

49:3-77 TO 49:3-83
LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2015 **CHAPTER:** 128

NJSA: 49:3-77 TO 49:3-83 (Exempts certain offers and sales of securities from registration.)

BILL NO: A2073 (Substituted for S712 (SCS))

SPONSOR(S) Fuentes, Angel, and others

DATE INTRODUCED: January 16, 2014

COMMITTEE: **ASSEMBLY:** Financial Institutions and Insurance

SENATE: Commerce

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** 3/9/2015

SENATE: 7/23/2015

DATE OF APPROVAL: November 9, 2015

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL Yes
(Assembly Substitute for Assembly Committee Substitute enacted)

A2073

INTRODUCED BILL: (Includes sponsor(s) statement) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

S712 (SCS)

INTRODUCED BILL: (Includes sponsor(s) statement) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes

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FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

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P.L.2015, CHAPTER 128, *approved November 9, 2015*
Assembly Substitute for
Assembly Committee Substitute for
Assembly, No. 2073

1 **AN ACT** concerning exemption from registration for certain offers
2 and sales of securities and amending and supplementing
3 P.L.1967, c.93.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. (New section) In order for a transaction to meet the
9 requirements of paragraph (14) of subsection (b) of section 3 of
10 P.L.1967, c.93 (C.49:3-50), the issuer seeking to offer securities
11 that meet those requirements and the Internet site through which the
12 offering is made shall provide the following information to the
13 prospective investors in writing on that site:

14 a. a copy of the legend required pursuant to subsection a. of
15 section 3 of P.L. , c. (C.) (pending before the Legislature
16 as this bill);

17 b. evidence that the issuer is a business organization organized
18 under the laws of this State and is authorized to do business in this
19 State;

20 c. a description of the company, its form and date of business
21 organization, the address and telephone number of its principal
22 office, its history, its business plan, a description of material
23 agreements and the intended use of the offering proceeds, at least
24 65 percent of which shall be specifically disclosed in dollar amount
25 and percentage terms in a use of proceeds section and which shall
26 also include any amounts to be paid, as compensation or otherwise,
27 to any owner, executive officer, director, managing member, or
28 other person occupying a similar status or performing similar
29 functions on behalf of the issuer;

30 d. the identity of all persons owning more than 10 percent of
31 the ownership interests of any class of securities of the company,
32 with a description of options or other contingent securities
33 outstanding and a description of the amount of those options or
34 other contingent securities that those persons own;

35 e. the identity of the executive officers, directors, managing
36 members, and other persons occupying a similar status or

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

- 1 performing similar functions in the name of and on behalf of the
2 issuer, including their titles and their prior experience, with a
3 description of options or other contingent securities outstanding and
4 a description of the amount of those options or other contingent
5 securities that those persons own;
- 6 f. the terms and conditions of the securities being offered and
7 of any outstanding securities of the company, the minimum and
8 maximum amount of securities being offered, if any, and the
9 percentage ownership of the company represented by the offered
10 securities and the valuation of the company implied by the price of
11 the offered securities;
- 12 g. the minimum offering amount that is necessary to implement
13 the business plan, and a notice that the funds will only be released
14 to the issuer if the minimum offering amount is reached;
- 15 h. the time and date, which may be no more than 12 months
16 from the date of the offering, by which the minimum offering
17 amount must be reached before the funds will be returned to
18 investors;
- 19 i. a provision stating that the investors may cancel their
20 commitment to invest for up to 30 days following the date the
21 investment is made, except that investors who invest within 30 days
22 of the time and date by which the minimum offering amount must
23 be reached as provided in subsection h. of this section shall only
24 have the amount of time left before the time and date by which the
25 minimum offering amount must be reached in which to cancel their
26 commitment to invest, even if that amount of time is less than 30
27 days;
- 28 j. the identity of any person who has been or will be retained
29 by the issuer to assist the issuer in conducting the offering and sale
30 of the securities, including any Internet site operator, but excluding
31 persons acting solely as accountants or attorneys and employees
32 whose primary job responsibilities involve the operating business of
33 the issuer, rather than assisting the issuer in raising capital;
- 34 k. a description of the consideration being paid for assistance
35 to each person identified under subsection j. of this section;
- 36 l. a description of any litigation or legal proceedings involving
37 the company or its management;
- 38 m. a discussion of significant factors that make the offering
39 speculative or risky;
- 40 n. a description of any conflicts of interest;
- 41 o. financial statements, including a balance sheet, income
42 statement, cash flow statement, and capitalization of issuer;
- 43 p. a statement of current liabilities outstanding, including
44 obligations past due and obligations due within 12 months;
- 45 q. the Internet site address at which the quarterly report
46 required by section 5 of P.L. , c. (C.) (pending before the
47 Legislature as this bill) will be made available; and
- 48 r. any additional information material to the offering.

1 2. (New section) For any exempted transaction which meets the
2 requirements of paragraph (14) of subsection (b) of section 3 of
3 P.L.1967, c.93 (C.49:3-50), the issuer shall execute an escrow
4 agreement with a bank, savings bank, savings and loan association,
5 or credit union, which institution has a place of business in New
6 Jersey, that provides that investor funds obtained pursuant to the
7 provisions of P.L. , c. (C.) (pending before the Legislature
8 as this bill) will be deposited in that institution, and shall further
9 provide that all offering proceeds will be released to the issuer only
10 when the aggregate capital raised from all investors pursuant to
11 P.L. , c. (C.) (pending before the Legislature as this bill) is
12 equal to or greater than the minimum offering amount specified in
13 the issuer's business plan as necessary to implement the business
14 plan. The agreement shall also provide that all investor funds will
15 be returned within 60 days to investors if that minimum offering
16 amount is not raised by the time stated in the disclosures required to
17 be set forth pursuant to P.L. , c. (C.) (pending before the
18 Legislature as this bill).

19

20 3. (New section) a. The bureau shall promulgate a legend that
21 the issuer shall be required to provide to all prospective investors in
22 exempted securities offered pursuant to paragraph (14) of
23 subsection (b) of section 3 of P.L.1967, c.93 (C.49:3-50), informing
24 prospective investors that the securities have not been registered
25 with the United States Securities and Exchange Commission or the
26 bureau and that the securities are subject to limitations on resale,
27 along with any other information the bureau finds relevant to be
28 included in that legend.

29 b. The bureau shall promulgate an investor certification which,
30 prior to the consummation of a purchase, the investor in the
31 securities shall be required to certify in writing or electronically that
32 the investor understands:

33 (1) The investment may be a high-risk speculative business
34 venture;

35 (2) The offering has not been reviewed or approved by any State
36 or federal securities regulatory authority and no person or authority
37 has confirmed the accuracy or determined the adequacy of
38 disclosures made relating to this offering;

39 (3) The securities are illiquid, there is no ready market for the
40 sale of the securities, and it may be difficult or impossible to sell or
41 otherwise dispose of the investment;

42 (4) The investor may be subject to tax on the taxable income
43 and losses of the company; and

44 (5) Any additional information the bureau finds relevant.

45

46 4. (New section) The following requirements apply to an
47 Internet site through which an issuer offers or sells securities

1 exempted pursuant to paragraph (14) of subsection (b) of section 3
2 of P.L.1967, c.93 (C.49:3-50):

3 a. The Internet site operator shall register with the bureau by
4 filing an application for registration, accompanied by a filing fee to
5 be determined by the bureau, that includes all of the following:

6 (1) That the Internet site operator is a business entity organized
7 under the laws of this State and authorized to do business in this
8 State;

9 (2) That the Internet site is being utilized to offer and sell
10 securities pursuant to the exemption under paragraph (14) of
11 subsection (b) of section 3 of P.L.1967, c.93 (C.49:3-50);

12 (3) The identity and location of, and contact information for, the
13 Internet site operator; and

14 (4) Except as provided in subsections b. and c. of this section,
15 that the Internet site operator is registered as a broker-dealer under
16 P.L.1967, c.93 (C.49:3-47 et seq.).

17 If any change occurs in the information that an Internet site
18 operator submits to the bureau pursuant to this subsection, the
19 Internet site operator shall notify the bureau of the change within 30
20 days after the change occurs.

