

Appendix VI-3

Rule 154. Definition of certain terms used in Section 4(4)

(a) The term “brokers’ transactions” in Section 4(4) of the Act shall be deemed to include transactions by a broker acting as agent for the account of

(1) any person controlling, controlled by, or under common control with the issuer of the securities which are the subject of the transaction, or

(2) any person disposing of a restricted security, as defined in Rule 161, in the transactions,

only if the broker has made reasonable inquiry of his customer and has no grounds for believing and does not believe that the transactions constitute a distribution as defined in Rule 162.

(b) Only the broker’s part of a “brokers’ transaction,” as that term is used in Section 4(4) of the Act, is exempt under that section from the provisions of Section 5 of the Act.