

R.S. 49:3-47 et seq.

May 1, 1970

LEGISLATIVE HISTORY OF R.S. 49:3-47 et seq.
(Uniform Securities Law, 1967)

1965 - ACR50

Commission to Study Uniform Securities Law.
Resolution died in committee.

L. 1967, Chapter 93 - S327

February 14 - Introduced by O'Connor, Feldman, Scholz,
Ozzard and Kiefer.

March 20 - Passed in Senate.

May 1 - Passed in Assembly.

June 8 - Approved, Chapter 93.

Not amended during passage.

No statement on the bill.

Governor's statement on signing (copy enclosed).

No hearings or reports were located.

Newspaper clippings:

V.F.--N.J.--Securities - one article located (copy enclosed).

SIKORA, MARTIN J. "SENATE BILL WOULD
REQUIRE SECURITIES FILING, PROSPECTUS

COURIER POST

MARCH 3, 1967

JH/PC

DEPOSITORY COPY

Do Not Remove From Library

NOTATIONS

- S 320 Waddington, Stout**
Feb. 14—Increases from 3% to 5% of the book value of the total investment that funds may be invested from the Public Employees Retirement System.
Mar. 13—Passed in Senate.
Mar. 20—Passed in Assembly.
Mar. 4—Filed in State Library.
- S 321 Hughes, Lynch, Forsythe, Hillery, Kiefer, O'Connor**
Feb. 14—Establishes an Historic Site Council and the New Jersey Historic Trust, in the Division of Parks, Forestry and Recreation.
Apr. 17—Passed in Senate, amended.
May 8—Passed in Assembly.
June 21—Approved, Chapter 124.
- S 322 Stout**
Feb. 14—Appropriates \$550,000 for the construction of a motor vehicle inspection station to serve northern Monmouth County area, at a site in the Bayshore-Middletown area.
Feb. 14—Appropriations Com.
- S 323 Crabel, Lynch, Feldman**
Feb. 14—Designated the "Riparian Lands Act of 1967," creates a Riparian Lands Commission in the Department of Conservation and Economic Development to undertake title surveys of meadowlands and other riparian lands and to designate and certify state-owned riparian lands; creates a Land Title Court; appropriates \$350,000.
Feb. 14—Rev. & Amend. of Laws Com.
- S 324 Lynch**
Feb. 14—Validates trusts consisting in whole or in part of real property, or personal property or both, heretofore or hereafter created by an employer as part of a pension plan.
Mar. 20—Passed in Senate.
May 1—Passed in Assembly.
May 25—Approved, Chapter 69.
- S 325 Forsythe**
Feb. 14—Designated the "Weights and Measures Act of 1967," effective 90 days after enactment.
Feb. 14—Business Affairs Com.
- S 326 Forsythe**
Feb. 14—Creates a 10 member bipartisan Standard Weights, Measures and Containers Law Revision Commission, 2 Senators, 2 Assemblymen, 6 citizens appointed by the Governor.
Feb. 14—Business Affairs Com.
- S 327 O'Connor, Feldman, Scholz, Ozzard, Kiefer**
Feb. 14—Designated the "Uniform Securities Law (1967)"; revises the "Uniform Securities Law (1960)"; effective July 1, 1967.
Mar. 20—Passed in Senate.
May 1—Passed in Assembly.
June 8—Approved, Chapter 93.
- S 328 Bigley**
Feb. 14—Provides for the regulating and licensing of the selling and delivering of building materials; provides penalties for violations.
Feb. 14—State, Co. & Mun. Gov't Com.
- S 329 Keegan**
Feb. 14—Provides for interest charges in lieu of penalties, on delinquent payments of municipal water rents; effective January 1, 1968.
Feb. 14—State, Co. & Mun. Gov't Com.
Apr. 17—Reported, 2nd reading.
Apr. 24—Passed in Senate.
Apr. 27—Received in Assembly.
Apr. 27—County & Mun. Gov't Com.
- S 330 Keegan**
Feb. 14—Permits a municipality to lease municipal real estate to any library.
Apr. 17—Passed in Senate.
May 8—Passed in Assembly.
Mar. 4—Filed in State Library.
- S 331 Parsekian, Crabel, Ridolfi, Forsythe**
Feb. 14—Requires every truck, truck tractor and omnibus to be equipped with a mirror of the convex type.
Feb. 14—Law & Public Safety Com.
- S 332 Keegan, Forsythe**
Feb. 14—Permits banks to make a minimum charge on installment loans.
Feb. 14—Banking & Insurance Com.
Apr. 10—Reported, 2nd reading.
May 8—Passed in Senate.
May 8—Received in Assembly.
May 8—Business Affairs Com.
- S 333 Farley**
Feb. 14—Provides that any condition or impairment of health to a uniformed member of a paid or part-paid fire or police department, caused by any disease of the respiratory system resulting in total or partial disability, shall be deemed to be an occupational disease.
Feb. 14—Rev. & Amend. of Laws Com.
- S 334 Farley**
Feb. 14—Provides that any condition or impairment of health caused by a disease of the respiratory system resulting in total or partial disability to a uniformed member of a paid fire or police department, who successfully passed a physical examination on entry into such service, shall be presumed to be an injury received in the performance of duty.
Feb. 14—Rev. & Amend. of Laws Com.

NOTATIONS

- S 335 Farley**
Feb. 14—Provides that any condition or impairment of health caused by a disease of the respiratory system resulting in total or partial disability to a uniformed member of a paid fire or police department, who successfully passed a physical examination on entry into such service, shall be presumed to be an injury received in the performance of duty.
Feb. 14—Rev. & Amend. of Laws Com.
- S 336 Waddington**
Feb. 14—Eliminates the requirement for advertising and hold public hearing, in connection with the acquisition, by counties, of lands for road purposes, where the county can acquire the land by gift or at a price of \$2,500 or less.
Feb. 14—Hwys., Trans. & Pub. Util. Com.
Mar. 20—Reported, 2nd reading.
Apr. 3—Passed in Senate.
Apr. 10—Received in Assembly.
Apr. 10—Hwys., Trans. & Pub. Util. Com.
- S 337 Musto, Kelly, Guarini**
Feb. 14—Authorizes municipalities, by ordinances, to compel owners of residential buildings having more than 1 family who have agreed to provide heat all year around to maintain the temperature at 70° between 6 a.m. and 11 p.m., requires owners of commercial buildings to maintain such temperatures during usual working hours.
Feb. 14—Air, Water Pollution & Pub. Health Com.
- S 338 Guarini, Kelly, Musto**
Feb. 14—Increases the maximum amounts that may be paid out of the Unsatisfied Claim and Judgment Fund; effective July 1, 1967.
Feb. 14—Law & Public Safety Com.
- S 339 Guarini, Musto, Kelly**
Feb. 14—Increases the minimum amount of insurance for motor vehicles; effective January 1, 1968.
Feb. 14—Law & Public Safety Com.
- S 340 Guarini, Kelly, Musto**
Feb. 14—Increases from 25 to 75 the number of copies of State publications to be supplied to the State Library for distribution.
Apr. 3—Passed in Senate.
May 8—Passed in Assembly.
July 25—Approved, Chapter 162.
- S 341 Grossi, Kelly**
Feb. 14—Increases the expense allowances of the racing commissioners; effective July 1, 1967.
Feb. 14—Judiciary Com.
Apr. 17—Reported, 2nd reading.
May 8—Recommended.
- S 342 Grossi**
Feb. 14—Prescribes the requirements for members of the board of certified public account examiners.
Feb. 14—Business Affairs Com.
Mar. 20—Reported, 2nd reading.
May 8—Recommended.
- S 343 Kelly, Musto, Guarini**
Feb. 14—Provides that any widow pensioner of an employee of a 1st class city having less than 400,000 population, whose husband died prior to January 12, 1965, shall receive 50% of the salary of the husband, at the time of his death, with a maximum of \$1,600.
Apr. 3—Passed in Senate.
May 8—Passed in Assembly.
Oct. 13—Approved, Chapter 221.
- S 344 Kelly, Musto, Guarini**
Feb. 14—Establishes early and deferred pension benefits in the pension fund established for employees in cities of the 1st class having a population of less than 400,000.
Apr. 3—Passed in Senate.
May 8—Passed in Assembly.
Oct. 13—Approved, Chapter 222.
- S 345 Fericola, Guarini, Musto, Kelly, Goldman, Feldman, Keegan, Kiefer, O'Connor, Ridolfi**
Feb. 14—Creates a Clean Air Council in the Department of Health; abolishes the Air Pollution Control Commission; creates a Clean Air Scholarship Intern Program.
Apr. 17—Passed in Senate under emergency resolution, amended.
Apr. 27—Passed in Assembly.
June 15—Approved, Chapter 106.
- S 346 Bigley, Farley, Scholz, Waddington, Forsythe, Hiering, Kiefer**
Feb. 14—Appropriates \$1,500,000 to acquire land in the South Jersey area, for college facilities to constitute a South Jersey Branch of the New Jersey College of Medicine and Dentistry.
Feb. 14—Appropriations Com.
- S 347 Feldman, O'Connor**
Feb. 14—Exempts public libraries from the necessity of advertising for bids in connection with the purchase of books and library services.
Feb. 14—State, Co. & Mun. Gov't Com.
- S 348 Feldman, Guarini, Ozzard, Parsekian, O'Connor, Kiefer, Forsythe, Crabel**
Feb. 14—Provides a new basis for determining State aid to libraries, special aid for area libraries and for research library centers and incentive grants to encourage the formation of larger units of service.
Apr. 3—Passed in Senate.
Apr. 17—Passed in Assembly.
Apr. 24—Approved, Chapter 28.

