

GOVERNMENT CODE
TITLE 12. SECURITIES ACT
CHAPTER 4005. EXEMPTIONS

SUBCHAPTER A. EXEMPT TRANSACTIONS

Sec. 4005.001. SCOPE OF EXEMPTION. Except as expressly provided otherwise in this title, this title does not apply to any sale of, offer for sale of, solicitation of, subscription to, dealing in, or delivery of a security made in a transaction or under a condition specified in this subchapter.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.002. COURT SUPERVISED SALES. The exemption provided by Section [4005.001](#) applies to the sale of a security made:

(1) at a judicial, executor's, administrator's, guardian's, or conservator's sale; or

(2) by a receiver or trustee in insolvency or bankruptcy.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.003. PLEDGED SECURITIES. The exemption provided by Section [4005.001](#) applies to the sale of a security pledged in good faith as security for a bona fide debt that is made by or for the account of a pledge holder or mortgagee that is selling the security or offering the security for sale or delivery in the ordinary course of business to liquidate the debt.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.004. ISOLATED TRANSACTIONS. (a) The exemption provided by Section [4005.001](#) applies to the sale of a security that is made by a vendor or on a vendor's behalf by a dealer or other agent and is made in the ordinary course of a bona fide personal investment of the vendor's personal holdings or a change in the

investment if:

(1) the vendor is not engaged in the business of selling securities; and

(2) the sale is an isolated transaction not made in the course of repeated and consecutive transactions of a like character.

(b) A sale or offer for sale under Subsection (a) is not exempt from this title if the sale or offer is made or intended to be made by the vendor or the vendor's agent for the direct or indirect benefit of a company other than the individual vendor. The usual commission of a vendor's agent is not a benefit for the purposes of this subsection.

(c) A person acting as an agent for a vendor in any sale or offer for sale under Subsection (a) must be registered under this title.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.005. INSURANCE COMPANY SALES. (a) The exemption provided by Section [4005.001](#) applies to the sale of a security made by or on behalf of an insurance company that:

(1) is subject to the supervision or control of the Texas Department of Insurance; and

(2) owns the security as a legal and bona fide investment.

(b) A sale or offer for sale under Subsection (a) is not exempt from this title if the sale or offer is made or intended to be made directly or indirectly for the benefit of another company.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.006. STOCK DIVIDENDS. The exemption provided by Section [4005.001](#) applies to a distribution of securities by a corporation directly to the corporation's stockholders as a stock dividend or other distribution paid out of earnings or surplus.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.007. EXISTING SECURITY HOLDERS. (a) In this section, "existing security holder" includes a person who is a holder of a convertible security or nontransferable warrant at the time of the transaction.

(b) The exemption provided by Section 4005.001 applies to an offer by the issuer of its securities to the issuer's existing security holders and to any transaction pursuant to the offer if no commission or other remuneration, other than a stand-by commission, is paid or given directly or indirectly for soliciting any security holder in this state.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.008. FINANCIAL DISTRESS. (a) The exemption provided by Section 4005.001 applies to the issuance in good faith of securities by a company:

(1) to the company's security holders or creditors in the process of a bona fide reorganization of the company made in good faith; or

(2) to the security holders or creditors of a predecessor company if the issuing company is organized solely for the purpose of taking over the assets and continuing the business of the predecessor company.

(b) The exemption provided by Section 4005.001 applies to an issuance of securities described by Subsection (a) only if:

(1) the securities are issued in exchange for securities of the security holders, claims of the creditors, or both; and

(2) the security holders or creditors do not pay, give, or promise any consideration, and are not obligated to pay or give any consideration, for the securities issued other than the securities of or claims against the company or the company's predecessor held or owned by the security holders or creditors at the time of the issuance.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.009. MERGER, CONSOLIDATION, AND ASSET SALES.

(a) The exemption provided by Section 4005.001 applies to the issuance or sale of securities by one corporation to another corporation or to the security holders of the corporation pursuant to a vote by one or more classes of those security holders, as required by the certificate of formation, certificate of incorporation, or applicable corporation statute, in connection with:

- (1) a merger;
- (2) a consolidation; or
- (3) a sale of corporate assets.