21 b. The Internet site operator shall not be required to register as
22 a broker-dealer under P.L.1967, c.93 (C.49:3-47 et seq.) if all of the
23 following apply with respect to the Internet site and its operator:

24 (1) It does not offer investment advice or recommendations;

25 (2) It does not solicit purchases, sales, or offers to buy the
26 securities offered or displayed on the Internet site;

27 (3) It does not compensate employees, agents, or other persons
28 for the solicitation or based on the sale of securities displayed or
29 referenced on the Internet site;

30 (4) It is not compensated based on the amount of securities sold,
31 and it does not hold, manage, possess, or otherwise handle investor
32 funds or securities;

33 (5) The fee it charges an issuer for an offering of securities on
34 the Internet site is a fixed amount for each offering, a variable
35 amount based on the length of time that the securities are offered on
36 the Internet site, or a combination of such fixed and variable
37 amounts;

38 (6) It does not identify, promote, or otherwise refer to any
39 individual security offered on the Internet site in any advertising for
40 the Internet site;

41 (7) It does not engage in other activities the bureau determines
42 to be prohibited; and

43 (8) Neither the Internet site operator, nor any director, executive
44 officer, general partner, managing member, or other person with
45 management authority over the Internet site operator, has been
46 subject to any conviction, order, judgment, decree, or other action
47 specified in Rule 506 (d) (1) adopted under the "Securities Act of
48 1933" (17 C.F.R. 230.506(d)(1)) that would disqualify an issuer

1 under Rule 506 (d) adopted under the “Securities Act of 1933” (17
2 C.F.R. 230.506(d)) from claiming an exemption specified in Rule
3 506 (a) to (c) adopted under the “Securities Act of 1933” (17 C.F.R.
4 230.506(a) to (c)).

5 c. The Internet site operator is not required to register as a
6 broker-dealer under P.L.1967, c.93 (C.49:3-47 et seq.) if the
7 Internet site operator is registered as a broker-dealer under the
8 “Securities Exchange Act of 1934” (15 U.S.C. s.78o) or is a funding
9 portal registered under the “Securities Act of 1933” (15 U.S.C.
10 s.77d) and the Securities and Exchange Commission has adopted
11 rules under authority of section 3 (h) of the “Securities Exchange
12 Act of 1934” (15 U.S.C. s.78c(h)) and Pub.L. 112-106, section 304,
13 governing funding portals, and the Internet site operator files with
14 the bureau chief those documents filed with the Securities and
15 Exchange Commission that the bureau chief may by rule or
16 otherwise require, and the Internet site operator consents to service
17 or process and pays a fee to be established by the bureau. Nothing
18 in this section shall be construed to require an Internet site operator
19 to register as a broker-dealer under the “Securities Exchange Act of
20 1934” or as a funding portal under the “Securities Act of 1933.”

21 d. The issuer and the Internet site operator shall maintain
22 records of all offers and sales of securities effected through the
23 Internet site and shall provide ready access to the records to the
24 bureau, upon request. The bureau may access, inspect, and review
25 any Internet site registered under this section as well as its records.

26 e. Notwithstanding any law or regulation to the contrary, if the
27 Securities and Exchange Commission adopts rules under authority
28 of section 3(h) of the “Securities Exchange Act of 1934” (15 U.S.C.
29 s.78c (h)) and Pub.L. 112-106, section 304, that authorize funding
30 portals to receive commissions without registering as broker-dealers
31 under the “Securities Exchange Act of 1934,” the bureau may
32 promulgate rules authorizing Internet site operators registered with
33 the bureau pursuant to this section to receive commissions without
34 registering as broker-dealers.

35
36 5. (New section) An issuer of securities exempted pursuant to
37 paragraph (14) of subsection (b) of section 3 of P.L.1967, c.93
38 (C.49:3-50) shall provide, free of charge, a quarterly report to the
39 issuer’s investors. An issuer may satisfy the reporting requirement
40 of this section by making the information available on an Internet
41 site if the information is made available within 45 days after the end
42 of each fiscal quarter and remains available until the succeeding
43 quarterly report is issued. A written copy shall be provided to an
44 investor upon request. The report shall include a statement of the
45 compensation received by each director and executive officer,
46 including cash compensation earned since the previous report, as
47 well as any bonuses, stock options, other rights to receive securities
48 of the issuer or any affiliate of the issuer, or any compensation

1 received. The report shall also include an analysis by management
2 of the issuer of the business operations and financial condition of
3 the issuer.

4
5 6. (New section) The bureau shall establish by regulation
6 criteria for disqualifying issuers of securities from claiming the
7 exemption from registration pursuant to paragraph (14) of
8 subsection (b) of section 3 of P.L.1967, c.93 (C.49:3-50). The
9 criteria shall include, but not be limited to, the following
10 disqualifying events:

11 a. Criminal convictions in connection with the purchase or sale
12 of a security, or involving the making of a false filing related to the
13 offer or sale of a security;

14 b. Injunctions and court orders against engaging in or
15 continuing conduct or practices in connection with the purchase or
16 sale of securities or involving the making of a false filing related to
17 the offer or sale of a security or any criminal conviction as
18 described in subsection (k) of section 9 of P.L.1967, c.93 (C.49:3-
19 56);

20 c. United States Postal Service false representation orders; and

21 d. The issuer is subject to a bureau stop order.

22

23 7. (New section) The bureau chief, pursuant to the
24 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
25 seq.), may adopt regulations to effectuate the purposes of P.L. ,
26 c. (C.) (pending before the Legislature as this bill) and to
27 comply with the requirements of applicable federal law; except that,
28 notwithstanding any provision of P.L.1968, c.410 (C.52:14B-1 et
29 seq.) to the contrary, the bureau chief may adopt, immediately upon
30 filing with the Office of Administrative Law, those regulations as
31 the bureau chief deems necessary to implement the provisions of
32 P.L. , c. (C.) (pending before the Legislature as this bill),
33 which regulations shall be effective for a period not to exceed six
34 months after the date of filing and may, thereafter, be amended,
35 adopted or readopted by the commissioner in accordance with the
36 requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).

37

38 8. Section 2 of P.L.1967, c.93 (C.49:3-49) is amended to read
39 as follows:

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

41 (a) "Bureau" means the agency designated in subsection (a) of
42 section 19 of P.L.1967, c.93 (C.49:3-66);

43 (b) "Agent" means any individual other than a broker-dealer,
44 who represents a broker-dealer or issuer in effecting or attempting
45 to effect purchases or sales of securities. "Agent" does not include
46 an individual who represents an issuer in (1) effecting transactions
47 in a security exempted by paragraph (1), (2), (3), or (11) of
48 subsection (a) of section 3 of P.L.1967, c.93 (C.49:3-50); (2)

1 effecting transactions exempted by subsection (b) of section 3 of
2 P.L.1967, c.93 (C.49:3-50); (3) effecting transactions with existing
3 employees, partners, or directors of the issuer, if no commission or
4 other remuneration is paid or given directly or indirectly for
5 soliciting any person in this State; or (4) a broker-dealer in effecting
6 transactions in this State limited to those transactions described in
7 paragraph (2) of subsection (h) of section 15 of the "Securities
8 Exchange Act of 1934," 15 U.S.C. s.78o(h)(2); or (5) such other
9 persons not otherwise within the intent of this subsection (b), as the
10 bureau chief may by rule or order designate. A partner, officer, or
11 director of a broker-dealer or issuer, or a person occupying a similar
12 status or performing similar functions, is an agent only if he
13 otherwise comes within this definition. The bureau chief may by
14 rule or order, as to any transaction, waive the requirement of agent
15 registration. The bureau chief may by rule define classes of persons
16 as "agents," if those persons are regulated as "agents" by the
17 Securities and Exchange Commission or any self-regulatory
18 organization established pursuant to the laws of the United States;

19 (c) "Broker-dealer" means any person engaged in the business
20 of effecting or attempting to effect transactions in securities for the
21 accounts of others or for his own account. "Broker-dealer" does not
22 include (1) an agent, (2) an issuer, (3) a person who effects
23 transactions in this State exclusively in securities described in
24 paragraphs (1) and (2) of subsection (a) of section 3 of P.L.1967,
25 c.93 (C.49:3-50), (4) a bank, savings institution, or trust company,
26 or (5) a person who effects transactions in this State exclusively
27 with or through (i) the issuers of the securities involved in the
28 transactions, (ii) other broker-dealers, (iii) banks, savings
29 institutions, trust companies, insurance companies, investment
30 companies as defined in the "Investment Company Act of 1940,"
31 pension or profit-sharing trusts, or other financial institutions or
32 institutional buyers, whether acting for themselves or as trustees or
33 (iv) such other persons not otherwise within the intent of this
34 subsection (c), as the bureau chief may by rule or order designate;

35 (d) "Capital" shall mean net capital, as defined and adjusted
36 under the formula established by the Securities and Exchange
37 Commission in Rule 15c3-1, 17 C.F.R. s.240.15c3-1, made pursuant
38 to the "Securities Exchange Act of 1934," prescribing a minimum
39 permissible ratio of aggregate indebtedness to net capital as such
40 formula presently exists or as it may hereafter be amended;