NOTATIONS

- S 350 Inge**
Feb. 14—Requires a 2 year course of study in the history of the United States, given to each student during the last 4 years of high school, to include materials recommended by the Commissioner of Education dealing with the history of the Negro in America.
Feb. 14—Education Com.
- S 351 Parsekian, Kiefer**
Feb. 14—Provides that all 1st class counties shall have 4 juvenile and domestic relations court judges.
Apr. 17—Passed in Senate.
Apr. 27—Passed in Assembly.
Mar. 4—Filed in State Library.
- S 352 O'Connor**
Mar. 6—Increases from \$500 to \$600 per year the amount of the State competitive scholarship to institutions of higher education.
Mar. 6—Appropriations Com.
- S 353 O'Connor, Parsekian, Kiefer, Feldman**
Mar. 6—Increases from 8 to 10 the number of county court judges in counties having not less than 700,000 nor more than 900,000 inhabitants.
Apr. 17—Passed in Senate.
Apr. 27—Passed in Assembly.
June 26—Approved, Chapter 131.
- S 354 Keegan**
Mar. 6—Permits the borough of Hawthorne, Passaic County to appoint Carmine Terrizzi to the police department of Hawthorne.
Mar. 20—Passed in Senate.
Apr. 27—Passed in Assembly.
May 31—Approved, Chapter 85.
- S 355 O'Connor**
Mar. 6—Designated the "State Aid Scholarship Act," provides for the creation award and administration of State aid scholarships of \$500 over the first \$500 of the amount charged for tuition, for use by qualified students in accredited institutions of collegiate grade.
Mar. 6—Education Com.
- S 356 Waddington, Grossi**
Mar. 6—Increases from \$1,500,000 to \$3,000,000 the maximum amount of the 2nd injury fund.
Mar. 6—Labor & Industrial Rel. Com.
- S 357 Lynch, Crabel, Ozzard, Farley, Kiefer, Stout**
Mar. 6—Increases from 2 to 4 years the curriculum of the Rutgers Medical School.
Apr. 17—Passed in Senate.
May 1—Passed in Assembly.
Sep. 25—Approved, Chapter 207.
- S 358 Parsekian**
Mar. 6—Designated the "Victims of Violent Crimes Compensation Act of 1967," provides for compensation for the innocent victims of crime; appropriates \$250,000 for administration until December 30, 1968.
Mar. 6—Law & Public Safety Com.
Apr. 10—Reported.
May 8—Recommended.
- S 359 Parsekian**
Mar. 6—Provides for a Tri-State Interstate Sanitation District, establishes a Interstate Sanitation Commission for the control of future pollution and the abatement of existing pollution in the tidal and coastal waters; effective upon enactment of similar legislation by the States of New York and Connecticut.
Mar. 6—Air, Water Pollution & Pub. Health Com.
- S 360 O'Connor**
Mar. 6—Provides that there shall be added to the membership of several professional boards, additional private citizen members who need not meet the educational and professional requirements.
Mar. 6—Business Affairs Com.
May 17—Public hearing held.
- S 361 O'Connor**
Mar. 6—Designated the "Legislative Activities Disclosure Act of 1967," requires public disclosure of certain information by certain persons seeking to influence legislation in the State legislature; repeals the "Legislative Activities Disclosure Act" (P.L. 1964, c. 207).
Mar. 6—Judiciary Com.
- S 362 Keegan**
Mar. 6—Provides that there shall not be any penalty for late filing of any personal property tax returns due during the year 1964, if filed prior to the enactment of this act.
Mar. 6—Rev. & Amend. of Laws Com.
- S 363 O'Connor**
Mar. 6—Prohibits certain activities by legislators, State officers and employees, and State appointees; regulates the conduct of these persons with respect to conflict of interest between their public duties and their personal, business or professional interests; provides penalties; establishes a Commission on Ethical Standards in government.
Mar. 6—Judiciary Com.
- S 364 Goldman, Giblin, Fericola**
Mar. 6—Permits private developers to undertake limited dividend housing projects in unincorporated form as well as a corporation; permits non-profit groups to partake in housing projects.
May 1—Passed in Senate.
May 8—Passed in Assembly.
June 19—Approved, Chapter 112.

CHAPTER 93 LAWS OF N. J. 1967
APPROVED 6-8-67

SENATE, No. 327

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 14, 1967

By Senators O'CONNOR, FELDMAN, SCHOLZ, OZZARD
and KIEFER

Referred to Committee on Law and Public Safety

AN ACT concerning securities and revising chapter 75 of the laws of 1960, approved June 23, 1960, known as the "Uniform Securities Law."

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

3 1. This act shall be construed as a revision of, and shall supersede
4 all provisions of chapter 75 of the laws of 1960, known as the
5 "Uniform Securities Law," including all amendments thereof, but
6 not including chapter 192 of the laws of 1963, known as the "Real
7 Estate Syndication Offerings Law."

8 2. When used in this act, unless the context otherwise requires:

9 (a) "Bureau" means the agency designated in section 19(a);

10 (b) "Agent" means any individual other than a broker-dealer
11 who represents a broker-dealer or issuer in effecting or attempt-
12 ing to effect purchases or sale of securities. "Agent" does not
13 include an individual who represents an issuer in (1) effecting
14 transactions in a security exempted by subdivision (1), (2), (3),
15 or (11) of section 3(a); (2) effecting transactions exempted by
16 section 3(b); or (3) effecting transactions with existing employees,
17 partners, or directors of the issuer if no commission or other re-
18 munerations is paid or given directly or indirectly for soliciting
19 any person in this State. A partner, officer, or director of a broker-
20 dealer or issuer, or a person occupying a similar status or per-
21 forming similar functions, is an agent only if he otherwise comes
22 within this definition;

23 (c) "Broker-dealer" means any person engaged in the business
24 of effecting or attempting to effect transactions in securities for
25 the account of others or for his own account. "Broker-dealer"
26 does not include (1) an agent, (2) an issuer, (3) a person who
27 effects transactions in this State exclusively in securities described

1 in subdivision (1) and (2) of section 3(a), (4) a bank, savings
2 institution, or trust company, or (5) a person who (i) effects trans-
3 actions in this State exclusively with or through (A) the issuers
4 of the securities involved in the transactions, (B) other broker-
5 dealers or (C) banks, savings institutions, trust companies, in-
6 surance companies, investment companies as defined in the
7 Investment Company Act of 1940, pension or profit-sharing trusts,
8 or other financial institutions or institutional buyers, whether act-
9 ing for themselves or as trustees, or (ii) during any period of 12
10 consecutive months does not direct more than 15 offers to sell or
11 to buy into this State in any manner to persons other than those
12 specified in paragraph (c)(5)(i), whether or not the offeror or
13 any of the offerees is then present in this State;

14 (d) "Capital" shall mean net capital as defined and adjusted
15 under the formula established by the Securities and Exchange
16 Commission in Rule 15c3-1, made pursuant to the Securities Ex-
17 change Act of 1934, prescribing a minimum permissible ratio of
18 aggregate indebtedness to net capital as such formula presently
19 exists or as it may hereafter be amended;

20 (e) "Fraud," in addition to the usual construction placed on
21 it and accepted in courts of law and equity, shall include the follow-
22 ing, provided, however, that any promise, representation, mis-
23 representation or omission be made with knowledge and with
24 intent to deceive and result in a detriment to the purchaser:

25 (1) Any misrepresentation by word, conduct or in any
26 manner of any material fact, either present or past, and any
27 omission to disclose any such fact;

28 (2) Any promise or representation as to the future which
29 is beyond reasonable expectation or is unwarranted by exist-
30 ing circumstances;

31 (3) The gaining of, or attempt to gain, directly or indirectly,
32 through a trade in any security, a commission, fee or gross
33 profit so large and exorbitant as to be unconscionable and un-
34 reasonable;

35 (4) Generally any course of conduct or business which is
36 calculated or put forward with intent to deceive the public or
37 the purchaser of any security as to the nature of any trans-
38 action or the value of such security;

39 (5) Any artifice, agreement, device or scheme to obtain
40 money, profit or property by any of the means herein set forth
41 or otherwise prohibited by this law.

42 (f) "Guaranteed" means guaranteed as to payment of principal,
43 interest or dividends;

1 (g) "Investment advisor" means any person who, for compen-
2 sation, engages in the business of advising others, either directly
3 or through publications or writings, as to the value of securities
4 or as to the advisability of investing in, purchasing, or selling secu-
5 rities, or who, for compensation and as a part of a regular busi-
6 ness, issues or promulgates analyses or reports concerning
7 securities. "Investment advisor" does not include (1) a bank,
8 savings institution, or trust company; (2) a lawyer, accountant,
9 engineer, or teacher whose performance of these services is solely
10 incidental to the practice of his profession; (3) a broker-dealer
11 registered under this law; (4) a publisher of any bona fide news-
12 paper, news magazine, or business or financial publication of gen-
13 eral, regular, and paid circulation; (5) a person whose advice,
14 analyses, or reports relate only to securities exempted by section 3,
15 paragraph (a) (1) and (2); (6) a person who has no place of
16 business in this State if (a) his only clients in this State are other
17 investment advisors, broker-dealers, banks, savings institution,
18 trust companies, insurance companies, investment companies as
19 defined in the Investment Company Act of 1940, pension or profit-
20 sharing trusts, or other financial institutions or institutional buy-
21 ers, whether acting for themselves or as trustees, or (b) during
22 any period of 12 consecutive months he does not direct business
23 communications into this State in any manner to more than 5 clients
24 other than those specified in subparagraph (6) (a) of this para-
25 graph, whether or not he or any of the persons to whom the com-
26 munications are directed is then present in this State; or (7) such
27 other persons not otherwise within the intent of this paragraph (g)
28 as the bureau chief may by rule or order designate;

29 (h) "Issuer" means any person who issues or proposes to issue
30 any security, except that (1) with respect to certificates of deposit,
31 voting-trust certificates, or collateral-trust certificates, or with re-
32 spect to certificates of interest or shares in an unincorporated
33 investment trust not having a board of directors (or persons per-
34 forming similar functions) or of the fixed, restricted management,
35 or unit type, the term "issuer" means the person or persons per-
36 forming the acts and assuming the duties of depositor or manager
37 pursuant to the provisions of the trust or other agreement or in-
38 strument under which the security is issued; and (2) with respect
39 to certificates of interest in oil, gas, or mining titles or leases, there
40 is not considered to be any "issuer";

41 (i) "Person" means an individual, a corporation, a partnership,
42 an association, a joint-stock company, a trust where the interest
43 of the beneficiaries are evidenced by a security, an unincorporated

1 organization, a government, or a political subdivision of a govern-
2 ment;

3 (j) (1) "Sale" or "sell" includes every contract of sale of,
4 contract to sell, or disposition of, a security or interest in a security
5 for value;

6 (2) "Offer" or "offer to sell" includes every attempt or offer
7 to dispose of, or solicitation of an offer to buy, a security or inter-
7A est in a security for value;

8 (3) Any security given or delivered with, or as a bonus on ac-
9 count of, any purchase of securities or any other thing is consid-
10 ered to constitute part of the subject of the purchase and to have
11 been offered and sold for value;

12 (4) A purported gift of assessable stock is considered to involve
13 an offer and sale;

14 (5) Every sale or offer of a warrant or right to purchase or
15 subscribe to another security of the same or another issuer, as well
16 as every sale or offer of a security which gives the holder a present
17 or future right or privilege to convert into another security of the
18 same or another issuer, is considered to include an offer of the other
19 security;

20 (6) The terms defined in this paragraph (j) do not include (a)
21 any bona fide pledge or loan; (b) any stock dividend, whether the
22 corporation distributing the dividend is the issuer of the stock or
23 not, if nothing of value is given by stockholders for the dividend
24 other than the surrender of a right to a cash or property dividend
25 when each stockholder may elect to take the dividend in cash or
26 property or in stock; (c) any act incident to a class vote by stock-
27 holders, pursuant to the certificate of incorporation or the applica-
28 ble corporation statute, on a merger, consolidation, reclassification
29 of securities, or sale of corporate assets in consideration of the
30 issuance of securities of another corporation; or (d) any act inci-
31 dent to a judicially approved reorganization in which a security is
32 issued in exchange for one or more outstanding securities, claims,
33 or property interests, or partly in such exchange and partly for
34 cash;

