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# Notice of Rulemaking Hearing

Hearings will be conducted in the manner prescribed by the Uniform Administrative Procedures Act, T.C.A. § 4-5-204. For questions and copies of the notice, contact the person listed below.

<b>Agency/Board/Commission:</b>	Commerce and Insurance
<b>Division:</b>	Securities
<b>Contact Person:</b>	Kaycee Wolf
<b>Address:</b>	The Davy Crockett Tower 500 James Robertson Parkway, 8 <sup>th</sup> Floor Nashville, TN 37243
<b>Phone:</b>	615-253-1821
<b>Email:</b>	<a href="mailto:Kaycee.Wolf@tn.gov">Kaycee.Wolf@tn.gov</a>

Any Individuals with disabilities who wish to participate in these proceedings (to review these filings) and may require aid to facilitate such participation should contact the following at least 10 days prior to the hearing:

<b>ADA Contact:</b>	Don Coleman
<b>Address:</b>	The Davy Crockett Tower 500 James Robertson Parkway, 8 <sup>th</sup> Floor Nashville, TN 37243
<b>Phone:</b>	615-741-6500
<b>Email:</b>	<a href="mailto:Don.Coleman@tn.gov">Don.Coleman@tn.gov</a>

**Hearing Location(s)** (for additional locations, copy and paste table)

Address 1:	500 James Robertson Parkway		
Address 2:	Davy Crockett Tower, 8 <sup>th</sup> Floor Conference Room 8-C		
City:	Nashville, TN		
Zip:	37243		
Hearing Date :	February 6, 2017		
Hearing Time:	10:00 AM	<input checked="" type="checkbox"/> CST/CDT	<input type="checkbox"/> EST/EDT

**Additional Hearing Information:**

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**Revision Type (check all that apply):**

- Amendment  
 New  
 Repeal

**Rule(s)** (ALL chapters and rules contained in filing must be listed. If needed, copy and paste additional tables to accommodate more than one chapter. Please enter only **ONE** Rule Number/Rule Title per row.)

Chapter Number	Chapter Title
0780-04-02	Securities Registration and Exemptions

Rule Number	Rule Title
0780-04-02-.07	Non-Profit Exemption
0780-04-02-.15	Bank Holding Company Exemption

Rule 0780-04-02-.07 Non-Profit Exemption is amended by deleting the Rule in its entirety and replacing it with the following language:

- (1) All persons offering securities claimed to be exempt under T.C.A. § 48-1-103(a)(7), shall, at least ten (10) days prior to any sale of such securities, file a notice on Form U-1 (including all applicable exhibits thereto) accompanied by the following additional information:
  - (a) The filing fee as set forth in T.C.A. § 48-1-103(a)(7);
  - (b) A statement of the basis for the issuer's qualification for exemption under T.C.A. § 48-1-103(a)(7);
  - (c) A copy of the Charter and Bylaws of the issuer or the equivalent entity formation and governance documents;
  - (d) Proof of consent to service of process as set forth in T.C.A. § 48-1-124;
  - (e) A description of the method by which full disclosure of material facts will be made to each offeree and a copy of the prospectus, pamphlet, offering circular, or similar literature should be provided;
  - (f) Copies of all advertising or other material to be distributed in connection with the offering;
  - (g) A copy of the subscription agreement or other similar agreement;
  - (h) A copy of any proposed agreement or proposed form of agreement with a securities broker-dealer or underwriter;
  - (i) A copy of the preliminary or definitive Trust Indenture and/or Trust Agreement, if any;
  - (j) An opinion of counsel attesting to the authority of the issuer to offer and sell the securities and stating that after the sale the securities will be valid, binding obligations of the issuer in accordance with the issuer's governing documents;
  - (k) An undertaking to notify the commissioner immediately upon the receipt of any stop order, denial, order to show cause, suspension, or revocation order, injunction or restraining order, or similar order entered by or issued by any regulatory authority or by any court, concerning the issuer, securities covered by the notice or other securities of the issuer currently being offered to the public;
  - (l) A statement of whether or not the issuer has ever been the subject of any order described in subparagraph (1)(k) of this Rule, and if so a description of the order; and
  - (m) Any additional information or documentation that the commissioner may require.
- (2) In order to be exempt under T.C.A. § 48-1-103(a)(7), a security must meet the following qualifications:
  - (a) Church Bonds
    1. If the issuer is selling Church Bonds, a disclosure document should be prepared in accordance with the Statement of Policy Regarding Church Bonds adopted by NASAA and any successor policy thereto.

