintain his or her principal place of business in this state or in a contiguous state, and that office may not, without the written permission of the administrator, be so distant from the principal place of business of any person for whose supervision the designated supervisor is responsible as to make it impractical for the designated supervisor to visit the premises at which the salesperson supervised works on at least a monthly basis.

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[Statutory Authority: RCW 21.20.070 and 21.20.450, 95-16-026, § 460-21B-070, filed 7/21/95, effective 8/21/95.]

**Chapter 460-21C WAC**

**BROKER-DEALER SERVICES AT FINANCIAL INSTITUTIONS**

**WAC**

460-21C-005	Application.
460-21C-010	Definitions.
460-21C-020	Standards for broker-dealer conduct.
460-21C-030	Communications with the public.
460-21C-040	Notification of termination.

**WAC 460-21C-005 Application.** (1) The rules in this chapter apply exclusively to broker-dealer services conducted by broker-dealers on the premises of a financial institution where retail deposits are taken.

(2) These rules do not alter or abrogate a broker-dealer's obligations to comply with other applicable laws, rules, or regulations that may govern the operations of broker-dealers and their agents, including, but not limited to, supervisory obligations.

(3) These rules do not apply to broker-dealer services provided to nonretail customers.

[Statutory Authority: RCW 21.20.100, 21.20.450, 00-05-055, § 460-21C-005, filed 2/14/00, effective 3/16/00.]

**WAC 460-21C-010 Definitions.** For purposes of this chapter, the following terms have the meanings indicated:

(1) "Financial institution" means federal and state-chartered banks, savings and loan associations, savings banks, credit unions, and the service corporations of such institutions located in this state.

(2) "Networking arrangement" means a contractual or other arrangement between a broker-dealer and a financial institution pursuant to which the broker-dealer conducts broker-dealer services on the premises of such financial institution where retail deposits are taken.

(3) "Broker-dealer services" means the investment banking or securities business as defined in paragraph (p) of Article I of the By-Laws of the National Association of Securities Dealers, Inc.

[Statutory Authority: RCW 21.20.100, 21.20.450, 00-05-055, § 460-21C-010, filed 2/14/00, effective 3/16/00.]

**WAC 460-21C-020 Standards for broker-dealer conduct.** No broker-dealer shall conduct broker-dealer services on the premises of a financial institution where retail deposits are taken unless the broker-dealer complies initially and continuously with the following requirements:

(1) Setting. Wherever practical, broker-dealer services shall be conducted in a physical location distinct from the area in which the financial institution's retail deposits are taken. In those situations where there is insufficient space to allow separate areas, the broker-dealer has a heightened responsibility to distinguish its services from those of the financial institution. In all situations, the broker-dealer shall identify its services in a manner that clearly distinguishes those services from the financial institution's retail deposit-taking activities. The broker-dealer's name shall be clearly

displayed in the area in which the broker-dealer conducts its services.

(2) Networking arrangements and program management. Networking arrangements shall be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements. Networking arrangements must provide that supervisory personnel of the broker-dealer and representatives of state securities authorities, where authorized by state law, will be permitted access to the financial institution's premises where the broker-dealer conducts broker-dealer services in order to inspect the books and records and other relevant information maintained by the broker-dealer with respect to its broker-dealer services. Management of the broker-dealer shall be responsible for ensuring that the networking arrangement clearly outlines the duties and responsibilities of all parties, including those of financial institution personnel.

(3) Customer disclosure and written acknowledgment.

(a) At or prior to the time that a customer's securities brokerage account is opened by a broker-dealer on the premises of a financial institution where retail deposits are taken, the broker-dealer shall:

(i) Disclose, orally and in writing, that the securities products purchased or sold in a transaction with the broker-dealer:

(A) Are not insured by the Federal Deposit Insurance Corporation ("FDIC") or the National Credit Union Administration ("NCUA"), as applicable.

(B) Are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and

(C) Are subject to investment risks, including possible loss of the principal invested.

(ii) Make reasonable efforts to obtain from each customer during the account opening process a written acknowledgment of the disclosures required by (a)(i) of this subsection.

(b) If broker-dealer services include any written or oral representations concerning insurance coverage, other than FDIC insurance coverage, then clear and accurate written or oral explanations of the coverage must also be provided to the customers when such representations are first made.

[Statutory Authority: RCW 21.20.100, 21.20.450. 00-05-055, § 460-21C-020, filed 2/14/00, effective 3/16/00.]

#### **WAC 460-21C-030 Communications with the public.**

(1)(a) All of the broker-dealer's confirmations and account statements must indicate clearly that the broker-dealer services are provided by the broker-dealer.

(b) Advertisements and sales literature that announce the location of a financial institution where broker-dealer services are provided by the broker-dealer, or that are distributed by the broker-dealer on the premises of a financial institution, must disclose that securities products: Are not insured by the FDIC or NCUA; are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and are subject to investment risks, including possible loss of the principal invested. The shorter, logo format described in subsection (2)(a) of this section may be used to provide these disclosures.

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(c) Recommendations by a broker-dealer concerning nondeposit investment products with a name similar to that of a financial institution must only occur pursuant to policies and procedures reasonably designed to minimize risk of customer confusion.

(2)(a) The following shorter, logo format disclosures may be used by a broker-dealer in advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, automated teller machine ("ATM") screens, billboards, signs, posters and brochures, to comply with the requirements of subsection (1)(b) of this section, provided that such disclosures are displayed in a conspicuous manner:

- (i) Not FDIC insured;
- (ii) Not NCUA insured;
- (iii) No bank guarantee;
- (iv) May lose value.

(b) As long as the omission of the disclosures required by subsection (1)(b) of this section would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, such disclosures are not required with respect to messages contained in:

- (i) Radio broadcasts of thirty seconds or less;
- (ii) Electronic signs, including billboard-type signs that are electronic, time, and temperature signs and ticker tape signs, but excluding messages contained in such media as television, on-line computer services, or ATMs; and
- (iii) Signs, such as banners and posters, when used only as location indicators.

[Statutory Authority: RCW 21.20.100, 21.20.450. 00-05-055, § 460-21C-030, filed 2/14/00, effective 3/16/00.]

**WAC 460-21C-040 Notification of termination.** The broker-dealer must promptly notify the financial institution if any agent of the broker-dealer who is employed by the financial institution is terminated for cause by the broker-dealer.

[Statutory Authority: RCW 21.20.100, 21.20.450. 00-05-055, § 460-21C-040, filed 2/14/00, effective 3/16/00.]

### **Chapter 460-22B WAC**

#### **SALESPERSONS OF BROKER-DEALERS**

##### **WAC**

460-22B-010	Application.
460-22B-020	Cross-reference to other sections relating to securities salespersons.
460-22B-030	Registration procedure.
460-22B-040	Salesperson registration and examination.
460-22B-050	Expiration of salesperson license, renewal procedure, and delinquency fees.
460-22B-060	Duty to update application.
460-22B-090	Dishonest and unethical business practices-salespersons.

#### **DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER**

460-22B-070	Dual representation and affiliation. [Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-070, filed 7/21/95, effective 8/21/95.] Repealed by 97-03-122, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.100 and 21.020.450.
460-22B-080	Receipt of both securities sales commission and investment adviser fees. [Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-080, filed 7/21/95, effective 8/21/95.] Repealed by 97-03-

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122, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.100 and 21.020.450.

**WAC 460-22B-010 Application.** The rules contained in this chapter apply to securities salespersons for broker-dealers other than mortgage paper broker-dealers.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-010, filed 7/21/95, effective 8/21/95.]

**WAC 460-22B-020 Cross-reference to other sections relating to securities salespersons.** Securities salespersons of issuers are covered in chapter 460-23B WAC. Salespersons of mortgage paper broker-dealers are covered in chapter 460-33A WAC.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-020, filed 7/21/95, effective 8/21/95.]

**WAC 460-22B-030 Registration procedure.** (1) Applications for registration of salespersons of broker-dealers that are members of a national securities association or national securities exchange must be submitted, together with the required fee, through the Central Registration Depository (CRD).

(2) Applications for registration of salespersons of broker-dealers not members of a national securities association or national securities exchange must be submitted to the securities division on Form U-4 together with the required fee and proof of passage of required examinations.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-030, filed 7/21/95, effective 8/21/95.]

**WAC 460-22B-040 Salesperson registration and examination.** (1) Every applicant for registration as a securities salesperson of a broker-dealer shall pass the examinations specified below.

(a) For applicants seeking registration as salespersons of broker-dealers that are members of a national securities association or national securities exchange:

(i) The uniform securities agent state law examination (series 63); or the uniform combined state law examination (series 66); and

(ii) The appropriate qualifying examination administered by such national securities association.

(b) For all other applicants seeking registration as salespersons of broker-dealers:

(i) The uniform securities agent state law examination (series 63); or the uniform combined state law examination (series 66); and

(ii) The appropriate qualifying examination administered by the National Association of Securities Dealers for the activities in which the salesperson is to engage.

(2) Any individual out of the business of effecting transactions in securities for less than two years and who has previously passed the required examinations in subsection (1)(a) or (b) of this section or the Washington state securities examination shall not be required to retake the examination(s) to be eligible to be relicensed upon application.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-040, filed 7/21/95, effective 8/21/95.]

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**WAC 460-22B-050 Expiration of salesperson license, renewal procedure, and delinquency fees.** (1) A license issued pursuant to this section shall be effective until December 31 of the year of issuance at which time it shall be renewed or if not renewed shall be deemed delinquent. For any renewal application postmarked after the expiration date but received by the administrator by the following March 1, the licensee shall pay a delinquency fee of fifty dollars in addition to the renewal fee. No renewal applications will be accepted after that time.

(2) A salesperson registered with a broker-dealer that is a member of a national securities association or a national securities exchange shall make application for renewal using one of the following methods:

(a) Through the Central Registration Depository (CRD) prior to the CRD's closing date for renewals; or

(b) With the securities division after the closing date for renewals through the CRD.

(3) A salesperson registered with a broker-dealer that is not a member of a national securities association or a national securities exchange shall make application for renewal with the securities division.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-050, filed 7/21/95, effective 8/21/95.]

**WAC 460-22B-060 Duty to update application.** A salesperson who has been issued a license under this chapter has a duty to update his or her application. If an event occurs that causes a salesperson's application to be inaccurate, the salesperson shall amend his or her application within thirty days of the occurrence of the event. The amendment shall be made as follows:

(1) For a salesperson of a broker-dealer that is a member of a national securities association or national securities exchange, through the Central Registration Depository; or

(2) For a salesperson of a broker-dealer that is not a member of a national securities association or national securities exchange, by filing an amended Form U-4 with the securities division.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-060, filed 7/21/95, effective 8/21/95.]

**WAC 460-22B-090 Dishonest and unethical business practices-salespersons.** The phrase "dishonest or unethical practices" as used in RCW 21.20.110 (1)(g) as applied to salespersons, is hereby defined to include any of the following:

(1) Engaging in the practice of lending or borrowing money or securities from a customer, or acting as a custodian for money, securities or an executed stock power of a customer;

(2) Effecting securities transactions not recorded on the regular books or records of the broker-dealer which the agent represents, unless the transactions are authorized in writing by the broker-dealer prior to execution of the transaction;

(3) Establishing or maintaining an account containing fictitious information in order to execute transactions which would otherwise be prohibited;

(4) Sharing directly or indirectly in profits or losses in the account of any customer without the written authorization

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of the customer and the broker-dealer which the agent represents;

(5) Dividing or otherwise splitting the agent's commissions, profits or other compensation from the purchase or sale of securities with any person not also registered for the same broker-dealer, or for a broker-dealer under direct or indirect common control;

(6) Inducing trading in a customer's account which is excessive in size or frequency in view of the financial resources and character of the account;

(7) Recommending to a customer the purchase, sale or exchange of any security without reasonable grounds to believe that such transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant information known by the broker-dealer;

(8) Executing a transaction on behalf of a customer without authorization to do so;

(9) Exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer, unless the discretionary power relates solely to the time and/or price for the execution of orders;

(10) Executing any transaction in a margin account without securing from the customer a properly executed written margin agreement promptly after the initial transaction in the account;

(11) Entering into a transaction with or for a customer at a price not reasonably related to the current market price of the security or receiving an unreasonable commission or profit;

(12) Failing to furnish to a customer purchasing securities in an offering, no later than the date of confirmation of the transaction, a final or preliminary prospectus, and if the latter, failing to furnish a final prospectus within a reasonable period after the effective date of the offering;

(13) Effecting any transaction in, or inducing the purchase or sale of, any security by means of any manipulative, deceptive or fraudulent device, practice, plan, program, design or contrivance, which may include but not be limited to:

(a) Effecting any transaction in a security which involves no change in the beneficial ownership thereof;

(b) Entering an order or orders for the purchase or sale of any security with the knowledge that an order or orders of substantially the same size, at substantially the same time and substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties for the purpose of creating a false or misleading appearance of active trading in the security or a false or misleading appearance with respect to the market for the security;

(c) Effecting, alone or with one or more other persons, a series of transactions in any security creating actual or apparent active trading in such security or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others;

(14) Guaranteeing a customer against loss in any securities account for such customer carried by the broker-dealer or

in any securities transaction effected by the broker-dealer with or for such customer;

(15) Publishing or circulating, or causing to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such broker-dealer believes that such transaction was a bona fide purchase or sale of such security; or which purports to quote the bid price or asked price for any security, unless such broker-dealer believes that such quotation presents a bona fide bid for, or offer of, such security;

(16) Using any advertising or sales presentation in such a fashion as to be deceptive or misleading. An example of such practice would be a distribution of any nonfactual data, material or presentation based on conjecture, unfounded or unrealistic claims or assertions of any brochure, flyer, or display by words, pictures, graphs or otherwise designed to supplement, detract from, supersede or defeat the purpose or effect of any prospectus or disclosure;

(17) In connection with the solicitation of a sale or purchase of an OTC non-NASDAQ security, failing to promptly provide the most current prospectus or the most recently filed periodic report filed under Section 13 of the Securities Exchange Act, when requested to do so by a customer;

(18) Marking any order ticket or confirmation as unsolicited when in fact the transaction is solicited;

(19) Failing to comply with any applicable provision of the Conduct Rules of the National Association of Securities Dealers or any applicable fair practice or ethical standard promulgated by the Securities and Exchange Commission or by a self-regulatory organization approved by the Securities and Exchange Commission; or

(20) Any act or practice enumerated in WAC 460-21B-010.

The conduct set forth above is not inclusive. Engaging in other conduct such as a forgery, embezzlement, nondisclosure, incomplete disclosure or misstatement of material facts, or manipulative or deceptive practices shall also be grounds for denial, suspension or revocation of registration.

[Statutory Authority: RCW 21.20.450 and 21.20.110 (1)(g), 02-19-093, § 460-22B-090, filed 9/17/02, effective 10/18/02. Statutory Authority: RCW 21.20.450(1), 99-12-043, § 460-22B-090, filed 5/26/99, effective 7/9/99. Statutory Authority: RCW 21.20.450, 97-16-050, § 460-22B-090, filed 7/31/97, effective 8/31/97. Statutory Authority: RCW 21.20.070 and 21.20.450, 95-16-026, § 460-22B-090, filed 7/21/95, effective 8/21/95.]

## Chapter 460-23B WAC SALESPERSONS FOR ISSUERS

### WAC

460-23B-010	Application.
460-23B-020	Registration procedure.
460-23B-030	Salesperson examination requirements.
460-23B-040	Expiration of salesperson license, renewal procedure, and delinquency fees.
460-23B-050	Duty to update application.
460-23B-060	Exemption from registration for condominium salespersons.

**WAC 460-23B-010 Application.** The rules contained in this chapter apply to the registration of securities salespersons for issuers.



[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-23B-010, filed 7/21/95, effective 8/21/95.]

**WAC 460-23B-020 Registration procedure.** Applications for registration of salespersons of issuers must be submitted to the securities administrator on Form U-4 together with the required fee and proof of passage of required examinations.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-23B-020, filed 7/21/95, effective 8/21/95.]

**WAC 460-23B-030 Salesperson examination requirements.** Every applicant for registration as a securities salesperson of an issuer shall pass the examinations specified below:

(1) For an officer or director of an issuer that is a corporation, or a general partner of an issuer that is a limited partnership, or a manager of an issuer that is a limited liability company seeking registration as a salesperson for an issuer of a single offering of the issuer who will receive no commissions or similar remuneration directly or indirectly in connection with the offer or sale of the issuer's securities, no examination is required;

(2) For an officer or director of the issuer seeking registration as a salesperson for an issuer of a single offering of the issuer, the uniform state law examination (series 63); or the uniform combined state law examination (series 66) is required;

(3) For all other salespersons of issuers:

(a) The uniform securities agent state law examination (series 63); or the uniform combined state law examination (series 66); and

(b) The appropriate qualifying examination administered by the National Association of Securities Dealers, Inc. for the activities in which the salesperson is to engage;

(4) Any individual out of the securities business of effecting transactions in securities for less than two years and who has previously passed the required examinations in subsection (2) or (3) of this section or the Washington state securities examination shall not be required to retake the examination(s) to be eligible to be relicensed upon application.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-23B-030, filed 7/21/95, effective 8/21/95.]

**WAC 460-23B-040 Expiration of salesperson license, renewal procedure, and delinquency fees.** A license issued to a salesperson representing an issuer shall expire on the expiration date of the securities registration of the issuer. The license shall be renewed, or if not renewed, shall be deemed delinquent at the expiration of the issuer's securities registration. For any renewal application postmarked after the expiration date but received by the administrator within two months of the expiration date, the licensee shall pay a delinquency fee of fifty dollars in addition to the renewal fee. No renewal applications will be accepted after that time.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-23B-040, filed 7/21/95, effective 8/21/95.]

**WAC 460-23B-050 Duty to update application.** A salesperson who has been issued a license has a duty to

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update his or her application. If an event occurs that causes a salesperson's application to be inaccurate, the salesperson shall file an amended Form U-4 with the Securities Division within thirty days of the occurrence of the event.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-23B-050, filed 7/21/95, effective 8/21/95.]

**WAC 460-23B-060 Exemption from registration for condominium salespersons.** An exemption from registration as a broker-dealer or salesperson will be granted to those engaged in exclusively selling condominium securities provided:

(1) That the person claiming the exemption give written notice of their intention to claim the exemption five working days prior to exercising the exemption; and

(2) They submit their Washington real estate license number to the division.

If for any reason the person claiming this exemption should have their Washington real estate license cancelled, suspended or revoked then this exemption will not apply to any further transactions.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-23B-060, filed 7/21/95, effective 8/21/95.]

## Chapter 460-24A WAC INVESTMENT ADVISERS

### WAC

460-24A-010	Investment advisers—Where rules apply.
460-24A-020	Investment adviser representatives employed by federal covered advisers.
460-24A-030	Use of the term "investment counsel."
460-24A-040	Use of certain terms.
460-24A-045	Holding out as a financial planner.
460-24A-047	Electronic filing with designated entity.
460-24A-050	Investment adviser and investment adviser representative registration and examinations.
460-24A-055	Effective date of license.
460-24A-057	Renewal of investment adviser and investment adviser representative registration—Delinquency fees.
460-24A-058	Completion of filing.
460-24A-060	Financial statements required on investment advisers.
460-24A-070	Notice filings for federal covered advisers.
460-24A-080	Termination of investment adviser and investment adviser representative registration and federal covered adviser notice filing status.
460-24A-100	Advertisements by investment advisers.
460-24A-105	Custody or possession of funds or securities of clients.
460-24A-110	Agency cross transactions.
460-24A-140	Guarantees of success.
460-24A-145	Investment adviser brochure rule.
460-24A-150	Performance compensation arrangements.
460-24A-160	Refunds.
460-24A-170	Minimum financial requirements for investment advisers.
460-24A-200	Books and records to be maintained by investment advisers.
460-24A-205	Notice of changes by investment advisers and investment adviser representatives.
460-24A-210	Notice of complaint.
460-24A-220	Unethical business practices—Investment advisers and federal covered advisers.

### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-24A-046	Dual representation and affiliation. [Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-24A-046, filed 7/21/95, effective 8/21/95.] Repealed by 97-03-122, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.100 and 21.020.450.
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**WAC 460-24A-010 Investment advisers—Where rules apply.** These rules apply only to that part of the investment advisers' business within the state of Washington.

[Order 304, § 460-24A-010, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-020 Investment adviser representatives employed by federal covered advisers.** An individual employed by or associated with a federal covered adviser is an "investment adviser representative," pursuant to RCW 21.20.005(14), if the representative has a "place of business" in this state, as that term is defined under section 203A of the Investment Advisers Act of 1940, and:

(1) Is an "investment adviser representative" pursuant to the Investment Advisers Act of 1940; or

(2) Solicits, offers, or negotiates for the sale of or sells investment advisory services on behalf of a federal covered adviser, but is not a "supervised person" as that term is defined under the Investment Advisers Act of 1940.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-020, filed 7/31/01, effective 10/24/01.]

**WAC 460-24A-030 Use of the term "investment counsel."** No investment adviser shall use the title "investment counsel" in the conduct of his or its business nor represent that he or it is an "investment counsel" nor use the term "investment counsel" as descriptive of his or its business where such use is prohibited under the provisions of the Federal Investment Advisers Act of 1940, as amended.

[Order 304, § 460-24A-030, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-040 Use of certain terms.** (1) For the purposes of RCW 21.20.040(3), use of any term, or abbreviation for a term, including the word "financial planner" or the word "investment counselor" is considered the same as the use of either of those terms alone.

(2) For the purposes of RCW 21.20.040(3), terms that are deemed similar to "financial planner" and "investment counselor" include, but are not limited to, the following:

- (a) Financial consultant;
- (b) Investment consultant;
- (c) Money manager;
- (d) Investment manager;
- (e) Investment planner;
- (f) Chartered financial consultant or its abbreviation

ChFC; or

- (g) The abbreviation CFP.

[Statutory Authority: RCW 21.20.450. 00-01-001, § 460-24A-040, filed 12/1/99, effective 1/1/00; 97-16-050, § 460-24A-040, filed 7/31/97, effective 8/31/97. Statutory Authority: RCW 21.20.040(2) and 21.20.450. 93-01-113, § 460-24A-040, filed 12/21/92, effective 1/21/93; 90-13-029, § 460-24A-040, filed 6/12/90, effective 7/13/90.]

**WAC 460-24A-045 Holding out as a financial planner.** A person using a term deemed similar to "financial planner" or "investment counselor" under WAC 460-24A-040(2) will not be considered to be holding himself out as a financial planner for purposes of RCW 21.20.005(6) and 21.20.040 under the following circumstances:

(1) The person is not in the business of providing advice relating to the purchase or sale of securities, and would not, but for his use of such a term, be an investment adviser required to register pursuant to RCW 21.20.040; and

(2) The person does not directly or indirectly receive a fee for providing investment advice. Receipt of any portion of a "wrap fee," that is, a fee for some combination of brokerage and investment advisory services, constitutes receipt of a fee for providing investment advice for the purpose of this section; and

(3) The person delivers to every customer, at least 48 hours before accepting any compensation, including commissions from the sale of any investment product, a written disclosure including the following information:

(a) The person is not registered as an investment adviser or investment adviser salesperson in the state of Washington;

(b) The person is not authorized to provide financial planning or investment advisory services and does not provide such services; and

(c) A brief description the person's business which description should include a statement of the kind of products offered or services provided (e.g., the person is in the business of selling securities and insurance products) and of the basis on which the person is compensated for the products sold or services provided; and

(4) The person has each customer to whom a disclosure described in subsection (3) of this section is given sign a written dated acknowledgment of receipt of the disclosure; and

(5) The person shall retain the executed acknowledgments of receipt required by subsection (4) of this section and of the disclosure given for so long as the person continues to receive compensation from such customers, but in no case for less than three years from date of execution of the acknowledgment;

(6) If the person received compensation from the customer on more than one occasion, the person need give the customer the disclosure described in subsection (3) of this section only on the first occasion unless the information in the disclosure becomes inaccurate, in which case the person must give the customer updated disclosure before receiving further compensation from the customer.

[Statutory Authority: RCW 21.20.450. 97-16-050, § 460-24A-045, filed 7/31/97, effective 8/31/97. Statutory Authority: RCW 21.20.040(2) and 21.20.450. 93-01-113, § 460-24A-045, filed 12/21/92, effective 1/21/93.]

**WAC 460-24A-047 Electronic filing with designated entity.** (1) Designation. Pursuant to RCW 21.20.050, the director designates the Investment Adviser Registration Depository operated by the National Association of Securities Dealers (IARD) to receive and store filings and collect related fees from investment advisers, federal covered advisers, and investment adviser representatives on behalf of the director.

(2) Use of IARD. Unless otherwise provided, all investment adviser, federal covered adviser, and investment adviser representative applications, amendments, reports, notices, related filings, and fees required to be filed with the director pursuant to the rules promulgated under this chapter, shall be filed electronically with and transmitted to IARD. The following additional conditions relate to such electronic filings:

(a) Electronic signature. When a signature or signatures are required by the particular instructions of any filing to be made through IARD, a duly authorized officer of the applicant or the applicant him or herself, as required, shall affix his or her electronic signature to the filing by typing his or her name in the appropriate fields and submitting the filing to Web IARD. Submission of a filing in this manner shall constitute irrefutable evidence of legal signature by any individuals whose names are typed on the filing.

(b) When filed. Solely for purposes of a filing made through IARD, a document is considered filed with the director when all fees are received and the filing is accepted by IARD on behalf of the state.

(3) Electronic filing. Notwithstanding subsection (2) of this section, the electronic filing of any particular document and the collection of related processing fees shall not be required until such time as IARD provides for receipt of such filings and fees and thirty days' notice is provided by the director. Any documents required to be filed with the director that are not permitted to be filed with or cannot be accepted by IARD shall be filed in paper directly with the director.

(4) Hardship exemptions. Notwithstanding subsection (2) of this section, electronic filing is not required under the following circumstances:

(a) Temporary hardship exemption.

(i) Investment advisers registered or required to be registered under RCW 21.20.040, who experience unanticipated technical difficulties that prevent submission of an electronic filing to IARD, may request a temporary hardship exemption from the requirements to file electronically.

(ii) To request a temporary hardship exemption, the investment adviser must:

(A) File Form ADV-H in paper format with the appropriate regulatory authority in the state where the investment adviser's principal place of business is located, no later than one business day after the filing, that is the subject of the Form ADV-H, was due. If the state where the investment adviser's principal place of business is located has not mandated the use of IARD, the investment adviser should file the Form ADV-H with the appropriate regulatory authority in the first state that mandates the use of IARD by the investment adviser; and

(B) Submit the filing that is the subject of the Form ADV-H in electronic format to IARD no later than seven business days after the filing was due.

(iii) Effective date—Upon filing. The temporary hardship exemption will be deemed effective by the director upon receipt of the complete Form ADV-H by appropriate regulatory authority noted in (a)(ii)(A) of this subsection. Multiple temporary hardship exemption requests within the same calendar year may be disallowed by the director.

(b) Continuing hardship exemption.