35 (k) "Savings institution" shall mean any savings and loan as-
36 sociation or building and loan association operating pursuant to
37 the Savings and Loan Act of New Jersey, and any Federal savings
38 and loan association and any association organized under the laws
39 of any State whose accounts are insured by the Federal Savings
40 and Loan Insurance Corporation and who are subject to supervi-
41 sion and examination by the Federal Home Loan Bank Board, and
42 any credit union licensed and supervised under the Credit Union
43 Act of New Jersey or licensed and supervised by the Bureau of

1 Federal Credit Unions.

2 (l) "Securities Act of 1933," "Securities Exchange Act of
3 1934," "Public Utility Holding Company Act of 1935" and "In-
4 vestment Company Act of 1940" mean the Federal statutes of
5 those names as amended or supplemented before or after the effec-
6 tive date of this act;

7 (m) "Security" means any note; stock; treasury stock; bond;
8 debenture; evidence of indebtedness; certificate of interest or par-
9 ticipation in any profit-sharing agreement including but not lim-
10 ited to certificates of interest or participation in real or personal
11 property; collateral-trust certificate; preorganization certificate or
12 subscription; transferable share; investment contract; voting-trust
13 certificate; certificate of deposit for a security; certificate of inter-
14 est in an oil, gas or mining title or lease; or, in general, any interest
15 or instrument commonly known as a "security," or any certificate
16 of interest or participation in, temporary or interim certificate for,
17 guarantee of, or warrant or right to subscribe to or purchase, any
18 of the foregoing. "Security" does not include any insurance or
19 endowment policy or annuity contract under which an insurance
20 company promises to pay a fixed or variable number of dollars
21 either in a lump sum or periodically for life or some other specified
22 period;

23 (n) "State" means any State, territory, or possession of the
24 United States, as well as the District of Columbia and Puerto Rico;

25 (o) "Nonissuer" means secondary trading not involving the
26 issuer of the securities nor any person in a control relationship
27 with the issuer.

28 3. (a) The following securities are exempted from the provisions
29 of sections 13 and 16 of this act.

30 (1) any security (including a revenue obligation) issued or
31 guaranteed by the United States, any State, any political subdivi-
32 sion of a State, or any agency or corporate or other instrumen-
33 tality of one or more of the foregoing; or any certificate of deposit
34 for any of the foregoing;

35 (2) any security issued or guaranteed by Canada, any Canadian
36 province, any political subdivision of any such province, any agency
37 or corporate or other instrumentality of one or more of the fore-
38 going, or any other foreign government with which the United
39 States currently maintains diplomatic relations, if the security is
40 recognized as a valid obligation by the issuer or guarantor;

41 (3) any security issued by and representing an interest in or a
42 debt of, or guaranteed by, any bank, savings institution, or trust
43 company organized and supervised under the laws of any State or

1 under the laws of the United States;

2 (4) any security issued by and representing an interest in or a
3 debt of, or guaranteed by, any State or Federal Savings and Loan
4 Association, or any building and loan or similar association organ-
5 ized under the laws of any State and authorized to do business in
6 this State;

7 (5) any security issued by and representing an interest in or a
8 debt of, or guaranteed by, any insurance company organized under
9 the laws of any State and authorized to do business in this State;

10 (6) any security issued or guaranteed by any Federal Credit
11 Union or any credit union, industrial loan association, or similar
12 association organized and supervised under the laws of this State;

13 (7) any security issued or guaranteed by any railroad, other
14 common carrier, public utility, or holding company which is (A)
15 subject to the jurisdiction of the Interstate Commerce Commission;
16 (B) a registered holding company under the Public Utility Holding
17 Company Act of 1935 or a subsidiary of such a company within
18 the meaning of that act; (C) regulated in respect to its rates and
19 charges by a governmental authority of the United States or any
20 State; or (D) regulated in respect of the issuance or guarantee of
21 the security by a governmental authority of the United States,
22 any State, Canada or any Canadian province;

23 (8) any security listed or approved for listing upon notice of
24 issuance on the New York Stock Exchange or the American Stock
25 Exchange, and such other exchanges as the bureau chief may from
26 time to time designate by rule or order; any other security of the
27 same issuer which is of senior or substantially equal rank; any secu-
28 rity called for by subscription rights or warrants so listed or ap-
29 proved; or any warrant or right to purchase or subscribe to any
30 of the foregoing;

31 (9) any security issued by a person organized and operated
32 exclusively for religious, educational, benevolent, fraternal, chari-
33 table or reformatory purposes and not for pecuniary profit, and
34 no part of the net earnings of which inures to the benefit of any
35 person, private stockholder, or individual;

36 (10) any commercial paper which arises out of a current trans-
37 action or the proceeds of which have been or are to be used for
38 current transactions, and which evidences an obligation to pay cash
39 within 12 months of the date of issuance, exclusive of days of grace,
40 or any renewal of such paper which is likewise limited, or any
41 guarantee of such paper or of any such renewal;

42 (11) any investment contract issued in connection with an em-
43 ployees' or professional stock purchase, savings, pension, profit-

1 sharing, retirement or similar benefit plan if the bureau chief is
2 notified in writing 30 days before the inception of the plan or, with
3 respect to plans which are in effect on the effective date of this
4 act, within 60 days thereafter (or within 30 days before they are
5 reopened if they are closed on the effective date of this act);

6 (b) The following transactions are exempted from the provi-
7 sions of sections 13 and 16 of this act:

8 (1) any isolated nonissuer transaction, whether effected through
9 a broker-dealer or not;

10 (2) any nonissuer transaction of an outstanding security if (A)
11 a recognized securities manual contains the names of the issuer's
12 officers and directors, a balance sheet of the issuer as of a date
13 within 18 months, and a profit and loss statement for either the
14 fiscal year preceding that date or the most recent year of opera-
15 tions, or (B) the security has a fixed maturity or a fixed interest
16 or dividend provision and there has been no default during the
17 current fiscal year or within the 3 preceding fiscal years, or during
18 the existence of the issuer and any predecessors if less than 3
19 years, in the payment of principal, interest, or dividends on the
20 security;

21 (3) any nonissuer transaction effected by or through a regis-
22 tered broker-dealer pursuant to an unsolicited order or offer to
23 buy; but the customer shall acknowledge upon a form prescribed
24 by the bureau chief that the sale was unsolicited, and a signed
25 copy of such form shall be filed with the Bureau of Securities;

26 (4) any transaction between the issuer or other person on whose
27 behalf the offering is made and an underwriter, or among under-
28 writers;

29 (5) any transaction in a bond or other evidence of indebtedness
30 secured by a real or chattel mortgage or deed of trust, or by an
31 agreement for the sale of real estate or chattels, if the entire mort-
32 gage, deed of trust, or agreement, together with all the bonds or
33 other evidences of indebtedness secured thereby, is offered and
34 sold as a single unit;

35 (6) any transaction by an executor, administrator, sheriff, mar-
36 shal, receiver, trustee in bankruptcy, guardian, or conservator;

37 (7) any transaction executed by a bona fide pledgee without
38 any purpose of evading this act;

39 (8) any offer or sale to a bank, savings institution, trust com-
40 pany, insurance company, investment company as defined in the
41 Investment Company Act of 1940, pension or profit-sharing trust,
42 or other financial institution or institutional buyer, or to a broker-
43 dealer, whether the purchaser is acting for itself or in some fiduci-

1 any capacity;

2 (9) any transaction pursuant to an offer directed by the offeror
3 to not more than 10 persons (other than those designated in para-
4 graph (b)(8) in this State during any period of 12 consecutive
5 months, whether or not the offeror or any of the offerees is then
6 present in this State, if (i) the seller reasonably believes that all
7 buyers are purchasing for investment, and (ii) no commission or
8 other remuneration is paid or given directly or indirectly for
9 soliciting any prospective buyer in this State; but the bureau chief
10 may by rule or order, as to any transaction, withdraw or further
11 condition this exemption, or increase or decrease the number of
12 offerees permitted, or waive the conditions in subdivision (i) and
13 (ii);

14 (10) any offer or sale of a preorganization certificate or sub-
15 scription if (i) no commission or other remuneration is paid or
16 given directly or indirectly for soliciting any prospective sub-
17 scriber, (ii) the number of subscribers does not exceed 10, and
18 (iii) no payment is made by any subscriber;

19 (11) any transaction pursuant to an offer to existing security
20 holders of the issuer, including persons who at the time of the
21 transaction are holders of convertible securities, nontransferable
22 warrants, or transferable warrants exercisable within not more
23 than 90 days of their issuance, if (i) no commission or other re-
24 muneration (other than a standby commission) is paid or given
25 directly or indirectly for soliciting any security holder in this
26 State, or (ii) the issuer first files a notice specifying the terms of
27 the offer and the bureau chief does not by order disallow the ex-
28 ception within the next 5 full business days;

29 (c) The bureau chief may by order deny or revoke any exemp-
30 tion specified in subdivision (9), (10) or (11) of subsection (a)
31 or in subsection (b) with respect to a specific security or trans-
32 action. No such order may be entered without appropriate prior
33 notice to all interested parties, opportunity for hearing, and writ-
34 ten findings of fact and conclusions of law, except that the bureau
35 chief may by order summarily deny or revoke any of the specified
36 exemptions pending final determination of any proceeding under
37 this subsection. Upon the entry of a summary order, the bureau
38 chief shall promptly notify all interested parties that it has been
39 entered and of the reasons therefor and that within 15 days of
40 the receipt of a written request the matter will be set down for
41 hearing. The order will remain in effect until it is modified or
42 vacated upon notice to all interested parties by the bureau chief.
43 No order under this subsection may operate retroactively.

1 (d) In any proceeding under this act, the burden of proving an
2 exemption or an exception from a definition is upon the person
3 claiming it.

