**Section 204.30 Regulations Under Subsection (b) of the Act**

a) Exemption from subsection (b) of certain transactions effected in connection with a distribution

1) Any transaction of purchase and sale, or sale and purchase, of a security which is effected in connection with the distribution of a substantial block of securities shall the exempt from the provisions of subsection (b) of the Act, to the extent specified in this Section 204.30 as not comprehended within the purpose of said subsection (b) of the Act, upon the following conditions:

A) The person effecting the transaction is engaged in the business of distributing securities and is participating in good faith, in the ordinary course of such business, in the distribution of such block of securities;

B) The security involved in the transaction is

i) a part of such block of securities and is acquired by the person effecting the transaction, with a view to the distribution thereof, from the company or other person on whose behalf such securities are being distributed or from a person who is participating in good faith in the distribution of such block of securities, or

ii) a security purchased in good faith by or for the account of the person effecting the transaction for the purpose of stabilizing the market price of securities of the class being distributed or to cover an over-allotment or other short position created in connection with such distribution; and

C) Other persons not within the purview of subsection (b) of the Act are participating in the distribution of such block of securities on terms at least as favorable as those on which such person is participating and to an extent at least equal to the aggregate participation of all persons exempted from the provisions of subsection (b) of the Act by this section. However, the performance of the functions of manager of a distributing group and the receipt of a bona fide payment for performing such functions shall not preclude an exemption which would otherwise be available under this section.

2) The exemption of a transaction pursuant to this Section 204.30 with respect to the participation therein of one party thereto shall not render such transaction exempt with respect to participation of any other party therein unless such other party also meets the conditions of this section.

b) Exemption from subsection (b) of acquisitions of shares of stocks and stock options under certain stock bonus, stock option or similar plans

Any acquisition of shares of stock (other than stock acquired upon the exercise of an option, warrant or right) pursuant to a stock bonus, profit sharing, retirement, incentive, thrift, savings or similar plan, or any acquisition of a qualified or a restricted stock option pursuant to a qualified or a restricted stock option plan, or a stock option pursuant to an employee stock purchase plan, by a director or officer of a company issuing such stock or stock option shall be exempt from the operation of subsection (b) of the Act if the plan meets the following conditions:

1) The plan has been approved, directly or indirectly, either by the affirmative votes of the holders of a majority of the securities of such company present, or represented, and entitled to vote at a meeting duly held in accordance with the applicable laws of the State of Illinois, or by the written consent of the holders of a majority of the securities of such company entitled to vote: provided, however, that if such vote or written consent was not solicited substantially in accordance with 50 Ill. Adm. Code 203, Proxies, Consents and Authorizations of Domestic Stock Companies as prescribed by the Director of Insurance of the Illinois Department of Insurance, in effect at the time of such vote or written consent, the company shall furnish in writing to the holders of record of the securities entitled to vote for the plan substantially the same information concerning the plan which would be required by any such rules and regulations so prescribed and in effect at the time such information is furnished, if proxies to be being solicited, on or prior to the date of the first annual meeting of security holders held subsequent to the later of

A) the date the Act first applies to such company, or

B) the acquisition of an equity security for which exemption is claimed.

Such written information may be furnished by mail to the last known address of the security holders of record within 30 days prior to the date of mailing. Four copies of such written information shall be filed with, or mailed for filing to, the Director not later than the date on which it is first sent or given to security holders of the company. For the purposes of this paragraph, the term "company" includes a predecessor corporation if the plan or obligations to participate thereunder were assumed by the company in connection with the succession.

2) If the selection of any director or officer of the company to whom stock may be allocated or to whom qualified, restricted or employee stock purchase plan stock options may be granted pursuant to the plan, or the determination of the number of maximum number of shares of stock which may be allocated to any such director or officer or which may be covered by qualified, restricted or employee stock purchase plan stock options granted to any such director or officer, is subject to the discretion of any person, then such discretion shall be exercised only as follows:

A) With respect to the participation of directors –

i) by board of directors of the company, a majority of which board and a majority of the directors acting in the matter are disinterested persons;

ii) by, or only in accordance with the recommendations of, a committee of three or more persons having full authority to act in the matter, all of the members of which committee are disinterested persons; or

iii) otherwise in accordance with the plan, if the plan either specifies the number or maximum number of shares of stock which directors may acquire or which may be subject to qualified, restricted or employee stock purchase plan stock options granted to directors and the terms upon which, and the times at which, or the periods within which, such stock may be acquired or such option may be acquired and exercised; or sets forth, by formula or otherwise, effective and determinable limitations with respect to the foregoing based upon earning of the company, dividends paid, compensation received by participants, option prices, market value of shares, outstanding shares or percentages thereof outstanding from time to time, or similar factors.