2. For the purposes of this Rule, the term "Church Bonds" shall be consistent with the definition set forth in the Statement of Policy Regarding Church Bonds adopted by NASAA and any successor policy thereto.

(b) Church Extension Funds

1. If the issuer is selling notes issued by a Church Extension Fund, a disclosure document should be prepared in accordance with the Statement of Policy Regarding Church Extension Fund Securities adopted by NASAA and any successor policy thereto.
2. For the purposes of this rule, the term "Church Extension Fund" shall be consistent with the definition set forth in the Statement of Policy Regarding Church Bonds adopted by NASAA and any successor policy thereto.

(c) For all other securities exempt under T.C.A. § 48-1-103(a)(7) that do not meet the qualifications of subsection (2)(a-b), the disclosure document must contain the following information:

1. Financial statements of the issuer prepared in accordance with generally accepted accounting principles including, but not limited to, the following:
  - (i) A balance sheet as of the end of the most recent fiscal year of the issuer; and
  - (ii) A statement of income for each of the issuer's three (3) most recent fiscal years.
2. A statement from the issuer setting forth the issuer's plan for paying the principal and interest due on the securities to be sold, including, but not limited to, anticipated sources of revenue to be used in paying such principal and interest, and supporting financial information;
3. A statement as to whether or not the issuer or any affiliate or predecessor has had any material default during the past ten (10) years in the payment of:
  - (i) Principal, interest, dividends, or sinking fund installments on any security or indebtedness for borrowed money; or
  - (ii) Rentals under material leases with terms of three (3) years or more; and
4. Full disclosure of all material facts relevant to the offering.

(d) Legend. For all securities exempt under T.C.A. § 48-1-103(a)(7), the offering document shall display on its cover substantially the following information, to the extent appropriate, in capital letters and, if printed, in boldface roman type at least as high as ten (10) point modern type:

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

- (3) Effective Period. Each offering shall be effective for a period of one (1) year from the date of effectiveness.
- (4) Amendments. During the effective period, the issuer shall file supplements and amendments to the originally filed offering documents pursuant to paragraph (1)(e) with the commissioner prior to use in the offering.
- (5) Renewal. The offering may be renewed for an additional period of one (1) year by filing the notification requirements of T.C.A. § 48-1-103(a)(7) and this Rule, including the appropriate filing fee, no later than ten (10) days prior to the expiration of effectiveness.

**Authority:** T.C.A. §§ 48-1-103(a)(7), 48-1-113, 48-1-115, 48-1-116, and 48-1-124.

Rule 0780-04-02-.15 Bank Holding Company Exemption is amended by deleting the Rule in its entirety and replacing it with the following language:

- (1) All persons offering securities claimed to be exempt under T.C.A. § 48-1-103(a)(12) shall, at least ten (10) days prior to any sale of such securities, file a notice on Form U-1 (including all applicable exhibits thereto) accompanied by the following additional information:
  - (a) The filing fee as set forth in T.C.A. § 48-1-103(a)(12);
  - (b) Proof of registration with the federal reserve board;
  - (c) A copy of the registration statement filed with the SEC;
  - (d) Proof of consent to service of process as set forth in T.C.A. § 48-1-124;
  - (e) Copies of all advertising or other material to be distributed in connection with the offering; and
  - (f) Any additional information or documentation that the commissioner may require.
- (2) Effective Period. Each offering shall be effective for a period of one (1) year from the date of effectiveness.
- (3) Amendments. During the effective period, the issuer shall concurrently file with the commissioner any amendments filed with the SEC.
- (4) Renewal. The offering may be renewed for an additional period of one (1) year by filing the notification requirements of T.C.A. § 48-1-103(a)(12) and this Rule, including the appropriate filing fee, no later than ten (10) days prior to the expiration of effectiveness.

**Authority:** T.C.A. §§ 48-1-103(a)(12), 48-1-113, 48-1-115, 48-1-116, and 48-1-124.

I certify that the information included in this filing is an accurate and complete representation of the intent and scope of rulemaking proposed by the agency.



Date: December 13, 2016

Signature: Kaycee Wolf

Name of Officer: Kaycee Wolf

Title of Officer: Chief Counsel for Securities

Subscribed and sworn to before me on: December 13, 2016

Notary Public Signature: Anna Jones

My commission expires on: July 6, 2020

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Filed with the Department of State on: 12/13/16

Tre Hargett

Tre Hargett  
Secretary of State

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