(i) Criteria for exemption. A continuing hardship exemption will be granted only if the investment adviser is able to demonstrate that the electronic filing requirements of this section are prohibitively burdensome.

(ii) To apply for a continuing hardship exemption, the investment adviser must:

(A) File Form ADV-H in paper format with the director at least twenty business days before a filing is due; and

(B) If a filing is due to more than one state, the Form ADV-H must be filed with the appropriate regulatory authority in the state where the investment adviser's principal place of business is located. If the state where the investment adviser's principal place of business is located has not mandated the use of IARD, the investment adviser should file the Form ADV-H with the appropriate regulatory authority in the first state that mandates the use of IARD by the investment adviser. Any applications received by the director will be granted or denied within ten business days after the filing of Form ADV-H.

(iii) Effective date—Upon approval. The exemption is effective upon approval by the director. The time period of the exemption may be no longer than one year after the date on which the Form ADV-H is filed. If the director approves the application, the investment adviser must, no later than five business days after the exemption approval date, submit filings in paper format (along with the appropriate processing fees) for the period of time for which the exemption is granted.

(c) Recognition of exemption. The decision to grant or deny a request for a hardship exemption will be made by the appropriate regulatory authority in the state where the investment adviser's principal place of business is located. If the state where the investment adviser's principal place of business is located has not mandated the use of IARD, the decision to grant or deny a request for a hardship exemption will be made by appropriate regulatory authority in the first state that mandates the use of IARD by the investment adviser. The decision will be followed by the director if the investment adviser is registered in this state.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-047, filed 7/31/01, effective 10/24/01.]

#### **WAC 460-24A-050 Investment adviser and investment adviser representative registration and examinations.**

(1) Examination requirements. A person applying to be registered as an investment adviser or investment adviser representative under RCW 21.20.040 shall provide the director with proof that he or she has obtained a passing score on one of the following examinations:

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

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

(2) Grandfathering.

(a) Any individual who is registered as an investment adviser or investment adviser representative in any jurisdiction in the United States on the effective date of this amended rule shall not be required to satisfy the examination requirements for initial or continued registration, provided that the director may require additional examinations for any individual found to have violated the Securities Act of Washington, Chapter 21.20 RCW, or the Uniform Securities Act.

(b) An individual who has not been registered in any jurisdiction for a period of two (2) years shall be required to comply with the examination requirements of subsection (1).

(3) Waivers. The examination requirements shall not apply to an individual who currently holds one of the following professional designations:

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

(b) Chartered Financial Consultant (ChFC) awarded by The American College, Bryn Mawr, Pennsylvania;

(c) Personal Financial Specialist (PFS) administered by the American Institute of Certified Public Accountants;

(d) Chartered Financial Analyst (CFA) granted by the Association for Investment Management and Research;

(e) Chartered Investment Counselor (CIC) granted by the Investment Counsel Association of America; or

(f) Such other professional designation as the director may by order recognize.

(4) If the person applying for registration as an investment adviser is any entity other than a sole proprietor, an officer, general partner, managing member, or other equivalent person of authority in the entity may take the examination on behalf of the entity. If the person taking the examination ceases to be a person of authority in the entity, then the investment adviser must notify the director of a substitute person of authority who has passed the examinations required in subsection (1) of this section within two months in order to maintain the investment adviser license.

(5) Registration requirements.

(a) A person applying for initial registration as an investment adviser shall file a completed Form ADV with IARD along with the following:

(i) Proof of complying with the examination or waiver requirements specified in subsections (1) through (4) above;

(ii) A financial statement demonstrating compliance with the requirements of WAC 460-24A-170, if necessary;

(iii) The application fee specified in RCW 21.20.340; and

(iv) Such other documents as the director may require.

(b) A person applying for initial registration as an investment adviser representative shall file a completed Form U-4 with IARD along with the following:

(i) Proof of complying with the examination or waiver requirements specified in subsections (1) through (4) above;

(ii) The application fee specified in RCW 21.20.340; and

(iii) Such other documents as the director may require.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-050, filed 7/31/01, effective 10/24/01. Statutory Authority: RCW 21.20.450. 00-01-001, § 460-24A-050, filed 12/1/99, effective 1/1/00; 97-16-050, § 460-24A-050, filed 7/31/97, effective 8/31/97. Statutory Authority: RCW 21.20.450 and 21.20.070. 95-16-026 and 95-17-002, § 460-24A-050, filed 7/21/95 and 8/2/95, effective 8/21/95 and 9/2/95. Statutory Authority: RCW 21.20.070 and 21.20.450. 90-05-003, § 460-24A-050, filed 2/9/90, effective 3/12/90; 89-17-077 (Order SDO-123-89), § 460-24A-050, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.450. 85-23-063 (Order SDO-220-85), § 460-24A-050, filed 11/19/85; 85-16-068 (Order SDO-128-85), § 460-24A-050, filed 8/1/85. Statutory Authority: RCW 21.20.450 and 21.20.040. 83-03-024 (Order SDO-6-83), § 460-24A-050, filed 1/13/83. Statutory Authority: RCW 21.20.450. 82-02-033 (Order SDO-149-81), § 460-24A-050, filed 12/31/81; Order SD-131-77, § 460-24A-050, filed 11/23/77; Order 304, § 460-24A-050, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-055 Effective date of license.** All investment adviser and investment adviser representative licenses shall be effective until December 31 of the year of

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issuance at which time the license shall be renewed, or if not renewed, shall be deemed delinquent.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-055, filed 7/31/01, effective 10/24/01. Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-24A-055, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.080, 21.20.340 and 21.20.450. 88-17-011 (Order SDO-047-88), § 460-24A-055, filed 8/8/88.]

**WAC 460-24A-057 Renewal of investment adviser and investment adviser representative registration—Delinquency fees.** (1) Registration as an investment adviser or investment adviser representative may be renewed by filing the following with IARD:

(a) Any renewal application required by IARD;

(b) The renewal fee required by RCW 21.20.340; and

(c) An electronically submitted Form U-4, unless:

(i) The Form U-4 has been previously submitted to IARD electronically; or

(ii) The investment adviser, filing on behalf of the investment adviser representative, has been granted a hardship exemption under WAC 460-24A-047(4).

(2) For any renewal application received by IARD after the expiration date set forth in WAC 460-24A-055, but on or before March 1 of the following year, the licensee shall pay a delinquency fee in addition to the renewal fee. The delinquency fee for investment advisers shall be one hundred dollars. The delinquency fee for investment adviser representatives shall be fifty dollars.

(3) No renewal applications will be accepted after March 1. An investment adviser or investment adviser representative may apply for reregistration by complying with WAC 460-24A-050.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-057, filed 7/31/01, effective 10/24/01.]

**WAC 460-24A-058 Completion of filing.** An application for registration or renewal by an investment adviser or investment adviser representative is not considered filed for purposes of RCW 21.20.050 until the required fee and all required submissions have been received by IARD.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-058, filed 7/31/01, effective 10/24/01.]

**WAC 460-24A-060 Financial statements required on investment advisers.** Every investment adviser shall file with the director a balance sheet as of the end of the investment adviser's fiscal year. The balance sheet shall be prepared in accordance with generally accepted accounting principles (GAAP) unless the director, on a case-by-case basis, allows another basis of presentation. The balance sheet shall be filed annually with the director not more than ninety days after the end of the investment adviser's fiscal year-end (unless extension of time is granted by the director).

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-060, filed 7/31/01, effective 10/24/01. Statutory Authority: RCW 21.20.450. 85-16-068 (Order SDO-128-85), § 460-24A-060, filed 8/1/85; Order 304, § 460-24A-060, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

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**WAC 460-24A-070 Notice filings for federal covered advisers.** (1) Notice filing. The notice filing required of a federal covered adviser pursuant to RCW 21.20.050 shall be filed with IARD on a completed Form ADV. A notice filing of a federal covered adviser shall be deemed filed when the fee required by RCW 21.20.340 and the Form ADV are filed with and accepted by IARD on behalf of the state.

(2) Portions of Form ADV not yet accepted by IARD. Until IARD provides for the filing of Part 2 of Form ADV, Part 2 will be deemed filed if it is provided to the director within five days of the director's request. The federal covered adviser is not required to submit Part 2 of the Form ADV to the director unless requested.

(3) Renewal. The annual renewal of the notice filing for a federal covered adviser shall be filed with IARD. The renewal of the notice filing for a federal covered adviser shall be deemed filed when the fee required by RCW 21.20.340 is filed with and accepted by IARD on behalf of the state.

(4) Updates and amendments. A federal covered adviser must file any amendments to its Form ADV with IARD in accordance with the instructions in the Form ADV.

(5) A federal covered adviser that, because it has received a hardship exemption from the Securities and Exchange Commission (SEC), is not required to file its Form ADV with the SEC through IARD shall, in lieu of filing electronically, file the documents and fees required by this section directly with the director.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-070, filed 7/31/01, effective 10/24/01.]

**WAC 460-24A-080 Termination of investment adviser and investment adviser representative registration and federal covered adviser notice filing status.** (1) Investment advisers and federal covered advisers. An investment adviser or federal covered adviser may terminate its registration or notice filing status by complying with the instructions to Form ADV-W and filing a completed Form ADV-W with IARD.

(2) Investment adviser representative. The termination of registration as an investment adviser representative pursuant to RCW 21.20.080 shall be reported by complying with the instructions to Form U-5 and filing a completed Form U-5 with IARD.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-080, filed 7/31/01, effective 10/24/01.]

**WAC 460-24A-100 Advertisements by investment advisers.** (1) It shall constitute an "act, practice, or course of business" which operates or would operate as a fraud within the meaning of RCW 21.20.020 for an investment adviser, directly or indirectly, to publish, circulate or distribute any advertisement:

(a) Which refers, directly or indirectly, to any testimonial of any kind concerning the investment adviser or concerning any advice, analysis, report or other service rendered by such investment adviser; or

(b) Which refers, directly or indirectly, to past specific recommendations of such investment adviser which were or would have been profitable to any person: Provided, how-

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ever, That this clause (b) does not prohibit an advertisement which sets out or offers to furnish a list of all recommendations made by such investment adviser within the immediately preceding period of not less than one year if such advertisement, and such list if it is furnished separately:

(i) State the name of each such security recommended, the date and nature of each such recommendation (e.g., whether to buy, sell or hold), the market price at that time, the price at which the recommendation was to be acted upon, and the market price of each such security as of the most recent practicable date, and

(ii) Contain the following cautionary legend on the first page thereof in print or type as large as the largest print or type used in the body or text thereof: "It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list"; or

(c) Which represents, directly or indirectly, that any graph, chart, formula or other device being offered can in and of itself be used to determine which securities to buy or sell, or when to buy or sell them; or which represents, directly or indirectly, that any graph, chart, formula or other device being offered will assist any person in making his own decisions as to which securities to buy or sell, or when to buy or sell them, without prominently disclosing in such advertisement the limitations thereof and the difficulties with respect to its use; or

(d) Which contains any statement to the effect that any report, analysis, or other service will be furnished free or without charge, unless such report, analysis or other service actually is or will be furnished entirely free and without any condition or obligation, directly or indirectly; or

(e) Which contains any untrue statement of a material fact, or which is otherwise false or misleading.

(2) For the purposes of this section, the term "advertisement" includes any notice, circular, letter or other written communication addressed to more than one person, or any notice or other announcement in any publication or by radio or television, which offers

(a) Any analysis, report, or publication concerning securities, or which is to be used in making any determination as to when to buy or sell any security, or which security to buy or sell, or

(b) Any graph, chart, formula or other device to be used in making any determination as to when to buy or sell any security, or which security to buy or sell, or

(c) Any other investment advisory service with regard to security.

[Order 304, § 460-24A-100, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-105 Custody or possession of funds or securities of clients.** It shall constitute an "act, practice, or course of business" which operates or would operate as a fraud within the meaning of RCW 21.20.020 for any investment adviser who has custody or possession of any funds or securities in which any client has any beneficial interest to do any act or take any action, directly or indirectly, with respect to any such funds or securities, unless:

[Title 460 WAC—p. 37]

(1) All such securities of each such client are segregated, marked to identify the particular client who has the beneficial interest therein, and held in safekeeping in someplace reasonably free from risk of destruction or other loss; and

(2)(a) All such funds of such clients are deposited in one or more bank accounts which contain only clients' funds,

(b) Such account or accounts are maintained in the name of the investment adviser as agent or trustee for such clients, and

(c) The investment adviser maintains a separate record for each such account which shows the name and address of the bank where such account is maintained, the dates and amounts of deposits in and withdrawals from such account, and the exact amount of each client's beneficial interest in such account; and

(3) Such investment adviser, immediately after accepting custody or possession of such funds or securities from any client, notifies such client in writing of the place and manner in which such funds and securities will be maintained, and thereafter, if and when there is any change in the place or manner in which such funds or securities are being maintained, gives each such client written notice thereof; and

(4) Such investment adviser sends to each client, not less frequently than once every three months, an itemized statement showing the funds and securities in the custody or possession of the investment adviser at the end of such period and all debits, credits and transactions in such client's account during such period; and

(5) All such funds and securities of clients are verified by actual examination at least once during each calendar year by an independent certified public accountant or public accountant at a time which shall be chosen by such accountant without prior notice to the investment adviser. A certificate of such accountant stating that he has made an examination of such funds and securities, and describing the nature and extent of such examination shall be filed with the director promptly after each such examination.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100, 01-16-125, § 460-24A-105, filed 7/31/01, effective 10/24/01; Order 304, § 460-24A-105, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-110 Agency cross transactions.** (a) For purposes of this rule, "agency cross transaction for an advisory client" means a transaction in which a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by, or under common control with such investment adviser, including an investment adviser representative, acts as a broker-dealer for both the advisory client and another person on the other side of the transaction. When acting in such capacity such person is required to be registered as a broker-dealer in this state unless excluded from the definition.

(b) An investment effecting an agency cross transaction for an advisory client shall be in compliance with RCW 21.20.020(3) if the following conditions are met:

(1) The advisory client executes a written consent prospectively authorizing the investment adviser to effect agency cross transactions for such client;

(2) Before obtaining such written consent from the client, the investment adviser makes full written disclosure to

the client that, with respect to agency cross transactions, the investment adviser will act as broker-dealer for, receive commissions from and have a potentially conflicting division of loyalties and responsibilities regarding both parties to the transactions;

(3) At or before the completion of each agency cross transaction, the investment adviser or any other person relying on this rule sends the client a written confirmation. The written confirmation shall include (A) a statement of the nature of the transaction, (B) the date the transaction took place (C) an offer to furnish, upon request, the time when the transaction took place and (D) the source and amount of any other remuneration the investment adviser received or will receive in connection with the transaction. In the case of a purchase, if the investment adviser was not participating in a distribution, or, in the case of a sale, if the investment adviser was not participating in a tender offer, the written confirmation may state whether the investment adviser has been receiving or will receive any other remuneration and that the investment adviser will furnish the source and amount of such remuneration to the client upon the client's written request;

(4) At least annually, and with or as part of any written statement or summary of the account from the investment adviser, the investment adviser or any other person relying on this rule sends each client a written disclosure statement identifying (A) the total number of agency cross transactions during the period for the client since the date of the last such statement or summary and (B) the total amount of all commissions or other remuneration the investment adviser received or will receive in connection with agency cross transactions for the client during the period;

(5) Each written disclosure and confirmation required by this rule must include a conspicuous statement that the client may revoke the written consent required under subsection (b)(1) of this rule at any time by providing written notice to the investment adviser;

(6) No agency cross transaction may be effected in which the same investment adviser recommended the transaction to both any seller and any purchaser.

(c) Nothing in this rule shall be construed to relieve an investment adviser or investment adviser representative from acting in the best interest of the client, including fulfilling his duty with respect to the best price and execution for the particular transaction for the client nor shall it relieve any investment adviser or investment adviser representative of any other disclosure obligations imposed by the Securities Act of Washington, chapter 21.20 RCW, and the rules and regulations thereunder.

[Statutory Authority: RCW 21.20.450, 00-01-001, § 460-24A-110, filed 12/1/99, effective 1/1/00. Statutory Authority: RCW 21.20.450 and 1998 c 15 § 2. 99-03-050, § 460-24A-110, filed 1/15/99, effective 2/15/99.]

**WAC 460-24A-140 Guarantees of success.** No representation or statement, whether direct or by implication, should be made guaranteeing the success of investments made pursuant to recommendations of the advisory service concerned.

[Order 304, § 460-24A-140, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-145 Investment adviser brochure rule.** (1) General requirements. Unless otherwise provided in this rule, an investment adviser, registered or required to be registered pursuant to RCW 21.20.040 shall, in accordance with the provisions of this section, offer and deliver to each advisory client and prospective advisory client written disclosure materials containing at least the information then so required by Part II of Form ADV and such other information as the director may require. If a federal covered adviser may utilize a copy of Part II of its Form ADV to provide the disclosures required pursuant to 17 CFR 275.204-3, then an investment adviser may use a copy of Part II of its ADV to provide the disclosures required by this section.

(2) Delivery.

(a) An investment adviser, except as provided in (b) of this subsection, shall deliver the materials required by this section to an advisory client or prospective advisory client (i) not less than 48 hours prior to entering into any investment advisory contract with such client or prospective client, or (ii) at the time of entering into any such contract, if the advisory client has a right to terminate the contract without penalty within five business days after entering into the contract.

(b) Delivery of the materials required by (a) of this subsection need not be made in connection with entering into a contract for impersonal advisory services.

(3) Offer to deliver.

(a) An investment adviser, except as provided in (b) of this subsection, annually shall, without charge, deliver or offer in writing to deliver upon written request to each of its advisory clients the materials required by this section.

(b) The delivery or offer required by (a) of this subsection need not be made to advisory clients receiving advisory services solely pursuant to a contract for impersonal advisory services requiring a payment of less than \$200.00.

(c) With respect to an advisory client entering into a contract or receiving advisory services pursuant to a contract for impersonal advisory services which requires a payment of \$200.00 or more, an offer of the type specified in (a) of this subsection shall also be made at the time of entering into an advisory contract.

(d) Any materials requested in writing by an advisory client pursuant to an offer required by this subsection must be mailed or delivered within seven days of the receipt of the request.

(4) Delivery to limited partners. If the investment adviser is the general partner of a limited partnership, the manager of a limited liability company, or the trustee of a trust, then, for purposes of this section, the investment adviser must treat each of the partnership's limited partners, the company's members, or the trust's beneficial owners, as a client. For purposes of this section, a limited liability partnership or limited liability limited partnership is a "limited partnership."

(5) Wrap fee program brochures.

(a) If the investment adviser is a sponsor of a wrap fee program, then the materials required to be delivered, by subsection (2) of this section, to a client or prospective client of the wrap fee program, must contain all information required by Form ADV. Any additional information must be limited to information applicable to wrap fee programs that the investment adviser sponsors.

(b) The investment adviser does not have to offer or deliver wrap fee information if another sponsor of the wrap fee program offers or delivers to the client or prospective client of the wrap fee program wrap fee program information containing all the information the investment adviser's wrap fee program brochure must contain.

(6) Delivery of updates and amendments. When the disclosure materials required to be delivered pursuant to subsection (2) of this section become materially inaccurate, the investment adviser must amend and promptly deliver to its clients amendments to such disclosure materials. The instructions to Part 2 of Form ADV contain updating and delivery instructions that the investment adviser must follow. An amendment will be considered to be delivered promptly if the amendment is delivered within thirty days of the event that requires the filing of the amendment.

(7) Omission of inapplicable information. If an investment adviser renders substantially different types of investment advisory services to different advisory clients, the investment adviser may provide them with different disclosure materials, provided that each client receives all applicable information about services and fees. The disclosure delivered to a client may omit any information required by Part II of Form ADV if such information is applicable only to a type of investment advisory service or fee which is not rendered or charged, or proposed to be rendered or charged, to that client or prospective client.

(8) Other disclosure obligations. Nothing in this section shall relieve any investment adviser from any obligation to disclose any information to its advisory clients or prospective advisory clients not specifically required by this rule under chapter 21.20 RCW, the rules and regulations thereunder, or any other federal or state law.

(9) Definitions. For the purposes of this rule:

(a) "Contract for impersonal advisory services" means any contract relating solely to the provision of investment advisory services (i) by means of written material or oral statements which do not purport to meet the objectives or needs of specific individuals or accounts; (ii) through the issuance of statistical information containing no expression of opinion as to the investment merits of a particular security; or (iii) any combination of the foregoing services.

(b) "Entering into," in reference to an investment advisory contract, does not include an extension or renewal without material change of any such contract which is in effect immediately prior to such extension or renewal.

(c) "Sponsor" of a wrap fee program means an investment adviser that is compensated under a wrap fee program for sponsoring, organizing, or administering the program, or for selecting, or providing advice to clients regarding the selection of other investment advisers in the program.

(d) "Wrap fee program" means an advisory program under which a specified fee or fees, not based directly upon transactions in a client's account, is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

[Statutory Authority: RCW 21.20.450 and 21.20.110 (1)(g). 02-19-093, § 460-24A-145, filed 9/17/02, effective 10/18/02. Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-145, filed 7/31/01,

effective 10/24/01. Statutory Authority: 1998 c 15 § 9. 99-03-052, § 460-24A-145, filed 1/15/99, effective 2/15/99.]

**WAC 460-24A-150 Performance compensation arrangements.** An investment adviser may, without violating RCW 21.20.030(1), enter into a performance compensation arrangement with a customer that complies with Securities and Exchange Commission Rule 205-3, as made effective in Release No. IA-996 and as amended in Release No. IA-1731, under the Investment Advisers Act of 1940. Rule 205-3 is found in the CCH Federal Securities Law Reports published by Commerce Clearing House. Copies of the rule are also available at the office of the securities administrator.

[Statutory Authority: RCW 21.20.450. 00-01-001, § 460-24A-150, filed 12/1/99, effective 1/1/00. Statutory Authority: RCW 21.20.450 and 1993 c 114. 93-20-012, § 460-24A-150, filed 9/23/93, effective 10/24/93.]

**WAC 460-24A-160 Refunds.** Advisory services should not advertise or represent to subscribers or customers that subscriptions, fees or other payments will be refunded if they are not satisfied unless (1) such undertaking to refund is clear and unequivocal and is concerned not with the merit or success of the service, but with the customer's satisfaction therewith and (2) the investment adviser's financial responsibility is adequate to insure its ability to meet all such refund demands.

[Order 304, § 460-24A-160, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-170 Minimum financial requirements for investment advisers.** (1) An investment adviser registered or required to be registered under RCW 21.20.040, who has custody of client funds or securities, shall maintain at all times a minimum net worth of \$35,000. An investment adviser registered or required to be registered under RCW 21.20.040, who has discretionary authority over client funds or securities, but does not have custody of client funds or securities, shall maintain at all times a minimum net worth of \$10,000.

(2) An investment adviser registered or required to be registered under RCW 21.20.040 who has custody or discretion of client funds or securities, but does not meet the minimum net worth requirements in subsection (1) of this section shall be bonded in the amount of the net worth deficiency rounded up to the nearest \$5,000. Any bond required by this section shall be in the form determined by the director, issued by a company qualified to do business in this state, and shall be subject to the claim of all clients of the investment adviser regardless of the client's state of residence.

(3) An investment adviser registered or required to be registered under RCW 21.20.040, who accepts prepayment of more than \$500 per client and six or more months in advance, shall maintain at all times a positive net worth.

(4) Unless otherwise exempted, as a condition of the right to transact business in this state, every investment adviser registered or required to be registered under RCW 21.20.040 shall, by the close of business on the next business day, notify the director if the investment adviser's net worth is less than the minimum required. After transmitting such notice, each investment adviser shall file, by the close of

business on the next business day, a report with the director of its financial condition, including the following:

- (a) A trial balance of all ledger accounts;
- (b) A statement of all client funds or securities which are not segregated;
- (c) A computation of the aggregate amount of client ledger debit balances; and
- (d) A statement as to the number of client accounts.

(5) For purposes of this section, the term "net worth" shall mean an excess of assets over liabilities, as determined by generally accepted accounting principles, but shall not include as assets: Prepaid expenses (except as to items properly classified as assets under generally accepted accounting principles), deferred charges, goodwill, franchise rights, organizational expenses, patents, copyrights, marketing rights, unamortized debt discount and expense, all other assets of intangible nature, home furnishings, automobile(s), and any other personal items not readily marketable in the case of an individual; advances or loans to stockholders and officers in the case of a corporation; and advances or loans to partners in the case of a partnership.

(6) For purposes of this section, a person will be deemed to have custody if said person directly or indirectly holds client funds or securities, has any authority to obtain possession of them, or has the ability to appropriate them. An adviser shall not be deemed to have constructive custody of a client's cash or securities, if such possession is for the sole purpose of immediately forwarding such cash or securities to a third party at the request of the client.

(7) The director may require that a current appraisal be submitted in order to establish the worth of any asset.

(8) Every investment adviser that has its principal place of business in a state other than this state shall maintain only such minimum net worth as required by the state in which the investment adviser maintains its principal place of business, provided the investment adviser is licensed in that state and is in compliance with that state's minimum capital requirements.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-170, filed 7/31/01, effective 10/24/01. Statutory Authority: RCW 21.20.450. 97-16-050, § 460-24A-170, filed 7/31/97, effective 8/31/97; Order 304, § 460-24A-170, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-200 Books and records to be maintained by investment advisers.** (1) Every investment adviser registered or required to be registered pursuant to RCW 21.20.040 shall make and keep true, accurate, and current the following books, ledgers, and records:

(a) A journal or journals, including cash receipts and disbursements records, and any other records of original entry forming the basis of entries in any ledger.

(b) General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts.

(c) A memorandum of each order given by the investment adviser for the purchase or sale of any security, of any instruction received by the investment adviser from a client concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any



such order or instruction. The memoranda shall show the terms and conditions of the order, instruction, modification or cancellation; shall identify the person connected with the investment adviser who recommended the transaction to the client and the person who placed the order; and shall show the account for which entered, the date of entry, and the bank or broker-dealer by or through whom executed where appropriate. Orders entered pursuant to the exercise of a power of attorney shall be so designated.

(d) All check books, bank statements, canceled checks and cash reconciliations of the investment adviser.

(e) All bills or statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser.

(f) All trial balances, financial statements, and internal audit working papers relating to the investment adviser's business as an investment adviser. For purposes of this subsection, "financial statements" shall mean a balance sheet prepared in accordance with generally accepted accounting principles, and income statement, a cash flow statement, and a net worth computation, if applicable, as required by WAC 460-24A-170.

(g) Originals of all written communications received and copies of all written communications sent by the investment adviser relating to (i) any recommendation made or proposed to be made and any advice given or proposed to be given, (ii) any receipt, disbursement or delivery of funds or securities, or (iii) the placing or execution of any order to purchase or sell any security: Provided, however, That the investment adviser shall not be required to keep any unsolicited market letters and other similar communications of general public distribution not prepared by or for the investment adviser: And provided, That if the investment adviser sends any notice, circular or other advertisement offering any report, analysis, publication or other investment advisory service to more than 10 persons, the investment adviser shall not be required to keep a record of the names and addresses of the persons to whom it was sent, except that if such notice, circular or advertisement is distributed to persons named on any list, the investment adviser shall retain with the copy of such notice, circular or advertisement a memorandum describing the list and the source thereof.