41 (e) "Fraud," "deceit," and "defraud" are not limited to common-
42 law fraud or deceit. "Fraud," "deceit" and "defraud" in addition to
43 the usual construction placed on these terms and accepted in courts
44 of law and equity, shall include the following, provided, however,
45 that any promise, representation, misrepresentation or omission be
46 made with knowledge and with intent to deceive or with reckless
47 disregard for the truth and results in a detriment to the purchaser or
48 client of an investment adviser:

- 1 (1) Any misrepresentation by word, conduct or in any manner of
2 any material fact, either present or past, and any omission to
3 disclose any such fact;
- 4 (2) Any promise or representation as to the future which is
5 beyond reasonable expectation or is unwarranted by existing
6 circumstances;
- 7 (3) The gaining of, or attempt to gain, directly or indirectly,
8 through a trade in any security, a commission, fee or gross profit so
9 large and exorbitant as to be unconscionable, unreasonable or in
10 violation of any law, regulation, rule, order or decision of the
11 Securities and Exchange Commission, or the bureau chief; or to the
12 extent that such law, regulation, rule or order directly applies to the
13 person involved, the gaining of, or attempt to gain, directly or
14 indirectly, through a trade in any security, a commission, fee or
15 gross profit so large and exorbitant as to be in violation of any law,
16 regulation, rule, order or decision of any other state or Canadian
17 securities administrator, or any self-regulatory organization
18 established pursuant to the laws of the United States;
- 19 (4) Generally any course of conduct or business which is
20 calculated or put forward with intent to deceive the public or the
21 purchaser of any security or investment advisory services as to the
22 nature of any transaction or the value of such security;
- 23 (5) Any artifice, agreement, device or scheme to obtain money,
24 profit or property by any of the means herein set forth or otherwise
25 prohibited by this act;
- 26 (f) "Guaranteed" means guaranteed as to payment of principal,
27 interest or dividends;
- 28 (g) (1) "Investment adviser" means:
- 29 (i) any person who, for direct or indirect compensation, engages
30 in the business of advising others, either directly or through
31 publications or writings, as to the value of securities or as to the
32 advisability of investing in, purchasing, selling or holding
33 securities, or who, for compensation and as a part of a regular
34 business, issues or promulgates analyses or reports concerning
35 securities; and
- 36 (ii) any financial planner and other person who provides
37 investment advisory services to others for compensation and as part
38 of a business or who holds himself out as providing investment
39 advisory services to others for compensation.
- 40 (2) "Investment adviser " does not include:
- 41 (i) a bank, savings institution, or trust company;
- 42 (ii) a lawyer, accountant, engineer, or teacher whose
43 performance of these services is solely incidental to the practice or
44 conduct of the profession and who does not hold himself out as
45 providing investment advisory or financial planning services, and
46 who receives no special compensation for those investment
47 advisory or financial planning services;
- 48 (iii) a broker-dealer registered under this act;

- 1 (iv) a publisher of any bona fide newspaper, news magazine, or
2 business or financial publication of general, regular, and paid
3 circulation;
- 4 (v) a person whose advice, analyses, or reports relate only to
5 securities exempted by paragraphs (1) and (2) of subsection (a) of
6 section 3 of P.L.1967, c.93 (C.49:3-50);
- 7 (vi) a person whose only clients in this State are other investment
8 advisers, any person that is registered as an "investment adviser"
9 under section 203 of the "Investment Advisers Act of 1940," 15
10 U.S.C. s.80b-3, or excluded from the definition of an "investment
11 adviser" under paragraph (11) of subsection (a) of section 202 of
12 the "Investment Advisers Act of 1940," 15 U.S.C. s.80b-2(a)(11),
13 broker-dealers, banks, bank holding companies, savings institutions,
14 trust companies, insurance companies, investment companies as
15 defined in the "Investment Company Act of 1940," pension or
16 profit-sharing trusts, or other financial institutions or institutional
17 buyers, whether acting for themselves or as trustees;
- 18 (vii) any person that is registered as an "investment adviser"
19 under section 203 of the "Investment Advisers Act of 1940," 15
20 U.S.C. s.80b-3, or excluded from the definition of an "investment
21 adviser" under paragraph (11) of subsection (a) of section 202 of
22 the "Investment Advisers Act of 1940," 15 U.S.C. s.80b-2(a)(11);
- 23 (viii) an investment adviser representative; or
- 24 (ix) such other persons not otherwise within the intent of this
25 subsection (g) as the bureau chief may by rule or order designate.
- 26 Subject to applicable federal law, the bureau chief may by rule
27 limit the exclusions set out in this paragraph (2), except for those
28 exclusions provided in subparagraph (i) of paragraph (2).
- 29 For purposes of this act, "investment advisory services" means
30 those services rendered by an "investment adviser" as defined in
31 this subsection;
- 32 (h) "Issuer" means any person who issues or proposes to issue
33 any security, except that (1) with respect to certificates of deposit,
34 voting-trust certificates, or collateral-trust certificates, or with
35 respect to certificates of interest or shares in an unincorporated
36 investment trust not having a board of directors (or persons
37 performing similar functions) or of the fixed, restricted
38 management, or unit type, the term "issuer" means the person or
39 persons performing the acts and assuming the duties of depositor or
40 manager pursuant to the provisions of the trust or other agreement
41 or instrument under which the security is issued; and (2) with
42 respect to certificates of interest in oil, gas, or mining titles or
43 leases, there is not considered to be any "issuer";
- 44 (i) "Person" means an individual, a corporation, a partnership,
45 an association, a joint-stock company, a trust where the interests of
46 the beneficiaries are evidenced by a security, an unincorporated
47 organization, a government, or a political subdivision of a
48 government;

- 1 (j) (1) "Sale" or "sell" includes every contract of sale of, contract
2 to sell, or disposition of, a security or interest in a security or
3 investment advisory services for value;
- 4 (2) "Offer" or "offer to sell" includes every attempt or offer to
5 dispose of, or solicitation of any offer to buy, a security or interest
6 in a security or investment advisory services for value;
- 7 (3) Any security given or delivered with, or as a bonus on
8 account of, any purchase of securities or any other thing is
9 considered to constitute part of the subject of the purchase and to
10 have been offered and sold for value;
- 11 (4) A purported gift of assessable stock is considered to involve
12 an offer and sale;
- 13 (5) Every sale or offer of a warrant or right to purchase or
14 subscribe to another security of the same or another issuer, as well
15 as every sale or offer of a security which gives the holder a present
16 or future right or privilege to convert into another security of the
17 same or another issuer, is considered to include an offer of the other
18 security;
- 19 (6) The terms defined in this subsection (j) do not include (i)
20 any bona fide pledge or loan; (ii) any stock dividend, whether the
21 corporation distributing the dividend is the issuer of the stock or
22 not, if nothing of value is given by stockholders for the dividend
23 other than the surrender of a right to a cash or property dividend
24 when each stockholder may elect to take the dividend in cash or
25 property or in stock; (iii) any act incident to a class vote by
26 stockholders, pursuant to the certificate of incorporation or the
27 applicable corporation statute, on a merger, consolidation,
28 reclassification of securities, or sale of corporate assets in
29 consideration of the issuance of securities of another corporation; or
30 (iv) any act incident to a judicially approved reorganization in
31 which a security is issued in exchange for one or more outstanding
32 securities, claims, or property interests, or partly in such exchange
33 and partly for cash;
- 34 (k) "Savings institutions" shall mean any savings and loan
35 association or building and loan association operating pursuant to
36 the "Savings and Loan Act (1963)," P.L.1963, c.144 (C.17:12B-2 et
37 seq.), and any federal savings and loan association and any
38 association or credit union organized under the laws of the United
39 States or of any state whose accounts are insured by a federal
40 corporation or agency;
- 41 (l) "Securities Act of 1933," 15 U.S.C. s.77a et seq.; "Securities
42 Exchange Act of 1934," 15 U.S.C. s.78a et seq.; "Public Utility
43 Holding Company Act of 1935," 15 U.S.C. s.79 et seq.; "Investment
44 Advisers Act of 1940," 15 U.S.C. s.80b-1 et seq.; "Investment
45 Company Act of 1940," 15 U.S.C. s.80a-1 et seq.; and "Commodity
46 Exchange Act," 7 U.S.C. s.1 et seq. mean the federal statutes of
47 those names;

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

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

19 (o) "Nonissuer" means secondary trading not involving the
20 issuer of the securities or any person in a control relationship with
21 the issuer;

22 (p) "Accredited investor" means any person who is an
23 "accredited investor" as defined by subsection (15) of section 2 of
24 the "Securities Act of 1933," 15 U.S.C. s.77b(a)(15), and 17 C.F.R.
25 s.230.215 and s.230.501 or any successor rule promulgated pursuant
26 to that act.

