Texas “Finder” Registration Requirements

Under Texas law, a Finder must submit a [Form BD](https://www.sec.gov/about/forms/formbd.pdf) and a [Form U4](https://www.finra.org/sites/default/files/form-u4.pdf) as a sole proprietor (i.e., individual) and pay a fee of $75. The application must be filed in paper form with a cover letter stating that the application is for registration as a Finder. These documents and fee must be mailed to the Texas State Securities Board, P.O. Box 13167, Austin, TX 78711-3167.

See the Texas State Securities Board’s [FAQs for Dealers and their Agents](https://www.ssb.texas.gov/faqs-dealers-and-their-agents) for more information about registering as a “Finder” with the Texas State Securities Board.

“Finder” activities are covered by [TAC Rule Sec. 115.11 (Finder Registration and Activities)](http://texreg.sos.state.tx.us/public/readtac%24ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=11).

As a “finder”, you cannot

(1) participate in negotiating any of the terms of an investment;

(2) give advice to an accredited investor or an issuer regarding the advantages or disadvantages of entering into an investment;

(3) conduct due diligence on behalf of a potential issuer or potential investor, provide valuation, or provide other analysis to an accredited investor or an issuer regarding an investment;

(4) advertise to seek accredited investors or issuers;

(5) have custody of an accredited investor's funds or securities;

(6) serve as an escrow agent for the parties; or

(7) disclose information to an accredited investor or to an issuer other than the information described under “Disclosures” below.

Disclosures

*Required*. A “finder” must disclose the following to each potential investor *in writing*:

(A) that compensation will be paid to the finder;

(B) that the finder can neither recommend nor advise the accredited investor with respect to the offering; and

1. any potential conflict of interest in connection with the finder's activities.

*Permitted*. A finder may provide to an “accredited investor” some or all of the following information:

1. the name, address, and telephone number of the issuer of the securities;
2. the name, a brief description, and price (if known) of any security to be issued;
3. a brief description of the business of the issuer in 25 words or less;
4. the type, number, and aggregate amount of securities being offered; and/or
5. the name, address, and telephone number of the person to contact for additional information.

A finder may not disclose any information regarding the issuer other than what is listed above under “Disclosures -- Permitted”, and then only to “accredited investors”.

Record Keeping

* A finder shall maintain and preserve a copy of Form BD and Form U4 used to register the finder for a period of five (5) years from the date of the termination of the finder's registration.
* A finder shall maintain and preserve for a period of five (5) years the following records related to transactions that are completed and to transactions where the finder receives compensation:

(A) records of compensation received for acting as a finder, including the name of the payor, the date of payment, name of the issuer, and name of the accredited investor;

(B) copies of information provided by the finder to prospective accredited investors;

(C) any agreements and/or contracts between the finder and the accredited investor;

1. any agreements and/or contracts between the finder and the issuer;
2. any lists of contacts/prospective accredited investors and/or issuers; and

(F) any correspondence with accredited investors and/or issuers.

* A finder shall not commingle records to be maintained and preserved pursuant to this subsection with other records.
* A finder shall, upon written request of the Securities Commissioner, furnish to the Securities Commissioner any records required to be maintained and preserved under this subsection.

I will be happy to assist you with drafting materials that will be designed to comply with some of the requirements set forth above, particularly, the requirements regarding disclosures that you must make to potential investors.

Please note that the foregoing only address compliance with Texas state law. Separate exemptions from the broker-dealer registration requirements under United States federal law, but the requirements of those exemptions will be different from the foregoing.

Please call me at your convenience and we can discuss this further.

[Wiederaenders Law Firm, PLLC](http://www.rpwlegal.com/)

Roland Wiederaenders, Attorney at Law