(h) A list or other record of all accounts in which the investment adviser is vested with any discretionary power with respect to the funds, securities or transactions of any client.

(i) A copy of all powers of attorney and other evidences of the granting of any discretionary authority by any client to the investment adviser.

(j) A written copy of each agreement entered into by the investment adviser with any client and all other written agreements otherwise relating to the investment adviser's business as an investment adviser.

(k) A file containing a copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication, including by electronic media, that the investment advisers circulates or distributes, directly or indirectly, to two or more persons (other than persons connected with the investment adviser), and if such communication recommends the purchase or sale of a specific security and does not state the reasons for the recommendation, a

memorandum of the investment adviser indicating the reasons for the recommendation.

(l)(i) A record of every transaction in a security in which the investment adviser or any advisory representative (as hereinafter defined) of the investment adviser has, or by reason of such transaction acquires, any direct or indirect beneficial ownership, except:

(A) Transactions effected in any account over which neither the investment adviser nor any advisory representative of the investment adviser has any direct or indirect influence or control; and

(B) Transactions in securities which are direct obligations of the United States.

The record shall state the title and amount of the security involved; the date and nature of the transaction (i.e., purchase, sale or other acquisition or disposition); the price at which it was effected; and the name of the broker-dealer or bank with or through whom the transaction was effected. The record may also contain a statement declaring that the reporting or recording of any such transaction shall not be construed as an admission that the investment adviser or advisory representative has any direct or indirect beneficial ownership in the security. A transaction shall be recorded not later than 10 days after the end of the calendar quarter in which the transaction was effected.

(ii) For the purposes of this subsection (1), the following definitions will apply:

(A) "Advisory representative" shall mean any partner, officer or director of the investment adviser; any employee who participates in any way in the determination of which recommendations shall be made, or whose functions or duties relate to the determination of which recommendation shall be made; any employee who, in connection with his or her duties, obtains any information concerning which securities are being recommended prior to the effective dissemination of the recommendations; and any of the following persons who obtain information concerning securities recommendations being made by the investment adviser prior to the effective dissemination of the recommendations:

(I) Any person in a control relationship to the investment adviser;

(II) Any affiliated person of a controlling person; and

(III) Any affiliated person of an affiliated person.

(B) "Control" shall mean the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company. Any person who owns beneficially, either directly or through one or more controlled companies, more than 25 percent of the voting securities of a company shall be presumed to control such company.

(iii) An investment adviser shall not be deemed to have violated the provisions of this subsection (1) because of the failure to record securities transactions of any advisory representative if the investment adviser establishes that it instituted adequate procedures, and used reasonable diligence to obtain promptly, reports of all transactions required to be recorded.

(m)(i) Notwithstanding the provisions of (l) of this subsection, where the investment adviser is primarily engaged in a business or businesses other than advising investment advi-

sory clients, a record must be maintained of every transaction in a security in which the investment adviser or any advisory representative (as hereinafter defined) of the investment adviser has, or by reason of any transaction acquires, any direct or indirect beneficial ownership, except:

(A) Transactions effected in any account over which neither the investment adviser nor any advisory representative of the investment adviser has any direct or indirect influence or control; and

(B) Transactions in securities which are direct obligations of the United States.

The record shall state the title and amount of the security involved; the date and nature of the transaction (i.e., purchase, sale, or other acquisition or disposition); the price at which it was effected; and the name of the broker-dealer or bank with or through whom the transaction was effected. The record may also contain a statement declaring that the reporting or recording of any transaction shall not be construed as an admission that the investment adviser or advisory representative has any direct or indirect beneficial ownership in the security. A transaction shall be recorded not later than ten days after the end of the calendar quarter in which the transaction was effected.

(ii) An investment adviser is "primarily engaged in a business or businesses other than advising investment advisory clients" when, for each of its most recent three fiscal years or for the period of time since organization, whichever is lesser, the investment adviser derived, on an unconsolidated basis, more than fifty percent of:

(A) Its total sales and revenues; and

(B) Its income (or loss) before income taxes and extraordinary items, from such other business or businesses.

(iii) For purposes of this subsection (1)(m) the following definitions will apply:

(A) "Advisory representative," when used in connection with a company primarily engaged in a business or businesses other than advising investment advisory clients, shall mean any partner, officer, director, or employee of the investment adviser who participates in any way in the determination of which recommendation shall be made, or whose functions or duties relate to the determination of which securities are being recommended prior to the effective dissemination of the recommendations; and any of the following persons who obtain information concerning securities recommendations being made by the investment adviser prior to the effective dissemination of the recommendations or of the information concerning the recommendations:

(I) Any person in a control relationship to the investment adviser;

(II) Any affiliated person of a controlling person; and

(III) Any affiliated person of an affiliated person.

(B) "Control" shall mean the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company. Any person who owns beneficially, either directly or through one or more controlled companies, more than twenty-five percent of the voting securities of a company shall be presumed to control such company.

(iv) An investment adviser shall not be deemed to have violated the provisions of this subsection (1)(m) because of the failure to record securities transactions of any advisory representative if the investment adviser establishes that it instituted adequate procedures, and used reasonable diligence to obtain promptly, reports of all transactions required to be recorded.

(n) The following items related to WAC 460-24A-145 and Part II of Form ADV:

(i) A copy of each written statement, and each amendment or revision, given or sent to any client or prospective client of the investment adviser as required by WAC 460-24A-145;

(ii) Any summary of material changes that is required by Part II of Form ADV that is not included in the written statement; and

(iii) A record of the dates that each written statement, each amendment or revision thereto, and each summary of material changes was given or offered to any client or prospective client who subsequently becomes a client.

(o) For each client that was obtained by the adviser by means of a solicitor to whom a cash fee was paid by the adviser:

(i) Evidence of a written agreement to which the adviser is a party related to the payment of such fee;

(ii) A signed and dated acknowledgment of receipt from the client evidencing the client's receipt of the investment adviser's disclosure statement and a written disclosure statement of the solicitor; and

(iii) A copy of the solicitor's written disclosure statement. The written agreement, acknowledgment, and solicitor disclosure statement will be considered to be in compliance if such documents are in compliance with Rule 275.206(4)-3 of the Investment Advisers Act of 1940.

For purposes of this subsection, the term "solicitor" shall mean any person or entity who, for compensation, acts as an agent of an investment adviser in referring potential clients.

(p) All accounts, books, internal working papers, and any other records or documents that are necessary to form the basis for or demonstrate the calculation of the performance or rate of return of all managed accounts or securities recommendations in any notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication including, but not limited to, electronic media that the investment adviser circulates or distributes, directly or indirectly, to two or more persons (other than persons connected with the investment adviser); provided however, that, with respect to the performance of managed accounts, the retention of all account statements, if they reflect all debits, credits, and other transactions in a client's account for the period of the statement, and all worksheets necessary to demonstrate the calculation of the performance or rate of return of all managed accounts shall be deemed to satisfy the requirements of this subsection.

(q) A file containing a copy of all written communications received or sent regarding any litigation involving the investment adviser or any investment adviser representative or employee, and regarding any written customer or client complaint.

(r) Written information about each investment advisory client that is the basis for making any recommendation or providing any investment advice to such client.

(s) Written procedures to supervise the activities of employees and investment adviser representatives that are reasonably designed to achieve compliance with applicable securities laws and regulations.

(t) A file containing a copy of each document (other than any notices of general dissemination) that was filed with or received from any state or federal agency or self regulatory organization and that pertains to the registrant or its advisory representatives as that term is defined in (m)(iii)(A) of this subsection, which file should contain, but is not limited to, all applications, amendments, renewal filings, and correspondence.

(u) Copies, with original signatures of the investment adviser's appropriate signatory and the investment adviser representative, of each initial Form U-4 and each amendment to Disclosure Reporting Pages (DRPs U-4) must be retained by the investment adviser (filing on behalf of the investment adviser representative) and must be made available for inspection upon regulatory request.

(2) If an investment adviser subject to subsection (1) of this section has custody or possession of securities or funds of any client, the records required to be made and kept under subsection (1) of this section shall include:

(a) A journal or other record showing all purchases, sales, receipts and deliveries of securities (including certificate numbers) for all accounts and all other debits and credits to the accounts.

(b) A separate ledger account for each such client showing all purchases, sales, receipts and deliveries of securities, the date and price of each purchase or sale, and all debits and credits.

(c) Copies of confirmations of all transactions effected by or for the account of any client.

(d) A record for each security in which any client has a position, which record shall show the name of each client having any interest in each security, the amount of interest of each client, and the location of each security.

(3) Every investment adviser subject to subsection (1) of this section who renders any investment supervisory or management service to any client shall, with respect to the portfolio being supervised or managed and to the extent that the information is reasonably available to or obtainable by the investment adviser, make and keep true, accurate and current:

(a) Records showing separately for each client the securities purchased and sold, and the date, amount and price of each purchase or sale.

(b) For each security in which any client has a current position, information from which the investment adviser can promptly furnish the name of each client, and the current amount of the interest of the client.

(4) Any books or records required by this section may be maintained by the investment adviser in such manner that the identity of any client to whom such investment adviser renders investment supervisory services is indicated by numerical or alphabetical code or some similar designation.

(5) Every investment adviser subject to subsection (1) of this section shall preserve the following records in the manner prescribed:

(a) All books and records required to be made under the provisions of subsections (1) to (3)(a), inclusive, of this section except for books and records required to be made pursuant to subsection (1)(k) and (p) of this section shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on the record, the first two years in the principal office of the investment adviser.

(b) Partnership articles and any amendments, articles of incorporation, charter documents, minute books and stock certificate books of the investment adviser and of any predecessor, shall be maintained in the principal office of the investment adviser and preserved until at least three years after termination of the enterprise.

(c) Books and records required to be made pursuant to subsection (1)(k) and (p) of this section shall be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in the principal office of the investment adviser, from the end of the fiscal year during which the investment adviser last published or otherwise disseminated, directly or indirectly, including by electronic media, the notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication.

(d) Notwithstanding other record preservation requirements of this section, the following records or copies shall be maintained at the business location of the investment adviser from which the customer or client is being provided or has been provided with investment advisory services:

(i) Records required to be preserved under subsections (1)(c), (g) through (j), (n), (o), and (q) through (s), (2), and (3) of this section shall be maintained for the period prescribed in (a) of this subsection; and

(ii) Records or copies required pursuant to subsection (1)(k) and (p) of this section which records or related records identify the name of the investment adviser representative providing investment advice from that business location, or which identify the business locations' physical address, mailing address, electronic mailing address, or telephone number shall be maintained for the period prescribed in (c) of this subsection.

(6) An investment adviser subject to subsection (1) of this section, before ceasing to conduct or discontinuing business as an investment adviser, shall arrange for and be responsible for the preservation of the books and records required to be maintained and preserved under this section for the remainder of the period specified in this section, and shall notify the director in writing of the exact address where the books and records will be maintained during the period.

(7)(a) The records required to be maintained and preserved pursuant to this section may be immediately produced or reproduced by photograph on film or, as provided in (b) of this subsection, on magnetic disk, tape, or other computer storage medium, and be maintained and preserved for the required time in that form. If records are produced or reproduced by photographic film or computer storage medium, the investment adviser shall:

(i) Arrange the records and index the films or computer storage medium so as to permit the immediate location of any particular record;

(ii) Be ready at all times to promptly provide any facsimile enlargement of film or computer printout or copy of the computer storage medium that the director, by its examiners or other representatives, may request;

(iii) Store, separately from the original, one copy of the film or computer storage medium for the time required;

(iv) With respect to records stored on computer storage medium, maintain procedures for maintenance and preservation of, and access to, records so as to reasonably safeguard records from loss, alteration, or destruction; and

(v) With respect to records stored on photographic film, at all times have available for the director's examination of its records pursuant to RCW 21.20.100, facilities for immediate, easily readable projection of the film and for producing easily readable facsimile enlargements.

(b) Pursuant to (a) of this subsection, an investment adviser may maintain and preserve on computer tape, disk, or other computer storage medium records which, in the ordinary course of the adviser's business, are created by the adviser on electronic media or received by the adviser solely on electronic media or by electronic data transmission.

(8) As used in this section, "investment supervisory services" means the giving of continuous advice as to the investment of funds on the basis of the individual needs of each client; and not include discretion as to the price at which, or the time when, a transaction is or is to be effected, if, before the order is given by the investment adviser, the client has directed or approved the purchase or sale of a definite amount of the particular security.

(9) Any book or other record made, kept, maintained, and preserved in compliance with Rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934, which is substantially the same as the book or other record required to be made, kept, maintained, and preserved under this section, shall be deemed to be made, kept, maintained, and preserved in compliance with this section.

(10) Every investment adviser registered or required to be registered in this state and that has its principal place of business in a state other than this state shall be exempt from the requirements of this section, provided the investment adviser is licensed in the state where it has its principal place of business and is in compliance with that state's recordkeeping requirements.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-200, filed 7/31/01, effective 10/24/01; Order 304, § 460-24A-200, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-205 Notice of changes by investment advisers and investment adviser representatives.** (1) Each licensed investment adviser must:

(a) Promptly file with IARD, in accordance with the instructions to Form ADV, any amendments to its Form ADV. An amendment will be considered promptly filed if it is filed within thirty days of the event that requires the filing of the amendment; and

(b) File an updated Form ADV with IARD within ninety days of the end of the investment adviser's fiscal year.

(2) Each investment adviser representative has a continuing obligation to update the information required by Form U-4 as changes occur and must promptly file with IARD any amendments to the representative's Form U-4. An amendment will be considered promptly filed if it is filed within thirty days of the event that requires the filing of the amendment.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-205, filed 7/31/01, effective 10/24/01. Statutory Authority: RCW 21.20.450 and 21.20.040(2). 90-13-029, § 460-24A-205, filed 6/12/90, effective 7/13/90. Statutory Authority: RCW 21.20.450. 85-23-063 (Order SDO-220-85), § 460-24A-205, filed 11/19/85; 85-16-068 (Order SDO-128-85), § 460-24A-205, filed 8/1/85; Order 304, § 460-24A-205, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-210 Notice of complaint.** Each licensed investment adviser who has filed a complaint against any of its partners, officers, directors, agents licensed in Washington or associated persons with any law enforcement agency, any other regulatory agency having jurisdiction over the securities industry, or with any bonding company regarding any loss arising from alleged acts of such person, shall send a copy of such complaint to the director, within ten days following its filing with such other agency or bonding company.

[Statutory Authority: RCW 21.20.450, 21.20.050, 21.20.100. 01-16-125, § 460-24A-210, filed 7/31/01, effective 10/24/01; Order 304, § 460-24A-210, filed 2/28/75, effective 4/1/75. Formerly chapter 460-24 WAC.]

**WAC 460-24A-220 Unethical business practices—Investment advisers and federal covered advisers.** A person who is an investment adviser or a federal covered adviser is a fiduciary and has a duty to act primarily for the benefit of its clients. The provisions of this subsection apply to federal covered advisers to the extent that the conduct alleged is fraudulent, deceptive, or as otherwise permitted by the National Securities Markets Improvement Act of 1996 (Pub. L. No. 104-290). While the extent and nature of this duty varies according to the nature of the relationship between an investment adviser and its clients and the circumstances of each case, an investment adviser or a federal covered adviser shall not engage in unethical business practices, including the following:

(1) Recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known by the investment adviser.

(2) Exercising any discretionary power in placing an order for the purchase or sale of securities for a client without obtaining written discretionary authority from the client within ten (10) business days after the date of the first transaction placed pursuant to oral discretionary authority, unless the discretionary power relates solely to the price at which, or the time when, an order involving a definite amount of a specified security shall be executed, or both.

(3) Inducing trading in a client's account that is excessive in size or frequency in view of the financial resources, invest-

ment objectives and character of the account in light of the fact that an adviser in such situations can directly benefit from the number of securities transactions effected in a client's account. The rule appropriately forbids an excessive number of transaction orders to be induced by an adviser for a "customer's account."

(4) Placing an order to purchase or sell a security for the account of a client without authority to do so.

(5) Placing an order to purchase or sell a security for the account of a client upon instruction of a third party without first having obtained a written third-party trading authorization from the client.

(6) Borrowing money or securities from a client unless the client is a broker-dealer, an affiliate of the investment adviser, or a financial institution engaged in the business of loaning funds.

(7) Loaning money to a client unless the investment adviser is a financial institution engaged in the business of loaning funds or the client is an affiliate of the investment adviser.

(8) To misrepresent to any advisory client, or prospective advisory client, the qualifications of the investment adviser or any employees of the investment adviser, or to misrepresent the nature of the advisory services being offered or fees to be charged for such service, or to omit to state a material fact necessary to make the statements made regarding qualifications, services or fees, in light of the circumstances under which they are made, not misleading.

(9) Providing a report or recommendation to any advisory client prepared by someone other than the adviser without disclosing that fact. (This prohibition does not apply to a situation where the adviser uses published research reports or statistical analyses to render advice or where an adviser orders such a report in the normal course of providing service.)

(10) Charging a client an unreasonable advisory fee.

(11) Failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the adviser or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice including:

(a) Compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services; and

(b) Charging a client an advisory fee for rendering advice when a commission for executing securities transactions pursuant to such advice will be received by the adviser or its employees.

(12) Guaranteeing a client that a specific result will be achieved (gain or no loss) with advice which will be rendered.

(13) Publishing, circulating or distributing any advertisement which does not comply with Rule 206(4)-1 under the Investment Advisers Act of 1940.

(14) Disclosing the identity, affairs, or investments of any client unless required by law to do so, or unless consented to by the client.

(15) Taking any action, directly or indirectly, with respect to those securities or funds in which any client has any beneficial interest, where the investment adviser has cus-

tody or possession of such securities or funds when the adviser's action is subject to and does not comply with the requirements of Reg. 206(4)-2 under the Investment Advisers Act of 1940.

(16) Entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee, the formula for computing the fee, the amount of prepaid fee to be returned in the event of contract termination or nonperformance, whether the contract grants discretionary power to the adviser and that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract.

(17) Failing to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material nonpublic information contrary to the provisions of Section 204A of the Investment Advisers Act of 1940.

(18) Entering into, extending, or renewing any advisory contract contrary to the provisions of section 205 of the Investment Advisers Act of 1940. This provision shall apply to all advisers registered or required to be registered under the Securities Act of Washington, chapter 21.20 RCW, notwithstanding whether such adviser would be exempt from federal registration pursuant to section 203(b) of the Investment Advisers Act of 1940.

(19) To indicate, in an advisory contract, any condition, stipulation, or provisions binding any person to waive compliance with any provision of the Securities Act of Washington, chapter 21.20 RCW, or of the Investment Advisers Act of 1940, or any other practice contrary to the provisions of section 215 of the Investment Advisers Act of 1940.

(20) Engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative in contrary to the provisions of section 206(4) of the Investment Advisers Act of 1940, notwithstanding the fact that such investment adviser is not registered or required to be registered under section 203 of the Investment Advisers Act of 1940.

(21) Engaging in conduct or any act, indirectly or through or by any other person, which would be unlawful for such person to do directly under the provisions of the Securities Act of Washington, chapter 21.20 RCW, or any rule or regulation thereunder.

The conduct set forth above is not inclusive. Engaging in other conduct such as nondisclosure, incomplete disclosure, or deceptive practices shall be deemed an unethical business practice. The federal statutory and regulatory provisions referenced herein shall apply to investment advisers and federal covered advisers, to the extent permitted by the National Securities Markets Improvement Act of 1996 (Pub. L. No. 104-290).

[Statutory Authority: RCW 21.20.450 and 21.20.100. 99-03-051, § 460-24A-220, filed 1/15/99, effective 2/15/99. Statutory Authority: RCW 21.20.450. 85-23-063 (Order SDO-220-85), § 460-24A-220, filed 11/19/85.]

## Chapter 460-28A WAC ADVERTISEMENTS

WAC  
460-28A-010  
460-28A-015

Advertisements—Scope of rules.  
All advertisements to be filed.

460-28A-020 Specific prohibitions.  
460-28A-025 Exceptions from filing requirements.

#### WAC 460-28A-010 Advertisements—Scope of rules.

Any advertisement, display, pamphlet, brochure, letter, articles, or communication published in any newspaper, magazine, or periodical, or script or any recording, radio or television announcement, broadcast, or commercial to be used or circulated in connection with the sale and promotion of a registered offering of securities will be subject to the requirements and restrictions set out in WAC 460-28A-015 and 460-28A-020.

[Order 342, § 460-28A-010, filed 9/29/75; Order 304, § 460-28A-010, filed 2/28/75, effective 4/1/75. Formerly chapter 460-28 WAC.]

**WAC 460-28A-015 All advertisements to be filed.** All sales and advertising literature and promotional material, other than that exempted by these rules, shall be governed by the following:

- (1) The registration applicant or registrant shall file with the division, at least five business days before its intended dissemination, one copy of each item of literature or material.
- (2) If not disallowed by the administrator by written notice or otherwise within three business days from the date filed, the literature or material may be disseminated.
- (3) No formal approval of the literature or material shall be issued by the administrator.
- (4) The disseminator of the literature or material shall be responsible for the accuracy and reliability of the literature and material, and its conformance with the code and these rules.

[Statutory Authority: RCW 21.20.450. 99-03-053, § 460-28A-015, filed 1/15/99, effective 2/15/99; Order 342, § 460-28A-015, filed 9/29/75; Order 304, § 460-28A-015, filed 2/28/75, effective 4/1/75. Formerly chapter 460-28 WAC.]

**WAC 460-28A-020 Specific prohibitions.** The following devices or sales presentation, and the use thereof, will be deemed deceptive or misleading practices:

- (1) Comparison charts or graphs showing a distorted, unfair or unrealistic relationship between the issuer's past performance, progress or success and that of another company, business, industry or investment media;
- (2) Lay-out, format, size, kind and color of type used so as to attract attention to favorable or incomplete portions of the advertising matter, or to minimize less favorable, modified or modifying portions necessary to make the entire advertisement a fair and truthful representation;
- (3) Statements or representations, which by themselves predict future profit, success, appreciation, performance or otherwise relate to the merit or potential of the securities which are positive or imperative in form;
- (4) Generalizations, generalized conclusions, opinions, representations and general statements based upon a particular set of facts and circumstances unless those facts and circumstances are stated and modified or explained by such additional facts or circumstances as are necessary to make the entire advertisement a full, fair and truthful representation;
- (5) Sales kits or film clips, displays or exposures, which, alone or by sequence and progressive compilation, tend to present an accumulative or composite picture or impression

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of certain, or exaggerated potential, profit, safety, return or assured or extraordinary investment opportunity or similar benefit to the prospective purchaser;

(6) Distribution of any nonfactual or inaccurate data or material by words, pictures, charts, graphs, or otherwise, based on conjectural, unfounded, extravagant, or flamboyant claims, assertions, predictions or excessive optimism;

(7) Memoranda, reports, letters and similar distributions which tend, alone or by compilation, to substitute, repeat or detract from disclosure in the registered offering circular.

[Order SD-131-77, § 460-28A-020, filed 11/23/77; Order 304, § 460-28A-020, filed 2/28/75, effective 4/1/75. Formerly chapter 460-28 WAC.]

**WAC 460-28A-025 Exceptions from filing requirements.** The following forms and types of advertising are permitted without the necessity for filing or prior authorization by the administrator, unless specifically prohibited.

- (1) So-called "tombstone" advertising, containing no more than the following information:
  - (a) Name and address of issuer.
  - (b) Identity or title of security.
  - (c) Per unit offering price, number of shares and amount of offering.
  - (d) Brief, general description of business.
  - (e) Name and address of underwriter, or address where offering circular or prospectus can be obtained.
  - (f) Date of issuance.
- (2) Dividend notices, proxy statements and reports to shareholders, including investment company quarterly and semi-annual reports.

(3) Sales literature, advertising or market letters prepared in conformity with the applicable regulations and in compliance with the filing requirements of the SEC, the NASD, or an approved securities exchange.

(4) Factual or informative letters, bulletins or releases, similar to "news letters," relating to issuer's progress or activities, status of the offering or current financial conditions.

[Order 304, § 460-28A-025, filed 2/28/75, effective 4/1/75. Formerly chapter 460-28 WAC.]

### Chapter 460-32A WAC

#### REAL ESTATE RELATED SECURITIES PROGRAMS

##### WAC

460-32A-400 Sales in condominiums or units in real estate development.

##### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-32A-010 Application. [Statutory Authority: RCW 21.20.450. 83-23-087 (Order SDO-215-83), § 460-32A-010, filed 11/21/83; Order 304, § 460-32A-010, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.

460-32A-015 Net worth requirement of sponsor. [Order 304, § 460-32A-015, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.

460-32A-020 Fees, compensation and expenses to be reasonable. [Order 304, § 460-32A-020, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.