(b) The exemption provided by Section 4005.001 applies to an issuance or sale described by Subsection (a) only if the security holders do not pay, give, or promise any consideration, and are not obligated to pay or give any consideration, for the securities issued or sold other than the corporation's securities held by the security holders at the time of the issuance or sale.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.010. EXCHANGE OF SHARES. (a) The exemption provided by Section 4005.001 applies to the issuance or sale of securities by one corporation to the corporation's stockholders in connection with:

- (1) the change of par value stock to no par value stock or vice versa; or
- (2) the exchange of outstanding shares for the same or a greater or smaller number of shares.

(b) The exemption provided by Section 4005.001 applies to an issuance or sale described by Subsection (a) only if the security holders do not pay, give, or promise any consideration, and are not obligated to pay or give any consideration, for the securities issued or sold other than the corporation's securities held by the security holders at the time of the issuance or sale.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.011. INSTITUTIONAL INVESTORS. The exemption provided by Section 4005.001 applies to the sale of a security to:

- (1) a bank;
- (2) a trust company;
- (3) a building and loan association;
- (4) a savings and loan association;
- (5) an insurance company;
- (6) a surety or guaranty company;
- (7) a savings institution;
- (8) an investment company as defined by the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- (9) a small business investment company as defined by the Small Business Investment Act of 1958 (15 U.S.C. Section 661 et seq.); or
- (10) a registered dealer actually engaged in buying and selling securities.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.012. PRIVATE LIMITED OFFERINGS. (a) The exemption provided by Section 4005.001 applies to the following sales made without any public solicitation or advertisement:

(1) the sale of a security by the issuer of the security if the total number of security holders of the issuer does not exceed 35 persons after the sale; or

(2) the sale by an issuer of the issuer's securities to not more than 15 persons during the 12-month period ending with the date of the sale if the persons purchased the securities for their own account and not for distribution.

(b) For the purpose of determining the number of persons under Subsection (a)(2), the following persons are not included:

(1) a purchaser of a security in a transaction exempt under another provision of this subchapter;

(2) a purchaser of a security exempt under Subchapter B; and

(3) a purchaser of a security that is part of an

offering registered under Subchapter A, B, or C, Chapter 4003.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.013. COMPENSATION PLANS AND CONTRACTS. The exemption provided by Section 4005.001 applies to the sale or distribution of a security without any public solicitation or advertisement if the sale or distribution is made:

(1) by an issuer of the security or any participating subsidiary of the issuer; and

(2) under a bona fide thrift, savings, stock purchase, retirement, pension, profit-sharing, option, bonus, appreciation right, incentive, or similar written compensation plan or written compensation contract established by the issuer or the issuer's subsidiary for the benefit of:

(A) employees, directors, general partners, managers, or officers of the issuer or subsidiary;

(B) the issuer's or subsidiary's trustees, if the issuer or subsidiary is a business trust; or

(C) consultants or advisers who provide to the issuer or subsidiary bona fide services unrelated to the offer or sale of securities in a capital-raising transaction.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.014. MORTGAGES AND LIENS. The exemption provided by Section 4005.001 applies to a single transaction in which:

(1) the securities disposed of consist exclusively of notes or bonds secured by a mortgage or vendor's lien on real property or tangible personal property; and

(2) the entire mortgage or lien is sold or transferred with all of the notes or bonds secured by the mortgage or lien.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.015. NONPROFITS. The exemption provided by Section 4005.001 applies to the disposition of a security or

membership:

(1) issued by a corporation or association:

(A) that is organized exclusively for a religious, educational, benevolent, fraternal, charitable, or reformatory purpose;

(B) that is not organized for pecuniary profit; and

(C) for which no part of the net earnings inures to the benefit of any stockholder, shareholder, or individual member of the corporation or association; and