4 4. (a) Sections 5, 8, 9(a), 13 and 24 of this act apply to persons
5 who sell or offer to sell when (1) an offer to sell is made in this
6 State, or (2) an offer to buy is made or accepted in this State;

7 (b) Sections 5, 8 and 9(a) apply to persons who buy or offer
8 to buy when (1) an offer to buy is made in this State, or (2) an
9 offer to sell is made or accepted in this State;

10 (c) For the purpose of this section, an offer to sell or to buy
11 is made in this State, whether or not either party is then present
12 in this State, when the offer (1) originates from this State or (2) is
13 directed by the offeror to this State and received at the place to
14 which it is directed (or at any post office in this State in the case
15 of a mailed offer);

16 (d) For the purpose of this section, an offer to buy or to sell
17 is accepted in this State when acceptance (1) is communicated to
18 the offeror in this State and (2) has not previously been communi-
19 cated to the offeror, orally or in writing, outside this State; and
20 acceptance is communicated to the offeror in this State, whether
21 or not either party is then present in this State, when the offeree
22 directs it to the offeror in this State reasonably believing the of-
23 feror to be in this State and it is received at the place to which
24 it is directed (or at any post office in this State in the case of a
25 mailed acceptance);

26 (e) An offer to sell or to buy is not made in this State when
27 (1) the publisher circulates or there is circulated on his behalf
28 in this State any bona fide newspaper or other publication of gen-
29 eral, regular, and paid circulation which is not published in this
30 State, or which is published in this State but has had more than
31 $\frac{2}{3}$ of its circulation outside this State during the past 12 months,
32 or (2) a radio or television program originating outside this State
33 is received in this State;

34 (f) Sections 6, 8 and 9 (c), so far as investment advisors are
35 concerned, apply when any act instrumental in effecting prohibited
36 conduct is done in this State, whether or not either party is then
37 present in this State.

38 5. It shall be unlawful for any person, in connection with the
39 offer, sale, or purchase of any security, directly or indirectly

40 (a) to employ any device, scheme, or artifice to defraud;

41 (b) to make any untrue statement of a material fact or to omit
42 to state a material fact necessary in order to make the statements
43 made, in the light of the circumstances under which they are made,

1 not misleading; or

2 (c) to engage in any act, practice, or course of business which
3 operates or would operate as a fraud or deceit upon any person.

4 6. (a) It shall be unlawful for any person who receives any con-
5 sideration from another person primarily for advising the other
6 person as to the value of securities or their purchase or sale,
7 whether through the issuance of analyses or reports or otherwise,

8 (1) to employ any device, scheme or artifice to defraud the
9 other person; or

10 (2) to engage in any act, practice, or course of business which
11 operates or would operate as a fraud or deceit upon the other
12 person;

13 (b) It shall be unlawful for any investment advisor or regis-
14 tered broker-dealer acting as an investment advisor to enter into,
15 extend, or renew any investment advisory contract unless it pro-
16 vides in writing

17 (1) that the investment advisor shall not be compensated on
18 the basis of a share of capital gains upon or capital appreciation
19 of the funds or any portion of the funds of the client;

20 (2) that no assignment of the contract may be made by the in-
21 vestment advisor without the consent of the other party to the
22 contract; and

23 (3) that the investment advisor, if a partnership shall notify
24 the other party to the contract of any change in the membership
25 of the partnership within a reasonable time after the change;

26 (c) Paragraph (b) (1) does not prohibit an investment advisory
27 contract which provides for compensation based upon the total
28 value of a fund averaged over a definite period, or as of definite
29 dates or taken as of a definite date. "Assignment," as used in
30 paragraph (b) (2), includes any direct or indirect transfer or
31 hypothecation of an investment advisory contract by the assignor
32 or of a controlling block of the assignor's outstanding voting secu-
33 rities by a security holder of the assignor; but, if the investment
34 advisor is a partnership, no assignment of an investment advisory
35 contract is considered to result from the death or withdrawal of
36 a minority of the members of the investment advisor having only
37 a minority interest in the business of the investment advisor, or
38 from the admission to the investment advisor of one or more mem-
39 bers who, after admission, will be only a minority of the members
40 and will have only a minority interest in the business.

41 7. It is unlawful for any person to make or cause to be made, in
42 any document filed with the bureau or in any proceeding under this
43 law, any statement which is, at the time and in the light of the

1 circumstances under which it is made, false or misleading in any
2 material respect.

3 8. (a) Neither (1) the fact that an application for registration
4 of any persons or a registration statement of any security has been
5 filed nor (2) the fact that a person or security is effectively regis-
6 tered constitutes a finding by the bureau chief that any document
7 filed under this act is true, complete, and not misleading. Neither
8 any such fact nor the fact that an exemption or exception is avail-
9 able for a person, security or transaction means that the bureau
10 chief has passed in any way upon the merits or qualifications of,
11 or recommended or given approval to, any person, security, or
12 transaction.

13 (b) It is unlawful to make, or cause to be made, to any prospec-
14 tive purchaser, customer, or client any representation inconsistent
15 with paragraph (a).

16 9. (a) It shall be unlawful for any person to act as a broker-
17 dealer, agent or investment advisor in this State unless he is regis-
18 tered under this act;

19 (b) It shall be unlawful for any broker-dealer or issuer to em-
20 ploy an agent in this State unless the agent is registered. The reg-
21 istration of an agent is not effective during any period when he
22 is not associated with a particular broker-dealer registered under
23 this act or a particular issuer. When an agent begins or terminates
24 a connection with a broker-dealer or issuer, or begins or terminates
25 those activities which make him an agent, the agent as well as the
26 broker-dealer or issuer shall promptly notify the bureau;

27 (c) It shall be unlawful for any person to transact business in
28 this State as an investment advisor unless (1) he is so registered
29 under this act, (2) he is registered as a broker-dealer without the
30 imposition of a condition under section 11, paragraph (b) (6), or
31 (3) his only clients in this State are investment companies as
32 defined in the Investment Company Act of 1940 or insurance com-
33 panies;

34 (d) Every registration shall expire 2 years from its effective
35 date unless renewed, except that the bureau chief may by rule
36 provide that registrations shall all expire on the same date.

37 10. (a) A broker-dealer, agent, or investment advisor may ob-
38 tain an initial or renewal registration by filing with the bureau
39 an application together with a consent to service of process pur-
40 suant to section 26(a). The application shall contain whatever
41 information the bureau chief by rule requires concerning such mat-
42 ters as (1) the applicant's form and place of organization; (2) the
43 applicant's proposed method of doing business; (3) the qualifica-

1 tions and business history of the applicant; in the case of a broker-
2 dealer or investment advisor, the qualifications and business his-
3 tory of any partner, officer, or director, any person occupying a
4 similar status or performing similar functions, or any person di-
5 rectly or indirectly controlling the broker-dealer or investment
6 advisor; and, in the case of an investment advisor or registered
7 broker-dealer acting as an investment advisor, the qualifications
8 and business history of any employee who is to give investment
9 advice; (4) any injunction or administrative order or conviction
10 of a misdemeanor involving a security or any aspect of the secu-
11 rities business and any conviction of a high misdemeanor or fel-
12 ony; and (5) the applicant's financial condition. If no denial,
13 postponement or suspension order is in effect and no proceeding
14 is pending under section 11, registration becomes effective at noon
15 of the thirtieth day after an application is filed. The bureau chief
16 may by rule or order specify an earlier effective date, or he may
17 by order defer the effective date until the first day of the next
18 calendar month after the thirtieth day after the filing of the applica-
19 tion. The time limits herein provided shall run anew from the filing
20 of any amendment. Registration of a broker-dealer automatically
21 constitutes registration of any agent who is a partner, officer, or
22 director, or a person occupying a similar status or performing
23 similar functions;

24 (b) Every applicant for initial or renewal registration shall pay
25 a filing fee of \$100.00 in the case of a broker-dealer, plus \$2.00 for
26 each partner, officer, director, or principal doing business in this
27 State, \$20.00 in the case of an agent, and \$50.00 in the case of an
28 investment advisor. When application is denied or withdrawn, the
29 bureau shall retain the fee. Whenever any supplemental filing, for
30 the purpose of keeping current the information furnished to the
31 bureau chief, is made there shall be a supplemental filing fee of
32 \$5.00;

33 (c) A registered broker-dealer or investment advisor may file
34 an application for registration of a successor, whether or not the
35 successor is then in existence, for the unexpired portion of the
36 registration period. There shall be no filing fee;

37 (d) The bureau chief may by rule require a minimum capital
38 for registered broker-dealers, provided that the bureau chief shall
39 not in any case require a minimum capital in excess of \$10,000.00
40 in the case of a registered broker-dealer; and provided, further,
41 that the minimum capital requirement of a broker-dealer engaged
42 exclusively in the sale of investment company shares shall not be
43 in excess of \$5,000.00;

1 (e) The bureau chief may by rule require registered investment
2 advisors who have custody of clients' funds or securities and reg-
3 istered broker-dealers to post surety bonds in amounts up to
4 \$25,000.00, and may determine their conditions; provided that no
5 such surety bond shall be required of an investment advisor or a
6 broker-dealer who has a minimum capital of at least \$25,000.00 or
7 of a broker-dealer engaged exclusively in the sale of investment
8 company shares who has a minimum capital of \$5,000.00; except
9 that, notwithstanding the provisions of this or any other section
10 of this law, the bureau chief may by rule require registered broker-
11 dealers and investment advisors if such registrant or any partner,
12 officer or director, any person occupying a similar status or per-
13 forming similar functions; or any person directly or indirectly
14 controlling such registrant has ever been convicted of any misde-
15 meanor involving a security or any aspect of the securities busi-
16 ness, or any high misdemeanor or felony to post surety bonds in
17 amounts up to \$200,000.00. Any appropriate deposit of cash or
18 securities shall be accepted in lieu of any bond so required. Every
19 bond shall provide for suit thereon by any person who has a cause of
20 action under section 19. Every bond shall provide that no suit may
21 be maintained to enforce any liability on the bond unless brought
22 within 2 years after the sale or other act upon which it is based,
23 or within 2 years of the time when the person aggrieved knew or
24 should have known of the existence of his cause of action, which-
25 ever is later.

26 (f) (1) The bureau chief may by rule provide for an exam-
27 ination which may be written or oral or both, to be taken by any
28 class of or all applicants, as well as persons who represent or will
29 represent an investment advisor in doing any of the acts which
30 makes him an investment advisor;

31 (2) Each applicant for such examination shall pay examination
32 fees as follows: broker-dealer, \$15.00; partner, officer, or director
33 doing business in this State, \$15.00; agent, \$15.00; and investment
34 advisor, \$15.00. When an application for an examination is denied
35 or withdrawn, the bureau shall retain the fee.

