

Amend SB 1332 on third reading by adding the following appropriately numbered SECTION and renumbering the existing SECTIONS of the bill appropriately:

SECTION _____. (a) Chapter 1371, Government Code, is amended by adding Subchapter D to read as follows:

SUBCHAPTER D. ADVISORS RETAINED FOR THE ISSUANCE OF PUBLIC
SECURITIES AND RELATED MATTERS

Sec. 1371.151. DEFINITIONS. In this subchapter:

(1) "Interest rate management agreement" means an agreement that provides for an interest rate transaction, including:

(A) a swap, basis, forward, option, cap, collar, floor, lock, or hedge; or

(B) any combination of these types of agreements or transactions.

(2) "Public security" has the meaning assigned by Section 1202.001.

Sec. 1371.152. EXEMPTIONS. This subchapter does not apply to:

(1) an issuer who has more than \$3 billion in outstanding obligations as of September 1, 2007, or to a nonprofit corporation investing funds on behalf of such an issuer;

(2) any person acting as a financial advisor with respect to an issue of public securities by an issuer created under Chapter 222, Water Code, delivered before January 1, 2010, under a contract that was in effect on the date of enactment of this Act and that has not been modified since such date; or

(3) an employee of an issuer providing advice to the issuer, or to another issuer.

Sec. 1371.153 EXEMPTIONS FOR CERTAIN ADVICE. This subchapter does not apply to advice to an issuer regarding:

(1) a loan or a line of credit by a depository institution to an issuer in a transaction not involving the issuance of a public security offered to a third party or parties; or

(2) a deposit of funds with a depository institution in compliance with other statutes of this state.

Sec. 1371.154. FINANCIAL ADVISOR OR INVESTMENT ADVISOR

QUALIFICATIONS AND REQUIREMENTS FOR CERTAIN AGREEMENTS AND

TRANSACTIONS. (a) This section applies to a financial advisor or an investment advisor, who advises the issuer in connection with:

- (1) an interest rate management agreement;
- (2) the execution or delivery of a public security; or
- (3) the investment of the public security proceeds.

(b) To be eligible to be a financial advisor or an investment advisor under this section, the advisor must:

(1) be a dealer or investment advisor registered in accordance with Section 12 or 12-1, The Securities Act (Article 581-12 or 581-12-1, Vernon's Texas Civil Statutes); provided that a person acting as an investment advisor with respect to the investment of bond proceeds, and not as a financial advisor with respect to the issuance of public securities or interest rate management agreements may be registered under the federal Investment Advisors Act of 1940 in lieu of registration under The Securities Act;

(2) have relevant experience in providing advice to issuers in connection with:

- (A) the issuance of public securities;
- (B) the valuation of interest rate management agreements; or

(C) the investment of public security proceeds;
and

(3) acknowledge in writing to the issuer that in connection with the transaction for which the advisor is providing advice the advisor:

- (A) is acting as the issuer's agent; and
- (B) has complied with rules adopted under this subchapter.

Sec. 1371.155. RULES. The State Securities Board shall adopt rules relating to public securities, interest rate management agreements, and investment of bond proceeds applicable to financial advisors and investment advisors under this subchapter. The board shall base the rules on principles stated, as of May 1, 2007, in the Municipal Securities Rulemaking Board's rules G-17, G-19(c), G-20, G-37, and G-38 as those rules may apply to financial advisors and

investment advisors.

(b) Not later than January 1, 2008, the State Securities Board shall adopt the rules required by Section 1371.155, Government Code, as added by this Act.

(c) Section 1371.154, Government Code, as added by this section, takes effect January 1, 2008.