(2) for which no commission or remuneration is paid or given or is to be paid or given.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.016. FINANCIAL INSTITUTIONS. The exemption provided by Section 4005.001 applies to:

(1) the sale, by the issuer itself or by a registered dealer, of any security issued or guaranteed by:

(A) a bank organized and subject to regulation under the laws of:

(i) the United States; or

(ii) a state, territory, or insular possession of the United States; or

(B) a savings and loan association organized and subject to regulation under the laws of this state; or

(2) the sale, by the issuer itself, of any security issued by a federal savings and loan association.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.017. GOVERNMENT ISSUANCE OR GUARANTEE. The exemption provided by Section 4005.001 applies to the sale, by the issuer itself or by a registered dealer, of any security either issued or guaranteed by:

(1) the United States;

(2) the District of Columbia, a state, territory, or

insular possession of the United States;

(3) a political subdivision of a state of the United States, including a county, city, municipal corporation, district, and authority; or

(4) a public or governmental agency or instrumentality of an entity described by Subdivisions (1)-(3).

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.018. COOPERATIVES. (a) The exemption provided by Section 4005.001 applies to:

(1) the sale and issuance of:

(A) any securities issued by a farmers' cooperative marketing association organized under Chapter 52, Agriculture Code, or the predecessor of that law (Article 5737 et seq., Revised Statutes);

(B) any securities issued by a mutual loan corporation organized under Chapter 54, Agriculture Code, or the predecessor of that law (Article 2500 et seq., Revised Statutes); or

(C) any equity securities issued by a cooperative association organized under the Texas Cooperative Association Law as described by Section 1.008(i), Business Organizations Code, or the predecessor of that law (Article 1396-50.01, Vernon's Texas Civil Statutes); or

(2) the sale of any securities issued by a farmers' cooperative society organized under Chapter 51, Agriculture Code, or the predecessor of that law (Article 2514 et seq., Revised Statutes).

(b) The exemption provided by Section 4005.001 does not apply to an agent of a farmers' cooperative marketing association, mutual loan corporation, cooperative association, or farmers' cooperative society if the sale of the securities is made to:

(1) nonmembers; or

(2) members and a commission is paid or contracted to be paid to the agent.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01,

eff. January 1, 2022.

Sec. 4005.019. SECONDARY MARKET SALES. (a) In this section, "recognized securities manual" means a nationally distributed manual of securities that is approved by the board for use under this section.

(b) The exemption provided by Section 4005.001 applies to the sale of outstanding securities by a registered dealer if:

(1) the securities do not form part of an unsold allotment to or subscription by the dealer as a participant in the securities' distribution by the issuer of the securities;

(2) the securities are of the same class and the same issuer and are outstanding in the hands of the public;

(3) the securities are offered for sale, in good faith, at prices reasonably related to the current market price of the securities at the time of the sale;

(4) none of the sale proceeds are paid directly or indirectly to the issuer of the securities;

(5) the sale is not directly or indirectly for the purposes of providing or furthering a scheme to violate or evade this title;

(6) the right to sell or resell the securities has not been enjoined by a court in this state by a proceeding instituted by an officer or agency of this state charged with enforcement of this title;

(7) the commissioner has not revoked or suspended the right to sell the securities under this title or, if the commissioner has revoked or suspended the right to sell the securities, the revocation or suspension is not in effect;

(8) at the time of the sale, the issuer of the securities is:

(A) a going concern actually engaged in business;
and

(B) not in an organization stage or in receivership or bankruptcy; and

(9) either:

(A) the securities or other securities of the

issuer of the same class have been:

(i) qualified for sale by a permit issued under Subchapter A, Chapter 4003;

(ii) registered by notification under Subchapter B, Chapter 4003; or

(iii) registered by coordination under Subchapter C, Chapter 4003; or

(B) a recognized securities manual or a statement, in form and extent acceptable to the commissioner and filed with the commissioner by the issuer or a registered dealer, is provided at the time of the sale containing at least the following information about the issuer:

(i) a statement of the issuer's principal business;

(ii) a balance sheet as of a date not earlier than 18 months before the date of the sale; and

(iii) profit and loss statements and a record of any dividends paid for:

(a) a period of at least three years before the date of the balance sheet; or

(b) the period of the issuer's existence, if the issuer has been in existence less than three years.