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460-32A-025	Compensation for acquisition services. [Order 304, § 460-32A-025, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-145	Rights and obligations of participants meetings. [Order 304, § 460-32A-145, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-030	Program management fee (defined in WAC 460-10A-145). [Order 304, § 460-32A-030, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-150	Voting rights of limited partners. [Order 304, § 460-32A-150, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-031	Expenses paid to third parties. [Order 304, § 460-32A-031, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-155	Outsider replacement of general partner. [Order 304, § 460-32A-155, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-035	Subordinated promotional interests. [Order 304, § 460-32A-035, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-160	Reports to holders of limited partnership interests. [Order 304, § 460-32A-160, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-045	Sales, leases and loans. [Order 304, § 460-32A-045, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-165	Access to records. [Order 304, § 460-32A-165, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-050	Exchange of limited partnership interest. [Order 304, § 460-32A-050, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-170	Redemption of program interests. [Order 304, § 460-32A-170, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-055	Exclusive agreement. [Order 304, § 460-32A-055, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-175	Assessability. [Order 304, § 460-32A-175, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-057	Commissions on resale of property. [Order SD-131-77, § 460-32A-057, filed 11/23/77.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-180	Defaults. [Order 304, § 460-32A-180, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-060	Commissions on reinvestment. [Order 304, § 460-32A-060, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-185	Sales promotional efforts. [Order 304, § 460-32A-185, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-065	Services rendered to the program by the sponsor. [Order 304, § 460-32A-065, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-195	Contents of prospectus. [Order 304, § 460-32A-195, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-070	Rebates, kickbacks and reciprocal arrangements. [Order 304, § 460-32A-070, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-196	Track records. [Order 304, § 460-32A-196, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-075	Commingling of funds. [Order 304, § 460-32A-075, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-200	Projections. [Order 304, § 460-32A-200, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-080	Expenses of program. [Order 304, § 460-32A-080, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-205	Fiduciary duty. [Order 304, § 460-32A-205, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-085	Investments in other programs. [Order 304, § 460-32A-085, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-210	Deferred payments. [Order 304, § 460-32A-210, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-090	Lending practices. [Order 304, § 460-32A-090, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-215	Reserves. [Order 304, § 460-32A-215, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-095	Development or construction contracts. [Order 304, § 460-32A-095, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-220	Reinvestment of cash flow and proceeds on disposition of property. [Order 304, § 460-32A-220, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-100	Performance bond requirement. [Order 304, § 460-32A-100, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-225	Nonspecified property programs. [Order 304, § 460-32A-225, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
460-32A-105	Requirement for real property appraisal. [Order 304, § 460-32A-105, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-32A-235	Statement of investment objectives. [Statutory Authority: RCW 21.20.450. 80-04-037 (Order SDO-37-80), § 460-32A-235, filed 3/19/80; Order 304, § 460-32A-235, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.
		460-32A-240	Period of offering and expenditure of proceeds. [Order 304, § 460-32A-240, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-

	075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-33A-055	Escrow account.
460-32A-245	Special reports. [Order 304, § 460-32A-245, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-33A-060	Recordation.
460-32A-250	Assessments. [Order 304, § 460-32A-250, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-33A-065	Service agreement.
460-32A-255	Multiple programs. [Order 304, § 460-32A-255, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 93-01-075, filed 12/14/92, effective 1/14/93. Statutory Authority: RCW 21.20.450.	460-33A-070	Origination and assignment.
460-32A-300	Oil and gas programs. [Statutory Authority: RCW 21.20.450, 79-09-028 (Order SD-57-79), § 460-32A-300, filed 8/14/79; Order 304, § 460-32A-300, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 83-23-087 (Order SDO-215-83), filed 11/21/83. Statutory Authority: RCW 21.20.450.	460-33A-075	Advertising.
460-32A-305	Records and payment of proceeds. [Order 304, § 460-32A-305, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 79-09-028 (Order SD-57-79), filed 8/14/79. Statutory Authority: RCW 21.20.450.	460-33A-080	Registration and examination of mortgage broker-dealers.
460-32A-310	Oil and gas interests other than working interests. [Order 304, § 460-32A-310, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 79-09-028 (Order SD-57-79), filed 8/14/79. Statutory Authority: RCW 21.20.450.	460-33A-081	Expiration of mortgage broker-dealer registration, renewal procedure, delinquency fees.
460-32A-315	Title. [Order 304, § 460-32A-315, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 83-23-087 (Order SDO-215-83), filed 11/21/83. Statutory Authority: RCW 21.20.450.	460-33A-085	Registration and examination of mortgage securities salespersons.
460-32A-320	Regulation B filings. [Order 304, § 460-32A-320, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 83-23-087 (Order SDO-215-83), filed 11/21/83. Statutory Authority: RCW 21.20.450.	460-33A-086	Expiration of mortgage securities salesperson registration, renewal procedure, and delinquency fees.
460-32A-325	Funds to be held in trust. [Order 304, § 460-32A-325, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.] Repealed by 83-23-087 (Order SDO-215-83), filed 11/21/83. Statutory Authority: RCW 21.20.450.	460-33A-090	Dishonest and unethical practices—Mortgage broker-dealers.

**WAC 460-32A-400 Sales in condominiums or units in real estate development.** The Washington Securities Act provides that its interpretation and administration be coordinated with related Federal regulations. In light of such policy and due to the relevance and importance of the Securities and Exchange Commission Securities Act Release No. 5347, the division of securities hereby adopts Securities and Exchange Commission Securities Act Release No. 5347.

[Statutory Authority: RCW 21.20.450, 98-18-033, § 460-32A-400, filed 8/26/98, effective 9/26/98; Order 304, § 460-32A-400, filed 2/28/75, effective 4/1/75. Formerly chapter 460-32 WAC.]

### Chapter 460-33A WAC

#### REGULATIONS CONCERNING SECURITIES INVOLVING MORTGAGES, TRUST DEEDS OR PROPERTY SALES CONTRACTS

##### WAC

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#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-33A-016	Registration of real property securities. [Statutory Authority: RCW 21.20.450, 83-03-025 (Order SDO-7-83), § 460-33A-016, filed 1/13/83.] Repealed by 86-21-107 (Order SDO-140-86), filed 10/20/86. Statutory Authority: RCW 21.20.450.
460-33A-050	Banks and financial institutions. [Statutory Authority: RCW 21.20.450, 86-21-107 (Order SDO-140-86), § 460-33A-050, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-050, filed 1/13/83.] Repealed by 92-18-009, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.045.

**WAC 460-33A-010 Application.** (1) The rules contained in these regulations are intended to offer an optional method for the registration of "mortgage paper securities" as defined in WAC 460-33A-015(4). While applications for registration not conforming to the standards contained herein shall be looked upon with disfavor, where good cause is shown, certain rules of this chapter may be modified or waived by the director, if consistent with the spirit of these rules.

(2) The application of these rules does not affect those issuers to which or to whom the debenture company sections of the Securities Act apply.

(3) These rules do not affect the statutory exemptions provided for by, nor will they be applied to, those securities or transactions exempt under RCW 21.20.310 or 21.20.320. These rules are not intended to expand or restrict the definition of "security" as defined in RCW 21.20.005(12).

(4) The rules contained in this chapter are only applicable to mortgage paper securities, mortgage broker-dealers and mortgage salespersons registering under this chapter.

[Statutory Authority: RCW 21.20.450, 01-23-002, § 460-33A-010, filed 11/7/01, effective 12/8/01; 89-17-078 (Order SDO-124-89), § 460-33A-010, filed 8/17/89, effective 9/17/89; 86-21-107 (Order SDO-140-86), § 460-33A-010, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-010, filed 1/13/83.]

**WAC 460-33A-015 Definitions.** As used in this chapter:

(1) "Mortgage broker-dealer" means a person who is defined as a "broker-dealer" in RCW 21.20.005(3) and who effects transactions in mortgage paper securities registered under the provisions of this chapter.

(2003 Ed.)



(2) "General offering circular" means a disclosure document that gives a general description of what is involved in the purchase of mortgage paper securities and the business of offering the mortgage paper securities including a description of the mortgage broker-dealer.

(3) "Mortgage salesperson" means a person other than a mortgage broker-dealer who is defined as a "salesperson" in RCW 21.20.005(2) and who represents a mortgage broker-dealer in effecting offers or sales of mortgage paper securities registered under the provisions of this chapter.

(4) "Mortgage paper securities" means notes and bonds, or other debt securities secured by mortgages or trust deeds on real or personal property or by a vendor's interest in a property sales contract or options granting the right to purchase any of the foregoing, including any guarantee of or interest in the foregoing.

(5) "Specific offering circular" means a disclosure document describing the specific mortgage paper securities offering, which is meant to accompany the general offering circular.

(6) "Financial institution" means any bank, trust company, savings bank, national banking association, savings and loan association, building and loan association, mortgage banker, credit union, insurance company, or other similarly regulated financial institution, or holding company for any of the foregoing.

(7) "Construction loan" means a loan in which twenty-five percent or more of the loan proceeds will be used to fund future improvements to real estate securing the loan.

(8) "Income-producing properties" means real property that produces income on a regular basis.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-015, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-015, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 89-17-078 (Order SDO-124-89), § 460-33A-015, filed 8/17/89, effective 9/17/89; 86-21-107 (Order SDO-140-86), § 460-33A-015, filed 10/20/86; 83-15-043 (Order SDO-90-83), § 460-33A-015, filed 7/19/83; 83-03-025 (Order SDO-7-83), § 460-33A-015, filed 1/13/83.]

**WAC 460-33A-017 Registration not required.** Securities exempt from registration pursuant to RCW 21.20.310 and transactions exempt from registration pursuant to RCW 21.20.320 need not be registered under the rules of this chapter:

Note: Persons intending to rely upon RCW 21.20.320(5) should consult WAC 460-44A-075.

[Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-017, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 89-17-078 (Order SDO-124-89), § 460-33A-017, filed 8/17/89, effective 9/17/89; 86-21-107 (Order SDO-140-86), § 460-33A-017, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-017, filed 1/13/83.]

**WAC 460-33A-020 Optional registration procedures for mortgage paper securities.** An applicant for registration of a mortgage paper securities offering may elect to register the offering under the rules of this chapter in lieu of following the registration procedure for debt securities under the Securities Act of Washington. Registration under this chapter requires the filing of a registration application as prescribed by the director of the department of financial institutions accompanied by the following:

(2003 Ed.)

- (1) The general offering circular;
- (2) A sample specific offering circular;
- (3) The mortgage paper escrow and trust agreement;
- (4) The mortgage paper service agreement;
- (5) The mortgage broker-dealer's articles of incorporation and bylaws or articles of organization;
- (6) Sample documents to include any note, bond, mortgage, deed of trust, master deed of trust, real or personal property contract, indenture, guaranty, or other such instrument;
- (7) The financial statements of the mortgage broker-dealer, including a balance sheet, profit and loss statement, and statement of cash flow as set forth in RCW 21.20.210 (14). Pursuant to RCW 21.20.210 (14)(c), if the estimated proceeds of the mortgage paper securities offering, together with the proceeds from registered offerings during the year preceding the date of filing of the mortgage paper securities offering, exceed one million dollars, said financial statements shall be audited. If such proceeds exceed five million dollars, said financial statements for the previous two fiscal years shall be audited;
- (8) The subscription and acknowledgement agreements;
- (9) An opinion of counsel, if requested, on the legality and validity of the mortgage paper securities being issued;
- (10) An opinion of counsel, if requested, regarding the application of the usury laws to the mortgage paper securities being offered;
- (11) Such other information as the director may prescribe or request.

[Statutory Authority: RCW 21.20.450 and 21.20.210(14). 96-11-025, § 460-33A-020, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-020, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.180(8), 21.20.210(14) and 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-020, filed 10/20/86. Statutory Authority: RCW 21.20.450. 83-03-025 (Order SDO-7-83), § 460-33A-020, filed 1/13/83.]

**WAC 460-33A-025 Contents of the general offering circular.** (1) The general offering circular shall be in a format prescribed by the director and shall include all information required by the format.

(2) The general offering circular shall set forth the minimum suitability standards for investors as provided in WAC 460-33A-031.

(3) The general offering circular must state that purchases of mortgage paper securities may be made only by check payable to the mortgage broker-dealer's escrow account.

(4) The general offering circular shall disclose the risks to investors of holding a high concentration of their investment portfolio in mortgage paper securities.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-025, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-025, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-025, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-025, filed 1/13/83.]

**WAC 460-33A-030 Contents and filing of the specific offering circular.** The form and content of the specific offering circular and accompanying exhibits shall be prescribed by the director. In registering mortgage paper securities pur-

suant to this chapter, the registrant undertakes to furnish the specific offering circulars and required exhibits to the director for review upon request. If such a request is made prior to the distribution of a specific offering circular to prospective investors, the registrant must refrain from such distribution pending review and approval by the director.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-030, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-030, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-030, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-030, filed 1/13/83.]

**WAC 460-33A-031 Minimum investor suitability requirements.** In each sale of mortgage paper registered under the rules of this chapter, the mortgage broker-dealer shall have reasonable grounds to believe and after making reasonable inquiry shall believe that both the conditions of subsections (1) through (3) of this section are satisfied:

(1) The investment is suitable for the purchaser upon the basis of the facts disclosed by the purchaser as to the purchaser's other security holdings, the purchaser's other mortgage paper security holdings, and the purchaser's financial situation and needs.

(2) The purchaser qualifies for at least one of the following:

(a) The purchaser's investment in the mortgage paper securities being offered does not exceed twenty percent of the purchaser's net worth, or joint net worth with that person's spouse: Provided, That the purchaser's total investment in mortgage paper securities involving any one borrower or his affiliates may not exceed twenty percent of the purchaser's net worth, or joint net worth with that person's spouse;

(b) The purchaser's investment in the mortgage paper securities being offered does not exceed ten percent of the purchaser's (including spouse) taxable income for federal tax purposes for the last year: Provided, That the purchaser's total investment in mortgage paper securities involving any one borrower or his affiliates may not exceed twenty percent of the purchaser's net worth, or joint net worth with that person's spouse;

(c) The purchaser, either alone or with a purchaser representative as defined in WAC 460-44A-501, has, as stated in WAC 460-44A-505, such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; or

(d) The purchaser is an accredited investor as defined in WAC 460-44A-501.

(3) The mortgage broker-dealer shall document its determination that an investment in mortgage paper securities is appropriate for each investor in accordance with WAC 460-33A-115 (1)(f).

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-031, filed 11/7/01, effective 12/8/01; 89-17-078 (Order SDO-124-89), § 460-33A-031, filed 8/17/89, effective 9/17/89; 86-21-107 (Order SDO-140-86), § 460-33A-031, filed 10/20/86.]

**WAC 460-33A-035 Limitations on the use of optional registration of this chapter.** Unless the director makes a special notation on the permit issued to the mortgage broker-dealer granting permission to offer the following types of

securities based upon a showing that the investors will be adequately protected, the following types of securities cannot be offered or sold under the rules of this chapter:

(1) Offerings involving construction loans may not be sold using the rules of this chapter unless the loan to value ratio, as determined utilizing the current value of the property without considering future improvements, is within the limits established by subsection (7) of this section.

(2) Offerings involving the mortgage broker-dealer, its officers, agents, affiliates, and persons controlling the mortgage broker-dealer or affiliates may not be sold as part of the optional registration of the rules of this chapter unless the registration with the director includes a full description of these transactions. An offering "involves" the persons listed where the person is the owner, the borrower, or has an interest in the proceeds other than fees, commissions, or mark-ups.

(3) Offerings involving documents reserving the right to subordinate the position of any investor to any mortgage, trust deed or lien created at or after the sale.

(4) Offerings involving pooling or participations involving more than ten investors may not be sold under the optional registration of the rules of this chapter. However, where only first liens are involved and the note amount equals or exceeds one hundred thousand dollars, the registrant may sell to up to twenty five investors. A husband and wife and their dependents may be counted as one investor.

(5) Offerings in which the real property or other collateral securing the notes, bonds or obligations is not within this state unless the general offering circular contains disclosure of all material facts concerning the relevant laws of the state in which the real property is situated and a risk factor discussing the risks of investing in out-of-state real estate.

(6) Offerings involving notes, bonds, or obligations secured by a single mortgage, deed of trust or real estate contract or a single group of mortgages, deeds of trust or real estate contracts that are not identical in their underlying terms, including the right to direct or require foreclosure, rights to and rate of interest, and other incidents of being a lender, and the sale to each purchaser or investor is not upon the same terms; provided however, an offering may be subject to adjustment for the face or principal amount or percentage interest purchased and for interest earned or accrued.

(7) Offerings in which the aggregate principal amount of the notes, bonds or obligations sold, together with the unpaid principal amount of any encumbrances upon the real property senior thereto, exceed the following percentages of the current market value (as determined by WAC 460-33A-105) of the real property:

(a) Single-family residences - eighty percent.

(b) Commercial and income-producing properties - seventy percent.

(c) Unimproved property which has been zoned for commercial or residential development - fifty percent. For purposes of this section, "unimproved property" includes real property with structures that cannot be legally occupied, do not substantially conform with the appraisal of the property prepared pursuant to WAC 460-33A-105, or otherwise lack the functional attributes or basic amenities customarily found in the type of structures in question.

(d) Other real property - forty percent.

(8) Offerings involving real estate paper in which a default in any note, bond or obligation will not be a default in all notes, bonds or obligations concerning a specific loan.

(9) Offerings in which the following actions may be taken on behalf of the investors without the consent of investors holding a majority percentage of the unpaid dollar amount of notes, bonds, or obligations:

(a) Consenting to the sale or transfer by the borrower of the collateral securing the loan, or the substitution of a new borrower;

(b) Approving any modification to the loan which decreases the rate of interest payable to the investors;

(c) Deferring or forgiving the payment of any principal or interest;

(d) Making any agreements concerning the release, substitution, or exchange of any collateral, or any portion of the collateral, for the loan;

(e) Entering into any agreement to reduce the principal amount of the loan (except for actual payments of principal);

(f) Making any concession with respect to compliance with any material obligations imposed by the instruments evidencing or securing the loan; or

(g) Extending or renewing the loan.

(10) Loans in which investors are required to designate the servicing agent as their attorney-in-fact with respect to documents and instruments, other than those described below, which would otherwise require signing or other action by the investors:

(a) Escrow instructions concerning the closing and collection of the loan;

(b) Instruments necessary to substitute investors; and

(c) Partial or full satisfaction or release of the deed of trust or other security instrument pursuant to the provisions of the deed of trust or security agreement upon receipt of the appropriate payment.

(11) Offerings in which the investors holding a majority percentage of the unpaid dollar amount of any loan may not remove the servicing agent.

(12) A registrant requesting a modification under this section must request it in writing and must provide satisfactory evidence that the interest of the public will be adequately protected.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-035, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-035, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-035, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-035, filed 1/13/83.]

**WAC 460-33A-037 Disclosure requirements in the sale of real estate owned property.** The following apply to real property acquired by owners of mortgage paper securities through foreclosure or otherwise in settlement of the note or bond which is the subject of the mortgage paper security (real estate owned or REO):

(1) The mortgage broker-dealer shall provide investors a written disclosure document when making a recommendation to investors to sell REO.

(2) The disclosure document required by subsection (1) of this section shall include an appraisal or updated appraisal

meeting the requirements of WAC 460-33A-105 and dated within twelve months of the recommendation unless:

(a) A real estate broker's opinion of value dated within twelve months of the recommendation is obtained pursuant to WAC 460-33A-038;

(b) In offering the mortgage paper securities to the current owners, the loan-to-value ratio was established by relying on the tax assessment valuation pursuant to WAC 460-33A-105(6). In this instance, the specific offering circular required by subsection (1) of this section may use the current tax assessment valuation; or

(c) The investors, excluding the mortgage broker-dealer and its affiliates, holding a majority percentage interest in the unpaid dollar amount of the notes, bonds or obligations consent to the waiver of this requirement. The mortgage broker-dealer may not require investors to consent to this waiver prior to issuing its recommendation to sell REO.

(3) Regardless of whether an appraisal is required or furnished pursuant to subsection (2) of this section, investors holding a majority percentage interest in the unpaid dollar amount of the notes, bonds or obligations may direct the mortgage broker-dealer to obtain an appraisal or a new appraisal that is dated within twelve months of the mortgage broker-dealer's recommendation. The costs of such an appraisal shall be the responsibility of the mortgage paper security investors unless the mortgage broker-dealer agrees to pay for the appraisal.

(4) The disclosure document required by subsection (1) of this section shall disclose the following:

(a) A summary of the purchase and sale agreement;

(b) A summary of property marketing completed prior to receipt of the purchase and sale agreement;

(c) Estimated marketing period necessary to obtain fair market value of the property established by the current appraisal, if an appraisal is required under subsection (2) or (3) of this section;

(d) Current appraised value or a real estate broker's opinion of value pursuant to WAC 460-33A-038 of the property, as well as the appraised value of the property at the time the loan was originated, if an appraisal or opinion of value is required under subsection (2) or (3) of this section;

(e) Current tax assessed value of the property, as well as the tax assessed value at the time the loan was originated;

(f) A summary of the reasons for which the mortgage broker-dealer is making the recommendation to investors to accept the purchase and sale agreement;

(g) A summary of the options available to investors should they elect to reject the purchase and sale agreement;

(h) The right of investors to obtain upon written request a list of all investors holding an interest in the property subject to the purchase and sale agreement and their respective addresses; and

(i) The right of investors holding a majority percentage of the interest in the property to remove the mortgage broker-dealer as the servicing agent in accordance with WAC 460-33A-035(11).

(5) If the terms of the purchase and sale agreement include seller financing, the disclosure document required in this section shall disclose the following in addition to the disclosure required under subsection (4) of this section:

- (a) A loan application completed by the prospective buyer;
- (b) The credit report of the prospective buyer;
- (c) The financial statements of the prospective buyer, if available;
- (d) A comparison of the loan terms in the original offering with those proposed in the purchase and sale agreement; and
- (e) A summary of the options available to an individual investor who does not wish to participate in the loan should investors holding a majority percentage of the interest in the property accept the purchase and sale agreement.
- (6) The disclosure document required in this section shall be sent to all the investors holding an interest in the property subject to the purchase and sale agreement at least ten days prior to the closing date of the sale.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-037, filed 11/7/01, effective 12/8/01.]

**WAC 460-33A-038 Real estate broker's opinion of value in the sale of real estate owned property.** (1) As an alternative to the requirement to obtain an updated appraisal in the sale of real estate owned property pursuant to WAC 460-33A-037(2), the mortgage broker-dealer may obtain a real estate broker's opinion of value which discloses the following:

- (a) The identity of the client and any intended users, by name or type;
- (b) The intended use of the opinion of value;
- (c) The identity of the real estate involved in the opinion of value, including the physical and economic property characteristics relevant to the property;
- (d) The purpose of the opinion of value, including the type and definition of value and its source;
- (e) The effective date of the opinion of value;
- (f) Sufficient information to disclose to the client and any intended users of the opinion of value the scope of work used to develop the opinion of value;
- (g) All assumptions, hypothetical conditions, and limiting conditions that affected the analyses, opinions, and conclusions;
- (h) The information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions, and conclusions;
- (i) The use of the real estate existing as of the date of value and the use of the real estate reflected in the opinion of value; and, when the purpose of the assignment is market value, a description of the rationale and support of the real estate broker's opinion of the highest and best use of the real estate; and
- (j) The qualifications of the real estate broker relating to the preparation of the opinion of value.

(2) The real estate broker's opinion of value must be in writing and be signed by the real estate broker. The mortgage broker-dealer must maintain a copy of the opinion of value in accordance with WAC 460-33A-115 (1)(I).

(3) The written consent of any real estate broker who is named as having prepared an opinion of value in connection with the mortgage paper securities offering shall be kept on file by the mortgage broker-dealer. The mortgage broker-

dealer must maintain a copy of the written consent of the real estate broker in accordance with WAC 460-33A-115 (1)(I).

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-038, filed 11/7/01, effective 12/8/01.]

**WAC 460-33A-040 Net worth or bond requirement.**

(1) All persons and entities meeting the definition of a mortgage broker-dealer must meet and maintain one of the following at all times:

(a) A minimum tangible net worth, as determined by generally accepted accounting principles, of the greater of one hundred thousand dollars or ten percent of the amount of securities registered pursuant to this chapter up to a maximum of one million dollars; or

(b) File a surety bond in the face amount of one hundred thousand dollars satisfactory to the securities administrator; or

(c) In the event the mortgage broker-dealer and any affiliate does not handle the funds of lenders and borrowers, minimum tangible net worth of five thousand dollars, as determined by generally accepted accounting principles.

(2) Mortgage broker-dealers failing to maintain the above mentioned minimum net worth must inform the securities division of such failure within seventy-two hours at which time all sales of securities must be suspended.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-040, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-040, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.060 and 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-040, filed 10/20/86. Statutory Authority: RCW 21.20.450. 83-03-025 (Order SDO-7-83), § 460-33A-040, filed 1/13/83.]

**WAC 460-33A-055 Escrow account.** (1) All funds received from lenders or investors to purchase mortgage paper securities shall be deposited within forty-eight hours of receipt in an escrow account acceptable to the director. The escrow account shall be maintained in a financial institution as set forth in WAC 460-33A-015(6), with an escrow agent registered under chapter 18.44 RCW, or with some other independent escrow agent acceptable to the director. The entity acting as the escrow agent must be independently audited or examined, in a manner acceptable to the director, on a regular basis. All checks by which purchases or investments are made shall be made payable to the escrow account. All necessary disbursements shall be made from the escrow account. No person acting as a mortgage broker-dealer or its agent shall accept any purchase or investment funds for mortgage paper securities in advance of the time necessary to fund the loan transaction. No such fund shall be maintained in such account for longer than sixty days without disbursing the funds and the escrow agreement must provide that funds maintained in such account shall be returned to the investor on the sixty-first day from deposit in the account. No interest earned on escrow account funds shall be paid to the mortgage broker-dealer or its affiliates. The escrow agreement must provide that funds may be disbursed from the escrow account only to a specific loan escrow, where funds will be disbursed only upon closing and recordation, or to return the funds to the lenders or investors.

(2) The escrow agreements shall provide that the funds will not be subject to the mortgage broker-dealer's creditors.

(3) The account shall be subject to an audit at any reasonable time by the securities division.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-055, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-055, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 89-17-078 (Order SDO-124-89), § 460-33A-055, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.250 and 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-055, filed 10/20/86. Statutory Authority: RCW 21.20.450. 83-03-025 (Order SDO-7-83), § 460-33A-055, filed 1/13/83.]

**WAC 460-33A-060 Recordation.** Every person acting as a mortgage broker-dealer or his agent selling mortgage paper securities must record the applicable instrument in the applicable place before any disbursement of funds takes place. Such recorded instrument must bear the name of the lienholder or beneficiary and not the name of the mortgage broker-dealer unless the mortgage broker-dealer is the actual lender.

[Statutory Authority: RCW 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-060, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-060, filed 1/13/83.]

**WAC 460-33A-065 Service agreement.** (1) Every person acting as a mortgage broker-dealer, or an agent or affiliate thereof, who undertakes to service a mortgage paper security shall have a written agreement with the lender or holder of the contract setting forth specifically what services will be provided.

(2) The service agreement shall require:

(a) That payments received on the note, bond or obligation be immediately deposited to a trust account and in accordance with the provisions of this rule;

(b) That such payments shall not be commingled with the assets of the servicing agent or used for any transaction other than the transaction for which the funds are received;

(c) That payments received on the note, bond or obligation shall be transmitted to the purchasers or lenders pro rata according to their respective interests within thirty-one days after receipt thereof by the agent. If the source for such payment is not the maker of the note, bond or obligation, the agent will inform the purchasers or lenders of the source for payment. A broker or servicing agent who transmits to the purchasers or lenders such broker's and/or servicing agent's own funds to cover payments due from the borrower but unpaid may recover the amount of such advances from the trust fund when the past due payment is received; and

(d) That the servicing agent will file a request for notice of default upon any prior encumbrances and promptly notify the purchasers or lenders of any default on such prior encumbrances or on the note or notes subject to the servicing agreement.

[Statutory Authority: RCW 21.20.450. 89-17-078 (Order SDO-124-89), § 460-33A-065, filed 8/17/89, effective 9/17/89; 86-21-107 (Order SDO-140-86), § 460-33A-065, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-065, filed 1/13/83.]

**WAC 460-33A-070 Origination and assignment.** Every mortgage broker-dealer or his agent or affiliate that originates loan transactions and later intends to offer these as mortgage paper securities to lenders or investors must obtain

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the permission of the director. Every mortgage broker-dealer or its agent or affiliate that purchases or takes mortgage paper in its own name, whether for its own account or the account of others, and intends to offer such as mortgage paper securities to lenders or investors must disclose its interest in the property or the transaction and must not disburse funds from the escrow account until the applicable instrument has been properly recorded in the name of the lenders or investors.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-070, filed 11/7/01, effective 12/8/01; 86-21-107 (Order SDO-140-86), § 460-33A-070, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-070, filed 1/13/83.]

**WAC 460-33A-075 Advertising.** (1) No person effecting a transaction in mortgage paper securities shall advertise in any manner any statement or representation, with regard to any mortgage paper security, which is false, misleading or deceptive.