B) With respect to the participation of officers who are not directors, either by the board of directors of the company or a committee of three or more directors; or by, or only in accordance with the recommendations of, a committee of three or more persons having full authority to act in the matter, all of the members of which committee are disinterested persons.

For the purpose of this paragraph, a director or committee member shall be deemed to be a disinterested person only if such person is not at the time such discretion is exercised eligible and has not at any time within one year prior thereto been eligible for selection as a person to whom stock may be allocated or to whom qualified, restricted or employee stock purchase plan stock options may be granted pursuant to the plan or any other plan of the company or any of its affiliates entitling the participants therein to acquire stock or qualified, restricted or employee stock purchase plan stock options of the company or any of its affiliates.

C) The provisions of this paragraph shall not apply with respect to any option granted, or other equity security acquired, prior to the date that subsections (a), (b), and (c) of the Act first become applicable with respect to any class of equity securities of any company.

3) As to each participant or as to all participants the plan effectively limits the aggregate dollar amount or the aggregate number of shares of stock which may be allocated, or which may be subject to qualified, restricted, or employee stock purchase plan stock options granted, pursuant to the plan. The limitations may be established on an annual basis, or for the duration of the plan, whether or not the plan has a fixed termination date; and may be determined either by fixed or maximum dollar amounts or fixed or maximum numbers of shares or by formulas based upon earnings of the company, dividends paid, compensation received by participants, option prices, market value of shares, outstanding shares or percentages thereof outstanding from time to time, or similar factors which will result in an effective and determinable limitation. Such limitations may be subject to any provisions for adjustment of the plan or of stock allocable or options outstanding thereunder to prevent dilution or enlargement of rights.

4) Unless the context otherwise requires, all terms used in this Section 204.30 shall have the same meaning as in the Act or elsewhere in these regulations. In addition, the following definitions apply:

A) The term "plan" includes any plan, whether or not set forth in any formal written document or documents and whether or not approved in its entirety at one time.

B) The definition of the terms "qualified stock option" and "employee stock purchase plan" that are set forth in Sections 422 and 423 of the Internal Revenue Code of 1954, as amended, are to be applied to those terms where used in this section. The term "restricted stock option" as defined in Section 424(b) of the Internal Revenue Code of 1954, as amended, shall be applied to that term as used in this Section 204.10 provided, however, that for the purposes of this Section 204.30 an option which meets all of the conditions of said Section 424(b), other than the date of issuance shall be deemed to be a "restricted stock option."

c) Exemption from subsection (b) of certain transactions in which securities are received by redeeming other securities

Any acquisition of an equity security (other than a convertible security or right to purchase a security) by a director or officer of the company issuing such security shall be exempt from the operation of subsection (b) of the Act upon condition that

1) the equity security is acquired by way of redemption of another security of a company substantially all of whose assets other than cash (or Government bonds) consists of securities of the company issuing the equity security so acquired, and which:

A) represented substantially and in practical effect a stated or readily ascertainable amount of such equity security,

B) had a value which was substantially determined by the value of such equity security, and

C) conferred upon the holder the right to receive such equity security without the payment of any consideration other than the security redeemed;

2) no security of the same class as the security redeemed was acquired by the director or officer within six months prior to such redemption or is acquired within six months after such redemption;

3) the company issuing the equity security acquired has recognized the applicability of paragraph (1) of this subsection by appropriate corporate action.

d) Exemption of long term profits incident to sales within six months of the exercise of an option

1) To the extent specified in paragraph (c)(2) of this Section, the Director hereby exempts as not comprehended within the purposes of subsection (b) of the Act any transaction or transactions involving the purchase and sale, or sale and purchase, of any equity security where such purchase is pursuant to the exercise of an option or similar right either

A) acquired more than six months before its exercise, or

B) acquired pursuant to the terms of an employment contract entered into more than six months before its exercise.