(c) The commissioner may issue a stop order or by order may prohibit, revoke, or suspend the exemption under this section with respect to any security if the commissioner has reasonable cause to believe that the plan of business of the issuer of the security, the security, or the sale of the security would tend to work a fraud or deceit on any purchaser of the security. The order is subject to review in the manner provided by Section 4007.107.

(d) Notice of any court injunction enjoining the sale or resale of a security described by this section, or of an order revoking or suspending the exemption under Subsection (c) with respect to a security, shall be mailed by certified or registered mail with return receipt requested or otherwise delivered to any dealer believed to be selling or offering for sale the type of securities referred to in the notice. Subsections (b)(6) and (7) do

not apply to a dealer until the dealer has received from the commissioner actual notice of the revocation or suspension.

(e) The board, for cause shown, may revoke or suspend the recognition under this section of any manual previously approved under this section only after notice and an opportunity for a hearing is provided as required by law.

(f) A judgment sustaining the board in the board action complained about does not bar an application by the plaintiff for approval of the manual as provided by this section after the first anniversary of the date of the action.

(g) A judgment in favor of the plaintiff does not prevent the board from revoking the recognition of a manual previously approved under this section for any proper cause that may accrue or be discovered.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.020. UNSOLICITED ORDERS. The exemption provided by Section [4005.001](#) applies to a dealer's execution of an unsolicited order for the purchase of securities for which the initial offering of the securities has been completed if the dealer:

- (1) acts solely as an agent for the purchaser;
- (2) does not have a direct or indirect interest in the sale or distribution of securities ordered; and
- (3) does not receive a commission, profit, or other compensation from any source other than the purchaser.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.021. OIL, GAS, OR MINING INTERESTS. (a) Subject to Subsection (b), the exemption provided by Section [4005.001](#) applies to the sales of interests in and under oil, gas, or mining leases, fees, or titles, or contracts relating to those interests in which:

- (1) the total number of sales by any one owner of interests, whether whole, fractional, segregated, or undivided in

any single oil, gas, or mineral lease, fee, or title, or contract relating to those interests, is not more than 35 during a 12 consecutive month period; and

(2) no use is made of advertisement or public solicitation.

(b) If a sale of an interest described by Subsection (a) is made for an owner of the interest by an agent of the owner, the exemption under that subsection applies only if the agent is registered under this title.

(c) An oil, gas, or mineral unitization or pooling agreement may not be considered a sale under this title.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.022. ISSUER SALES OF EXEMPT SECURITIES. (a) The exemption provided by Section [4005.001](#) applies to the sale by the issuer itself or by a subsidiary of the issuer of any securities that would be exempt under Subchapter B if sold by a registered dealer.

(b) This section does not apply to securities that would be exempt under Section [4005.053](#).

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.023. OPTIONS. (a) In this section, "option" means and includes a put, call, straddle, or other option or privilege of buying from another person or selling to another person a specified number of securities at a specified price, without being obligated to do so, on or before a specified date. The term does not include an option or privilege that by its terms may terminate before the specified date on the occurrence of a specified event.

(b) The exemption provided by Section [4005.001](#) applies to a sale of an option by or through a registered dealer if, at the time of the sale:

(1) the performance of the terms of the option is guaranteed by a broker-dealer registered under the Securities

Exchange Act of 1934 (15 U.S.C. Section 78a et seq.);

(2) the guaranty and broker-dealer described by Subdivision (1) are in compliance with any requirements or rules adopted or approved by the board;

(3) the option is not sold by or for the benefit of the issuer of the security that may be purchased or sold on exercise of the option;

(4) the security that may be purchased or sold on exercise of the option is either:

(A) exempted under Section 4005.054; or

(B) quoted on the NASDAQ stock market and meets the requirements of Sections 4005.019(b)(1), (6), (7), and (8); and