27 The bureau chief may rule, or order, waive or modify the
28 conditions in this subsection (p) and shall interpret and apply this
29 subsection (p) so as to effectuate greater uniformity and
30 coordination in federal-state securities registration exemptions;

31 (q) "Direct participation security" means a security which
32 provides for flow-through tax consequences (tax shelter), regardless
33 of the structure of the legal entity or vehicle for distribution,
34 including, but not limited to, a security representing an interest in
35 gas, oil, real estate, agricultural property, cattle, a condominium, a
36 Subchapter S corporation, a limited liability company and all other
37 securities of a similar nature, regardless of the industry represented
38 by the security, or any combination thereof. Excluded from this
39 definition are real estate investment trusts, tax qualified pension and
40 profit-sharing plans pursuant to sections 401 and 403(a) of the
41 Internal Revenue Code of 1986, 26 U.S.C. ss.401 and 403(a), and
42 individual retirement plans under section 408 of the Internal
43 Revenue Code of 1986, 26 U.S.C. s.408, tax sheltered annuities
44 pursuant to the provisions of section 403(b) of the Internal Revenue
45 Code of 1986, 26 U.S.C. s.403(b), and any company including
46 separate accounts registered pursuant to the "Investment Company
47 Act of 1940;"

- 1 (r) "Blind pool" means an offering of securities in which, as to
2 65% or more of the proceeds of the offering, the prospectus
3 discloses no specific purpose to which the proceeds of the offering
4 will be put, or the prospectus discloses no specific assets to be
5 purchased, projects to be undertaken, or business to be conducted,
6 except for:
- 7 (1) an offering of securities to provide working capital for an
8 operating company (as opposed to a development stage company);
- 9 (2) an offering of securities by an investment company
10 registered under the "Investment Company Act of 1940," including
11 a business development company; or
- 12 (3) an offering of securities by a small business investment
13 company licensed by the Small Business Administration or a
14 business development company within the meaning of the
15 "Investment Advisers Act of 1940;"
- 16 (s) "Investment adviser representative" means any person,
17 including, but not limited to, a partner, officer, or director, or a
18 person occupying a similar status or performing similar functions,
19 or other individual, except clerical or ministerial personnel, who is
20 employed by or associated with an investment adviser registered
21 under this act, or who has a place of business located in this State
22 and is employed by or associated with a person registered or
23 required to be registered as an investment adviser under section 203
24 of the "Investment Advisers Act of 1940," 15 U.S.C. s.80b-3; and
25 who does any of the following:
- 26 (1) makes any recommendations or otherwise renders advice
27 regarding securities if the person has direct advisory client contact;
- 28 (2) manages accounts or portfolios of clients;
- 29 (3) determines recommendations or advice regarding securities;
- 30 (4) solicits, offers or negotiates for the sale of or sells
31 investment advisory services; or
- 32 (5) directly supervises any investment adviser representative or
33 the supervisors of those investment adviser representatives.
34 "Investment adviser representative" does not include a broker-
35 dealer or an agent;
- 36 (t) "Institutional buyer" includes, but is not limited to, a
37 "qualified institutional buyer" as defined in SEC Rule 144A, 17
38 C.F.R. s.230.144A;
- 39 (u) "Willful" or "willfully" means a person who acts
40 intentionally in the sense that the person is aware of what he is
41 doing;
- 42 (v) "Federal covered security" means any security described as a
43 covered security in subsection (b) of section 18 of the "Securities
44 Act of 1933," 15 U.S.C. s.77r(b);
- 45 (w) "Viatical investment" means the contractual right to receive
46 any portion of the death benefit or ownership of a life insurance
47 policy or certificate, for consideration that is less than the expected

1 death benefit of the life insurance policy or certificate. Viatical
2 investment does not include:

3 (1) any transaction between a viator and a viatical settlement
4 provider as defined by the "Viatical Settlements Act", P.L.2005,
5 c.229 (C.17B:30B-1 et al.);

6 (2) any transfer of ownership or beneficial interest in a life
7 insurance policy from a viatical settlement provider to another
8 viatical settlement provider as defined in the "Viatical Settlements
9 Act", P.L.2005, c.229 (C.17B:30B-1 et al.) or to any legal entity
10 formed solely for the purpose of holding ownership or beneficial
11 interest in a life insurance policy or policies;

12 (3) the bona fide assignment of a life insurance policy to a bank,
13 savings bank, savings and loan association, credit union, or other
14 licensed lending institution as collateral for a loan;

15 (4) the exercise of accelerated benefits pursuant to the terms of a
16 life insurance policy issued in accordance with the provisions of
17 Title 17B of the New Jersey Statutes; or

18 (5) a loan by a life insurance company pursuant to the terms of
19 the life insurance contract;

20 (x) "Internet site operator" means a business entity organized
21 under the laws of this State and authorized to do business in this
22 State which makes available to the public through an Internet
23 website any offering pursuant to the exemption in paragraph (14) of
24 subsection (b) of section 3 of P.L.1967, c.93 (C.49:3-50). "Internet
25 site operator" shall not include a broker-dealer.

26 (cf: P.L.2005, c.229, s.18)

27

28 9. Section 3 of P.L.1967, c.93 (C.49:3-50) is amended to read
29 as follows:

30 3. (a) The following securities are exempted from the
31 provisions of sections 13 and 16 of P.L.1967, c.93 (C.49:3-60 and
32 49:3-63):

33 (1) Any security (including a revenue obligation) issued or
34 guaranteed by the United States, any state, any political subdivision
35 of a state, or any agency or corporate or other instrumentality of one
36 or more of the foregoing; or any certificate of deposit for any of the
37 foregoing;

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

44 (3) Any security issued by and representing an interest in or a
45 debt of, or guaranteed by, any bank, savings institution, or trust
46 company organized and supervised under the laws of any state or
47 under the laws of the United States;

- 1 (4) Any security issued by and representing an interest in or a
2 debt of, or guaranteed by, any savings institution;
- 3 (5) Any security issued by and representing an interest in or a
4 debt of, or guaranteed by, any insurance company organized under
5 the laws of any state and authorized to do business in this State;
- 6 (6) (Deleted by amendment, P.L.1997, c.276.)
- 7 (7) Any security issued or guaranteed by any railroad, other
8 common carrier, public utility, or holding company which is (i) a
9 registered holding company under the "Public Utility Holding
10 Company Act of 1935" or a subsidiary of such a company within
11 the meaning of that act; (ii) regulated in respect to its rates and
12 charges by a governmental authority of the United States or any
13 state; or (iii) regulated in respect of the issuance or guarantee of the
14 security by a governmental authority of the United States, any state,
15 Canada or any Canadian province;
- 16 (8) Any security listed or approved for listing upon notice of
17 issuance on the New York Stock Exchange or the American Stock
18 Exchange, and such other exchanges as the bureau chief may from
19 time to time designate by rule or order; any security designated or
20 approved for designation upon notice of issuance as a Nasdaq
21 National Market security or any other national quotation system as
22 the bureau chief from time to time may designate by rule or order;
23 any other security of the same issuer which is of senior or
24 substantially equal rank; any security called for by subscription
25 rights or warrants so listed or approved; or any warrant or right to
26 purchase or subscribe to any of the foregoing;
- 27 (9) Any security issued by a person organized and operated
28 exclusively for religious, educational, benevolent, fraternal,
29 charitable or reformatory purposes and not for pecuniary profit, and
30 no part of the net earnings of which inures to the benefit of any
31 person, private stockholder, or individual;
- 32 (10) Any commercial paper which arises out of a current
33 transaction or the proceeds of which have been or are to be used for
34 current transactions, and which evidences an obligation to pay cash
35 within 12 months of the date of issuance, exclusive of days of
36 grace, or any renewal of such paper which is likewise limited, or
37 any guarantee of such paper or of any such renewal;
- 38 (11) Any investment contract issued in connection with an
39 employees' or professional stock purchase, savings, pension, profit-
40 sharing, retirement or similar benefit plan and securities issued
41 pursuant to an employee benefit plan;
- 42 (12) (a) The bureau chief by rule or order, as to a particular
43 security or class of securities, may adopt a securities exemption (i)
44 that will further the objectives of compatibility with the exemptions
45 from securities registration authorized by the "Securities Act of
46 1933" and uniformity among the states, or (ii) if the bureau chief
47 determines that the public interest does not require registration.