(2) Every mortgage broker-dealer or its agent shall file with the director five days prior to use, true copies of all advertising materials. If not disallowed by written notice or otherwise within five days from the date filed, the material may be disseminated. No person shall use any such material in any way after the director gives written notice that such material contains any statement or omission that is false or misleading.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-075, filed 11/7/01, effective 12/8/01; 86-21-107 (Order SDO-140-86), § 460-33A-075, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-075, filed 1/13/83.]

**WAC 460-33A-080 Registration and examination of mortgage broker-dealers.** (1) Every person acting as a mortgage broker-dealer, unless otherwise exempt, must first obtain a broker-dealer's license under the provisions of this chapter.

(2) Every applicant under this section shall provide the director proof of compliance with WAC 460-33A-040.

(3) Every applicant for registration as a mortgage broker-dealer shall file a completed mortgage broker-dealer application form, together with the applicable filing fee.

(4)(a) Every applicant under this section shall submit to the director proof that the individual applicant, an officer if the applicant is a corporation, a manager if the applicant is a limited liability company, or a general partner if the applicant is a partnership has passed the uniform securities agent law examination (series 63) within the last two years.

(b) Any individual out of the business of effecting transactions in securities for less than two years and who has previously passed the required examination in (a) of this subsection or the Washington state securities examination shall not be required to retake the examination in order for the mortgage broker-dealer to be eligible for registration under this chapter.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-080, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-33A-080, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.450. 89-17-078 (Order SDO-124-89), § 460-33A-080, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.060 and 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-080, filed 10/20/86. Statutory Authority: RCW 21.20.450. 83-03-025 (Order SDO-7-83), § 460-33A-080, filed 1/13/83.]

**WAC 460-33A-081 Expiration of mortgage broker-dealer registration, renewal procedure, delinquency fees.** A license issued to a mortgage broker-dealer shall expire on the expiration date of the securities registration of the mortgage paper securities offered by the mortgage broker-dealer. The license shall be renewed, or if not renewed, shall be deemed delinquent at the expiration of the issuer's securities registration. For any renewal application postmarked after the expiration date but received by the director within two months of the expiration date, the licensee shall pay a delinquency fee of one hundred dollars in addition to the renewal fee. No renewal applications will be accepted after that time.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-081, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.070 and 21.20.-450. 95-16-026, § 460-33A-081, filed 7/21/95, effective 8/21/95.]

**WAC 460-33A-085 Registration and examination of mortgage securities salespersons.** (1) Every person acting as a mortgage securities salesperson, unless otherwise exempt, must first obtain a salesperson's license under the provisions of this chapter and be employed by a broker-dealer or mortgage broker-dealer.

(2) Every applicant under this section shall file a completed Form U-4, together with the applicable filing fee.

(3) Every applicant under this section shall submit proof of passage of the uniform securities agent law examination (series 63) within the last two years.

[Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-33A-085, filed 7/21/95, effective 8/21/95. Statutory Authority: RCW 21.20.450. 89-17-078 (Order SDO-124-89), § 460-33A-085, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.070, 21.20.080 and 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-085, filed 10/20/86. Statutory Authority: RCW 21.20.450. 83-03-025 (Order SDO-7-83), § 460-33A-085, filed 1/13/83.]

**WAC 460-33A-086 Expiration of mortgage securities salesperson registration, renewal procedure, and delinquency fees.** A license issued to a mortgage securities salesperson shall expire on the expiration date of the securities registration of the mortgage paper securities offered by the mortgage broker-dealer. The license shall be renewed, or if not renewed, shall be deemed delinquent at the expiration of the issuer's securities registration. For any renewal application postmarked after the expiration date but received by the director within two months of the expiration date, the licensee shall pay a delinquency fee of fifty dollars in addition to the renewal fee. No renewal applications will be accepted after that time.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-086, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.070 and 21.20.-450. 95-16-026, § 460-33A-086, filed 7/21/95, effective 8/21/95.]

**WAC 460-33A-090 Dishonest and unethical practices—Mortgage broker-dealers.** The phrase "dishonest and unethical practices" as used in RCW 21.20.110(7) includes the following acts by mortgage broker-dealers or mortgage salespersons:

(1) To cause investors to sign reconveyances of title, quit claim deeds, or any other like instruments before such instruments are required in connection with some transaction such as payoff or foreclosure.

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(2) To fail to deliver, within a reasonable time, to the investor proceeds, received by the mortgage broker-dealer, of sale, refinancing, or foreclosure of an obligation owned by the investor.

(3) To engage in any dishonest or unethical practice as set forth in WAC 460-21B-060 or 460-22B-090.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-090, filed 11/7/01, effective 12/8/01; 86-21-107 (Order SDO-140-86), § 460-33A-090, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-090, filed 1/13/83.]

**WAC 460-33A-095 Fiduciary duty—Mortgage broker-dealers.** In the event a conflict arises in connection with a mortgage broker-dealer acting as an agent for both mortgage borrowers and purchasers of mortgage paper securities, every mortgage broker-dealer shall resolve the conflict in favor of the purchasers of mortgage paper securities.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-095, filed 11/7/01, effective 12/8/01.]

**WAC 460-33A-100 Written statement.** Every person selling a mortgage paper security that is required to be registered under the regulations of this chapter shall require the purchaser or his agent to sign a receipt for the general and the specific offering circular containing all the applicable information required by WAC 460-33A-025 and 460-33A-030 before the purchaser shall be obligated to fund the transaction. No person shall permit the purchaser to sign such receipt if any of the required information is omitted. The mortgage broker-dealer shall retain an executed copy of receipt for four years.

[Statutory Authority: RCW 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-100, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-100, filed 1/13/83.]

**WAC 460-33A-105 Appraisals.** (1) An appraisal of each parcel of real property or other property which secures or relates to a transaction subject to the provisions of this chapter shall be made by an independent appraiser. The appraisal shall be kept on file by the mortgage broker-dealer for four years.

(2) The appraisal shall reflect the value of the property on an "as is" not an "as built" basis.

(3) The appraisal shall conform to the following requirements:

(a) The appraisal shall be prepared by a competent, independent appraiser acceptable to the administrator; and

(b) The appraiser shall be appropriately licensed or certified in conformance with the Certified Real Estate Appraiser Act, chapter 18.140 RCW.

(4) An appraisal made within the twelve-month period prior to the sale of the mortgage paper security is sufficient.

(5) The written consent of any appraiser who is named as having prepared an appraisal in connection with the mortgage paper securities offering shall be kept on file by the mortgage broker-dealer.

(6) In lieu of the appraisal required by this section, the mortgage broker-dealer may elect to rely on the most recent tax assessment valuation of each parcel of real property.

(7) The specific offering circular shall disclose the ratio of the aggregate principal amount of the notes, bonds or obligations sold, together with the unpaid principal amount of any encumbrances upon the real property senior thereto, compared to the most recent tax assessment valuation of the real property or the appraised amount, if an appraisal was obtained pursuant to this section. If the loan to value ratio is disclosed based on the appraised value of the real property, the specific offering circular shall also disclose the most recent tax assessment valuation of the real property.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-105, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-105, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 89-17-078 (Order SDO-124-89), § 460-33A-105, filed 8/17/89, effective 9/17/89; 86-21-107 (Order SDO-140-86), § 460-33A-105, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-105, filed 1/13/83.]

**WAC 460-33A-110 Financial statements and annual reports.** Every mortgage broker-dealer shall file with the director upon registration under WAC 460-33A-080 and annually, a report containing financial statements prepared in accordance with generally accepted accounting principles by an independent certified public accountant, or by the chief executive and accounting officers of the mortgage broker-dealer who shall certify that they each have verified the material accuracy and completeness of the information contained therein. The annual report shall include, but not be limited to the receipt and disposition of all funds handled in connection with transactions subject to the rules of this chapter. The annual report shall be filed with the director within ninety days after the close of the period of the report unless, for good cause shown, the director in writing, extends the time therefor. The report shall contain the following:

- (1) Total number of sales, as principal or agent, subject to the rules of this chapter during the period, and
- (2) Total dollar volume of such sales.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-110, filed 11/7/01, effective 12/8/01; 86-21-107 (Order SDO-140-86), § 460-33A-110, filed 10/20/86; 83-03-025 (Order SDO-7-83), § 460-33A-110, filed 1/13/83.]

**WAC 460-33A-115 Books and records.** Each mortgage broker-dealer shall make and keep current in this state the following books and records relating to its business:

- (1) A file for each loan which the mortgage broker-dealer has funded through sales of mortgage paper, which file shall contain the following:
  - (a) A copy of each appraisal or tax assessment valuation required by WAC 460-33A-105;
  - (b) Copies of all documents of title representing current interests in the real property securing the loan;
  - (c) Copies of title insurance policies and any other insurance policies on the real property securing the loan;
  - (d) The acknowledgement of receipt by each investor of the specific and general offering circulars;
  - (e) The subscription agreement for each investor;
  - (f) A copy of the investor suitability questionnaire for each investor and documentation of the mortgage broker-dealer's determination that an investment in mortgage paper securities is suitable for each investor in accordance with

WAC 460-33A-031. If the mortgage broker-dealer has not verified the suitability of an investment in mortgage paper securities for a purchaser within the prior twelve months, the mortgage broker-dealer shall conduct a reasonable inquiry to verify that further investment in mortgage paper securities is suitable based on the criteria set forth in WAC 460-33A-031 and document such a determination. As an alternative to maintaining this documentation in the loan files, the mortgage broker-dealer may maintain this documentation in separate files provided a list of all investors participating in the loan is included in the loan file with an indication of the location of this documentation for each investor;

- (g) The specific offering circular for the offering;
- (h) All correspondence with investors relating to the loan;
- (i) The loan application of the borrower and all supporting documents such as the credit report on the borrower;
- (j) Copies of all service agreements with investors relating to the loan;
- (k) Copies of the escrow instructions relating to the loan;
- (l) Copies of all real estate broker's opinions of value obtained in accordance with WAC 460-33A-038 and their written consent to use their opinions of value in connection with an offering of mortgage paper securities.

(2) A file for each loan for which the mortgage broker-dealer is soliciting funds through the sale of mortgage paper, which file shall contain the same items required under subsection (1) of this section except for those items which are not yet available because the mortgage paper has not yet been sold.

(3) A file containing copies of all service agreements required under WAC 460-33A-065.

(4) Ledgers (or other records) reflecting all assets, liabilities, income, expense, and capital accounts.

(5) Ledgers, accounts (or other records) itemizing separately each cash account of every customer including, but not limited to, all funds in the mortgage broker's escrow and trust account, all proceeds of sale, refinancing, foreclosure, or similar transaction involving the real or personal property securing a loan funded by sales of mortgage paper, and all moneys collected from the borrower on behalf of the investors.

(6) A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of net liquid assets as of the trial balance date pursuant to WAC 460-33A-040. Such trial balances and computations shall be prepared currently at least once a month.

(7) A questionnaire or application for employment executed by each agent of such broker-dealer, which questionnaire or application shall be approved in writing by an authorized representative of such broker-dealer and shall contain at least the following information with respect to each such person:

(a) His or her name, address, social security number, and the starting date of his or her employment or other association with the broker-dealer.

(b) His or her date of birth.

(c) The educational institutions attended by him or her and whether or not he or she graduated therefrom.

(d) A complete, consecutive statement of all his or her business connections for at least the preceding ten years,

including his or her reason for leaving each prior employment, and whether the employment was part time or full time.

(e) A record of any denial of a certificate, membership or registration, and of any disciplinary action taken, or sanction imposed, upon him or her by any federal or state agency, or by any national securities exchange or national securities association, including a record of any finding that he or she was a cause of any disciplinary action or had violated any law.

(f) A record of any denial, suspension, expulsion or revocation of a certificate, membership or registration of any broker-dealer with which he or she was associated in any capacity when such action was taken.

(g) A record of any permanent or temporary injunction entered against him or her or any broker-dealer with which he or she was associated in any capacity at the time such injunction was entered.

(h) A record of any arrests, indictments or convictions for any felony or any misdemeanor, except minor traffic offenses, of which he or she has been the subject.

(i) A record of any other name or names by which he or she has been known or which he or she has used.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-115, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-115, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-115, filed 10/20/86.]

**WAC 460-33A-120 Preservation of records.** The records required in WAC 460-33A-115 of these rules shall be preserved according to the following requirements:

(1) Every mortgage broker-dealer shall preserve in this state for a period of not less than three years, the first two years of which shall be in an easily accessible place:

(a) All records required to be made pursuant to WAC 460-33A-115 of these rules.

(b) All check books, bank statements, cancelled checks and cash reconciliations except for the loan files required to be kept by WAC 460-33A-115(1) which shall be kept in an accessible place for the life of the loans involved.

(c) All bills receivable or payable (or copies thereof), paid or unpaid, relating to the business of the broker-dealer, as such.

(d) Originals of all communications received and copies of all communications sent by the broker-dealer (including inter-office memoranda and communications) relating to his business, as such.

(e) All trial balances, computations of net liquid assets (and working papers in connection therewith), financial statements, branch office reconciliations and internal audit working papers, relating to the business of the broker-dealer, as such.

(f) All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account, and copies of resolutions empowering an agent to act on behalf of a corporation.

(g) All written agreements (or copies thereof) entered into by the mortgage broker-dealer relating to its business as such, including agreements with respect to any account.

(2) Every mortgage broker-dealer shall preserve during the life of the enterprise and of any successor enterprise all partnership articles or, in the case of a corporation, all charter documents, minute books and stock certificate books.

(3) Every mortgage broker-dealer shall maintain and preserve in an easily accessible place all records required under WAC 460-33A-115(7) of these rules until at least three years after the agent has terminated his or her employment and any other connection with the broker-dealer.

(4) If a mortgage broker-dealer who has been subject to the requirements of this section ceases to hold a certificate as a mortgage broker-dealer, such mortgage broker-dealer shall, for the remainder of the periods of time specified in this section, continue to preserve the records which it theretofore preserved pursuant to this section.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-120, filed 11/7/01, effective 12/8/01; 86-21-107 (Order SDO-140-86), § 460-33A-120, filed 10/20/86.]

**WAC 460-33A-125 Notice of changes by mortgage broker-dealers.** (1) Each mortgage broker-dealer shall, upon any material change in the information contained in its application for registration promptly file an amendment to such application setting forth the changed information (and in any event within thirty days after the change occurs).

(2) Each mortgage broker-dealer shall notify the director of the employment of any new agent in Washington and of the termination of employment of any agent in Washington, giving the full name and Social Security number of the individual involved, the date of employment or termination, and the location of the office in which he or she was or will be employed by submitting a completed NASD Form U-4 to the director or the director's designee within twenty-one days after the event occurs.

(3) Each mortgage broker-dealer shall notify the director of the termination of employment of any agent in Washington by submitting a completed NASD Form U-5 to the director or the director's designee, within thirty days after the event occurs.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-125, filed 11/7/01, effective 12/8/01. Statutory Authority: RCW 21.20.045. 92-18-009, § 460-33A-125, filed 8/21/92, effective 9/21/92. Statutory Authority: RCW 21.20.450. 86-21-107 (Order SDO-140-86), § 460-33A-125, filed 10/20/86.]

**WAC 460-33A-130 Notice of complaint.** Each mortgage broker-dealer who has filed a complaint against any of its partners, officers, directors, agents licensed in Washington with any law enforcement agency, any other regulatory agency having jurisdiction over the securities industry, or with any bonding company regarding any loss arising from alleged acts of such person, shall send a copy of such complaint to the director, within ten days following its filing with such other agency or bonding company.

[Statutory Authority: RCW 21.20.450. 01-23-002, § 460-33A-130, filed 11/7/01, effective 12/8/01; 86-21-107 (Order SDO-140-86), § 460-33A-130, filed 10/20/86.]



**Chapter 460-42A WAC**  
**EXEMPT SECURITIES**

**WAC**

460-42A-020	Government bonds payable from industrial or commercial enterprises.
460-42A-030	Exemption of securities pursuant to RCW 21.20.310(1).
460-42A-080	Blue chip exemption.
460-42A-081	Exchange and national market system exemption.
460-42A-082	World class foreign issuer exemption.
460-42A-085	International banks.

**DISPOSITION OF SECTIONS FORMERLY  
 CODIFIED IN THIS CHAPTER**

460-42A-010	Employee plans. [Order SD-131-77, § 460-42A-010, filed 11/23/77.] Repealed by 95-11-028, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.450.
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**WAC 460-42A-020 Government bonds payable from industrial or commercial enterprises.** The term "industrial or commercial enterprise" as employed in RCW 21.20.310(1) includes, but is not limited to, a private profit or nonprofit hospital, health care facility, college, university or educational institution, single or multifamily mortgage loan program, port authority concessionaire, or manufacturing or service business.

[Statutory Authority: RCW 21.20.310(1) and 21.20.450. 89-21-031 (Order SDO-160-89), § 460-42A-020, filed 10/11/89, effective 11/11/89. Statutory Authority: RCW 21.20.450. 81-04-048 (Order SDO-15-81), § 460-42A-020, filed 2/3/81.]

**WAC 460-42A-030 Exemption of securities pursuant to RCW 21.20.310(1).** Any security which would otherwise be exempt from registration under RCW 21.20.310(1) except that it is payable from a nongovernmental industrial or commercial enterprise shall be exempt from registration if it meets the requirements of either subsection (1) or (2) of this section:

(1) The security receives a rating of "AA" or better from Standard and Poor's Corporation or an equivalent rating from *Moody's Investors Service, Inc.*; or

(2)(a) The security is issued to fund a single-family mortgage loan program established and operated by a state housing finance agency; and

(b) The security receives a rating of at least "A+" from Standard and Poor's Corporation or an equivalent rating from *Moody's Investors Service, Inc.*

[Statutory Authority: RCW 21.20.310(1) and 21.20.450. 89-17-080 (Order SDO-128-89), § 460-42A-030, filed 8/17/89, effective 9/17/89.]

**WAC 460-42A-080 Blue chip exemption.** (1) Any security that meets all of the following conditions is exempted under RCW 21.20.310(8):

(a) If the issuer is not organized under the laws of the United States or a state, it has appointed a duly authorized agent in the United States for service of process and has set forth the name and address of such agent in its prospectus;

(b) A class of the issuer's securities is required to be and is registered under section 12 of the Securities Exchange Act of 1934, and has been so registered for the three years immediately preceding the offering date;

(c) Neither the issuer nor a significant subsidiary has had a material default during the lesser of the last seven years or

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the issuer's existence in the payment of (i) principal, interest, dividend, or sinking fund installment on preferred stock or indebtedness for borrowed money, or (ii) rentals under leases with terms of three years or more. A "material default" is a failure to pay, the effect of which is to cause indebtedness to become due prior to its stated maturity or to cause termination or reentry under a lease prior to its stated expiration, if the indebtedness or the rental obligation for the unexpired term exceeds five percent of the issuer's (and its consolidated subsidiaries) total assets, or if the arrearage in required dividend payments on preferred stock is not cured within thirty days;

(d) The issuer has had annual consolidated net income (before extraordinary items and the cumulative effect of accounting changes) as follows: (i) At least one million dollars in four of its last five fiscal years including its last fiscal year, and (ii) if the offering is of interest bearing securities, at least one and one-half times its annual interest expense, calculating net income before deduction for income taxes and depreciation and giving effect to the proposed offering and the intended use of the proceeds, for its last fiscal year. "Last fiscal year" means the most recent year for which audited financial statements are available, provided that such statements cover a fiscal period ended not more than fifteen months from the commencement of the offering.

(e) If the offering is of stock or shares (other than preferred stock or shares), and except as otherwise required by law, the securities have voting rights at least equal to the securities of each of the issuer's outstanding classes of stock or shares (other than preferred stock or shares), with respect to (i) the number of votes per share, and (ii) the right to vote on the same general corporate decisions;

(f) If the offering is of stock or shares (other than preferred stock or shares), the securities are owned beneficially or of record, on any date within six months prior to the commencement of the offering, by at least twelve hundred persons, and on that date there are at least seven hundred fifty thousand of the shares outstanding with an aggregate market value, based on the average bid price, of at least three million seven hundred fifty thousand dollars. In determining the number of persons who are beneficial owners of the stock or shares, the issuer or a broker-dealer may rely in good faith upon written information furnished by record owners;

(g) Provided that, if the securities to be issued are listed, or approved for listing upon notice of issuance, on the New York Stock Exchange, Inc. or the American Stock Exchange, Inc., and the current original listing standards of that exchange are satisfied as of the end of the issuer's most recent fiscal year, the conditions of (c) of this subsection need be met for only five years and the annual net earnings requirement of (d)(i) of this subsection shall be two hundred fifty thousand dollars;

(h) And provided further that, if the issuer of the securities is a finance company with liquid assets of at least one hundred five percent of its liabilities (other than deferred income taxes, deferred investment tax credits, capital stock and surplus) at the end of each of its last five fiscal years, the net income requirement of (d)(ii) of this subsection, but before deduction for interest expense, shall be one and one-fourth times its annual interest expense. "Finance company"

means a company engaged primarily in the business of wholesale, retail, installment, mortgage, commercial, industrial or consumer financing, banking or factoring. "Liquid assets" means cash receivables payable on demand or not more than twelve years following the close of the company's last fiscal year, and readily marketable securities, in each case less applicable reserves and unearned income.

(2) An issuer meets the conditions of WAC 460-42A-080 (1)(b), (c) and (d) if either the issuer or the issuer and the issuer's predecessor, taken together, meet these conditions and if: (a) The succession was primarily for the purpose of changing the state of incorporation of the predecessor or forming a holding company and the assets and liabilities of the successor at the time of succession were substantially the same as those of the predecessor, or (b) all predecessors met the conditions at the time of succession and the issuer has continued to do so since the succession.

[Statutory Authority: RCW 21.20.310(8) and 21.20.450. 88-01-061 (Order SDO-115B-87), § 460-42A-080, filed 12/17/87; 82-18-037 (Order SDO-100-82), § 460-42A-080, filed 8/27/82; 80-04-037 (Order SDO-37-80), § 460-42A-080, filed 3/19/80. Statutory Authority: 1979 ex.s. c 68 § 20(8). 79-09-028 (Order SD-57-79), § 460-42A-080, filed 8/14/79.]

**WAC 460-42A-081 Exchange and national market system exemption.** (1) Any securities listed or designated, or approved for listing or designation upon notice of issuance, on (a) the New York Stock Exchange, (b) the American Stock Exchange, (c) the NASDAQ/NMS interdealer quotation system pursuant to the Memorandum of Understanding between the North American Securities Administrators Association (NASAA) and the National Association of Securities Dealers (NASD) adopted April 28, 1990, (d) the Chicago Board Options Exchange pursuant to the Memorandum of Understanding between NASAA and the Chicago Board Options Exchange dated May 30, 1991, (e) Tier I on the Pacific Stock Exchange pursuant to the Memorandum of Understanding between NASAA and the Pacific Stock Exchange dated October 12, 1994, or (f) Tier I on the Philadelphia Stock Exchange pursuant to the Memorandum of Understanding between NASAA and the Philadelphia Stock Exchange dated October 12, 1994, any other security of the same issuer which is of senior or substantially equal rank, any security called for by subscription rights or warrants so listed or approved, or any warrant or right to purchase or subscribe to any of the foregoing is exempt under RCW 21.20.310(8). The administrator may by order withdraw this exemption as to an exchange or interdealer quotation system or a particular security when necessary in the public interest for the protection of investors.

(2) For the purposes of nonissuer transactions only, any security listed or approved for listing upon notice of issuance on (a) the NASDAQ/NMS interdealer quotation system, (b) the New York Stock Exchange, (c) the American Stock Exchange, (d) the Chicago Stock Exchange, (e) the Chicago Board Options Exchange, (f) the Pacific Stock Exchange, (g) the Philadelphia Stock Exchange, or any other stock exchange registered with the federal securities and exchange commission and approved by the director; any other security of the same issuer which is of senior or substantially equal rank; any security called for by subscription rights or war-

rants so listed or approved; or any warrant or right to purchase or subscribe to any of the foregoing, is exempted under RCW 21.20.310(8).

[Statutory Authority: RCW 21.20.450. 96-11-016, § 460-42A-081, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.310(8) and 21.20.450. 91-04-010, § 460-42A-081, filed 1/25/91, effective 2/25/91; 89-21-032 (Order SDO-161-89), § 460-42A-081, filed 10/11/89, effective 11/11/89; 82-18-037 (Order SDO-100-82), § 460-42A-081, filed 8/27/82.]

**WAC 460-42A-082 World class foreign issuer exemption.** (1) Any security meeting all of the following conditions is exempted under RCW 21.20.310(8):

(a) The securities are:

(i) Equity securities except options, warrants, preferred stock, subscription rights, securities convertible into equity securities or any right to subscribe to or purchase such options, warrants, convertible securities or preferred stock;

(ii) Units consisting of equity securities permitted by (a)(i) of this subsection and warrants to purchase the same equity security being offered in the unit;

(iii) Nonconvertible debt securities that are rated in one of the four highest rating categories of Standard and Poor's, Moody's, Dominion Bond Rating Services of Canadian Bond Rating Services or such other rating organization which the administrator by rule or order may designate. For purposes of this subsection (1)(a)(iii) of this section, nonconvertible debt securities means securities that cannot be converted for at least one year from the date of issuance and then only into equity shares of the issuer or its parent; or

(iv) American Depository receipt representing securities described in (a)(i), (ii) or (iii) of this subsection.

(b) The issuer is not organized under the laws of the United States, or of any state, territory or possession of the United States, or of the District of Columbia or Puerto Rico.

(c) The issuer, at the time an offer or sale is made under this subsection, has been a going concern engaged in continuous business operations for the immediate past five years and during that period, has not been the subject of a proceeding relating to insolvency, bankruptcy, involuntary administration, receivership or similar proceeding. For purposes of this subsection (1)(c) of this section, the operating history of any predecessor that represented more than fifty percent of the value of the assets of the issuer that otherwise would have met the conditions of this section may be used toward the five year requirement.

(d) The issuer, at the time an offer or sale is made under this subsection (1)(d) of this section, has public float of one billion dollars (United States) or more.

(e) The market value of the issuer's equity shares, at the time an offer or sale is made under this subsection, is three billion dollars (United States) or more.

(f) The issuer, at the time an offer or sale is made under this subsection (1)(f) of this section, has a class of equity securities listed for trading on or through the facilities of a foreign securities exchange or recognized foreign securities market included in Rule 902 (a)(1) or successor rule promulgated under the Securities Act of 1933 or designated by the U.S. Securities and Exchange Commission under Rule 902 (a)(2) promulgated under the Securities Act of 1933.

(2) For purposes of this section:

(a) "Public float" means the market value of all outstanding equity shares owned by nonaffiliates.

(b) "Equity shares" means common shares, nonvoting equity shares and subordinate or restricted voting equity shares, but does not include preferred shares.

(c) An "affiliate" of a person is anyone who beneficially owns, directly or indirectly, or exercises control or direction over, more than ten percent of the outstanding equity shares of such person.

