

Kansas Administrative Regulations

Kansas Department of Insurance

Article 13.—Insider Stock Trading

40-13-16. Exemption of long-term profits incident to sales within six months of the exercise of an option.

(a) Subject to the limitations of subsection (b), each transaction involving the purchase and sale, or sale and purchase, of an equity security which is pursuant to the exercise of an option or similar right shall be exempt from the provisions of K.S.A. 40-265 if it is acquired:

(1) More than six months before its exercise; or

(2) pursuant to the terms of an employment contract entered into more than six months before its exercise if the contracts are approved by the commissioner of insurance.

(b) For transactions specified in paragraph (a), the profits inuring to the insurer shall not exceed the difference between the proceeds of sale and the lowest price of any security of the same class within six months before or after the date of sale. Nothing in this section shall enlarge the amount of profit which would inure to the insurer in the absence of this section.

(c) Transactions of the following character are exempt from the provisions of K.S.A. 40-265:

(1) The disposition of a security purchased in a transaction specified in section (a) of this regulation pursuant to a plan or agreement for merger or consolidation, or reclassification of the insurer's securities;

(2) a plan or agreement for the exchange of the insurer's securities for the securities of another person who has acquired the insurer's assets or who is in control of a person that has acquired the insurer's assets, as defined in section 368(c) of the internal revenue code of 1954;

(3) where the terms of the plan or agreement are binding upon all stockholders of the insurer except to the extent that dissenting stockholders may be entitled under

statutory provision or provisions contained in the certificate of incorporation, to receive the appraised or fair value of their holdings.

(d) The exemptions provided by this regulation shall not apply to any transaction made unlawful by K.S.A. 40-266 or by any rules and regulations thereunder.

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

(Authorized by K.S.A. 40-103, 40-271; implementing K.S.A. 40-265; effective Jan. 1, 1967; amended May 1, 1980; amended May 1, 1981; amended May 1, 1986.)

***** Authenticated Kansas Administrative Regulation *****