**Section 130.216 Definition of "Participates" and "Participation", as Used in Section 2.6 of the Act in Relation to Certain Transactions**

a) The terms "participates" and "participation" in Section 2.6 of the Act shall not include the interest of a person

1) who is not in privity of contract with the issuer nor directly or indirectly controlling, controlled by or under common control with, the issuer, and

2) who has no association with any principal underwriter of the securities being distributed, and

3) whose function in the distribution is confined to an undertaking to purchase all or some specified portion of the securities remaining unsold after the lapse of some specified period of time, and

4) who purchases the securities for investment and not with a view to distribution.

b) As used in this Part the term "association" shall include a relationship between two persons under which one:

1) is an affiliate of the other, or

2) has, in common with the other, one or more partners, officers, directors, trustees, branch managers, or other persons occupying a similar status or performing similar functions, or

3) has a substantial participation, direct or indirect, in the profits of the other, or has a substantial financial interest, by debtor-creditor relationship, stock ownership, contract or otherwise, in the income or business of the other.