1 (b) The following transactions are exempted from the provisions
2 of sections 13 and 16 of P.L.1967, c.93 (C.49:3-60 and 49:3-63):

3 (1) Any isolated nonissuer transaction, whether effected through
4 a broker-dealer or not;

5 (2) (i) Any nonissuer transaction by a broker-dealer registered
6 under this act of a security, which has been outstanding in the hands
7 of the public for at least 90 days prior to the transaction and which
8 is sold at a price reasonably related to the current market price of
9 such securities, provided:

10 (A) the securities are of an issuer for which all reports required
11 to be filed by section 13 or 15(d) of the "Securities Exchange Act of
12 1934," 15 U.S.C. s.78m or s.78o(d) have been filed; or

13 (B) the following information is published in a recognized
14 securities manual: the names of the issuer's officers and directors; a
15 balance sheet of the issuer as of a date not more than 18 months
16 prior to the date of the sale; and profit and loss statements for a
17 period of not less than two years next prior to the date of the
18 balance sheet or for the period of the issuer's existence as of the
19 date of the balance sheet if the period of existence is less than two
20 years;

21 (ii) The exemption provided in this paragraph (2) does not apply
22 if the sale constitutes a distribution and is made for the direct or
23 indirect benefit of an issuer or controlling persons of that issuer or
24 if those securities constitute the whole or part of an unsold
25 allotment to, or subscription by, a broker-dealer as an underwriter
26 of those securities. This exemption shall not be available for any
27 securities which have been subject to a bureau stop order pursuant
28 to section 17 of P.L.1967, c.93 (C.49:3-64), or a bureau order of
29 denial of secondary trading pursuant to subsection (c) of this
30 section;

31 (iii) Notwithstanding the foregoing, resale transactions by a
32 sponsor of a unit investment trust registered pursuant to section 8 of
33 the "Investment Company Act of 1940," 15 U.S.C.80a-8, shall be
34 exempt from registration in this State.

35 (3) Any nonissuer transaction effected by or through a
36 registered broker-dealer pursuant to an unsolicited order or offer to
37 buy; but the bureau chief may by rule require that the customer
38 acknowledge upon a form prescribed by the bureau chief that the
39 sale was unsolicited, and that a signed copy of each such form be
40 preserved by the broker-dealer for a specified period;

41 (4) Any transaction between the issuer or other person on whose
42 behalf the offering is made and an underwriter, or among
43 underwriters;

44 (5) Any transaction on a bond or other evidence of indebtedness
45 secured by a real or chattel mortgage or deed of trust, or by an
46 agreement for the sale of real estate or chattels, if the entire
47 mortgage, deed of trust, or agreement, together with all the bonds or

- 1 other evidences of indebtedness secured thereby, is offered and sold
2 as a single unit;
- 3 (6) Any transaction by an executor, administrator, sheriff,
4 marshal, receiver, trustee in bankruptcy, guardian, or conservator;
- 5 (7) Any transaction executed by a bona fide pledgee without any
6 purpose of evading this act;
- 7 (8) Any offer or sale to a bank, savings institution, trust
8 company, insurance company, investment company as defined in
9 the "Investment Company Act of 1940," pension or profit-sharing
10 trust, or other financial institution or institutional buyer, or to a
11 broker-dealer, whether the purchaser is acting for itself or in some
12 fiduciary capacity;
- 13 (9) Any transaction which results in sales to not more than 10
14 persons (other than those persons designated in paragraph (8) of
15 subsection (b) of this section in this State during any period of 12
16 consecutive months, whether or not the seller or any of the buyers
17 is then present in this State, if (i) the seller reasonably believes that
18 all buyers are purchasing for investment, and (ii) no commission or
19 other remuneration is paid or given directly or indirectly for
20 soliciting any prospective buyer in this State, and (iii) the securities
21 are not offered or sold by general solicitation or any general
22 advertisement; but the bureau chief may by rule or order, as to any
23 transaction or class of transactions, withdraw or further condition
24 this exemption, or increase or decrease the number of buyers
25 permitted, or waive the conditions in subparagraph (i), (ii) or (iii) of
26 this paragraph;
- 27 (10) Any offer or sale of a preorganization certificate or
28 subscription if (i) no commission or other remuneration is paid or
29 given directly or indirectly for soliciting any prospective subscriber,
30 (ii) the number of subscribers does not exceed 10, and (iii) no
31 payment is made by any subscriber;
- 32 (11) Any transaction pursuant to an offer to existing security
33 holders of the issuer, including persons who at the time of the
34 transaction are holders of convertible securities, nontransferable
35 warrants, or transferable warrants exercisable within not more than
36 90 days of their issuance, if no commission or other remuneration
37 (other than a standby commission) is paid or given directly or
38 indirectly for soliciting any security holder in this State;
- 39 (12) Any transaction by or on behalf of an issuer, or other
40 person, if (i) the seller has reasonable grounds to believe and, after
41 making reasonable inquiry, believes, immediately prior to making
42 any sale, that there are no more than 35 purchasers of the issue in
43 this State during any period of 12 consecutive months and that each
44 purchaser, who is not an accredited investor, either alone or with his
45 representative has the knowledge and experience in financial and
46 business matters that he is or they are capable of evaluating the
47 merits and risks of the prospective investment; (ii) a written
48 offering statement or prospectus is furnished to each purchaser who

1 is not an accredited investor containing substantially the same
2 information as is required by subsection (b) of section 14 of
3 P.L.1967, c.93 (C.49:3-61) or any applicable form of registration
4 under federal law, and provided that if any purchaser is furnished
5 with a written offering statement or prospectus, then all purchasers
6 shall be furnished therewith; (iii) the securities shall not be offered
7 or sold by general solicitation or any general advertisement; and
8 (iv) a report of the offering is filed with the bureau not later than 15
9 days after the first sale of those securities in this State, setting forth
10 the name and address of the issuer, the total amount of the securities
11 sold under this paragraph (12), the price at which the securities
12 were sold, the total number of purchasers of the securities, and the
13 names and addresses of the purchasers of the securities who reside
14 in this State, indicating the number and amount of the securities
15 each purchased. Supplemental reports shall be filed promptly after
16 the initial filing with the bureau whenever there are material
17 changes to the information contained in the initial filing until the
18 closing of the offering. A final report shall be filed at the closing of
19 the offering if the information in the final report would be
20 materially different from the last prior filing. The fee for filing the
21 report with the bureau shall be established by regulation of the
22 bureau chief. The information in the report of sale shall be deemed
23 confidential and shall not be disclosed to the public except by order
24 of the court or in court proceedings. In calculating the number of
25 purchasers permitted under this paragraph, accredited investors
26 shall be excluded;

27 (13) The bureau chief, by rule or order, as to a particular
28 transaction or class of transactions, may adopt a transactional
29 exemption (i) that will further the objectives of compatibility with
30 the exemptions from securities registration authorized by the
31 "Securities Act of 1933" and uniformity among the states, or (ii) if
32 the bureau chief determines that the public interest does not require
33 registration.

34 (14) Any transaction by or on behalf of an issuer if the following
35 conditions are met:

36 (i) the issuer is a business entity organized under the laws of
37 this State and authorized to do business in this State;

38 (ii) the transaction meets the requirements of the federal
39 exemption for intrastate offerings in section 3(a)(11) of the federal
40 "Securities Act of 1933" (15 U.S.C. s.77c(a)(11)) and Rule 147
41 adopted under the "Securities Act of 1933" (17 C.F.R. 230.147);

42 (iii) the sum of all cash and other consideration to be received for
43 all sales of the security in reliance on the exemption under this
44 section, excluding sales to any accredited investor or institutional
45 investor, does not exceed \$1,000,000, except that an offer or sale to
46 an officer, director, partner, trustee, or individual occupying similar
47 status or performing similar functions with the issuer or to a person
48 owning 10 percent or more of the outstanding securities of the

- 1 issuer shall not be counted toward the aggregate monetary
2 limitation of shares to be issued as established herein;
- 3 (iv) the offering is not a blind pool;
- 4 (v) the offering by the issuer is made exclusively through an
5 Internet site which meets with the requirements of section 1 of
6 P.L. , c. (C.) (pending before the Legislature as this bill);
- 7 (vi) the issuer does not accept an investment of more than \$5,000
8 from any single investor unless the investor is an accredited
9 investor or institutional buyer;
- 10 (vii) the investor in the securities is a resident of this State;
- 11 (viii) not less than 10 days prior to the commencement of an
12 offering of the security, the information required to be posted
13 pursuant to section 1 of P.L. , c. (C.) (pending before the
14 Legislature as this bill) is filed with the bureau, in a form to be
15 prescribed by the bureau, with a filing fee which is to be established
16 by the bureau; and
- 17 (ix) the issuer has never previously sold securities pursuant to
18 this paragraph.
- 19 (c) The bureau chief may by order deny or revoke any
20 exemption specified in paragraph (9), (10) or (11) of subsection (a)
21 of this section or in subsection (b) of this section with respect to a
22 specific security or transaction. These exemptions may be denied
23 or revoked for the grounds set forth in subsection (k) of section 9,
24 section 11 and section 17 of P.L.1967, c.93 (C.49:3-56, 49:3-58 or
25 49:3-64). No such order may be entered without appropriate notice
26 to all interested parties, opportunity for hearing, and written
27 findings of fact and conclusions of law, except that the bureau chief
28 may by order summarily deny or revoke any of the specified
29 exemptions pending final determination of any proceeding under
30 this subsection. Upon the entry of a summary order, the bureau
31 chief shall promptly notify all interested parties that it has been
32 entered and of the reasons therefor.
- 33 (1) Upon service of notice of the order issued by the bureau
34 chief, the respondent shall have up to 15 days to respond to the
35 bureau in the form of a written answer and written request for a
36 hearing. The bureau chief shall, within five days of receiving the
37 answer and a request for a hearing, either transmit the matter to the
38 Office of Administrative Law for a hearing or schedule a hearing at
39 the bureau. Orders issued pursuant to this subsection (c) shall be
40 subject to an application to vacate upon 10 days' notice, and a
41 preliminary hearing on the order shall be held in any event within
42 20 days after it is requested; and the filing of a motion to vacate the
43 order shall toll the time for filing an answer and written request for
44 a hearing.
- 45 (2) If a respondent fails to respond by either filing a written
46 answer and written request for a hearing with the bureau or moving
47 to vacate an order within the 15-day prescribed period, the
48 respondent shall be deemed to have waived the opportunity to be