[Statutory Authority: RCW 21.20.450 and 21.20.310(8). 97-16-051, § 460-42A-082, filed 7/31/97, effective 8/31/97.]

**WAC 460-42A-085 International banks.** Any security issued or guaranteed as to both principal and interest by an international bank of which the United States is a member is exempted under RCW 21.20.310(8).

[Statutory Authority: RCW 21.20.310(8) and 21.20.450. 80-04-037 (Order SDO-37-80), § 460-42A-085, filed 3/19/80.]

### Chapter 460-44A WAC EXEMPT TRANSACTIONS

#### WAC

460-44A-050	Isolated transactions—Sales not involving a public offering.
460-44A-075	Definition of real estate mortgages when "offered and sold as a unit."
460-44A-100	Nonissuer transactions pursuant to RCW 21.20.320(2)—Manual exemption.
460-44A-110	Nonissuer transactions pursuant to RCW 21.20.320(2)—Senior securities.
460-44A-200	Exemption from registration for secondary transactions pursuant to RCW 21.20.320(15).
460-44A-300	Exemption for offers and sales to accredited investors pursuant to a public solicitation.
460-44A-500	Preliminary notes.
460-44A-501	Definitions and terms.
460-44A-502	General conditions to be met.
460-44A-503	Filing of notice and payment of fee.
460-44A-504	Exemption for limited offers and sales of securities not exceeding \$1,000,000 to not more than twenty purchasers.
460-44A-505	Uniform offering exemption for limited offers and sales of securities not exceeding \$5,000,000.
460-44A-506	Conditions pertaining to the offer and sale of securities pursuant to Rule 506 of the Securities Act of 1933.
460-44A-508	Insignificant deviations from a term, condition, or requirement of WAC 460-44A-501 through 460-44A-505.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-44A-010	Nonpublic offering exemption pursuant to RCW 21.20.320(1). [Statutory Authority: RCW 21.20.450. 80-04-037 (Order SDO-37-80), § 460-44A-010, filed 3/19/80; Order SD-130-77, § 460-44A-010, filed 11/23/77; Order 342, § 460-44A-010, filed 9/29/75.] Repealed by 82-21-031 (Order SDO-98-82), filed 10/15/82. Statutory Authority: RCW 21.20.320(1) and 21.20.450.
460-44A-020	Text of rule. [Statutory Authority: RCW 21.20.450. 80-04-037 (Order SDO-37-80), § 460-44A-020, filed 3/19/80; Order SD-130-77, § 460-44A-020, filed 11/23/77; Order 342, § 460-44A-020, filed 9/29/75.] Repealed by 82-21-031 (Order SDO-98-82), filed 10/15/82. Statutory Authority: RCW 21.20.320(1) and 21.20.450.
460-44A-030	Selling expense limitations and suitability standards for nonpublic offerings. [Statutory Authority: RCW 21.20.320 (1) and (9), and 21.20.450. 80-04-037 (Order SDO-37-80), § 460-44A-030, filed 3/19/80; Order SD-130-77, § 460-44A-030, filed 11/23/77; Order 342, § 460-44A-030, filed 9/29/75.] Repealed by 82-21-031

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460-44A-040	(Order SDO-98-82), filed 10/15/82. Statutory Authority: RCW 21.20.320(1) and 21.20.450. Form of notification of claim of exemption and report of sales. [Order SD-130-77, § 460-44A-040, filed 11/23/77.] Repealed by 80-04-037 (Order SDO-37-80), filed 3/19/80. Statutory Authority: RCW 21.20.450.
460-44A-041	Form of notification of claim of exemption pursuant to WAC 460-44A-010 through 460-44A-041. [Statutory Authority: RCW 21.20.320 (1) and (9). 80-04-037 (Order SDO-37-80), § 460-44A-041, filed 3/19/80.] Repealed by 82-21-031 (Order SDO-98-82), filed 10/15/82. Statutory Authority: RCW 21.20.320(1) and 21.20.450.
460-44A-045	Report of sales for offering under WAC 460-44A-020. [Statutory Authority: RCW 21.20.320 (1) and (9), and 21.20.450. 80-04-037 (Order SDO-37-80), § 460-44A-045, filed 3/19/80.] Repealed by 82-21-031 (Order SDO-98-82), filed 10/15/82. Statutory Authority: RCW 21.20.320(1) and 21.20.450.
460-44A-060	Limited offering exemption pursuant to RCW 21.20.320(9). [Statutory Authority: RCW 21.20.320 (1) and (9), and 21.20.450. 80-04-037 (Order SDO-37-80), § 460-44A-060, filed 3/19/80; Order SD-130-77, § 460-44A-060, filed 11/23/77.] Repealed by 90-09-059, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11).
460-44A-065	Notification of claim of exemption pursuant to WAC 460-44A-060. [Statutory Authority: RCW 21.20.320 (1) and (9), and 21.20.450. 80-04-037 (Order SDO-37-80), § 460-44A-065, filed 3/19/80.] Repealed by 90-09-059, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11).
460-44A-070	Report of sales for offering under WAC 460-44A-060. [Statutory Authority: RCW 21.20.320 (1) and (9), and 21.20.450. 80-04-037 (Order SDO-37-80), § 460-44A-070, filed 3/19/80.] Repealed by 90-09-059, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11).

**WAC 460-44A-050 Isolated transactions—Sales not involving a public offering.** (1) An "isolated transaction" within the meaning of RCW 21.20.320(1) includes:

(a) Subject to the limitation of (b) of this subsection, any sale of an outstanding security by or on behalf of a person not in control of the issuer or controlled by the issuer or under common control with the issuer and not involving a distribution;

(b) Any sale satisfying the requirements of (a) of this subsection that is effected through a broker-dealer, provided that it is one of not more than three such transactions effected by or through the broker-dealer in this state during the prior twelve months;

(c) Any sale of an outstanding security by or on behalf of a person in control of the issuer or controlled by the issuer or under common control with the issuer if the sale is effected pursuant to:

(i) Brokers' transactions in accordance with section 4(4) of the Securities Act of 1933 and Rule 144 thereunder; or

(ii) Any other transaction not effected through a broker-dealer and not involving a distribution, if the sale, including any other sales of securities of the same class during the prior twelve months inside or outside this state by the person, does not exceed 1% of the outstanding shares or units of that class; or

(d) Any sale of a security by or on behalf of an issuer that is one of not more than three such transactions inside or outside this state during the prior twenty-four months.

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An exemption provided by (a), (b), (c), or (d) of this subsection shall not be available for any offering made in a manner inconsistent with the limitations set forth in (a), (b), (c), or (d) of this subsection, respectively.

(2) "Sales not involving a public offering," within the meaning of RCW 21.20.320(1), is interpreted by the director in a manner consistent with section 4(2) of the federal Securities Act of 1933 and Securities and Exchange Commission Securities Act Release No. 4552.

Note: Pursuant to RCW 21.20.320(1), the director has promulgated a rule "establishing a nonpublic offering exemption" at WAC 460-44A-506.

[Statutory Authority: RCW 21.20.450. 98-18-032, § 460-44A-050, filed 8/26/98, effective 9/26/98; Order SD-130-77, § 460-44A-050, filed 11/23/77.]

**WAC 460-44A-075 Definition of real estate mortgages when "offered and sold as a unit."** A bond or other evidence of indebtedness secured by a mortgage, deed of trust or agreement of sale, involves an "investment contract other than the bond or other evidence of indebtedness" within the meaning of RCW 21.20.320 (5)(c) if any of the following services are offered or included by an issuer or its affiliates:

- (1) Guarantying the note or contract against loss at any time; or
- (2) Guarantying that payments of principal or interest will be paid; or
- (3) Assuming any payments necessary to protect the security of the note or contract, excluding necessary advances for taxes and insurance; or
- (4) Guarantying a specific yield or return on the note or contract; or
- (5) Paying any interest or premium for a period prior to actual purchase and delivery of the note or contract; or
- (6) Paying any money other than that collected from the borrower after the note or contract falls into arrears; or
- (7) Repurchasing the note or contract, provided that, this is not intended to prohibit good faith repurchases as an effort to assist the investor as long as the representation is not made at the time of sale and not as a part of the sales program; or
- (8) Promising the investor a market for the resale of the mortgage paper securities.

[Statutory Authority: RCW 21.20.450. 92-18-008, § 460-44A-075, filed 8/21/92, effective 9/21/92; 80-04-037 (Order SDO-37-80), § 460-44A-075, filed 3/19/80.]

**WAC 460-44A-100 Nonissuer transactions pursuant to RCW 21.20.320(2)—Manual exemption.** Any nonissuer transaction by a registered salesperson of a registered broker-dealer, and any resale transaction by a sponsor of a unit investment trust registered under the Investment Company Act of 1940, in a security of a class that has been outstanding in the hands of the public for at least ninety days shall be exempt pursuant to RCW 21.20.320(2) provided that, at the time of the transaction:

- (1) The issuer of the security is actually engaged in business and not in the organizational stage, bankruptcy, or receivership;
- (2) The issuer is not a blank check, blind pool or shell company whose primary plan of business is to engage in a

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merger or combination of the business with, or an acquisition of, an unidentified person or persons;

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

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

(5) A nationally recognized securities manual designated by the director pursuant to WAC 460-10A-160 or a document filed with and publicly available through the U.S. Securities & Exchange Commission's Electronic Data Gathering and Retrieval System (EDGAR) contains:

(a) A description of the business and operations of the issuer;

(b) The names of the issuer's officers and the names of the issuer's directors, if any, or, in the case of a non-U.S. issuer, the corporate equivalents of such persons in the issuer's country of domicile;

(c) An audited balance sheet of the issuer as of a date within eighteen months or, in the case of a reorganization or merger where parties to the reorganization or merger had such audited balance sheet, a pro forma balance sheet; and

(d) An audited income statement for each of the issuer's immediately preceding two fiscal years, or for the period of existence of the issuer, if in existence for less than two years or, in the case of a reorganization or merger where the parties to the reorganization or merger had such audited income statement, a pro forma income statement; and

(6) The issuer of the security has a class of equity securities listed on a national securities exchange registered under the Securities Exchange Act of 1934, or designated for trading on the National Association of Securities Dealers Automated Quotation System (NASDAQ), unless:

(a) The issuer of the security is a unit investment trust registered under the Investment Company Act of 1940;

(b) The issuer of the security has been engaged in continuous business (including predecessors) for at least three years; or

(c) The issuer of the security has total assets of at least \$2,000,000 based on an audited balance sheet as of a date within eighteen months or, in the case of a reorganization or merger where parties to the reorganization or merger had such audited balance sheet, a pro forma balance sheet.

[Statutory Authority: RCW 21.20.450 and 21.20.320(2). 98-17-012, § 460-44A-100, filed 8/10/98, effective 9/10/98.]

**WAC 460-44A-110 Nonissuer transactions pursuant to RCW 21.20.320(2)—Senior securities.** Any nonissuer transaction in a security by a registered salesperson of a registered broker-dealer shall be exempt pursuant to RCW 21.20.320(2) if:

(1) The issuer of the security is actually engaged in business and not in the organizational stage, bankruptcy or receivership;

(2) The issuer is not a blank check, blind pool or shell company whose primary plan of business is to engage in a merger or combination of the business with, or an acquisition of, an unidentified person or persons;

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(3) The security is senior in rank to the common stock of the issuer both as to payment of dividends or interest and upon dissolution or liquidation of the issuer;

(4) Such security has been outstanding in the hands of the public for at least three years; and

(5) Neither the issuer nor any predecessors has defaulted, within the current fiscal year or the three immediately preceding fiscal years, in the payment of any dividend, interest, principal, or sinking fund instalment on the security when due and payable.

[Statutory Authority: RCW 21.20.450 and 21.20.320(2). 98-17-012, § 460-44A-110, filed 8/10/98, effective 9/10/98.]

**WAC 460-44A-200 Exemption from registration for secondary transactions pursuant to RCW 21.20.320(15).**

The term "securities previously sold and distributed to the public" as used in RCW 21.20.320(15) shall not include securities sold and distributed pursuant to Securities and Exchange Commission Regulation D that have not been registered with the securities administrator of this state pursuant to the Securities Act of Washington. The administrator finds that in enacting RCW 21.20.320(15) the legislature did not contemplate the exemption of offers and sales of securities in the state of Washington that have been reviewed by neither the Securities and Exchange Commission nor the securities administrator of this state.

[Statutory Authority: RCW 21.20.450 and 21.20.320(15). 86-15-023 (Order SDO-89-86), § 460-44A-200, filed 7/14/86.]

**WAC 460-44A-300 Exemption for offers and sales to accredited investors pursuant to a public solicitation.** (1)

Any offer or sale of a security by an issuer in a transaction that meets the requirements of this rule and any exemption adopted by the Securities and Exchange Commission pursuant to Section 3(b) of the Securities Act of 1933 which provides for public solicitation of accredited investors, shall be exempt under RCW 21.20.320(17).

(2) Sales of securities shall be made only to persons who are or the issuer reasonably believes are accredited investors. "Accredited investor" shall have the meaning indicated in WAC 460-44A-501(1).

(3) The exemption is not available to an issuer that is in the development stage that either has no specific business plan or purpose or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person.

(4) The issuer reasonably believes that all purchasers are purchasing for investment and not with the view to or for sale in connection with a distribution of the security. Any resale of a security sold in reliance on this exemption within twelve months of sale shall be presumed to be with a view to distribution and not for investment, except a resale pursuant to a registration statement effective under RCW 21.20.190 or 21.20.230 or to an accredited investor pursuant to an exemption available under the Securities Act of Washington, chapter 21.20 RCW. Securities issued under this exemption may only be resold pursuant to registration or an exemption under the Securities Act of Washington, chapter 21.20 RCW.

(5)(a) The exemption is not available to an issuer if the issuer, any of the issuer's predecessors, any affiliated issuer,

any of the issuer's directors, officers, general partners, beneficial owners of ten percent or more of any class of its equity securities, any of the issuer's promoters presently connected with the issuer in any capacity, any underwriter of the securities to be offered, or any partner, director or officer of such underwriter:

(i) Within the last five years, has filed a registration statement which is the subject of a currently effective registration stop order entered by any state securities administrator or the United States Securities and Exchange Commission;

(ii) Within the last five years, has been convicted of any criminal offense in connection with the offer, purchase or sale of any security, or involving fraud or deceit;

(iii) Is currently subject to any state or federal administrative enforcement order or judgment, entered within the last five years, finding fraud or deceit in connection with the purchase or sale of any security; or

(iv) Is currently subject to any order, judgment or decree of any court of competent jurisdiction, entered with [within] the last five years, temporarily, preliminarily or permanently restraining or enjoining such party from engaging in or continuing to engage in any conduct or practice involving fraud or deceit in connection with the purchase or sale of any security.

(b) Subsection (5)(a) shall not apply if:

(i) The party subject to the disqualification is licensed or registered to conduct securities related business in the state in which the order, judgment or decree creating the disqualification was entered against such party;

(ii) Before the first offer under this exemption, the state securities administrator, or the court or regulatory authority that entered the order, judgment or decree, waives the disqualification; or

(iii) The issuer establishes that it did not know and in the exercise of reasonable care, based on a factual inquiry, could not have known that a disqualification existed under subsection (5)(a).

(6)(a) A general announcement of the proposed offering may be made by any means.

(b) The general announcement shall include only the following information, unless additional information is specifically permitted by the securities administrator:

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

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

(iii) A brief description of the business of the issuer in twenty-five words or less;

(iv) The type, number and aggregate amount of securities being offered;

(v) The name, address and telephone number of the person to contact for additional information; and

(vi) A statement that:

(A) Sales will only be made to accredited investors;

(B) No money or other consideration is being solicited or will be accepted by way of this general announcement; and

(C) The securities have not been registered with or approved by any state securities agency or the U.S. Securities and Exchange Commission and are being offered and sold pursuant to an exemption from registration.

(7) The issuer, in connection with an offer, may provide information in addition to the general announcement under subsection (6), if such information:

(a) Is delivered through an electronic data base that is restricted to persons who have been prequalified as accredited investors; or

(b) Is delivered after the issuer reasonably believes that the prospective purchaser is an accredited investor.

(8) No telephone solicitation shall be permitted unless prior to placing the call, the issuer reasonably believes that the prospective purchaser to be solicited is an accredited investor.

(9) Dissemination of the general announcement of the proposed offering to persons who are not accredited investors shall not disqualify the issuer from claiming the exemption under this rule.

(10) The issuer shall file with the administrator a notice of transaction, a consent to service of process, a copy of the general announcement, and a fee of three hundred dollars within fifteen days after the first sale in this state.

[Statutory Authority: RCW 21.20.450 and 21.20.320(17), 97-16-121, § 460-44A-300, filed 8/6/97, effective 9/6/97.]

**WAC 460-44A-500 Preliminary notes.** (1) The rules of WAC 460-44A-501 through 460-44A-508 relate to transactions exempted from the registration requirements of the Federal Securities Act of 1933 that are also exempted or preempted from RCW 21.20.140. WAC 460-44A-504 is an exemption from registration for offerings exempted under Securities and Exchange Commission Rule 504 or Rule 147. WAC 460-44A-505 is an exemption from registration for offerings exempted under Securities and Exchange Commission Rule 505. WAC 460-44A-506 establishes certain conditions for offerings exempted under Securities and Exchange Commission Rule 506. Unless expressly provided otherwise, such transactions are not exempt from anti-fraud, civil liability, or other provisions of the federal and state securities laws. Issuers are reminded of their obligation to provide such further material information, if any, as may be necessary to make the information required under these rules, in light of the circumstances under which it is furnished, not misleading.

(2) Attempted compliance with the exemption of WAC 460-44A-504, 460-44A-505, or 460-44A-506 does not act as an exclusive election; the issuer can also claim the availability of any other applicable exemption.

(3) These rules are available only to the issuer of the securities and not to any affiliate of that issuer or to any other person for resale of the issuer's securities. The rules provide an exemption only for the transactions in which the securities are offered or sold by the issuer, not for the securities themselves.

(4) In any proceeding involving the rules in WAC 460-44A-501 through 460-44A-508, the burden of proving the exemption, an exception from a definition or condition, or preemption, is upon the person claiming it.

(5) For offerings commenced but not completed prior to the amendment of WAC 460-44A-501 through 460-44A-508, issuers may opt to follow the rules in effect at the date of filing notice of the offering.

[Title 460 WAC—p. 62]

(6) Securities offered and sold outside the United States in accordance with Securities and Exchange Commission Regulation S need not be registered under chapter 21.20 RCW. Regulation S may be relied upon for such offers and sales even if coincident offers and sales are made in accordance with Regulation D and WAC 460-44A-501 through 460-44A-508 inside the United States. Thus, for example, persons who are offered and sold securities in accordance with Regulation S would not be counted in the calculation of the number of purchasers under Regulation D and WAC 460-44A-501 through 460-44A-508. Similarly proceeds from such sales would not be included in the aggregate offering price. The provisions of this subsection, however, do not apply if the issuer elects to rely solely on Regulation D for offers or sales to persons made outside the United States.

[Statutory Authority: RCW 21.20.450, 21.20.320(9), 00-04-094, § 460-44A-500, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9), 21.20.320(1) and 21.20.320(17), 98-11-014, § 460-44A-500, filed 5/12/98, effective 6/12/98. Statutory Authority: RCW 21.20.450, 94-03-061, § 460-44A-500, filed 1/14/94, effective 2/14/94. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11), 90-09-059, § 460-44A-500, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320 (1) and (16) and 21.20.450, 89-17-076 (Order SDO-122-89), § 460-44A-500, filed 8/17/89, effective 9/17/89; 88-15-024 (Order SDO-71-88), § 460-44A-500, filed 7/12/88. Statutory Authority: RCW 21.20.320 (1) and (17), 86-15-003 (Order SDO-80-86), § 460-44A-500, filed 7/3/86. Statutory Authority: RCW 21.20.320(1) and 21.20.450, 82-21-031 (Order SDO-98-82), § 460-44A-500, filed 10/15/82.]

**WAC 460-44A-501 Definitions and terms.** As used in rules WAC 460-44A-501 through 460-44A-508, the following terms shall have the meaning indicated:

(1) "Accredited investor" shall mean any person who comes within any of the following categories, or who the issuer reasonably believes comes within any of the following categories, at the time of the sale of the securities to that person:

(a) Any bank as defined in section 3 (a)(2) of the Securities Act of 1933, or any savings and loan association or other institution as defined in section 3 (a)(5)(A) of the Securities Act of 1933 whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; any insurance company as defined in section 2(13) of the Securities Act of 1933; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2 (a)(48) of that act; any small business investment company licensed by the U.S. Small Business Administration under section 301 (c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(2003 Ed.)

(b) Any private business development company as defined in section 202 (a)(22) of the Investment Advisers Act of 1940;

(c) Any organization described in section 501 (c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

(d) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

(e) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;

(f) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(g) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in 17 CFR Sec. 230.506 (b)(2)(ii); and

(h) Any entity in which all of the equity owners are accredited investors.

(2) "Affiliate" an "affiliate" of, or person "affiliated" with, a specified person shall mean a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified;

(3) "Aggregate offering price" shall mean the sum of all cash, services, property, notes, cancellation of debt, or other consideration to be received by an issuer for issuance of its securities. Where securities are being offered for both cash and noncash consideration, the aggregate offering price shall be based on the price at which the securities are offered for cash. Any portion of the aggregate offering price attributable to cash received in a foreign currency shall be translated into United States currency at the currency exchange rate in effect at a reasonable time prior to or on the date of the sale of the securities. If securities are not offered for cash, the aggregate offering price shall be based on the value of the consideration as established by bona fide sales of that consideration made within a reasonable time, or, in the absence of sales, on the fair value as determined by an accepted standard. Such valuations of noncash consideration must be reasonable at the time made;

(4) "Business combination" shall mean any transaction of the type specified in paragraph (a) of Rule 145 under the Securities Act of 1933 and any transaction involving the acquisition by one issuer, in exchange for all or a part of its own or its parent's stock, of stock of another issuer if, immediately after the acquisition, the acquiring issuer has control of the other issuer (whether or not it had control before the acquisition);

(5) "Calculation of number of purchasers." For purposes of calculating the number of purchasers under WAC 460-44A-504 and 460-44A-505 the following shall apply:

(a) The following purchasers shall be excluded:

(i) Any relative, spouse or relative of the spouse of a purchaser who has the same principal residence as the purchaser;

(ii) Any trust or estate in which a purchaser and any of the persons related to him as specified in WAC 460-44A-501 (5)(a)(i) or (iii) collectively have more than 50 percent of the beneficial interest (excluding contingent interests);

(iii) Any corporation or other organization of which a purchaser and any of the persons related to him as specified in WAC 460-44A-501 (5)(a)(i) or (ii) collectively are beneficial owners of more than 50 percent of the equity securities (excluding directors' qualifying shares) or equity interests; and

(iv) Any accredited investor.

(b) A corporation, partnership or other entity shall be counted as one purchaser. If, however, that entity is organized for the specific purpose of acquiring the securities offered and is not an accredited investor under WAC 460-44A-501 (1)(h), then each beneficial owner of equity securities or equity interests in the entity shall count as a separate purchaser for all provisions of WAC 460-44A-501 through 460-44A-508, except to the extent provided in (a) of this subsection.

(c) A noncontributory employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 shall be counted as one purchaser where the trustee makes all investment decisions for the plan.

Note: The issuer must satisfy all the other provisions of WAC 460-44A-501 through 460-44A-505 for all purchasers whether or not they are included in calculating the number of purchasers. Clients of an investment adviser or customers of a broker-dealer shall be considered the "purchasers" under WAC 460-44A-501 through 460-44A-505 regardless of the amount of discretion given to the investment adviser or broker-dealer to act on behalf of the client or customer.

(6) "Executive officer" shall mean the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), or any other officer who performs a policy making function, or any other person who performs similar policy making functions for the issuer. Executive officers of subsidiaries may be deemed executive officers of the issuer if they perform such policy making functions for the issuer.

(7) "Issuer" as defined in Section 2(4) of the Securities Act of 1933 or RCW 21.20.005(7) shall apply, except that in the case of a proceeding under the Federal Bankruptcy Code (11 U.S.C. 101 et seq.), the trustee or debtor in possession shall be considered the issuer in an offering under a plan or reorganization, if the securities are to be issued under the plan.

(8) "Purchaser representative" shall mean any person who satisfies all of the following conditions or who the issuer reasonably believes satisfies all of the following conditions:

(a) Is not an affiliate, director, officer or other employee of the issuer, or beneficial owner of 10 percent or more of any class of the equity securities or 10 percent or more of the equity interest in the issuer, except where the purchaser is:

(i) A relative of the purchaser representative by blood, marriage or adoption and not more remote than a first cousin;

(ii) A trust or estate in which the purchaser representative and any person related to him as specified in WAC 460-44A-501 (8)(a)(i) or (iii) collectively have more than 50 per-

cent of the beneficial interest (excluding contingent interest) or of which the purchaser representative serves as trustee, executor, or in any similar capacity; or

(iii) A corporation or other organization of which the purchaser representative and any persons related to him as specified in WAC 460-44A-501 (8)(a)(i) or (ii) collectively are the beneficial owners of more than 50 percent of the equity securities (excluding directors' qualifying shares) or equity interests;

(b) Has such knowledge and experience in financial and business matters that he is capable of evaluating, alone, or together with other purchaser representatives of the purchaser, or together with the purchaser, the merits and risks of the prospective investment;

(c) Is acknowledged by the purchaser in writing, during the course of the transaction, to be his purchaser representative in connection with evaluating the merits and risks of the prospective investment; and

(d) Discloses to the purchaser in writing a reasonable time prior to the sale of securities to that purchaser any material relationship between himself or his affiliates and the issuer or its affiliates that then exists, that is mutually understood to be contemplated, or that has existed at any time during the previous two years, and any compensation received or to be received as a result of such relationship.

Note 1: A person acting as a purchaser representative should consider the applicability of the registration and anti-fraud provisions relating to broker-dealers under chapter 21.20 RCW and the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq., as amended) and relating to investment advisers under chapter 21.20 RCW and the Investment Advisers Act of 1940.

Note 2: The acknowledgment required by paragraph (8)(c) and the disclosure required by paragraph (8)(d) of this WAC 460-44A-501 must be made with specific reference to each prospective investment. Advance blanket acknowledgment, such as for "all securities transactions" or "all private placements," is not sufficient.

Note 3: Disclosure of any material relationships between the purchaser representative or his affiliates and the issuer or its affiliates does not relieve the purchaser representative of his obligation to act in the best interest of the purchaser.

[Statutory Authority: RCW 21.20.450, 21.20.320(9), 21.20.320(1) and 21.20.320(17). 98-11-014, § 460-44A-501, filed 5/12/98, effective 6/12/98. Statutory Authority: RCW 21.20.450, 94-03-061, § 460-44A-501, filed 1/14/94, effective 2/14/94. Statutory Authority: RCW 21.20.450, 21.20.320(1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-44A-501, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320(1) and (16) and 21.20.450. 89-17-076 (Order SDO-122-89), § 460-44A-501, filed 8/17/89, effective 9/17/89; 88-15-024 (Order SDO-71-88), § 460-44A-501, filed 7/12/88. Statutory Authority: RCW 21.20.320(1) and (17). 86-15-003 (Order SDO-80-86), § 460-44A-501, filed 7/3/86. Statutory Authority: RCW 21.20.320(1) and 21.20.450. 82-21-031 (Order SDO-98-82), § 460-44A-501, filed 10/15/82.]