36 11. (a) The bureau chief may by order deny, suspend, or revoke
37 any registration if he finds (1) that the order is in the public in-
38 terest and (2) that the applicant or registrant or, in the case of a
39 broker-dealer or investment advisor, any partner, officer, or direc-
40 tor, any person occupying a similar status or performing similar
41 functions, or any person directly or indirectly controlling the
42 broker-dealer or investment advisor

43 (i) has filed an application for registration which as of its effec-

1 tive date, or as of any date after filing in the case of an order
2 denying effectiveness, was incomplete in any material respect or
3 contained any statement which was, in the light of the circum-
4 stances under which it was made, false or misleading with respect
5 to any material fact;

6 (ii) has willfully violated or willfully failed to comply with any
7 provision of this law or a predecessor law or any rule or order
8 authorized by this law or a predecessor law;

9 (iii) has been convicted of any crime involving a security or
10 any aspect of the security business or any crime involving moral
11 turpitude; however, where the applicant can show by proof satis-
12 factory to the bureau chief that during the 10-year period preced-
13 ing the application he has conducted himself in such a manner as
14 to warrant his registration consistent with all other provisions of
15 this act, the conviction shall not be a bar to registration;

16 (iv) is permanently or temporarily enjoined by any court of
17 competent jurisdiction from engaging in or continuing any conduct
18 or practice involving any aspect of the securities business;

19 (v) is the subject of an effective order of the bureau chief deny-
20 ing, suspending, or revoking registration as a broker-dealer, agent,
21 or investment advisor;

22 (vi) is the subject of an order entered within the past 5 years
23 by the securities administrator of any other State or by the Secu-
24 rities and Exchange Commission denying or revoking registration
25 as a broker-dealer, agent, or investment advisor, or the substantial
26 equivalent of those terms as defined in this act, or is the subject
27 of an order of the Securities and Exchange Commission suspending
28 or expelling him from a national securities exchange or national
29 securities association registered under the Securities Exchange
30 Act of 1934, or is the subject of a United States Post Office fraud
31 order; but (A) the bureau chief may not institute a revocation or
32 suspension proceeding under this clause (vi) more than 1 year
33 from the date of the order relied on and (B) he may not enter an
34 order under this clause (vi) on the basis of an order under another
35 State act unless that order was based on facts which would cur-
36 rently constitute a ground for an order under this law;

37 (vii) has engaged in dishonest or unethical practices in the secu-
38 rities business;

39 (viii) is insolvent, either in the sense that his liabilities exceed
40 his assets or in the sense that he cannot meet his obligations as
41 they mature; but the bureau chief may not enter an order against
42 a broker-dealer or investment advisor for insolvency without a
43 finding of insolvency as to the broker-dealer investment advisor;

1 (ix) is not qualified on the basis of such factors as character,
2 training, experience and knowledge of the security business, except
3 as otherwise provided in paragraph (b);

4 (x) has failed to pass an examination under subdivision (b)
5 of this section 11 if such an examination has been by rule provided
6 for by the bureau chief;

7 (xi) has failed reasonably to supervise his agents if he is a
8 broker-dealer or his employees who give investment advice if he is
9 an investment advisor;

10 (xii) has failed to pay the proper fees, but the bureau chief
11 shall vacate any such order when the deficiency has been corrected.

12 (b) The following provisions govern the application of para-
13 graph (a) (2) (ix):

14 (1) The bureau chief may not enter an order against a broker-
15 dealer on the basis of the lack of qualification of any person other
16 than (i) the broker-dealer himself if he is an individual or (ii) an
17 agent of the broker-dealer;

18 (2) The bureau chief may not enter an order against an invest-
19 ment advisor on the basis of the lack of qualification of any person
20 other than (i) the investment advisor himself if he is an individual
21 or (ii) any other person who represents the investment advisor
22 in doing any of the acts which make him an investment advisor;

23 (3) The bureau chief may not enter an order solely on the basis
24 of lack of experience if the applicant or registrant is qualified by
25 training or knowledge or both;

26 (4) The bureau chief shall consider that an agent who will work
27 under the supervision of a registered broker-dealer need not have
28 the same qualifications as a broker-dealer;

29 (5) The bureau chief shall consider that an investment advisor
30 is not necessarily qualified solely on the basis of experience as a
31 broker-dealer or agent. When he finds that an applicant for initial
32 or renewal registration as a broker-dealer is not qualified as an
33 investment advisor, he may by order condition the applicant's
34 registration as a broker-dealer upon his not transacting business
35 in this State as an investment advisor.

36 (c) (1) When the bureau chief finds that an application for regis-
37 tration should be denied he may enter an order denying such
38 registration; but he shall promptly notify the applicant, as well
39 as the prospective employer if the applicant is an agent, that the
40 order has been entered and of the reasons therefor and that the
41 matter will be set down for hearing if a written request for such a
42 hearing is filed with the bureau chief within 30 days after receipt
43 of such notice by the applicant. If no hearing is requested the

1 order shall remain in effect until modified or vacated. If a hearing
2 is held the bureau chief shall affirm, vacate or modify the order in
3 accord with the findings at the hearing.

4 (2) When the bureau chief finds that a registration should be
5 suspended or revoked he may enter a proposed order to suspend
6 or revoke such registration and he shall promptly notify the regis-
7 trant, as well as the employer if the registrant is an agent, of the
8 proposed order, of the reasons therefor and that the matter will
9 be set down for hearing if a written request for such hearing is
10 filed with the bureau chief within 10 days after receipt of such
11 notice by the registrant. If no hearing is requested within the
12 specified time the bureau chief shall enter the proposed order as
13 a final order, which shall be effective when entered. If a hearing
14 is held the bureau chief shall withdraw the proposed order or enter
15 a final order in accord with the findings at the hearing, which order
16 shall be effective when entered.

17 (d) If the bureau chief finds that any registrant or applicant for
18 registration is no longer in existence or has ceased to do business
19 as a broker-dealer, agent, or investment advisor, or is subject to
20 an adjudication of mental incompetence or to the control of a com-
21 mittee, conservator, or guardian, or cannot be located after reason-
22 able search, the bureau chief may by order revoke or deny the
23 registration or application;

24 (e) Withdrawal from registration as a broker-dealer, agent, or
25 investment advisor becomes effective 30 days after receipt of an
26 application to withdraw or within such shorter period of time as
27 the bureau chief may determine by rule or order. The bureau chief
28 may nevertheless institute a revocation or suspension proceeding
29 under paragraph (a) (2) (ii) within 1 year after withdrawal be-
30 comes effective and enter a revocation or suspension order as of
31 the last date on which registration was effective;

32 (f) No order may be entered under this section, except under
33 paragraph (c) (1), without (i) appropriate prior notice to the
34 applicant or registrant (as well as the employer or prospective
35 employer if the applicant or registrant is an agent), (ii) oppor-
36 tunity for hearing, and (iii) written findings of fact and conclu-
37 sions of law;

38 (g) Every hearing before an officer or employee of the bureau
39 which this law requires to be held before any formal action may
40 be taken by the bureau shall not be public without the written
41 consent of all the respondents.

42 12. (a) Every registered broker-dealer shall file with the bureau
43 chief a report of financial condition as of a date within each

1 calendar year within 60 days after the date of such report of
2 financial condition, provided that reports for any 2 consecutive
3 years shall not be as of dates within 4 months of each other. The
4 report of financial condition of a broker-dealer shall be certified
5 by a certified public accountant or a public accountant who shall
6 be in fact independent;

7 (b) Every registered broker-dealer and investment advisor shall
8 make and whenever required by rule of the bureau chief shall
9 file with the bureau, such books, records, and accounts as the bureau
10 chief by rule prescribes. Such books, records and accounts shall
11 conform insofar as practicable, to those prescribed by the Securities
12 and Exchange Commission. All records so required shall be pre-
13 served for 3 years unless the bureau chief by rule prescribes other-
14 wise for all records or for particular types of records;

15 (c) If the information contained in any document filed with the
16 bureau is or becomes inaccurate or incomplete in any material
17 respect, the registrant shall promptly make a correcting supple-
18 mental filing unless notification of the correction has been given
19 under section 9, paragraph (b).

20 13. It is unlawful for any security to be offered or sold in this
21 State unless:

22 (a) the security or transaction is exempted under section 3 of
23 this act;

24 (b) the security or transaction is not subject to, or is exempted
25 from, the registration requirements of the Securities Act of 1933
26 and the rules and regulations thereunder; other than by reason
27 of section 3(a) of such act and the rules and regulations under
28 said section 3(a);

29 (c) the security is registered under the Securities Act of 1933;

30 (d) the security is registered under the Real Estate Syndication
31 Offerings Law; or

32 (e) the security is registered under this act.

33 14. (a) Subject to the provisions of this section and section 15
34 of this act any security may be registered by qualification.

35 (b) A registration statement under this section shall contain the
36 following information and be accompanied by the following
37 documents:

38 (1) the information specified in section 15(e) of this act;

39 (2) the consent to service of process required by section 26(a)
40 of this act;

41 (3) with respect to the issuer and any significant subsidiary;
42 its name, address, and form of organization; the State or foreign
43 jurisdiction and date of its organization; the general character

1 and location of its business; a description of its physical properties
2 and equipment; and a statement of the general competitive con-
3 ditions in the industry or business in which it is or will be engaged;

4 (4) with respect to every director and officer of the issuer, or
5 person occupying a similar status or performing similar functions:
6 his name, address, and principal occupation for the past 5 years;
7 the amount of securities of the issuer held by him as of a specified
8 date within 30 days of the filing of the registration statement; the
9 amount of the securities covered by the registration statement to
10 which he has indicated his intention to subscribe; and a description
11 of any material interest in any material transaction with the issuer
12 or any significant subsidiary effected within the past 3 years or
13 proposed to be effected;

14 (5) with respect to persons covered by subsection (4); the re-
15 munerations paid during the past 12 months and estimated to be
16 paid during the next 12 months, directly or indirectly, by the
17 issuer (together with all predecessors, parents, subsidiaries, and
18 affiliates) to all those persons in the aggregate;

19 (6) with respect to any person owning of record, or beneficially
20 if known, 10% or more of the outstanding shares of any class of
21 equity security of the issuer: the information specified in subsec-
22 tion (4) other than his occupation;

23 (7) with respect to every promoter if the issuer was organized
24 within the past 3 years: the information specified in subsection
25 (4), any amount paid to him within the period or intended to be
26 paid to him, and the consideration for any such payment;

27 (8) with respect to any person on whose behalf any part of the
28 offering is to be made in a nonissuer transaction: his name and
29 address; the amount of securities of the issuer held by him as of
30 the date of the filing of the registration statement; a description
31 of any material interest in any material transaction with the issuer
32 or any significant subsidiary effected within the past 3 years or
33 proposed to be effected; and a statement of his reasons for making
34 the offering;

35 (9) the capitalization and long-term debt (on both a current
36 and a pro forma basis) of the issuer and any significant subsidiary,
37 including a description of each security outstanding or being regis-
38 tered or otherwise offered, and a statement of the amount and
39 kind of consideration (whether in the form of cash, physical assets,
40 services, patents, goodwill, or anything else) for which the issuer
41 or any subsidiary has issued any of its securities within the past
42 2 years or is obligated to issue any of its securities;