2) In respect of transactions specified in paragraph (1) the profits inuring to the company shall not exceed the difference between the proceeds of sale and the lowest market price of any security of the same class within six months before or after the date of sale. Nothing in this subsection (d) shall be deemed to enlarge the amount of profit which would inure to such company in the absence of this subsection (d).

3) The Director also hereby exempts, as not comprehended within the purposes of subsection (b) of the Act, the disposition of a security, purchased in a transaction specified in paragraph (1) of this subsection (d), pursuant to a plan or agreement for merger or consolidation, or reclassification of the company's securities, or for the exchange of its securities for the securities of another person which has acquired its assets, or which is in control, as defined in Section 368(c) of the Internal Revenue Code of 1954, of a person which has acquired its assets, where the terms of such plan or agreement are binding upon all stockholders of the company except to the extent that dissenting stockholders may be entitled, under statutory provisions or provisions contained in the certificate of incorporation, to receive the appraised or fair value of their holdings.

4) The exemptions proved by this subsection (d) shall not apply to any transaction made unlawful by subsection (c) of the Act or by any rules and regulations thereunder.

5) The burden of establishing market price of a security for the purpose of this subsection (d) shall rest upon the person claiming the exemption.

e) Exemption from subsection (b) of certain acquisitions and dispositions of securities pursuant to merger or consolidations

1) The following transactions shall be exempt from the provisions of subsection (b) of the Act as not comprehended within the purpose of said subsection:

A) The acquisition of a security of a company, pursuant to a merger or consolidation, in exchange for a security of a company which, prior to said merger or consolidation, owned 85 percent or more of the equity securities of all other companies involved in the merger or consolidation except, in the case of consolidation, the resulting company.

B) The disposition of a security, pursuant to a merger or consolidation of a company which, prior to said merger or consolidation, owned 85 percent or more of the equity securities of all other companies involved in the merger or consolidation except, in the case of consolidation, the resulting company.

C) The acquisition of a security of a company, pursuant to a merger or consolidation, in exchange for a security of a company which, prior to said merger or consolidation, held over 85 per cent of the combined assets of all the companies undergoing merger or consolidation, computed according to their book values prior to the merger or consolidation as determined by reference to their most recent available financial statements for a 12-month period prior to the merger or consolidation.

D) The disposition of a security, pursuant to a merger or consolidation, of a company which, prior to said merger or consolidation, held over 85 per cent of the combined assets of all the companies undergoing merger or consolidation, computed according to their book values prior to merger or consolidation, as determined by reference to their most recent available financial statement for a 12-month period prior to the merger or consolidation.

2) A merger within the meaning of this subsection (e) shall include the sale or purchase of substantially all the assets of one company by another in exchange for stock which is then distributed to the security holders of the company which sold its assets.

3) Notwithstanding the foregoing, if an officer, director or stockholder shall make any purchase (other than a purchase exempted by this subsection) of a security in any company involved in the merger or consolidation and any sale (other than a sale exempted by this subsection) of a security in any other company involved in the merger or consolidation within any period of less than six months during which the merger or consolidation took place, the exemption provided by this subsection (e) shall be unavailable to such officer, director or stockholder.

f) Exemption from subsection (b) of certain transaction involving an exchange of similar securities

Any acquisition or disposition of securities made in an exchange of shares of a class (or series thereof) of stock of a company for an equivalent number of shares of another class (or series thereof) of stock of the same company, pursuant to a right of conversion under the terms of the company's charter or other governing instruments shall be exempt from the operation of subsection (b) of the Act if –

1) The shares surrendered and those acquired in exchange therefor evidence substantially the same rights and privileges except that, pursuant to the provisions of the company's charter or other governing instruments, the board of directors may declare and pay a lesser dividend per share on shares of the class surrendered than on shares of the class acquired in exchange therefor, or may declare and pay no dividend on shares of the class surrendered; and

2) The transaction was effected in contemplation of a public sale of the shares acquired in the exchange; provided, that this subsection (f) shall not be construed to exempt from the operation of subsection (b) of the Act any purchase or sale of shares of the class surrendered and any sale or purchase of shares of the class acquired in the exchange (otherwise than in the transaction of exchange exempted by this subsection) within a period of less than six months.