**WAC 460-44A-502 General conditions to be met.** The following conditions shall be applicable to offers and sales made under WAC 460-44A-504 or 460-44A-505:

(1) "Integration." All sales that are part of the same offering under these rules must meet all of the terms and conditions of these rules. Offers and sales that are made more than six months before the start of an offering or are made more than six months after completion of an offering, will not be considered part of that offering, so long as during those six month periods there are no offers or sales of securities by or for the issuer that are of the same or a similar class as those

offered or sold under these rules, other than those offers or sales of securities under an employee benefit plan.

Note: The term "offering" is not defined in the securities acts. If the issuer offers or sells securities for which the safe harbor rule in WAC 460-44A-502(1) is unavailable, the determination as to whether separate sales of securities are part of the same offering (i.e. are considered "integrated") depends on the particular facts and circumstances. Generally, transactions otherwise meeting the requirements of an exemption will not be integrated with simultaneous offerings being made outside the United States in compliance with Securities and Exchange Commission Regulation S.

The following factors should be considered in determining whether offers and sales should be integrated for purposes of the exemptions under these rules:

- (a) Whether the sales are part of a single plan of financing;
- (b) Whether the sales involve issuance of the same class of securities;
- (c) Whether the sales have been made at or about the same time;
- (d) Whether the same type of consideration is received; and
- (e) Whether the sales are made for the same general purpose.

See Securities and Exchange Commission Release No. 33-4552 (November 6, 1962).

(2) Information requirements.

(a) When information must be furnished.

If the issuer sells securities under WAC 460-44A-505 to any purchaser that is not an accredited investor, the issuer shall furnish the information specified in WAC 460-44A-502 (2)(b) to such purchaser a reasonable time prior to sale. The issuer is not required to furnish the specified information when it sells securities under WAC 460-44A-504, or to any accredited investor.

Note: When an issuer provides information to investors pursuant to WAC 460-44A-502 (2)(a), it should consider providing such information to accredited investors as well, in view of the anti-fraud provisions of the federal and state securities laws.

(b) Type of information to be furnished.

(i) If the issuer is not subject to the reporting requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, at a reasonable time prior to the sale of securities the issuer shall furnish to the purchaser the following information, to the extent material to an understanding of the issuer, its business, and the securities being offered:

(A) Nonfinancial statement information. If the issuer is eligible to use Regulation A, the same kind of information as would be required in Part II of Form 1-A, 17 CFR Sec. 239.90. If the issuer is not eligible to use Regulation A, the same kind of information as required in Part I of a registration statement filed under the Securities Act on the form that the issuer would be entitled to use.

(B) Financial statement information.

(I) Offerings up to \$2,000,000. The information required in Item 310 of Regulation S-B, 17 CFR Sec. 228.310, except that only the issuer's balance sheet, which shall be dated within 120 days of the start of the offering, must be audited.



(II) Offerings up to \$5,000,000. The financial statement information required in Form SB-2, 17 CFR Sec. 239.10. If an issuer, other than a limited partnership, cannot obtain audited financial statements without unreasonable effort or expense, then only the issuer's balance sheet, which shall be dated within 120 days of the start of the offering, must be audited. If the issuer is a limited partnership and cannot obtain the required financial statements without unreasonable effort or expense, it may furnish financial statements that have been prepared on the basis of federal income tax requirements and examined and reported on in accordance with generally accepted auditing standards by an independent public or certified accountant.

(C) If the issuer is a foreign private issuer eligible to use Form 20-F, the issuer shall disclose the same kind of information required to be included in a registration statement filed under the Securities Act of 1933 on the form that the issuer would be entitled to use. The financial statements need be certified only to the extent required by (2)(b)(i)(B)(I) or (II) of this subsection, as appropriate.

(ii) If the issuer is subject to the reporting requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, at a reasonable time prior to the sale of securities the issuer shall furnish to the purchaser the information required by Securities and Exchange Commission Regulation D, Rule 502 (b)(2)(ii) as appropriate.

(iii) Exhibits required to be filed with the administrator of securities or the securities and exchange commission as part of a registration statement or report, other than an annual report to shareholders or parts of that report incorporated by reference in a Form 10-K and Form 10-KSB report, need not be furnished to each purchaser that is not an accredited investor if the contents of material exhibits are identified and such exhibits are made available to a purchaser, upon his written request, a reasonable time prior to his purchase.

(iv) At a reasonable time prior to the sale of securities to any purchaser that is not an accredited investor in a transaction under WAC 460-44A-505, the issuer shall furnish to the purchaser a brief description in writing of any material written information concerning the offering that has been provided by the issuer to any accredited investor but not previously delivered to such unaccredited purchaser. The issuer shall furnish any portion or all of this information to the purchaser, upon his written request a reasonable time prior to his purchase.

(v) The issuer shall also make available to each purchaser at a reasonable time prior to his purchase of securities in a transaction under WAC 460-44A-505 the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which the issuer possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished under WAC 460-44A-502 (2)(b)(i) or (ii).

(vi) For business combinations or exchange offers, in addition to information required by Form S-4, 17 CFR Sec. 239.25, the issuer shall provide to each purchaser at the time the plan is submitted to security holders, or, with an exchange, during the course of the transaction and prior to sale, written information about any terms or arrangements of

the proposed transactions that are materially different from those for all other security holders. For purposes of this subsection, an issuer which is not subject to the reporting requirements of section 13 or 15(d) of the Securities Exchange Act of 1934 may satisfy the requirements of Part I.B. or C. of Form S-4 by compliance with (b)(i) of this subsection.

(vii) At a reasonable time prior to the sale of securities to any purchaser that is not an accredited investor in a transaction under WAC 460-44A-505, the issuer shall advise the purchaser of the limitations on resale in the manner contained in subsection (4)(b) of this section. Such disclosure may be contained in other materials required to be provided by this paragraph.

(3) Limitation on manner of offering. Neither the issuer nor any person acting on its behalf shall offer or sell the securities by any form of general solicitation or general advertising, including, but not limited to, the following:

(a) Any advertisement, article, notice or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio; and

(b) Any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(4) Limitations on resale. Securities acquired in a transaction under WAC 460-44A-501 through 460-44A-505 shall have the status of restricted securities acquired in a nonpublic offering transaction under section 4(2) of the Securities Act of 1933 and RCW 21.20.320(1) and cannot be resold without registration under the Securities Act of Washington or an exemption therefrom. The issuer shall exercise reasonable care to assure that the securities are restricted and that the purchasers of the securities are not underwriters within the meaning of section 2(11) of the Securities Act of 1933, which reasonable care may be demonstrated by the following:

(a) Reasonable inquiry to determine if the purchaser is acquiring the securities for himself or for other persons;

(b) Written disclosure to each purchaser prior to sale that the securities have not been registered under the Securities Act of 1933, and the Washington administrator of securities has not reviewed or recommended the offering or offering circular and the securities have not been registered under the Securities Act of Washington, chapter 21.20 RCW, and, therefore, cannot be resold unless they are registered under the Securities Act of 1933 and the Securities Act of Washington chapter 21.20 RCW or unless an exemption from registration is available; and

(c) Placement of a legend on the certificate or other document that evidences the securities stating that the securities have not been registered under the Securities Act of 1933 and the Securities Act of Washington chapter 21.20 RCW and setting forth or referring to the restrictions on transferability and sale of the securities.

(d) A written disclosure or legend will be deemed to comply with the provisions of WAC 460-44A-502 (4)(b) or (c) if it complies with the North American Securities Administrators Association Uniform Disclosure Guidelines on Legends, NASAA Reports CCH Para. 1352 (1989).

While taking these actions will establish the requisite reasonable care, it is not the exclusive method to demonstrate such care. Other actions by the issuer may satisfy this provi-

sion. In addition, WAC 460-44A-502 (2)(b)(vii) requires the delivery of written disclosure of the limitations on resale to investors in certain instances.

[Statutory Authority: RCW 21.20.450, 21.20.320(9), 21.20.320(1) and 21.20.320(17). 98-11-014, § 460-44A-502, filed 5/12/98, effective 6/12/98. Statutory Authority: RCW 21.20.450, 94-03-061, § 460-44A-502, filed 1/14/94, effective 2/14/94. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-44A-502, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320 (1) and (16) and 21.20.450, 89-17-076 (Order SDO-122-89), § 460-44A-502, filed 8/17/89, effective 9/17/89; 88-15-024 (Order SDO-71-88), § 460-44A-502, filed 7/12/88. Statutory Authority: RCW 21.20.320 (1) and (17). 86-15-003 (Order SDO-80-86), § 460-44A-502, filed 7/3/86. Statutory Authority: RCW 21.20.320(1) and 21.20.450, 82-21-031 (Order SDO-98-82), § 460-44A-502, filed 10/15/82.]

**WAC 460-44A-503 Filing of notice and payment of fee.** (1) An issuer offering or selling securities in reliance on WAC 460-44A-504, 460-44A-505, or 460-44A-506 shall file with the administrator of securities of the department of financial institutions a notice and pay a filing fee as follows:

(a)(i)(A) For an offering of a security in reliance upon the Securities Act of 1933, Regulation D, Rule 230.506, the issuer shall file a notice on Securities and Exchange Commission Form D checking box 506 and pay a filing fee of three hundred dollars no later than fifteen days after the first sale of such securities in the state of Washington.

(B) For an offering in reliance on Securities and Exchange Commission Rule 505 and WAC 460-44A-505, the issuer shall file the initial notice on Securities and Exchange Commission Form D checking box 505 (and box ULOE) and pay a filing fee of three hundred dollars no later than fifteen days after the first sale of securities in the state of Washington which results from an offer being made in reliance upon WAC 460-44A-505;

(C) For an offering in reliance on Securities and Exchange Commission Rule 504 and WAC 460-44A-504, the issuer shall file the initial notice on Securities and Exchange Commission Form D checking box 504 and pay a filing fee of fifty dollars no later than ten business days (or such lesser period as the administrator may allow) prior to receipt of consideration or the delivery of a signed subscription agreement by an investor in the state of Washington which results from an offer being made in reliance upon WAC 460-44A-504;

(D) For an offering in reliance on Securities and Exchange Commission Rule 147 and WAC 460-44A-504, the issuer shall file the initial notice on Washington Securities Division Form WAC 460-44A-504/Rule 147 and pay a filing fee of fifty dollars no later than ten business days (or such lesser period as the administrator may allow) prior to receipt of consideration or the delivery of a signed subscription agreement by an investor in the state of Washington which results from an offer being made in reliance on the exemption of WAC 460-44A-504;

(ii) Unless previously filed, the issuer shall include with the initial notice an executed uniform consent to service of process on Form U-2.

(b) The issuer shall file with the administrator such other notices on Form D as are required to be filed with the Securities and Exchange Commission. For purposes of this section, "Form D" is defined as the document, as adopted by the Secu-

rities and Exchange Commission and in effect on September 1, 1996, entitled *Form D; Notice of Sale of Securities Pursuant to Regulation D, Section 4(6), and/or Uniform Limited Offering Exemption*, including Part E and the Appendix.

(c) Section E of the initial notice shall either be manually signed by a person duly authorized by the issuer or a photocopy of a manually signed copy.

(2) By filing for the exemption of WAC 460-44A-504 or 460-44A-505, the issuer undertakes to furnish to the administrator, upon request, the information to be furnished or furnished by the issuer under WAC 460-44A-502 (2)(b) or otherwise to any purchaser that is not an accredited investor. Failure to submit the information in a timely manner will be a ground for denial or revocation of the exemption of WAC 460-44A-504 or 460-44A-505.

[Statutory Authority: RCW 21.20.450, 21.20.320(9), 21.20.320(1) and 21.20.320(17). 98-11-014, § 460-44A-503, filed 5/12/98, effective 6/12/98. Statutory Authority: RCW 21.20.450 and 21.20.320 (1), (9), (17). 96-15-063, § 460-44A-503, filed 7/17/96, effective 8/17/96. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-44A-503, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320 (1) and (16) and 21.20.450, 89-17-076 (Order SDO-122-89), § 460-44A-503, filed 8/17/89, effective 9/17/89; 88-15-024 (Order SDO-71-88), § 460-44A-503, filed 7/12/88. Statutory Authority: RCW 21.20.320 (1) and (17). 86-15-003 (Order SDO-80-86), § 460-44A-503, filed 7/3/86. Statutory Authority: RCW 21.20.320(1), 21.20.340(11) and 21.20.450, 82-21-031 (Order SDO-98-82), § 460-44A-503, filed 10/15/82.]

**WAC 460-44A-504 Exemption for limited offers and sales of securities not exceeding \$1,000,000 to not more than twenty purchasers.** (1) Exemption. Offers and sales of securities by an issuer in compliance with the Securities Act of 1933, Regulation D, Rules 230.501 through 230.504 and 230.508 as made effective in Release No. 33-6389, and as amended in Release Nos. 33-6437, 33-6663, 33-6758, 33-6825, 33-6863, 33-6949, 33-6996, 33-7300, and 33-7644, or in compliance with the Securities Act of 1933, Rule 230.147 as made effective in Release No. 33-5450, that satisfy the conditions in subsections (2) and (3) of this section shall be exempt under RCW 21.20.320(9).

(2) General conditions to be met. To qualify for exemption under this section, offers and sales must satisfy all the terms and conditions of WAC 460-44A-501 through 460-44A-503 and 460-44A-508.

(3) Specific conditions to be met.

(a) Limitation on aggregate offering price. The aggregate offering price for an offering of securities under this section, as defined in WAC 460-44A-501(3), shall not exceed \$1,000,000, within or without this state, less the aggregate offering price for all securities sold within the twelve months before the start of and during the offering of securities under this section in reliance on any exemption under RCW 21.20.320(9) or sections 3(a) (11) or 3(b) of the Securities Act of 1933 or in violation of RCW 21.20.140 or section 5(a) of the Securities Act of 1933.

(b) No commissions. No commission, fee, or other remuneration shall be paid or given, directly or indirectly, to any person for soliciting any prospective purchaser in the state of Washington.

(c) Limitation on number of purchasers. There are no more than or the issuer reasonably believes that there are no

more than twenty purchasers of securities in this state from the issuer in any offering in reliance on this section.

(d) In all sales to nonaccredited investors in this state under this section the issuer and any person acting on its behalf shall have reasonable grounds to believe and after making reasonable inquiry shall believe that, as to each purchaser, one of the following conditions, (i) or (ii) of this subsection, is satisfied:

(i) The investment is suitable for the purchaser upon the basis of the facts, if any, disclosed by the purchaser as to his other security holdings and as to his financial situation and needs. For the purpose of this condition only, it may be presumed that if the investment does not exceed ten percent of the purchaser's net worth, it is suitable. This presumption is rebuttable; or

(ii) The purchaser either alone or with his purchaser representative(s) has such knowledge and experience in financial and business matters that he is or they are capable of evaluating the merits and risks of the prospective investment.

(e) Disqualifications. No exemption under this section shall be available for the securities of any issuer if any of the parties described in the Securities Act of 1933, Regulation A, Rule 230.262 is disqualified for any of the reasons listed in WAC 460-44A-505 (2)(d) unless inapplicable or waived as set forth in WAC 460-44A-505 (2)(d)(vi) and (vii).

(f) Notice filing. The issuer shall file a notice, with a consent to service of process, and pay a filing fee as set forth in WAC 460-44A-503.

(g) Advice about the limitations on resale.

The issuer, at a reasonable time prior to the sale of securities, shall advise each purchaser of the limitations on resale in the manner contained in WAC 460-44A-502 (4)(b).

(4) Transactions which are exempt under this section may not be combined with offers and sales exempt under any other rule or section of the Securities Act of Washington, however, nothing in this limitation shall act as an election. Should for any reason the offer and sale fail to comply with all of the conditions for the exemption of this section, the issuer may claim the availability of any other applicable exemption.

(5) WAC 460-44A-504 is not the exclusive method by which issuers may make offerings under Securities and Exchange Commission Rules 504 and 147. For example, offers and sales of an issuer in compliance with Securities and Exchange Commission Rule 504 or Rule 147 may also be registered by qualification under chapter 21.20 RCW. An issuer that qualifies may elect to register an offering pursuant to the Small Company Offering Registration (SCOR) program as set out in chapter 460-17A WAC.

(6) Issuers are reminded that nothing in these rules alters their obligation under RCW 21.20.010. RCW 21.20.010(2) renders it unlawful "to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading..." In addition, issuers must otherwise comply with the anti-fraud provisions of the federal and state securities laws. No format for disclosure is prescribed. However, issuers may wish to consider the question and answer disclosure format of the SCOR Form of chapter 460-17A WAC in determining the

disclosure they make. If the SCOR form is used, the issuer should indicate that the Form is being used for an exempt offering under this section rather than in an offering registered under chapter 21.20 RCW and chapter 460-17A WAC.

[Statutory Authority: RCW 21.20.450 and 21.20.320(9). 00-23-027, § 460-44A-504, filed 11/7/00, effective 12/8/00; 00-04-094, § 460-44A-504, filed 2/2/00, effective 3/4/00. Statutory Authority: RCW 21.20.450, 21.20.320(9), 21.20.320(1) and 21.20.320(17). 98-11-014, § 460-44A-504, filed 5/12/98, effective 6/12/98. Statutory Authority: RCW 21.20.450, 94-03-061, § 460-44A-504, filed 1/14/94, effective 2/14/94. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11). 90-09-059, § 460-44A-504, filed 4/17/90, effective 5/18/90.]

**WAC 460-44A-505 Uniform offering exemption for limited offers and sales of securities not exceeding \$5,000,000.** (1) Exemption. Offers and sales of securities by an issuer in compliance with the Securities Act of 1933, Regulation D, Rules 230.501 through 230.503; 230.505; and 230.508 as made effective in Release No. 33-6389, and as amended in Release Nos. 33-6437, 33-6663, 33-6758, 33-6825, 33-6863, 33-6949, and 33-6996 that satisfy the conditions in subsection (2) of this section shall be exempt transactions under RCW 21.20.320(17).

(2) Conditions to be met.

(a) General conditions. To qualify for exemption under this section, offers and sales must satisfy all the terms and conditions of WAC 460-44A-501 through 460-44A-503.

Note: In order to comply with this section the issuer must comply with the provisions of Rule 505 (17 CFR Sec. 230.505) of the Federal Securities and Exchange Commission.

(b) Specific conditions.

(i) No commission, fee, or other remuneration shall be paid or given directly or indirectly, to any person for soliciting any prospective purchaser that is not an accredited investor in the state of Washington unless such person is registered in this state as a broker-dealer or salesperson.

(ii) It is a defense to a violation of (b)(i) of this subsection if the issuer sustains the burden of proof to establish that he did not know and in the exercise of reasonable care could not have known that the person who offered or sold the security was not appropriately registered in this state.

(c) In all sales to nonaccredited investors in this state under this section the issuer and any person acting on its behalf shall have reasonable grounds to believe and after making reasonable inquiry shall believe that, as to each purchaser, one of the following conditions, (i) or (ii) of this subsection, is satisfied:

(i) The investment is suitable for the purchaser upon the basis of the facts, if any, disclosed by the purchaser as to his other security holdings and as to his financial situation and needs. For the purpose of this condition only, it may be presumed that if the investment does not exceed ten percent of the purchaser's net worth, it is suitable. This presumption is rebuttable; or

(ii) The purchaser either alone or with his purchaser representative(s) has such knowledge and experience in financial and business matters that he is or they are capable of evaluating the merits and risks of the prospective investment.

(d) No exemption under this rule shall be available for the securities of any issuer if any of the parties described in Securities Act of 1933, Regulation A, Rule 230.262:

(i) Has filed a registration statement which is the subject of a currently effective registration stop order entered pursuant to the Securities Act of Washington, chapter 21.20 RCW, or any other state's securities law, within five years prior to the filing of the notice required under this exemption.

(ii) Has been convicted within ten years prior to the filing of the notice required under this exemption of any felony or misdemeanor in connection with the offer, purchase or sale of any security or any felony involving fraud or deceit, including but not limited to forgery, embezzlement, obtaining money under false pretenses, larceny, or conspiracy to defraud.

(iii) Is currently subject to any state administrative enforcement order or judgment entered by the Washington state administrator of securities or any other state's securities administrator within five years prior to the filing of the notice required under this section or is subject to any state's administrative enforcement order or judgment in which fraud or deceit, including but not limited to making untrue statements of material facts and omitting to state material facts, was found and the order or judgment was entered within five years prior to the filing of the notice required under this exemption.

(iv) Is subject to an order or judgment of the Washington state administrator of securities or any other state's administrative enforcement order or judgment which prohibits, denies or revokes the use of any exemption from registration in connection with the offer, purchase or sale of securities.

(v) Is currently subject to any order, judgment, or decree of any court of competent jurisdiction temporarily or preliminarily restraining or enjoining, or is subject to any order, judgment or decree of any court of competent jurisdiction, permanently restraining or enjoining, such party from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving the making of any filing with this or any state entered within five years prior to the filing of the notice required under this exemption.

(vi) The prohibitions of (d)(i), (ii), (iii), and (v) of this subsection shall not apply if the person subject to the disqualification is duly licensed or registered to conduct securities related business in this state and the Form B-D filed with this state discloses the order, conviction, judgment or decree relating to such person. No person disqualified under (d) of this subsection may act in a capacity other than that for which the person is licensed or registered.

(vii) Any disqualification caused by (d) of this subsection is automatically waived if the Washington state administrator of securities or the state securities administrator or other agency which created the basis for disqualification determines upon a showing of good cause that it is not necessary under the circumstances that the exemption of this section be denied.

(viii) It is a defense to a violation of this paragraph (d) if the issuer sustains the burden of proof to establish that the issuer did not know and in the exercise of reasonable care could not have known that a disqualification under this paragraph existed.

(e) The issuer shall file a notice, with a consent to service of process, and pay a filing fee as set forth in WAC 460-44A-503.

(3) Transactions which are exempt under this section may not be combined with offers and sales exempt under any other rule or section of the Securities Act of Washington, however, nothing in this limitation shall act as an election. Should for any reason the offer and sale fail to comply with all of the conditions for the exemption of this section, the issuer may claim the availability of any other applicable exemption.

(4) The Washington state administrator of securities may, by rule or order, waive the conditions of this section.

(5) The exemption authorized by this section shall be known and may be cited as the "Washington uniform limited offering exemption."

[Statutory Authority: RCW 21.20.450, 94-03-061, § 460-44A-505, filed 1/14/94, effective 2/14/94. Statutory Authority: RCW 21.20.320 (1) and (16) and 21.20.450, 89-17-076 (Order SDO-122-89), § 460-44A-505, filed 8/17/89, effective 9/17/89. Statutory Authority: RCW 21.20.320(16) and 21.20.450, 88-15-024 (Order SDO-71-88), § 460-44A-505, filed 7/12/88. Statutory Authority: RCW 21.20.320(17) and 21.20.340(11), 86-15-003 (Order SDO-80-86), § 460-44A-505, filed 7/3/86.]

**WAC 460-44A-506 Conditions pertaining to the offer and sale of securities pursuant to Rule 506 of the Securities Act of 1933.** (1) Offers and sales of securities by an issuer in compliance with the Securities Act of 1933, Regulation D, Rules 230.501 through 230.503; 230.506; and 230.508 as made effective in Release No. 33-6389, and as amended in Release Nos. 33-6437, 33-6663, 33-6758, 33-6825, 33-6863, 33-6949, and 33-6996 shall satisfy the conditions in subsections (2) and (3) of this section.

(2) To qualify for preemption under this section, offers and sales must satisfy all the terms and conditions of WAC 460-44A-503.

Note: In order to comply with this section the issuer must comply with the provisions of Rule 506 (17 CFR Sec. 230.506) of the Federal Securities and Exchange Commission.

(3) Offers or sales which are exempted under this section may not be combined in the same offering with offers or sales exempted under any other rule or section of chapter 21.20 RCW; however, nothing in this limitation shall act as an election. Should for any reason an offering fail to comply with all of the conditions for this section, the issuer may claim the availability of any other applicable exemption.

[Statutory Authority: RCW 21.20.450, 21.20.320(9), 21.20.320(1) and 21.20.320(17), 98-11-014, § 460-44A-506, filed 5/12/98, effective 6/12/98. Statutory Authority: RCW 21.20.450, 94-03-061, § 460-44A-506, filed 1/14/94, effective 2/14/94. Statutory Authority: RCW 21.20.320 (1) and (16) and 21.20.450, 89-17-076 (Order SDO-122-89), § 460-44A-506, filed 8/17/89, effective 9/17/89; 88-15-024 (Order SDO-71-88), § 460-44A-506, filed 7/12/88. Statutory Authority: RCW 21.20.320 (1) and (17) and 21.20.340(11), 86-15-003 (Order SDO-80-86), § 460-44A-506, filed 7/3/86. Statutory Authority: RCW 21.20.320(1) and 21.20.450, 85-01-062 (Order SDO-196-84), § 460-44A-506, filed 12/17/84; 82-21-031 (Order SDO-98-82), § 460-44A-506, filed 10/15/82.]

**WAC 460-44A-508 Insignificant deviations from a term, condition, or requirement of WAC 460-44A-501 through 460-44A-505.** (1) A failure to comply with a term, condition, or requirement of WAC 460-44A-504 or 460-

44A-505 will not result in the loss of the exemption from the registration requirements of RCW 21.20.140 for any offer or sale to a particular individual or entity, if the person relying on the exemption shows:

(a) The failure to comply did not pertain to a term, condition, or requirement directly intended to protect that particular individual or entity; and

(b) The failure to comply was insignificant with respect to the offering as a whole: Provided, That any failure to comply with WAC 460-44A-502(3), 460-44A-503, 460-44A-504 (3)(a), (c), and (e), 460-44A-505 (2)(d) and (e) and (3), paragraph (c) of Securities and Exchange Commission Rule 502, and paragraphs (b)(2)(i) and (ii) of Securities and Exchange Commission Rule 505 shall be deemed to be significant to the offering as a whole; and

(c) A good faith and reasonable attempt was made to comply with all applicable terms, conditions, and requirements of WAC 460-44A-504 or 460-44A-505.

(2) A transaction made in reliance on WAC 460-44A-504 or 460-44A-505 shall comply with all applicable terms, conditions, and requirements of WAC 460-44A-501 through 460-44A-505. Where an exemption is established only through reliance upon subsection (1) of this section, the failure to comply shall nonetheless be actionable by the securities administrator under chapter 21.20 RCW.

[Statutory Authority: RCW 21.20.450, 21.20.320(9), 21.20.320(1) and 21.20.320(17), 98-11-014, § 460-44A-508, filed 5/12/98, effective 6/12/98. Statutory Authority: RCW 21.20.450, 21.20.320 (1), (9) and (17) and 21.20.340(11), 90-09-059, § 460-44A-508, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 21.20.320 (1) and (16) and 21.20.450, 89-17-076 (Order SDO-122-89), § 460-44A-508, filed 8/17/89, effective 9/17/89.]