1 heard. The order will remain in effect until it is modified or
2 vacated upon notice to all interested parties by the bureau chief. No
3 order under this subsection may operate retroactively.

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

7 (cf: P.L.1997, c.276, s.3)

8

9 10. Section 9 of P.L.1967, c.93 (C.49:3-56) is amended to read
10 as follows:

11 9. (a) It shall be unlawful for any person to act as a broker-
12 dealer, agent, investment adviser or investment adviser
13 representative or Internet site operator in this State unless that
14 person is registered or exempt from registration under this act;

15 (b) A person shall be exempt from registration as a broker-
16 dealer if, during any period of 12 consecutive months, that person
17 (1) does not effect more than 15 transactions with persons other
18 than those specified in paragraph (5) of subsection (c) of section 2
19 of P.L.1967, c.93 (C.49:3-49) located within New Jersey; (2) does
20 not effect transactions in more than five customer accounts of New
21 Jersey residents; or (3) effects transactions with persons who have
22 no place of residence in New Jersey and who are temporarily
23 located in the State; if at the time of the transactions described in
24 paragraph (1), (2) or (3) of this subsection (b), the broker-dealer has
25 no place of business in this State and is a member in good standing
26 of a recognized self-regulatory organization and is registered in the
27 state in which the broker-dealer is located;

28 (c) Agents who represent broker-dealers in transactions exempt
29 pursuant to paragraph (1), (2) or (3) of subsection (b) of this section
30 shall be exempt from registration for those transactions if they are
31 members of a recognized self-regulatory organization and registered
32 in the state in which they are located at the time of the transaction;

33 (d) The burden of proving an exemption from registration under
34 this section shall be on the person claiming the exemption. A person
35 claiming an exemption from registration under this section shall
36 keep his books and records open to inspection by the bureau. If the
37 bureau chief finds it is in the public interest and necessary for the
38 protection of investors, the bureau chief may deny any exemption
39 specified in paragraph (1), (2) or (3) of subsection (b) or in
40 subsection (c) of this section as to any broker-dealer or agent. The
41 bureau chief may proceed in summary fashion or otherwise;

42 (e) The bureau chief may identify classes of customers,
43 securities, transactions and broker-dealers for the purpose of
44 increasing the number of transactions or accounts available under
45 the exemptions specified in paragraph (1), (2) or (3) of subsection
46 (b) or subsection (c) of this section;

47 (f) The bureau chief may by order identify the self-regulatory
48 organizations recognized under subsections (b) and (c) of this

1 section and may by rule or order define the conditions under which
2 non-resident persons are temporarily in New Jersey under paragraph
3 (3) of subsection (b) of this section;

4 (g) A person shall be exempt from registration as an investment
5 adviser or from making a notice filing required by section 10 of
6 P.L.1967, c.93 (C.49:3-57), if:

7 (1) The person has a place of business in this State and during
8 any period of 12 consecutive months that person does not have
9 more than five clients, who are residents of this State, other than
10 those specified in subparagraph (vi) of paragraph (2) of subsection
11 (g) of section 2 of P.L.1967, c.93 (C.49:3-49); or

12 (2) The person has no place of business in this State, and during
13 any period of 12 consecutive months that person does not have
14 more than five clients, who are residents of this State, other than
15 those specified in subparagraph (vi) of paragraph (2) of subsection
16 (g) of section 2 of P.L.1967, c.93 (C.49:3-49).

17 The bureau chief may by rule or order determine the availability
18 of the exemptions provided by this subsection (g), including the
19 waiver of the conditions in paragraphs (1) and (2) of this
20 subsection;

21 (h) It shall be unlawful for any broker-dealer or issuer to employ
22 an agent in this State unless the agent is registered. The registration
23 of an agent is not effective during any period when he is not
24 associated with a particular broker-dealer registered under this act
25 or a particular issuer. When an agent begins or terminates a
26 connection with a broker-dealer or issuer, or begins or terminates
27 those activities which make him an agent, the agent as well as the
28 broker-dealer or issuer shall promptly notify the bureau. When an
29 agent terminates his connection with a particular broker-dealer or
30 issuer, his authorization to engage in those activities which make
31 him an agent is terminated;

32 (i) It shall be unlawful for any person to transact business in
33 this State as an investment adviser unless (1) he is so registered
34 under this act, is exempt from registration under this act, or is
35 excluded from the definition of investment adviser under this act, or
36 (2) he is registered as a broker-dealer without the imposition of a
37 condition under paragraph (5) of subsection (b) of section 11 of
38 P.L.1967, c.93 (C.49:3-58);

39 (j) It shall be unlawful for any investment adviser required to be
40 registered pursuant to this section to employ an investment adviser
41 representative, unless the investment adviser representative is also
42 registered pursuant to this section. It is unlawful for any person
43 registered or required to be registered as an investment adviser
44 under section 203 of the "Investment Advisers Act of 1940," 15
45 U.S.C. s.80b-3, to employ, supervise, or associate with an
46 investment adviser representative having a place of business located
47 in this State, unless that investment adviser representative is
48 registered under this act, or is exempt from registration. The

1 registration of an investment adviser representative is not effective
2 during any period when the investment adviser representative is not
3 employed by an investment adviser registered pursuant to this
4 section or registered under section 203 of the "Investment Advisers
5 Act of 1940," 15 U.S.C. s.80b-3. When an investment adviser
6 representative described in this subsection begins or terminates
7 employment with an investment adviser, the investment adviser and
8 the investment adviser representative shall promptly notify the
9 bureau chief. When an investment adviser representative terminates
10 his connection with a particular investment adviser, his
11 authorization to engage in those activities which make him an
12 investment adviser representative is terminated;

13 (k) The bureau chief may summarily bar, pending final
14 determination of any proceeding under this subsection, any person,
15 who has been convicted of any crime of embezzlement under state,
16 federal or foreign law or any crime involving any theft, forgery or
17 fraudulent practices in regard to any state, federal or foreign
18 securities, banking, insurance, or commodities trading laws or anti-
19 fraud laws, from being a partner, officer or director of an issuer,
20 broker-dealer or investment adviser, or from occupying a similar
21 status or performing a similar function or from directly or indirectly
22 controlling or being under common control or being controlled by
23 an issuer, broker-dealer or investment adviser, or from acting as a
24 broker-dealer, agent or investment adviser in this State. Any person
25 barred by this subsection shall be entitled to request a hearing by
26 the same procedures as set forth in subsection (c) of section 3 of
27 P.L.1967, c.93 (C.49:3-50);

28 (l) Notwithstanding any other provision of this act, the bureau
29 chief may bring an administrative or court action pursuant to
30 section 29 of **[this act]** P.L.1997, c.276 (C.49:3-70.1), to seek and
31 obtain civil penalties for violations of this section;

32 (m) Every registration shall expire one year from its effective
33 date unless renewed, except that the bureau chief may by rule
34 provide that registrations shall all expire on the same date;

35 (n) Except with respect to advisers whose only clients are those
36 described in subparagraph (vi) of paragraph (2) of subsection (g) of
37 section 2 of P.L.1967, c.93 (C.49:3-49), it is unlawful for any
38 person who is registered or required to be registered under section
39 203 of the "Investment Advisers Act of 1940," 15 U.S.C. s.80b-3,
40 as an investment adviser to conduct advisory business in this State,
41 unless that person files those documents filed with the Securities
42 and Exchange Commission with the bureau chief, as the bureau
43 chief may by rule or otherwise require, and a fee and consent to
44 service of process, as the bureau chief, by rule or otherwise, may
45 require;