43 (10) the kind and amount of securities to be offered; the proposed

1 offering price or the method by which it is to be computed; any
2 variation therefrom at which any portion of the offering is to be
3 made to any person or class of persons other than the underwriters,
4 with a specification of any such person or class; the basis upon
5 which the offering is to be made if otherwise than for cash; the
6 estimated aggregate underwriting and selling discounts or com-
7 missions and finders' fees (including separately cash, securities,
8 contracts, or anything else of value to accrue to the underwriters
9 or finders in connection with the offering) or, if the selling dis-
10 counts or commissions are variable, the basis of determining them
11 and their maximum and minimum amounts; the estimated amounts
12 of other selling expenses, including legal, engineering, and account-
13 ing charges; the name and address of every underwriter and every
14 recipient of a finder's fee; a copy of any underwriting or selling-
15 group agreement pursuant to which the distribution is to be made,
16 or the proposed form of any such agreement whose terms have
17 not yet been determined, and a description of the plan of distribu-
18 tion of any securities which are to be offered otherwise than
19 through an underwriter;

20 (11) the estimated cash proceeds to be received by the issuer
21 from the offering; the purposes for which the proceeds are to be
22 used by the issuer; the amount to be used for each purpose; the
23 order or priority in which the proceeds will be used for the pur-
24 poses stated; the amounts of any funds to be raised from other
25 sources to achieve the purposes stated; the sources of any such
26 funds; and, if any part of the proceeds is to be used to acquire
27 any property (including goodwill) otherwise than in the ordinary
28 course of business, the names and addresses of the vendors, the
29 purchase price, the names of any persons who have received com-
30 missions in connection with the acquisition, and the amounts of
31 any such commissions and any other expense in connection with
32 the acquisition (including the cost of borrowing money to finance
33 the acquisition);

34 (12) a description of any stock options or other security options
35 outstanding, or to be created in connection with the offering;
36 together with the amount of any such options held or to be held
37 by every person required to be named in subsections (4), (6), (7),
38 (8), or (10) and by any person who holds or will hold 10% or more
39 in the aggregate of any such options;

40 (13) the dates of, parties to, and general effect concisely stated
41 of, every management or other contract of material importance
42 made or to be made otherwise than in the ordinary course of
43 business if it is to be performed in whole or in part at or after

1 the filing of the registration statement or was made within the past
2 2 years, together with a copy of every such contract; and a descrip-
3 tion of any pending litigation or proceeding to which the issuer
4 is a party and which materially affects its business or assets (in-
5 cluding any such litigation or proceeding known to be contemplated
6 by governmental authorities);

7 (14) a copy of any prospectus, pamphlet, circular, form letter,
8 advertisement, or other sales literature intended as of the effective
9 date to be used in connection with the offering;

10 (15) a specimen or copy of the security being registered; a copy
11 of the issuer's articles of incorporation and by-laws, or their sub-
12 stantial equivalents, as currently in effect; and a copy of any
13 indenture or other instrument covering the security to be
14 registered;

15 (16) a signed or conformed copy of an opinion of counsel as to
16 the legality of the security being registered (with an English
17 translation if it is in a foreign language), which shall state whether
18 the security when sold will be legally issued, fully paid, and non-
19 assessable, and, if a debt security, a binding obligation of the
20 issuer;

21 (17) the written consent of any accountant, engineer, appraiser,
22 or other person whose profession gives authority to a statement
23 made by him, if any such person is named as having prepared or
24 certified a report or valuation (other than a public and official
25 document or statement) which is used in connection with the regis-
26 tration statement;

27 (18) a balance sheet of the issuer as of a date within 4 months
28 prior to the filing of the registration statement, accompanied by a
29 declaration that there has been no substantial change in the finan-
30 cial position of the issuer since the date of such statement; a
31 profit and loss statement and analysis of surplus for each of the
32 3 fiscal years preceding the date of the balance sheet and for any
33 period between the close of the last fiscal year and the date of
34 the balance sheet, or for the period of the issuer's and any predeces-
35 sor's existence if less than 3 years; and, if any part of the proceeds
36 of the offering is to be applied to the purchase of any business,
37 the same financial statements which would be required if that
38 business were the registrant; and

39 (19) such additional information as the bureau chief requires
40 by rule or order.

41 (c) Registration by qualification shall become effective when
42 the bureau chief so orders.

43 (d) The bureau chief may by rule or order require as a condition

1 of registration by qualification that a prospectus containing any
2 designated part of the information specified in subsection (b) be
3 sent or given to each person to whom an offer is made before or
4 concurrently with (1) the first written offer made to him (other-
5 wise than by means of a public advertisement) by or for the
6 account of the issuer or any other person on whose behalf the
7 offering is being made, or by any underwriter or broker-dealer
8 who is offering part of an unsold allotment or subscription taken
9 by him as a participant in the distribution, (2) the confirmation
10 of any sale made by or for the account of any such person, (3)
11 payment pursuant to any such sale, or (4) delivery of the security
12 pursuant to any such sale, whichever first occurs.

13 (e) The bureau chief may by rule or order require as a condition
14 of registration by qualification (1) that any security issued within
15 the past 3 years or to be issued to a promoter for a consideration
16 substantially different from the public offering price, or to any
17 person for a consideration other than cash, be deposited in escrow;
18 and (2) that the proceeds from the sale of the registered security
19 in this State be deposited in escrow until the issuer receives a
20 specified amount from the sale of the security either in this State
21 or elsewhere. The bureau chief may by rule or order determine
22 the conditions of any escrow required hereunder, but he may not
23 reject a depository solely because of location in another State.

24 (f) The bureau chief may by rule or order require as a condition
25 of registration that any security registered by qualification be sold
26 only on a specified form of subscription or sale contract, and that
27 a signed or conformed copy of each contract be filed with the
28 bureau chief or preserved for any period up to 3 years specified
29 in the rule or order.

30 15. (a) A registration statement may be filed by the issuer, any
31 other person on whose behalf the offering is to be made, or a
32 registered broker-dealer.

33 (b) Every person filing a registration statement shall pay a
34 filing fee of 1/10 of 1% of the maximum aggregate offering price
35 at which the securities to be registered are to be offered in this
36 State, but the fee shall in no case be less than \$50.00 or more than
37 \$1,000.00. This fee shall not be refundable.

38 (c) Every registration statement shall specify (1) the amount
39 of securities to be offered in this State; (2) the States in which a
40 registration statement or similar document in connection with the
41 offering has been or is to be filed; and (3) any adverse order,
42 judgment, or decree entered in connection with the offering by the
43 regulatory authorities in any State or by any court or the Securities

1 and Exchange Commission.

2 (d) Any document filed pursuant to this supplemental act within
3 3 years preceding the filing of a registration statement may be
4 incorporated by reference in the registration statement to the
5 extent that the document is currently accurate.

6 (e) The bureau chief may by rule or order permit the omission
7 of any item of information or document from any registration
8 statement.

9 (f) The bureau chief may waive the requirements of all or any
10 part of sections 14 or 15(h) of this act in the case of a nonissuer
11 transaction of securities which were initially sold prior to the
12 effective date of this supplemental act, where the information is
13 not known by the person filing the registration statement or by
14 the persons on whose behalf the transaction is to be made, or
15 cannot be furnished by them without unreasonable effort or expense.

16 (g) Every registration statement is effective for 1 year from
17 its effective date, or any longer period during which the security
18 is being offered or distributed in a nonexempted transaction by or
19 for the account of the issuer or other person on whose behalf the
20 offering is being made or by any underwriter or broker-dealer
21 who is still offering part of an unsold allotment or subscription
22 taken by him as a participant in the distribution, except during
23 the time a stop order is in effect under section 17 of this act.
24 All outstanding securities of the same class as a registered security
25 of the issuer are considered to be registered for the purpose of
26 any nonissuer transaction (1) so long as the registration statement
27 is effective and (2) between the thirtieth day after the entry of
28 any stop order suspending or revoking the effectiveness of the
29 registration statement under section 17 of this act (if the registra-
30 tion statement did not relate in whole or in part to a nonissuer
31 distribution) and 1 year from the effective date of the registration
32 statement. A registration statement may not be withdrawn for
33 1 year from its effective date if any securities of the same class
34 are outstanding. A registration statement may be withdrawn
35 otherwise only in the discretion of the bureau chief.

36 (h) So long as a registration statement is effective, the bureau
37 chief may by rule or order require the person who filed the regis-
38 tration statement to file reports, not more often than quarterly,
39 to keep reasonably current the information contained in the regis-
40 tration statement and to disclose the progress of the offering.

41 (i) A registration statement relating to a security issued by a
42 face-amount certificate company or a redeemable security issued
43 by an open-end management company or unit investment trust,

1 as those terms are defined in the Investment Company Act of 1940,
2 may be amended after its effective date so as to increase the
3 securities specified as proposed to be offered. Such an amendment
4 becomes effective when the bureau chief so orders. Every person
5 filing such an amendment shall pay a filing fee, calculated in the
6 manner specified in subsection (b), with respect to the additional
7 securities proposed to be offered.

8 16. The bureau chief may by rule or order require the filing of
9 any prospectus, pamphlet, circular, form letter, advertisement, or
10 other sales literature or advertising communication addressed or
11 intended for distribution to prospective investors, including clients
12 or prospective clients of an investment advisor, unless the security
13 is not required to be registered by section 13 of this act;

14 There shall be a filing fee of \$0.25 for each page of sales liter-
15 ature filed with the bureau under any regulations adopted pur-
16 suant to this section, but such fee shall not exceed \$25.00 for any
17 prospectus, pamphlet, circular, or other sales literature.

18 17. (a) The bureau chief may issue a stop order denying effec-
19 tiveness to, or suspending or revoking the effectiveness of, any
20 registration statement if he finds (1) that the order is in the public
21 interest and (2) that

22 (i) the registration statement, as of its effective date or as of
23 any earlier date in the case of an order denying effectiveness, or
24 any amendment under section 15(i) of this act as of its effective
25 date, or any report under section 15(h) of this act; is incomplete
26 in any material respect or contains any statement which was, in
27 the light of the circumstances under which it was made, false or
28 misleading with respect to any material fact; or

29 (ii) any provision of the Uniform Securities Law (1967) as
30 amended or supplemented or any rule, order, or condition lawfully
31 imposed thereunder has been willfully violated, in connection with
32 the offering by (A) the person filing the registration statement,
33 (B) the issuer, any partner, officer, or director of the issuer, any
34 person occupying a similar status or performing similar functions,
35 or any person directly or indirectly controlling or controlled by
36 the issuer, or (C) any underwriter; or

37 (iii) the security registered or sought to be registered is the
38 subject of an administrative stop order or similar order or a
39 permanent or temporary injunction of any court of competent
40 jurisdiction entered under any other Federal or State act applicable
41 to the offering; but (A) the bureau chief may not institute a pro-
42 ceeding against an effective registration statement under this sub-
43 section more than 1 year from the date of the order or injunction

1 relied on, and (B) he may not enter an order under this subsection
2 on the basis of an order or injunction entered under any other
3 State act unless that order or injunction was based on facts which
4 would currently constitute a ground for a stop order under this
5 section; or

6 (iv) the issuer's enterprise or method of business includes or
7 would necessarily include activities which are illegal where per-
8 formed; or

9 (v) the offering has worked or would work a fraud upon pur-
10 chasers; or

11 (vi) the offering has been or would be made with unreasonable
12 amounts of underwriters' and sellers' discounts, commissions, or
13 other compensation, or promoters' profits or participation, or un-
14 reasonable amounts or kinds of options; or

15 (vii) the applicant or registrant has failed to pay the proper
16 filing fee but he shall vacate any such order when the deficiency
17 has been corrected.