(5) the sale is not directly or indirectly for the purposes of providing or furthering a scheme to violate or evade this title.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.024. EXEMPTIONS BY RULE OR ORDER. The exemption provided by Section 4005.001 applies to the sale of a security made in other transactions or under other conditions not specified in this subchapter as the board by rule or order may define or prescribe, conditionally or unconditionally.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.025. ISSUANCE OR TRANSFER TO NONPROFITS. The exemption provided by Section 4005.001 applies to the issuance or transfer of securities by the issuer of its securities to a corporation or association organized exclusively for a religious, educational, benevolent, fraternal, charitable, or reformatory purpose and not for pecuniary profit, only if:

(1) the corporation or association does not provide anything of value for the securities other than, for a security that is an option, payment of the exercise price of the option to acquire the securities at a price not to exceed the fair market value of the underlying securities on the date the option was granted;

(2) the issuance or transfer is not made for the purpose of raising capital for the issuer;

(3) a commission or other form of consideration is not paid or provided to a third party with respect to the issuance or transfer; and

(4) the issuance or transfer is not directly or indirectly for the purposes of providing or furthering a scheme to violate or evade this title.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

SUBCHAPTER B. EXEMPT SECURITIES

Sec. 4005.051. SCOPE OF EXEMPTION. Except as expressly provided otherwise in this title, this title does not apply to a security described by this subchapter when offered for sale, sold, or dealt in by a registered dealer or a registered dealer's agent.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.052. RAILROADS OR UTILITIES. The exemption provided by Section [4005.051](#) applies to:

(1) a security issued or guaranteed either as to principal, interest, or dividend by a corporation that owns or operates a railroad or any other public service utility if the corporation is subject to regulation or supervision either as to the corporation's rates and charges or as to the issuance of the corporation's own securities by:

(A) the Texas Department of Transportation; or

(B) a public commission, an agency, a board, or officers of:

(i) the government of the United States;

(ii) the District of Columbia, a state, territory, or insular possession of the United States, or a municipal corporation; or

(iii) Canada or a province of Canada; or

(2) equipment trust certificates or equipment notes or

bonds:

(A) that are based on chattel mortgages, leases or agreements for conditional sale of cars, motive power or other rolling stock mortgages, leased or sold to or provided for the use of or on a railroad or other public service utility corporation if the corporation is subject to regulation or supervision as described by Subdivision (1); or

(B) for which the ownership or title of the equipment is pledged or retained to secure the payment of the equipment trust certificates, bonds, or notes, in accordance with the laws of:

(i) the United States;

(ii) the District of Columbia or a state, territory, or insular possession of the United States; or

(iii) Canada or a province of Canada.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.053. NONPROFIT CORPORATIONS. The exemption provided by Section [4005.051](#) applies to a security issued and sold by a domestic corporation that:

(1) is not organized and engaged in business for profit; and

(2) does not have capital stock.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.054. LISTED SECURITIES. (a) The exemption provided by Section [4005.051](#) applies to securities that at the time of sale:

(1) are fully listed on:

(A) the American Stock Exchange;

(B) the Boston Stock Exchange;

(C) the Chicago Stock Exchange;

(D) the New York Stock Exchange; or

(E) a recognized and responsible stock exchange approved by the commissioner, as provided by Subchapter C;

(2) are designated or approved for designation on notice of issuance on the national market system of the NASDAQ stock market; or

(3) are senior to, or if of the same issue, on a parity with, any securities listed or designated as described by Subdivision (1) or (2) or represented by subscription rights that are listed or designated as described by Subdivision (1) or (2), or evidence of indebtedness guaranteed by a company, any stock of which is listed or designated as described by Subdivision (1) or (2).