46 (o) Notwithstanding anything to the contrary in this act, until
47 October 11, 1999, the bureau chief may require the registration of
48 any person who is registered or required to be registered as an

1 investment adviser under section 203 of the "Investment Advisers
2 Act of 1940," 15 U.S.C. s.80b-3, and who has failed to promptly
3 pay the fees required by subsection (n) of this section after being
4 notified in writing by the bureau chief of the non-payment or
5 underpayment of those fees. A person shall be considered to have
6 promptly paid those fees if they are remitted to the bureau chief
7 within 15 days following that person's receipt of the written
8 notification from the bureau chief;

9 (p) For the purposes of this section, each applicant for
10 registration shall submit to the bureau chief, the applicant's name,
11 address, fingerprints and written consent for a criminal history
12 record background check to be performed. The bureau chief is
13 hereby authorized to exchange fingerprint data with and receive
14 criminal history record information from the State Bureau of
15 Identification in the Division of State Police and the Federal Bureau
16 of Investigation consistent with applicable State and federal laws,
17 rules and regulations. The applicant shall bear the cost for the
18 criminal history record background check, including all costs of
19 administering and processing the check. The Division of State
20 Police shall promptly notify the bureau chief in the event a current
21 holder of a license or prospective applicant, who was the subject of
22 a criminal history record background check pursuant to this section,
23 is arrested for a crime or offense in this State after the date the
24 background check was performed.

25 (cf: P.L.2003, c.199, s.32

26

27 11. Section 10 of P.L.1967, c.93 (C.49:3-57) is amended to read
28 as follows:

29 10. (a) A broker-dealer, agent, investment adviser or investment
30 adviser representative, or Internet site operator may obtain an initial
31 or renewal registration by filing with the bureau an application
32 together with a consent to service of process pursuant to subsection
33 (a) of section 26 of P.L.1967, c.93 (C.49:3-73). **【National**
34 **Association of Securities Dealers, Inc. (NASD)】** Financial Industry
35 Regulatory Authority, Inc. (FINRA) member broker-dealers and
36 their agents shall file their applications for initial or renewal
37 registration with the Central Registration Depository, or its
38 successor organization, as appropriate and available. The
39 application shall contain whatever information the bureau chief by
40 rule requires concerning such matters as (1) the applicant's form and
41 place of organization; (2) the applicant's proposed method of doing
42 business; (3) the qualifications and business history of the
43 applicant; in the case of a broker-dealer or investment adviser, the
44 qualifications and business history of any partner, officer, or
45 director, any person occupying a similar status or performing
46 similar functions, or any person directly or indirectly controlling the
47 broker-dealer or investment adviser; and, in the case of an
48 investment adviser or registered broker-dealer acting as an

1 investment adviser, the qualifications and business history of any
2 employee who is to give investment advice or who is an investment
3 adviser representative; (4) any injunction or administrative order or
4 conviction of a crime of the fourth degree or its equivalent in any
5 other jurisdiction involving a security or any aspect of the securities
6 or investment advisory business and any conviction of a crime of
7 the first, second or third degree or its equivalent in any other
8 jurisdiction; (5) the applicant's financial condition; and (6) in the
9 case of an investment adviser, a copy of any information or
10 brochure used by the adviser to comply with any rule of the bureau
11 promulgated pursuant to subsection (b) of section 12 of P.L.1967,
12 c.93 (C.49:3-59). If no denial, postponement or suspension order is
13 in effect and no proceeding is pending under section 11 of
14 P.L.1967, c.93 (C.49:3-58), 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 by
17 order defer the effective date until the first day of the next calendar
18 month after the thirtieth day after the filing of the application. The
19 bureau chief may by order defer the effective date for additional
20 periods, as the applicant shall agree to in writing. The time limits
21 herein provided shall run anew from the filing of any amendment;

22 (b) Every applicant for initial or renewal registration for broker-
23 dealer, agent, investment adviser and investment adviser
24 representative, and Internet site operator shall pay filing fees in the
25 amounts as set by rule of the bureau chief. If an application is
26 denied or withdrawn, the bureau shall retain the fee. Whenever any
27 supplemental filing is made, for the purpose of keeping current the
28 information furnished to the bureau chief, there may be a
29 supplemental filing fee in an amount set by rule of the bureau chief;

30 (c) A registered broker-dealer, **【or】** investment adviser, or
31 Internet site operator may file an application for registration of a
32 successor, whether or not the successor is then in existence, for the
33 unexpired portion of the registration period. There shall be no filing
34 fee, except as may be provided by rule of the bureau chief;

35 (d) (1) The bureau chief may by rule require a minimum capital
36 for registered broker-dealers not to exceed the limitations provided
37 in section 15 of the "Securities Exchange Act of 1934," 15 U.S.C.
38 s.78o. The minimum capital required for a registered broker-dealer
39 shall be determined by rule of the bureau chief;

40 (2) The bureau chief may by rule establish minimum financial
41 requirements for investment advisers, not to exceed the limitations
42 provided in section 222 of the "Investment Advisers Act of 1940,"
43 15 U.S.C. s.80b-18a, which may include different requirements for
44 those investment advisers who maintain custody of or have
45 discretionary authority over clients' funds or securities and
46 investment advisers who do not maintain such custody or
47 discretionary authority;

1 (e) The bureau chief may by rule require registered investment
2 advisers who have custody of clients' funds or securities to post
3 bonds in amounts not to exceed the limitations provided in section
4 222 of the "Investment Advisers Act of 1940," 15 U.S.C. s.80b-18a
5 and registered broker-dealers to post bonds in amounts not to
6 exceed the limitations provided in section 15 of the "Securities
7 Exchange Act of 1934," 15 U.S.C. s.78o, and may determine their
8 conditions. Any appropriate deposit of cash or securities shall be
9 accepted in lieu of any bond so required. Every bond shall provide
10 for suit thereon by any person who has a cause of action under
11 section 24 of P.L.1967, c.93 (C.49:3-71). Every bond shall provide
12 that no suit may be maintained to enforce any liability on the bond
13 unless brought within two years after the sale or other act upon
14 which it is based, or within two years of the time when the person
15 aggrieved knew or should have known of the existence of his cause
16 of action, whichever is later. The dollar amount of the bonds shall
17 be set by rule of the bureau chief;

18 (f) (1) The bureau chief may by rule provide for an examination
19 which may be written or oral or both, to be taken by any class of or
20 all applicants, as well as persons who represent or will represent an
21 investment adviser in doing any of the acts which make him an
22 investment adviser;

23 (2) Each applicant for broker-dealer, agent, investment adviser
24 or investment adviser representative who takes an examination
25 provided pursuant to paragraph (1) of this subsection shall pay
26 examination fees in the amounts as set forth by rule of the bureau
27 chief;

28 (g) (1) Registration as a broker-dealer or agent under this act
29 for the limited purpose of engaging in the business of effecting or
30 attempting to effect transactions in direct participation securities for
31 the accounts of others or for his own account shall be permitted.
32 All the requirements of this act shall apply to these limited
33 registrations; except that any examination or other evaluation of
34 proficiency or knowledge required by the bureau for this
35 registration shall be limited to matters relating to direct
36 participation securities and to the requirements of laws and
37 regulations applicable to this registrant.

38 (2) Any applicant for a limited registration shall acknowledge in
39 writing to the bureau prior to registration that he understands (i) the
40 limitations on the scope of his authority to do business pursuant to
41 this limited registration; and (ii) that any activity which exceeds the
42 limitations of the registration shall violate the provisions of this act
43 and may result in disciplinary action by the bureau, prosecution
44 under this act or other laws, or civil liability, to the same extent as

1 if he was not registered under this act.
2 (cf: P.L.1997, c.276, s.10)

3

4 12. Section 11 of P.L.1967, c.93 (C.49:3-58) is amended to read
5 as follows:

6 11. (a) The bureau chief may by order deny, suspend, or revoke
7 any registration if he finds:

8 (1) that the order is in the public interest; and

9 (2) that the applicant or registrant or, in the case of a broker-
10 dealer, **[or]** investment adviser, or Internet site operator, any
11 partner, officer, or director, any person occupying a similar status or
12 performing similar functions, or any person directly or indirectly
13 controlling the broker-dealer, **[or]** investment adviser, or Internet
14 site operator:

15 (i) has filed an application for registration which as of its
16 effective date, or as of any date after filing in the case of an order
17 denying effectiveness, was incomplete in any material respect or
18 contained any statement which was, in the light of the
19 circumstances under which it was made, false or misleading with
20 respect to any material fact;

21 (ii) has willfully violated or willfully failed to comply with any
22 provision of this act or any rule or order authorized by this act or
23 has willfully, materially aided others in such conduct;