18 (b) The bureau chief may not institute a stop order proceeding
19 against any effective registration statement on the basis of a fact
20 or transaction known to him when the registration statement be-
21 came effective unless the proceedings is instituted within the next
22 30 days.

23 (c) The bureau chief may by order summarily postpone or
24 suspend the effectiveness of the registration statement pending
25 final determination of any proceeding instituted pursuant to this
26 section. Upon entry of such an order, the bureau chief shall
27 promptly notify each person specified in subsection (d) that it has
28 been entered and of the reasons therefor and that within 15 days
29 after the receipt of a written request the matter will be set down
30 for hearing. If no hearing is requested, the order will remain in
31 effect until it is modified or vacated by the bureau chief upon notice
32 to the parties specified in subsection (d).

33 (d) No stop order may be entered pursuant to this section except
34 as provided in subsection (c) without (1) appropriate prior notice
35 to the applicant or registrant, the issuer, and the person on whose
36 behalf the securities are to be offered, (2) opportunity for hearing,
37 and (3) written findings of fact and conclusions of law.

38 (e) The bureau chief may vacate or modify a stop order if he
39 finds that the conditions which prompted its entry have changed.

40 18. (a) A document is filed when it is received in completed
41 form by the bureau;

42 (b) The bureau shall keep a register of all applications for
43 registration and registration statements which are or have ever

1 been effective under this act and all denial, suspension, revocation
2 or other orders which have been entered under this act. The
3 register shall be open for public inspection;

4 (c) The information contained in or filed with any registration
5 statement, application or report may be made available to the
6 public under such rules as the bureau chief prescribes;

7 (d) Upon request, the bureau chief shall furnish to any person
8 photographic or other copies, certified under his seal of office if
9 requested, of any entry in the register or any document in the
10 custody of the bureau chief which is a public record. The bureau
11 chief may establish such reasonable conditions and charges for
12 the obtaining of such copies as will in his judgment be practicable.

13 19. (a) This law shall be administered by the Bureau of Securi-
14 ties which is hereby created in the Division of Law of the Depart-
15 ment of Law and Public Safety. The principal executive officer of
16 the bureau shall be a chief who is appointed by and serves at the
17 pleasure of the Attorney General. The chief of the bureau shall
18 have power to employ such officers and employees as may be
19 necessary to carry out the purposes of this law and to define
20 their duties;

21 (b) It shall be unlawful for any of the officers or employees of
22 the bureau to use for personal benefit any information which is
23 filed with or obtained by the bureau and which is not made public.
24 No provision of this law authorizes any officers or employees of
25 the bureau to disclose any such information except among them-
26 selves or when necessary or appropriate in a proceeding or investi-
27 gation under this law. No provision of this law either creates or
28 derogates from any privilege which exists at common law or other-
29 wise when documentary or other evidence is sought under subpoena
30 directed to any of the officers or employees of the bureau.

31 20. (a) The bureau chief may from time to time make, amend
32 and rescind such rules, forms and orders as are reasonably neces-
33 sary to carry out the provisions of this law, including rules and
34 forms governing applications and reports, and defining any terms,
35 whether or not used in this law, insofar as the definitions are not
36 inconsistent with the provisions of this law. For the purpose of
37 rules and forms, the bureau chief may classify securities, persons
38 and matters within his jurisdiction, and prescribe different re-
39 quirements for different classes;

40 (b) No rule, form or order may be made, amended or rescinded
41 unless the bureau chief finds that the action is necessary and ap-
42 propriate (1) in the public interest, or (2) for the protection of
43 investors, or (3) consistent with the purposes fairly intended by

1 the policy and provisions of this act. In prescribing rules and
2 forms the bureau chief may co-operate with the securities ad-
3 ministrators of the other States and the Securities and Exchange
4 Commission with a view to effectuating the policy of this statute
5 to achieve maximum uniformity in the form and content of appli-
6 cations and reports wherever practicable;

7 (c) The bureau chief may by rule prescribe (1) the form and
8 content of financial statements required under this act; and (2)
9 the circumstances under which consolidated financial statements
10 shall be filed. All financial statements shall be prepared in ac-
11 cordance with generally accepted accounting practices. The form
12 and content of financial statements shall conform, insofar as prac-
13 ticable, to those prescribed by the Securities and Exchange
14 Commission.

15 (d) All rules and forms promulgated by the bureau chief shall
16 be filed with the Secretary of State a reasonable time before their
17 effective date. Copies of the rules and samples of the forms shall
18 be published in convenient form by the bureau for distribution to
19 interested persons, subject to available appropriations.

20 21. (a) The bureau chief in his discretion (1) may make such
21 private investigations within or outside of this State as he deems
22 necessary to determine whether any person has violated or is about
23 to violate any provision of this law or any rule or order hereunder,
24 or to aid in the enforcement of this law or in the prescribing of
25 rules and forms hereunder, (2) may require or permit any person
26 to file a statement in writing, under oath or otherwise as the bureau
27 chief determines, as to all the facts and circumstances concerning
28 the matter to be investigated, and (3) may publish information
29 concerning any violation of this act or any rule or order hereunder,
30 provided that there shall be no publication until such rule or order
31 becomes effective;

32 (b) For the purpose of any investigation or proceeding under
33 this law, the bureau chief or any officer designated by him may
34 administer oaths and affirmations, subpoena witnesses, compel their
35 attendance, take evidence and require the production of any books,
36 papers, correspondence, memoranda, agreements or other docu-
37 ments or records which the bureau chief deems relevant or material
38 to the inquiry;

39 (c) In case of contumacy by, or refusal to obey a subpoena
40 issued to, any person, the Superior Court, upon application by
41 the bureau chief, may issue to the person an order requiring him
42 to appear before the bureau chief, or the officer designated by him,
43 there to produce documentary evidence if so ordered or to give

1 evidence touching the matter under investigation or in question.
2 The court may grant injunctive relief restraining the issuance, sale
3 or offer for sale, purchase or offer to purchase, promotion, negotia-
4 tion, advertisement or distribution from or within this State of any
5 securities by a person, or agent, employee, broker, partner, officer,
6 director or stockholder thereof, until such person has fully complied
7 with such subpoena and the bureau has completed its investigation.
8 The court may proceed in the action in a summary manner or other-
9 wise;

10 (d) No person is excused from attending and testifying or from
11 producing any document or record before the bureau or in obedience
12 to the subpoena of the bureau chief or any officer designated by him,
13 or in any proceeding instituted by the bureau, on the ground that
14 the testimony or evidence (documentary or otherwise) required of
15 him may tend to incriminate him or subject him to a penalty or
16 forfeiture; but no individual may be prosecuted or subjected to any
17 penalty or forfeiture for or on account of any transaction, matter
18 or thing concerning which he is compelled, after claiming his
19 privilege against self-incrimination, to testify or produce evidence
20 (documentary or otherwise), except that the individual testifying
21 is not exempt from prosecution and punishment for perjury, false
22 swearing or contempt committed in testifying.

23 (e) When it shall appear to the bureau chief that the testimony
24 of any person is essential to an investigation instituted by him as
25 provided by this chapter, and that the failure of such person to
26 appear and testify may defeat the proper and effective conduct
27 thereof, the bureau chief, in addition to the other remedies provided
28 for herein, may, by petition verified generally, setting forth the
29 facts, apply to the Superior Court for a writ of ne exeat against
30 such person. The court shall thereupon direct the issuance of the
31 writ against such person requiring him to give sufficient bail con-
32 ditioned to insure his appearance before the bureau chief for
33 examination under oath in such investigation and that he will
34 continue his appearance therein from time to time until the com-
35 pletion of the investigation and will appear before the court if the
36 bureau chief shall institute any proceeding therein as a result of his
37 investigation.

38 The court shall cause to be indorsed on the writ of ne exeat, in
39 words at length, a suitable amount of bail upon which the person
40 named in the writ shall be freed, having a due regard to the nature
41 of the case and the value of the securities involved. All applications
42 to be freed on bail shall be on notice to the bureau chief and the
43 sufficiency of the bail given on the writ shall be approved by the

1 court. All recognizances shall be to the State and all forfeitures
2 thereof shall be declared by the court. The proceeds of the for-
3 feitures shall be paid into the State treasury.

4 22. (a) When it shall appear to the bureau chief that a person has
5 engaged in, is engaging in, or is about to engage in, any practices
6 declared to be illegal and prohibited by this law or when it shall
7 appear that it will be against the public interest for any person to
8 issue, sell, offer for sale, purchase, offer to purchase, promote,
9 negotiate, advertise or distribute any securities from or within this
10 State, the Attorney General on his behalf may bring an action in
11 the Superior Court and apply therein for injunctive relief, or the
12 appointment of a receiver, or both. The court may proceed in the
13 action in a summary manner or otherwise;

14 (b) If it shall appear to the court in the action that such person
15 has engaged in, is engaging in, or is about to engage in any practice
16 declared to be illegal and prohibited by this law, it may enjoin such
17 person, and any agent, employee, broker, partner, officer, director
18 or stockholder thereof, from continuing such practices or engaging
19 therein or doing any acts in furtherance thereof. The court may
20 also enjoin the issuance, sale, offer for sale, purchase, offer to
21 purchase, promotion, negotiation, advertisement or distribution
22 from or within this State of any securities by such persons, and any
23 agent, employee, broker, partner, officer, director or stockholder
24 thereof, until the court shall otherwise order;

25 (c) When the court shall grant injunctive relief as provided for
26 in paragraph (b), it may appoint a receiver with power to sue for,
27 collect, receive and take into his possession all the goods and
28 chattels, rights and credits, moneys and effects, lands and tene-
29 ments, books, records, document, papers, choses in action, bills,
30 notes and property of every description, derived by means of any
31 practice declared to be illegal and prohibited by this law, including
32 property with which such property has been mingled, if it cannot
33 be identified in kind because of such commingling, and to sell,
34 convey and assign the same and hold and dispose of the proceeds
35 thereof under the direction of the court for the equal benefit of all
36 who establish an interest therein by reason of the use and employ-
37 ment by the defendant of any practices herein declared to be illegal
38 and prohibited. The receiver may retain an attorney with the con-
39 sent of the Attorney General and the court. The court shall have
40 jurisdiction of all questions arising in such proceedings and may
41 make such orders and judgments therein as justice shall require;

42 (d) When injunctive relief is granted as provided for in para-
43 graph (b) against a corporation, partnership, company, association

1 or trust, the court may appoint a receiver and may restrain the
2 corporation, its officers, directors, stockholders, and agents, the
3 partnership, company or association, its officers, members and
4 agents, and the trust, its grantors, trustees, officers, cestius que
5 trustent and agents, from exercising any of its privileges or fran-
6 chises, and in the case of a trust from executing the trust, and in all
7 cases from collecting or receiving any debts, or paying out, selling,
8 assigning or transferring any of its estate, moneys, funds, lands,
9 tenements or effects except to the receiver appointed by the court
10 until the court shall otherwise order.