(b) Securities described by Subsection (a) are exempt only so long as the exchange on which the securities are listed remains approved under this section or Subchapter C.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.055. COMMERCIAL PAPER. The exemption provided by Section [4005.051](#) applies to:

(1) commercial paper that:

(A) arises out of a current transaction or the proceeds of which have been or are to be used for current transactions; and

(B) evidences an obligation to pay cash not later than the ninth month after the issuance date of the commercial paper, not including days of grace;

(2) a renewal of commercial paper described by Subdivision (1) that is similarly limited; or

(3) a guarantee of commercial paper described by Subdivision (1) or of a renewal described by Subdivision (2).

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.056. SECURED DEBT. The exemption provided by Section [4005.051](#) applies to notes, bonds, or other evidence of indebtedness or certificates of ownership that:

(1) are equally and proportionately secured without reference of priority of one over another; and

(2) by the terms of the instrument creating the lien, continue to be secured by the deposit with a trustee of recognized responsibility approved by the commissioner of any of the securities specified in:

(A) Section 4005.017, if the deposited securities have an aggregate par value of not less than 110 percent of the par value of the securities being secured; or

(B) Section 4005.052, if the deposited securities have an aggregate par value of not less than 125 percent of the par value of the securities being secured.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.057. NONPROFIT DEBT. The exemption provided by Section 4005.051 applies to notes, bonds, or other evidence of indebtedness of a religious, charitable, or benevolent corporation.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.058. SUSPENSION OF EXEMPT STATUS OF TRADING SYSTEM. (a) The commissioner, by the same procedures described by Section 4005.105, may at any time suspend the exempt status of any trading system exempted by the legislature on or after January 1, 1989, if at the time of the hearing the trading system does not meet the applicable standards for approval of exchanges provided by this title.

(b) The suspension of a trading system under Subsection (a) has the same effect as the withdrawal of approval of a stock exchange under Section 4005.105.

(c) The suspension under Subsection (a) remains in effect until the commissioner by order determines that the trading system:

(1) has corrected each deficiency on which the suspension was based; and

(2) maintains standards and procedures that provide reasonable protection to the public.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 1.01,

eff. January 1, 2022.

SUBCHAPTER C. PROCEDURES FOR APPROVAL OF STOCK EXCHANGE

Sec. 4005.101. APPLICATION FOR APPROVAL. An organized stock exchange may apply to the commissioner for approval in the manner and on the forms the commissioner prescribes.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.102. APPROVAL OF STOCK EXCHANGE. The commissioner may approve a stock exchange only if the commissioner finds that the facts and data provided with the application establish that:

(1) the requirements for the listing of securities on the exchange seeking approval provide reasonable protection to the public; and

(2) the governing constitution, bylaws, or regulations of the exchange require:

(A) an adequate examination into the affairs of the issuer of the securities to be listed on the exchange before permitting trading on the exchange;

(B) that the issuer of the securities, while the securities are listed on the exchange, shall periodically prepare, make public, and provide promptly to the exchange appropriate income, profit and loss, and other financial statements;

(C) that securities listed and traded on the exchange be restricted to securities of ascertained, sound asset or income value; and

(D) a reasonable surveillance of the exchange's members, including a requirement for periodical financial statements, a determination of the members' financial responsibility, and the right and obligation of the exchange's governing body to suspend or expel any member found:

(i) to be financially embarrassed or irresponsible; or

(ii) guilty of misconduct in the member's

business dealings or of conduct prejudicial to the rights and interests of the member's customers.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.103. INVESTIGATION AND HEARING. The commissioner may approve a stock exchange only after a reasonable investigation and hearing.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.104. ORDER OF APPROVAL. The commissioner's approval of a stock exchange must be made by a written order based on a finding of fact substantially in accordance with the requirements of Sections [4005.101](#) and [4005.102](#).

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.

Sec. 4005.105. WITHDRAWAL OF APPROVAL. At any time, the commissioner, on 10 days' notice and hearing, may withdraw approval of a stock exchange that at the time of the hearing does not meet the standards for approval under this title. On the withdrawal of approval, securities listed on the exchange are not exempt from this title until the commissioner issues an order approving the exchange.

Added by Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 1.01, eff. January 1, 2022.