### Chapter 460-52A WAC NONPROFIT ORGANIZATIONS

#### WAC

460-52A-020 Definitions—Transactions not involving a security.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-52A-010 Definitions. [Statutory Authority: RCW 21.20.450, 95-12-003, § 460-52A-010, filed 5/24/95, effective 6/24/95; Order SD-131-77, § 460-52A-010, filed 11/23/77; Order 344, § 460-52A-010, filed 10/24/75.] Repealed by 98-17-059, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.20.450.

460-52A-030 Exemption for securities of nonprofit organizations. [Order SD-131-77, § 460-52A-030, filed 11/23/77; Order 344, § 460-52A-030, filed 10/24/75.] Repealed by 98-17-059, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.20.450.

460-52A-035 Contents of special registration for nonprofit organizations. [Order 344, § 460-52A-035, filed 10/24/75.] Repealed by Order SD-131-77, filed 11/23/77.

460-52A-036 Contents of offering circular/prospectus. [Order 344, § 460-52A-036, filed 10/24/75.] Repealed by Order SD-131-77, filed 11/23/77.

460-52A-040 Exemption notice. [Order SD-131-77, § 460-52A-040, filed 11/23/77; Order 344, § 460-52A-040, filed 10/24/75.] Repealed by 98-17-059, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.20.450.

460-52A-045 Nonprofit security salesman exemptions. [Order 344, § 460-52A-045, filed 10/24/75.] Repealed by Order SD-131-77, filed 11/23/77.

460-52A-050 Filing fee. [Order SD-131-77, § 460-52A-050, filed 11/23/77; Order 344, § 460-52A-050, filed 10/24/75.] Repealed by 98-17-059, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.20.450.

(2003 Ed.)

460-52A-060

Duration of offering. [Order SD-131-77, § 460-52A-060, filed 11/23/77.] Repealed by 98-17-059, filed 8/17/98, effective 9/17/98. Statutory Authority: RCW 21.20.450.

**WAC 460-52A-020 Definitions—Transactions not involving a security.** The following transactions of nonprofit organizations will not involve the issuance of a security for registration purposes.

(1) Outright gifts with no expectation of return on investment by the donor.

(2) Outright gifts as above, but subject to reserved life estates.

(3) Testamentary dispositions.

(4) Voluntary inter vivos trusts.

(a) The following are considered to be voluntary inter vivos trusts:

(i) Charitable remainder trusts, as defined in Section 664 of the Internal Revenue Code.

(ii) Charitable remainder annuity trusts, as defined in Section 664 of the Internal Revenue Code.

(iii) Charitable remainder unitrusts as defined in Section 664 of the Internal Revenue Code.

(iv) Pooled income funds as described in Section 646 (c)(5) of the Internal Revenue Code.

(b) Trust arrangements are presumed to be voluntary inter vivos trust, if each of the following conditions are met:

(i) It is an express trust created during the life of the trustor, which trust may be revocable or irrevocable;

(ii) The obligations of the trustee are in accord with the Trustee's Accounting Act, chapter 30.30 RCW;

(iii) The trustee is not authorized or directed, expressly or by implication, to commingle by loan or otherwise the corpus or any part thereof with the personal assets of the trustee, or with the assets of any person entitled to a remainder interest.

(c) This section does not create any presumption that a trust arrangement not conforming to this section is not an inter vivos trust.

[Order 344, § 460-52A-020, filed 10/24/75.]

### Chapter 460-60A WAC FINANCIAL STATEMENTS AND REPORTS— CONTENTS AND FILING REQUIREMENTS

#### WAC

460-60A-010 Financial statements.

460-60A-015 Federal interstate offerings by coordination.

460-60A-020 Intrastate filings and federal filings not meeting the requirements of coordination.

460-60A-025 Quarterly reports required of certain issuers.

460-60A-035 Quarterly reports—When to file.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-60A-040 Reports after termination of public offerings. [Order 304, § 460-60A-040, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.] Repealed by 98-20-028, filed 9/28/98, effective 10/29/98. Statutory Authority: RCW 21.20.450.

460-60A-045 Annual reporting requirements of RCW 21.20.740. [Order 304, § 460-60A-045, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.] Repealed by 98-20-028, filed 9/28/98, effective 10/29/98. Statutory Authority: RCW 21.20.450.

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- 460-60A-050 Contents of reports under RCW 21.20.740. [Order 304, § 460-60A-050, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.] Repealed by 98-20-028, filed 9/28/98, effective 10/29/98. Statutory Authority: RCW 21.20.450.
- 460-60A-055 Reports maintained—Time period required. [Order 304, § 460-60A-055, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.] Repealed by 98-20-028, filed 9/28/98, effective 10/29/98. Statutory Authority: RCW 21.20.450.

**WAC 460-60A-010 Financial statements.** (1) All financial statements required to be filed under these regulations shall be prepared in form and content in accordance with generally accepted accounting principles.

(2) The administrator may require the filing of other statements in addition to, or in substitution for, the statements herein required in any case where such statements are necessary or appropriate for an adequate presentation of the financial condition of any issuer or person whose financial statements are required, or whose statements are otherwise necessary for the protection of investors.

[Statutory Authority: RCW 21.20.210(14), 79-09-028 (Order SD-57-79), § 460-60A-010, filed 8/14/79; Order 304, § 460-60A-010, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.]

**WAC 460-60A-015 Federal interstate offerings by coordination.** Financial statements meeting the requirements of the United States Securities and Exchange Commission and filed with the Washington securities division pursuant to the provisions of RCW 21.20.180 will be deemed to have met the financial disclosure requirements of the division: Provided, That if the aggregate sales price of the offering exceeds one million dollars, annual financial statements shall be audited and certified by an independent certified public accountant.

[Statutory Authority: RCW 21.20.450, 21.20.210(14) and 21.20.180(8), 96-11-022, § 460-60A-015, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.210 (14)(d) and 21.20.450, 80-04-037 (Order SDO-37-80), § 460-60A-015, filed 3/19/80. Statutory Authority: RCW 21.20.210(14), 79-09-028 (Order SD-57-79), § 460-60A-015, filed 8/14/79; Order 304, § 460-60A-015, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.]

**WAC 460-60A-020 Intrastate filings and federal filings not meeting the requirements of coordination.** (1) For offerings of one million dollars or under and filed pursuant to RCW 21.20.210 the requirements of WAC 460-60A-010 shall apply.

(2) For offerings over one million dollars and filed pursuant to RCW 21.20.210 the annual financial statements must be audited. For specific requirements not contained in these rules refer to RCW 21.20.210(14).

[Statutory Authority: RCW 21.20.450, 21.20.210(14) and 21.20.180(8), 96-11-022, § 460-60A-020, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 21.20.210(14), 79-09-028 (Order SD-57-79), § 460-60A-020, filed 8/14/79; Order 304, § 460-60A-020, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.]

**WAC 460-60A-025 Quarterly reports required of certain issuers.** As a condition to registration pursuant to RCW 21.20.180 or 21.20.210, the administrator may require an issuer, whose securities are being offered and sold directly by or for its own account, to file quarterly reports during the term of the offering on a form specified by the administrator.

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Each filing shall be accompanied by the fee required by RCW 21.20.340 (5)(b).

[Statutory Authority: RCW 21.20.450, 98-20-028, § 460-60A-025, filed 9/28/98, effective 10/29/98; Order 304, § 460-60A-025, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.]

**WAC 460-60A-035 Quarterly reports—When to file.** Quarterly reports will be filed on a quarterly basis, said quarters to be based upon the issuer's fiscal year. The quarterly reports shall be filed with the division within thirty calendar days from the end of each quarterly period.

[Order SD-131-77, § 460-60A-035, filed 11/23/77; Order 304, § 460-60A-035, filed 2/28/75, effective 4/1/75. Formerly chapter 460-60 WAC.]

## Chapter 460-64A WAC

### CAPITAL REQUIREMENTS—DEFINITIONS

#### WAC

460-64A-010	Definitions.
460-64A-020	Capital requirements.

**WAC 460-64A-010 Definitions.** As set forth in RCW 21.20.710, the phrase "cash or comparable liquid assets" means: Legal tender of the United States of America, U.S. Treasury notes or bills, or other negotiable government securities with an ascertainable public market or other liquid assets as allowed with the express written permission of the securities administrator.

[Statutory Authority: RCW 21.20.710 and 21.20.450, 87-03-052 (Order SDO-05-87), § 460-64A-010, filed 1/21/87; Order 304, § 460-64A-010, filed 2/28/75, effective 4/1/75.]

**WAC 460-64A-020 Capital requirements.** The paid-in capital requirements enumerated in RCW 21.20.710 must be maintained at all times.

[Statutory Authority: RCW 21.20.710 and 21.20.450, 87-03-052 (Order SDO-05-87), § 460-64A-020, filed 1/21/87; Order 304, § 460-64A-020, filed 2/28/75, effective 4/1/75.]

## Chapter 460-80 WAC

### FRANCHISE REGISTRATION

#### WAC

460-80-100	Notice of claim for exemption.
460-80-108	Exemption for offer and sale to accredited investors pursuant to RCW 19.100.030(5).
460-80-110	Franchise registration application.
460-80-125	Franchise registration application instructions.
460-80-140	Financial statements.
460-80-190	Time of registration effectiveness.
460-80-195	Approval is not an endorsement.
460-80-300	Receipt of offering circular.
460-80-310	Offering circular.
460-80-315	Washington uniform franchise offering circular.
460-80-400	Impounds.
460-80-410	Imposition of impound.
460-80-420	Operation of impound condition.
460-80-430	Purchase receipts.
460-80-440	Depository.
460-80-450	Release of impounds.
460-80-500	Advertising.

### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-80-120	Subfranchisor registration application. [Order 11, § 460-80-120, filed 3/3/72.] Repealed by 80-04-036 (Order
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- SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.250.
- 460-80-130 Franchise registration exhibits. [Order 11, § 460-80-130, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.040 (4), (7), and (20), 19.100.070(2), and 19.100.250.
- 460-80-150 Number of franchises. [Order 11, § 460-80-150, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.040(20) and 19.100.250.
- 460-80-160 Cross reference sheets. [Order 11, § 460-80-160, filed 3/3/72.] Repealed by 96-11-029, filed 5/6/96, effective 6/6/96. Statutory Authority: RCW 19.100.250.
- 460-80-170 Signing of application. [Order 11, § 460-80-170, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.250.
- 460-80-180 Consent to service of process. [Order 11, § 460-80-180, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.160 and 19.100.250.
- 460-80-200 Renewal of franchise registration. [Order 11, § 460-80-200, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.070(2).
- 460-80-210 Underscoring of changes. [Order 11, § 460-80-210, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.070(2) and 19.100.250.
- 460-80-220 Application to amend registration. [Order 11, § 460-80-220, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.250.
- 460-80-320 Required information in offering circular. [Order 11, § 460-80-320, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.040 (4), (7), and (20), 19.100.070(2), and 19.100.250.
- 460-80-330 Sequence of presentation in offering circular. [Order 11, § 460-80-330, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.250.
- 460-80-900 Registration renewal application. [Order 11, § 460-80-900, filed 3/3/72.] Repealed By 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.070(2) and 19.100.250.
- 460-80-910 Sale of franchises—Power of attorney for consent to service. [Order 11, § 460-80-910, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.160 and 19.100.250.

**WAC 460-80-100 Notice of claim for exemption.** Any franchisor or subfranchisor who claims an exemption under RCW 19.100.030 (4)(a) and (b)(i) shall file with the administrator of the state securities division a statement giving notice of such claim for exemption, the name and address of the franchisor or subfranchisor, the name under which the franchisor or subfranchisor is doing business, and a statement setting forth the information upon which the exemption under RCW 19.100.030 (4)(b)(i) is claimed, including the most recent audited financial statement showing compliance with the requirements of RCW 19.100.030 (4)(b)(i)(A).

[Order 11, § 460-80-100, filed 3/3/72.]

**WAC 460-80-108 Exemption for offer and sale to accredited investors pursuant to RCW 19.100.030(5).** For the purpose of the exemption of RCW 19.100.030(5), an "accredited investor" shall mean any person who comes within any of the following categories, or who the franchisor reasonably believes comes within any of the following categories, at the time of the sale of the franchise to that person:

(1) Any bank as defined in section 3 (a)(2) of the Securities Act of 1933, or any savings and loan association or other

institution as defined in section 3 (a)(5)(A) of the Securities Act of 1933 whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; any insurance company as defined in section 2(13) of the Securities Act of 1933; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2 (a)(48) of that act; any small business investment company licensed by the U.S. Small Business Administration under section 301 (c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(2) Any private business development company as defined in section 202 (a)(22) of the Investment Advisers Act of 1940;

(3) Any organization described in section 501 (c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the franchise offered, with total assets in excess of \$5,000,000;

(4) Any director, executive officer, or general partner of the franchisor of the franchises being offered or sold, or any director, executive officer, or general partner of a general partner of that franchisor;

(5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;

(6) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the franchise offered, whose purchase is directed by a sophisticated person as described in 17 CFR Sec. 230.506 (b)(2)(ii); and

(8) Any entity in which all of the equity owners are accredited investors.

[Statutory Authority: RCW 19.100.250. 92-02-054, § 460-80-108, filed 12/30/91, effective 1/30/92.]

**WAC 460-80-110 Franchise registration application.**

All applications for registration, renewal or amendment of a franchise shall have as the first page thereof a facing page in the form as provided by the department of licensing and containing the information specified therein. The application for registration, renewal or amendment must be accompanied by the fee prescribed in RCW 19.100.240 made payable by check to the treasurer of the state of Washington.

[Statutory Authority: RCW 19.100.040(12), 19.100.070(2) and 19.100.250. 80-04-036 (Order SDO-38-80), § 460-80-110, filed 3/19/80; Order 11, § 460-80-110, filed 3/3/72.]

**WAC 460-80-125 Franchise registration application instructions.** The following must be adhered to with respect to all applications for registration, registration renewal or registration amendment:

(1) Completion of application. An application for registration of the offer or sale of franchises shall include the following, all of which shall be verified by means of the prescribed signature page:

- (a) Facing page;
- (b) Supplemental information page(s);
- (c) Salesmen disclosure form;
- (d) A copy of the proposed offering circular.

(2) The following shall be attached to the application:

- (a) A second copy of the proposed offering circular;
- (b) A cross-reference sheet showing the location in the franchise agreement of the information required to be included in the application and in the offering circular. If any item calling for information is inapplicable or the answer thereto is in the negative and is omitted, a statement to that effect shall be made in the cross-reference sheet;

- (c) A consent to service of process;

- (d) Two copies of any advertising to be used in connection with the offer or sale in this state of franchises.

(3) Definitions:

(a) "Predecessor," for the purposes of the disclosure required by item 1 in the body of the offering circular, is defined as follows: A "predecessor" of a franchisor is (i) a person the major portion of whose assets have been acquired directly or indirectly by the franchisor, or (ii) a person from whom the franchisor acquired directly or indirectly the major portion of its assets;

(b) "Franchise broker," for the purposes of the disclosure required by the cover page and item 2 in the body of the offering circular, is defined as follows: A "franchise broker" is any person engaged in the business of representing a franchisor or subfranchisor in offering for sale or selling a franchise, except anyone whose identity and business experience is otherwise required to be disclosed at item 2 in the body of the offering circular.

(4) Disclosure: Each disclosure item should be either positively or negatively commented upon by use of a statement which fully incorporates the information required by the item.

(5) Subfranchisors: When the person filing the application for registration is a subfranchisor, the application shall also include the same information concerning the subfranchisor as is required from the franchisor; the franchisor, as well as the subfranchisor, shall execute a signature page.

(6) Signing of application: The application shall be signed by an officer or general partner of the applicant; however, it may be signed by another person holding a power of attorney for such purposes from the applicant. If signed on behalf of the applicant pursuant to such power of attorney, the application shall include as an additional exhibit a copy of said power of attorney or a copy of the corporate resolution authorizing the attorney to act.

(7) Manually signed consent of accountant: All applications shall be accompanied by a manually signed consent of the independent public accountants for the use of their audited financial statements as such statements appear in the offering circular.

(8) Application to amend the registration: An amendment to an application filed either before or after the effective date of registration shall contain only the information being amended identified by item number and shall be verified by means of the prescribed signature page. Each amendment shall be accompanied by a facing page in the form prescribed on which the applicant shall indicate the filing is an amendment and the number of the amendment, if more than one.

(9) Underscoring of changes: If the registration renewal statement or any amendment to an application for registration alters the text of the offering circular, or of any item, or other document previously filed as a part of the application for registration, the changes in such text shall be indicated by means of underscoring or in some other appropriate manner.

[Statutory Authority: RCW 19.100.250. 92-02-054, § 460-80-125, filed 12/30/91, effective 1/30/92; 80-04-036 (Order SDO-38-80), § 460-80-125, filed 3/19/80.]

**WAC 460-80-140 Financial statements.** (a) Financial statements required to be filed in connection with an application for registration or renewal of an offer or sale of a franchise shall be prepared in accordance with generally accepted accounting principles as set forth in rules as adopted pursuant to chapter 460-60A WAC etc. Such financial statements should be audited by a certified public accountant having the same qualifications and restrictions as those set forth in WAC 460-60A-100, except where the particular form or this section permits the use of unaudited statements for interim periods.

(b) In extraordinary cases the director may waive the requirement for audited statements if the statements have been prepared by an independent certified public accountant or independent public accountant and the director is otherwise satisfied as to the reliability of such statements and as to the ability of the franchisor to perform future commitments. Such waiver will ordinarily be granted only upon a showing that the franchisor has not had prior audited statements; that the close of the most recent or current fiscal year is so near the time of filing of the application that it would be unreasonably costly or impractical to provide audited statements with the application; and that audited statements will be furnished within a reasonable time after the end of the most recent or current fiscal year. In such cases the director may impose an impound condition and such other conditions and restrictions as in his discretion may be appropriate.

(c) The use of unaudited financial statements as provided in these rules does not relieve the applicant or any person from any liability for false and misleading statements contained in such financial statements.

[Statutory Authority: RCW 19.100.040(7) and 19.100.250. 80-04-036 (Order SDO-38-80), § 460-80-140, filed 3/19/80; Order 11, § 460-80-140, filed 3/3/72.]



**WAC 460-80-190 Time of registration effectiveness.**

A registration statement for the selling of a franchise under RCW 19.100.060 becomes effective if no stop order is in effect and no proceeding pending under RCW 19.100.120 at 3:00 p.m., P.S.T. on the afternoon of the 15th business day after the filing of the registration or the last amendment or at such earlier time as the director determines.

[Order 11, § 460-80-190, filed 3/3/72.]

**WAC 460-80-195 Approval is not an endorsement.**

The filing of the application for registration or the effectiveness of the registration does not constitute a finding by the director that any document filed under this act is true, complete and not misleading. Neither any such fact nor the fact that an exemption is available for a transaction means that the director has passed in any way upon the merits or qualification of, or recommended or given approval to any person, franchise or transaction.

[Order 11, § 460-80-195, filed 3/3/72.]

**WAC 460-80-300 Receipt of offering circular.** Each prospective purchaser of a franchise shall sign a receipt in substantially the following form that they have received the offering circular and that they received the same before signing the receipt and completing the sale.

ACKNOWLEDGEMENT OF RECEIPT OF OFFERING  
CIRCULAR BY PROSPECTIVE FRANCHISEE FROM  
(NAME OF FRANCHISOR)

The undersigned, personally and/or as an officer or partner of the proposed franchisee, does hereby acknowledge receipt of "the franchise offering circular for prospective franchisees required by the state of Washington" including all exhibits attached thereto, to-wit: (List exhibits to be attached, including, but not limited to, financial statements, franchise agreement, lease agreements, etc.) I acknowledge that I received the offering circular at least 48 hours prior to signing this receipt and completing the sale.

Dated: .....

.....  
individually and/or as an officer  
or partner of. ....  
a (..... corporation)  
(..... partnership)

[Statutory Authority: RCW 19.100.250. 80-04-036 (Order SDO-38-80), § 460-80-300, filed 3/19/80; Order 11, § 460-80-300, filed 3/3/72.]

**WAC 460-80-310 Offering circular.** The purpose of the offering circular is to inform prospective franchisees and subfranchisors. Accordingly, the information set forth in the circular should be presented in a clear, concise fashion that will be readily understandable.

(a) All information contained in the offering circular shall be set forth under appropriate captions or headings reasonably indicative of the principal subject matter set forth thereunder. Except as to financial statements and other tabular data, information set forth in the offering circular should be divided into reasonable short paragraphs or sections.

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(b) Each offering circular should contain a reasonable detailed table of contents showing the subject matter of the various sections or subdivisions of the offering circular and the page number on which each section or subdivision begins.

[Order 11, § 460-80-310, filed 3/3/72.]

**WAC 460-80-315 Washington uniform franchise offering circular.** To implement the disclosure requirements of RCW 19.100.030 (4)(a) and 19.100.040, the director adopts the Uniform Franchise Offering Circular (UFOC) as amended by the North American Securities Administrators Association (NASAA) on April 25, 1993.

[Statutory Authority: RCW 19.100.250. 95-08-015, § 460-80-315, filed 3/24/95, effective 4/24/95; 92-02-054, § 460-80-315, filed 12/30/91, effective 1/30/92; 88-01-060 (Order SDO 112B-87), § 460-80-315, filed 12/17/87. Statutory Authority: RCW 19.100.040 (4), (7), and (20), and 19.100.250. 80-04-036 (Order SDO-38-80), § 460-80-315, filed 3/19/80.]

**WAC 460-80-400 Impounds.** The director may, by rule or order, require as a condition to the effectiveness of the registration the impound of franchise fees if he finds that such requirement is appropriate to protect the prospective franchisee.

[Order 11, § 460-80-400, filed 3/3/72.]

**WAC 460-80-410 Imposition of impound.** In a case where the applicant has failed to demonstrate that adequate financial arrangements have been made to fulfill obligations to provide real estate, improvements, equipment, inventory, training or other items included in the offering, the director or administrator may impose as a condition to the registration of a franchise offering an impoundment of the franchise fees and other funds paid by the franchisee or subfranchisor until no later than the time of opening of the franchise business.

[Order 11, § 460-80-410, filed 3/3/72.]

**WAC 460-80-420 Operation of impound condition.** When an impound condition is imposed in connection with the registration of a franchise offering, one hundred percent of franchisee fees and all other funds paid by the franchisees or subfranchisors for any purpose shall within 48 hours of the receipt of such funds, be placed with the depository until the director takes further action pursuant to WAC 460-80-450.

All checks shall be made payable to the depository.

[Order 11, § 460-80-420, filed 3/3/72.]

**WAC 460-80-430 Purchase receipts.** When an impound condition is imposed, the franchisor shall deliver to each franchisee or subfranchisor, a purchase receipt, in a form approved by the director. Such purchase receipts shall be consecutively numbered and prepared in triplicate and the original given to the franchisee or subfranchisor, the first copy to the depository together with the payment received and the second copy to the franchisor.

[Order 11, § 460-80-430, filed 3/3/72.]

**WAC 460-80-440 Depository.** Funds subject to an impound condition shall be placed in a separate trust account with a national bank located in Washington or a Washington bank or trust company. A written consent of the depository to act in such capacity shall be filed with the director.

[Order 11, § 460-80-440, filed 3/3/72.]

**WAC 460-80-450 Release of impounds.** The director will authorize the depository to release to the franchisor such amounts of the impounded funds applicable to a specified franchisee (or subfranchisor) upon a showing that the franchisor has fulfilled its obligations under the franchise agreement, or that for other reasons the impound is no longer required for protection of franchisees.

An application for an order of the director authorizing the release of impounds to the franchisor shall be verified and shall contain the following:

(a) A statement of the franchisor that all required proceeds from the sale of franchises have been placed with the depository in accordance with the terms and conditions of the impound condition.

(b) A statement of the depository signed by an appropriate officer setting forth the aggregate amount of impounds placed with the depository.

(c) The names of each franchisee (or subfranchisor) and the amount held in the impound for the account of each franchisee (or subfranchisor).

(d) A statement by the franchisee that the franchisor has performed his obligations under the franchise contract.

(e) Such other information as the director may require in a particular case.

[Order 11, § 460-80-450, filed 3/3/72.]

**WAC 460-80-500 Advertising.** All advertising to be used to offer a franchise, subject to the registration requirement, for sale must be filed in the office of the director at least 7 days prior to the publication and all advertising shall be subject to the following statement of policy:

(a) An advertisement should not contain any statement or inference that a purchase of a franchise is a safe investment or that failure, loss or default is impossible or unlikely, or that earnings or profits are assured.

(b) An advertisement should not normally contain a projection of future franchisee earnings unless such projection is (i) based on past earnings records of all franchisees operating under conditions, including location, substantially similar to conditions affecting franchises being offered (ii) for a reasonable period only and (iii) is substantiated by data which clearly supports such projections.

(c) An advertisement should normally contain the name and address of the person using the advertisement.

(d) If the advertisement contains any endorsement or recommendation of the franchises by any public figure, whether express or implied (for example, by the inclusion of such person's photograph or name in the advertisement), full disclosure shall be made of any compensation or other benefit given or promised by the franchisor or any person associated with the franchisor to such person, directly or indirectly. The disclosure required in this subsection (d) shall be made in the

same document containing the advertisement or, if such advertisement is presented on radio or television, as a part of the same program, without any intermission or other intervening material.

(e) Any advertisement which refers to an exemption from or reduction in taxation under any law should be based on an opinion of counsel, and the name of such counsel should be stated in the advertisement.

[Order 11, § 460-80-500, filed 3/3/72.]

## Chapter 460-82 WAC BROKER

### WAC

460-82-200 Franchise broker record requirements.

### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

460-82-100 Application. [Order 11, § 460-82-100, filed 3/3/72.]  
Repealed by 88-01-062 (Order SDO-116B-87), filed 12/17/87. Statutory Authority: RCW 19.100.140 and 19.100.250.

**WAC 460-82-200 Franchise broker record requirements.** Every franchise broker shall make and keep current the following books and records relating to his business:

(1) Records of original entry containing the sale of franchise, to whom sold, the aggregate price, the amount paid down, the installment payments, if any, the commission paid to the broker, the amount dispersed for advertising and other amounts to be funded to the franchisor.

(2) An individual registration card for each franchisee, his name and address, aggregate amount to be paid, terms of the payment, a copy of the receipt signed by the purchaser that he had received a copy of the offering circular and that it had been received ten business days before the sale.

(3) Every franchise broker shall keep a copy of all advertising used in the sale of said franchise, including but not limited to the radio, newspaper, T.V. media, letters, brochures, etc.

(4) Every franchise broker shall preserve for a period of not less than six years from the closing of any franchise account, all records, books and memorandums that relate to the franchisee.

[Statutory Authority: RCW 19.100.250, 92-02-054, § 460-82-200, filed 12/30/91, effective 1/30/92; Order 11, § 460-82-200, filed 3/3/72.]