11 Upon the appointment of the receiver, all the real and personal
12 property of the corporation, partnership, company, association or
13 trust, and its franchises, rights, privileges and effects shall forth-
14 with vest in him and the corporation, partnership, company,
15 association or trust shall be divested of the title thereto.

16 The receiver shall settle the estate and distribute the assets, and
17 have all the powers and duties conferred upon receivers by the
18 provisions of Title 14, Corporations, General, so far as the pro-
19 visions thereof are applicable.

20 23. (a) Any person who willfully violates any provision of this
21 act, except section 7, or who willfully violates any rule or order
22 under this law, or who willfully violates section 7 knowing the
23 statement made to be false or misleading in any material respect,
24 shall be guilty of a misdemeanor and fined not more than \$5,000.00
25 or imprisoned not more than 3 years, or both; but no person may
26 be imprisoned for the violation of any rule or order if he proves
27 that he had no knowledge of the rule or order. No indictment or
28 information may be returned under this law more than 5 years
29 after the alleged violation.

30 (b) Any person who violates any of the provisions of this law
31 or who violates any rule or order under this law, shall be liable for
32 the first violation to a penalty of not more than \$200.00; for a
33 second violation to a penalty of not more than \$500.00; and for
34 subsequent violation to a penalty of \$500.00. The penalty shall be
35 sued for and recovered by and in the name of the bureau chief and
36 shall be collected and enforced by summary proceeding pursuant
37 to the penalty enforcement law (N. J. S. A. 2A:58-1 et seq.).
38 Process shall issue at the suit of the bureau chief, as plaintiff, and
39 shall be either in the nature of a summons or warrant.

40 24. (a) Any person who

41 (1) offers or sells a security in violation of sections 8 (b), 9 (a)
42 or 13 of this act, or

43 (2) offers or sells a security by means of any untrue statement

1 of material fact or any omission to state a material fact necessary
2 in order to make the statements made, in the light of the circum-
3 stances under which they are made, not misleading (the buyer not
4 knowing of the untruth or omission), is liable to the person buying
5 the security from him, who may sue to recover the consideration
6 paid for the security, together with interest at 6% per year from
7 the date of payment and costs, less the amount of any income
8 received on the security, upon the tender of the security and any
9 income received on it, or for damages if he no longer owns the
10 security; provided, however, that the person buying the security
11 must sustain the burden of proof that the seller knew of the
12 untruth or omission and intended to deceive the buyer, and pro-
13 vided further that the buyer has suffered a financial detriment.
14 Damages are the amount that would be recoverable upon a tender
15 less the value of the security when the buyer disposed of it and
16 interest at 6% per year from the date of disposition;

17 (b) Every person who directly or indirectly controls a seller
18 liable under paragraph (a), every partner, officer, or director of
19 such a seller, every person occupying a similar status or perform-
20 ing similar functions, every employee of such a seller who
21 materially aids in the sale, and every broker-dealer or agent who
22 materially aids in the sale are also liable jointly and severally with
23 and to the same extent as the seller, unless the nonseller who
24 is so liable sustains the burden of proof that he did not know, and
25 in the exercise of reasonable care could not have known, of the
26 existence of the facts by reason of which the liability is alleged to
27 exist. There is contribution as in cases of contract among the
28 several persons so liable;

29 (c) Any tender specified in this section may be made at any time
30 before entry of judgment;

31 (d) Every cause of action under this law survives the death of
32 any person who might have been a plaintiff or defendant;

33 (e) No person may sue under this section more than 2 years
34 after the contract of sale. No person may sue under this section (1)
35 if the buyer received a written offer, before suit and at a time when
36 he owned the security, to refund the consideration paid together
37 with interest at 6% per year from the date of payment, less the
38 amount of any income received on the security, and he failed to
39 accept the offer within 30 days of its receipt, or (2) if the buyer
40 received such an offer before suit and at a time when he did not
41 own the security, unless he rejected the offer in writing within 30
42 days of its receipt;

43 (f) No person who has made or engaged in the performance of

1 any contract in violation of any provision of this law or any rule
2 or order hereunder, or who has acquired any purported right under
3 any such contract with knowledge of the facts by reason of which
4 its making or performance was in violation, may base any suit on
5 the contract;

6 (g) Any condition, stipulation or provision binding any person
7 acquiring any security to waive compliance with any provision of
8 this law or any rule or order hereunder is void;

9 (h) The rights and remedies provided by this act are in addition
10 to any other rights or remedies that may exist at law or in equity,
11 but this law does not create any cause of action not specified in
12 this section or section 10, paragraph (e).

13 25. No provision of this law imposing any liability applies to
14 any act done or omitted in good faith in conformity with any rule,
15 form or order of the bureau chief, notwithstanding that the rule,
16 form or order may later be amended or rescinded or be determined
17 by judicial or other authority to be invalid for any reason.

18 26. (a) Every applicant for registration under this law and every
19 issuer which proposes to offer a security in this State through any
20 person acting on an agency basis in the common-law sense shall file
21 with the bureau, in such form as the bureau chief by rule prescribes,
22 an irrevocable consent appointing the bureau chief or his successor
23 in office to be his attorney to receive service of any lawful process
24 in any noncriminal suit, action or proceeding against him or his
25 successor, executor or administrator which arises under this law
26 or any rule or order hereunder after the consent has been filed, with
27 the same force and validity as if served personally on the person
28 filing the consent. A person who has filed such a consent in con-
29 nection with a previous registration need not file another. Service
30 may be made by leaving a copy of the process in the office of the
31 bureau, but it is not effective unless the plaintiff, who may be the
32 bureau chief, in a suit, action or proceeding instituted on his behalf
33 by the Attorney General forthwith sends notice of the service and a
34 copy of the process by certified or registered mail to the defendant
35 or respondent at his last address on file with the bureau;

36 (b) When any person, including any nonresident of this State,
37 engages in conduct prohibited or made actionable by this law or any
38 rule or order authorized by this law, and he has not filed a consent
39 to service of process under paragraph (a) and personal jurisdiction
40 over him cannot otherwise be obtained in this State, that conduct
41 shall be considered equivalent to his appointment of the bureau
42 chief or his successor in office to be his attorney to receive service
43 of any lawful process in any noncriminal suit, action or proceeding

1 against him or his successor, executor or administrator which
2 grows out of that conduct and which is brought under this law or
3 any rule or order hereunder, with the same force and validity as if
4 served on him personally. Service may be made by leaving a copy
5 of the process in the office of the bureau, and it is not effective
6 unless the plaintiff, who may be the bureau chief in any action
7 instituted on his behalf by the Attorney General, forthwith sends
8 notice of the service and a copy of the process by certified or
9 registered mail to the defendant or respondent at his last known
10 address.

11 27. The Governor shall appoint a Security Advisory Committee
12 which shall consist of 6 members. The members of the committee
13 shall be residents of New Jersey, actively engaged in the securities
14 business or as investment advisors. The members shall be selected
15 on the basis of their experience and qualifications and with a view
16 to representing all phases of the securities business. The members
17 shall be appointed for staggered terms of 3 years with two members
18 being appointed each year, without compensation, and may be
19 reappointed for additional terms. The members of the committee
20 shall select chairman. Meetings of the committee shall be held
21 when called by the bureau chief. The committee shall serve in an
22 advisory capacity to the bureau chief on all matters pertaining to
23 this law. All members of the Security Advisory Committee shall
24 hold over in office until their successors have been appointed and
25 qualified. All members of the Security Advisory Committee
26 appointed by the Governor pursuant to the Uniform Securities Law
27 approved June 23, 1960 (P. L. 1960, c. 75), shall continue in office
28 until the expiration of their respective terms, but thereafter all ap-
29 pointments shall be made pursuant to this act. Any member ap-
30 pointed to an unexpired term shall serve the balance of the
31 unexpired term to which he was appointed.

32 28. This law shall be so construed as to effectuate its general
33 purpose to make uniform the law of those States which enact
34 similar laws and to co-ordinate the interpretation and administra-
35 tion of this law with related Federal regulations.

36 29. If any provision of this law or the application thereof to any
37 person or circumstance is held invalid, the invalidity shall not
38 affect other provisions or applications of the law which can be
39 given effect without the invalid provision or application, and to
40 this end the provisions of this law are severable.

41 30. This act may be cited as the "Uniform Securities Law
42 (1967)."

43 31. This act shall take effect on July 1, 1967, but shall not apply
44 to any offerings begun in good faith before this effective date.

STATEMENT OF GOVERNOR RICHARD J. HUGHES ON SIGNING
OF ASSEMBLY BILL NOS. 403, 406, 613 and 830
AND SENATE BILL NOS. 15 and 327

I am pleased today to sign into law several bills which constitute significant steps toward increased protection for the New Jersey consumer in many important areas.

Briefly, these measures involve the following protection to the consumer:

Revision of the Small Loans Act to provide numerous changes, most important of which from the standpoint of the public being the elimination of wage assignments in connection with collections on such loans and the requirement that the borrower at the time of negotiating the loan receive a statement setting forth the true rate of interest. This is Assembly Bill No. 403.

Assembly Bill No. 406, another significant step toward consumer protection, requires the posting in all hotel, motel and guest-house rooms ^{of} the charges for the renting of such rooms. In addition, this measure provides for penalties for failure to comply.

The signing of Assembly Bill No. 613 marks the strengthening of the Real Estate Syndication Law by increasing the penalties for violation and giving considerable enforcement powers to the Bureau of Securities to eliminate any undesirable practices in the selling of real estate syndications.

With the establishment of the Consumer Fraud Bureau this year, New Jersey took a long step toward protecting the consuming public from a multitude of unscrupulous practices. The signing into law today of Assembly Bill No. 830 provides a means for the Attorney General's office, through the Bureau of Consumer Frauds, to enforce provisions of the Consumer Fraud Law effectively. It does so by permitting the Attorney General to hold hearings on consumer fraud violations so as to omit the necessity of lengthy court action in many instances.

Senate Bill No. 15 requires the marking of milk cartons with the day of the week on which the milk was pasteurized, rather than the present system of number markings which to some degree has been confusing to the public.

Finally, Senate Bill No. 327 revises the State Uniform Securities Law and for the first time requires the filing of registration statements prior to the sale of securities to the public. This measure, I am certain, will be of great assistance in protecting the public particularly the unsophisticated buyer of securities, so that he may be fully alerted to any risks involved in such purchases.