24 (iii) has been convicted of any crime involving a security or any
25 aspect of the securities, commodities, banking, insurance or
26 investment advisory business or any crime involving moral
27 turpitude; however, where the applicant can show by proof
28 satisfactory to the bureau chief that during the 10-year period
29 preceding the application he has conducted himself in such a
30 manner as to warrant his registration consistent with all other
31 provisions of this act, the conviction shall not be a bar to
32 registration;

33 (iv) is permanently or temporarily enjoined by any court of
34 competent jurisdiction from engaging in or continuing any conduct
35 or practice involving any aspect of the securities, commodities,
36 banking, insurance or investment advisory business;

37 (v) is the subject of an effective order of the bureau chief
38 denying, suspending, or revoking registration as a broker-dealer,
39 agent, investment adviser, investment adviser representative, **[or]**
40 securities offering registrant, or Internet site operator;

41 (vi) is the subject of an order entered within the past five years
42 by any federal or state securities, commodities, banking, insurance
43 or investment advisory administrator or self-regulatory organization
44 denying or revoking a securities, commodities, banking, insurance
45 or investment advisory license or registration under federal or state
46 securities, commodities, banking, insurance or investment advisory
47 law, including, but not limited to registration as a broker-dealer,
48 agent, investment adviser, investment adviser representative or

1 issuer, or the substantial equivalent of those terms as defined in this
2 act, or is the subject of an order of the Securities and Exchange
3 Commission, a self-regulatory organization, the Commodity Futures
4 Trading Commission, an insurance regulator, or a federal or state
5 banking regulator, suspending or expelling him from a national
6 securities or commodities exchange or national securities or
7 commodities association registered under the "Securities Exchange
8 Act of 1934," or the "Commodity Exchange Act," or from engaging
9 in the banking or insurance business, or is the subject of a United
10 States Post Office fraud order; but (A) the bureau chief may not
11 institute a revocation or suspension proceeding under this
12 subparagraph (vi) more than two years from the date of the order
13 relied on and (B) he may not enter an order under this subparagraph
14 (vi) on the basis of an order under another state act unless that order
15 was based on facts which would currently constitute a ground for
16 an order under New Jersey law;

17 (vii) has engaged in dishonest or unethical practices in the
18 securities, commodities, banking, insurance or investment advisory
19 business, as may be defined by rule of the bureau chief;

20 (viii) is insolvent, either in the sense that his liabilities exceed
21 his assets or in the sense that he cannot meet his obligations as they
22 mature; but the bureau chief may not enter an order against a
23 broker-dealer or investment adviser for insolvency without a
24 finding of insolvency as to the broker-dealer or investment adviser;

25 (ix) is not qualified on the basis of such factors as character,
26 training, experience and knowledge of the securities business,
27 except as otherwise provided in subsection (b) of this section;

28 (x) has failed to pass an examination under subsection (f) of
29 section 10 of P.L.1967, c.93 (C.49:3-57) if such an examination has
30 been by rule provided for by the bureau chief;

31 (xi) has failed reasonably to supervise: his agents if he is a
32 broker-dealer or issuer; the agents of a broker dealer or issuer for
33 whom he has supervisory responsibility; or his employees who give
34 investment advice if he is an investment adviser;

35 (xii) has failed to pay the proper fees, as set by rule of the bureau
36 chief.

37 (b) The following provisions govern the application of
38 subparagraph (ix) of paragraph (2) of subsection (a) of this section:

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

43 (2) The bureau chief may not enter an order against an
44 investment adviser on the basis of the lack of qualification of any
45 person other than (i) the investment adviser himself if he is an
46 individual or (ii) any other person who represents the investment
47 adviser in doing any of the acts which make him an investment
48 adviser;

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

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

7 (5) The bureau chief shall consider that an investment adviser is
8 not necessarily qualified solely on the basis of experience as a
9 broker-dealer or agent. If he finds that an applicant for initial or
10 renewal registration as a broker-dealer is not qualified as an
11 investment adviser, he may by order condition the applicant's
12 registration as a broker-dealer upon his not transacting business in
13 this State as an investment adviser.

14 (c) The bureau chief, for good cause shown, may by order
15 summarily postpone, suspend, revoke or deny any registration
16 pending final determination of any proceeding under this section.
17 Upon entry of the order, the bureau chief shall promptly notify the
18 applicant or registrant, as well as the employer or prospective
19 employer if the applicant or registrant is an agent or an investment
20 adviser representative, that the order has been entered and of the
21 reasons therefor.

22 (1) The bureau chief shall entertain on no less than three days'
23 notice a written application to lift the summary postponement,
24 suspension or revocation on written application of the applicant or
25 registrant and in connection therewith may, but need not, hold a
26 hearing and hear testimony, but shall provide to the applicant or
27 registrant a written statement of the reasons for the summary
28 postponement, suspension or revocation.

29 (2) Upon service of notice of the order issued by the bureau
30 chief, the applicant or registrant shall have up to 15 days to respond
31 to the bureau in the form of a written answer and written request for
32 a hearing. The bureau chief shall, within five days of receiving the
33 answer and a request for a hearing, either transmit the matter to the
34 Office of Administrative Law for a hearing or schedule a hearing at
35 the Bureau of Securities. Orders issued pursuant to this subsection
36 to suspend or revoke any registration shall be subject to an
37 application to vacate upon 10 days' notice, and a preliminary
38 hearing on the order to suspend or revoke any registration shall be
39 held in any event within 20 days after it is requested, and the filing
40 of a motion to vacate the order shall toll the time for filing an
41 answer and written request for a hearing.

42 (3) If an applicant or registrant fails to respond by filing a
43 written answer and request for a hearing with the bureau or moving
44 to vacate an order to suspend or revoke any registration within the
45 15-day prescribed period, the registrant shall have waived the
46 opportunity to be heard and the order shall remain in effect until
47 modified or vacated.

1 (d) If the bureau chief finds that any registrant or applicant for
2 registration is no longer in existence or has ceased to do business as
3 a broker-dealer, agent, investment adviser, **[or]** investment adviser
4 representative, or Internet site operator, or is subject to an
5 adjudication of incapacity or to the control of a committee,
6 conservator, or guardian, or cannot be located after reasonable
7 search, the bureau chief may by order summarily revoke or deny the
8 registration or application;

9 (e) Withdrawal from registration as a broker-dealer, agent,
10 investment adviser, **[or]** investment adviser representative, or
11 Internet site operator becomes effective 30 days after receipt of an
12 application to withdraw or within such other period of time as the
13 bureau chief may determine by rule or order. The bureau chief may
14 nevertheless institute a revocation or suspension proceeding under
15 subparagraph (ii) of paragraph (2) of subsection (a) of this section
16 within two years after withdrawal becomes effective and enter a
17 revocation or suspension order as of the last date on which
18 registration was effective;

19 (f) (Deleted by amendment, P.L.1997, c.276).

20 (g) Every hearing which this act requires to be held shall be held
21 in accordance with the "Administrative Procedure Act," P.L.1968,
22 c.410 (C.52:14B-1 et seq.).
23 (cf: P.L.1997, c.379, s.12)

24
25 13. This act shall take effect immediately, and shall apply to any
26 transaction entered into after the effective date of this act.

27 28 29 STATEMENT

30
31 This Assembly Substitute for the Assembly Committee
32 Substitute for Assembly Bill No. 2073 exempts certain offers and
33 sales of securities from registration with the Bureau of Securities in
34 the Division of Consumer Affairs of the Department of Law and
35 Public Safety (the "bureau"). The substitute bill provides this
36 exemption for companies organized in New Jersey that offer
37 intrastate "crowdfunding" investment opportunities. Crowdfunding
38 is the financing of a business venture using the Internet to raise
39 small amounts of money from large numbers of investors.

40 The bill provides that any transaction by or on behalf of an issuer
41 may be exempted from registration with the bureau if the following
42 conditions are met:

43 (1) the issuer is a business entity organized under the laws of
44 this State and authorized to do business in this State;

45 (2) the transaction meets the requirements of the federal
46 exemption for intrastate offerings in the federal Securities Act of
47 1933;

1 (3) the sum of all cash and other consideration to be received for
2 all sales of the security in reliance on the exemption, excluding
3 sales to any accredited investor or institutional investor, does not
4 exceed \$1,000,000, with certain exceptions;

5 (4) the offering is not a blind pool;

6 (5) the offering by the issuer is made exclusively through an
7 Internet site which meets with the requirements of the bill;

8 (6) the issuer does not accept an investment of more than \$5,000
9 from any single investor unless the investor is an accredited
10 investor or institutional buyer;

11 (7) the investor in the securities is a resident of New Jersey;

12 (8) not less than 10 days prior to the commencement of an
13 offering of the security, the information required to be posted
14 pursuant to the bill is filed with the bureau; and

15 (9) the issuer has never previously sold securities pursuant to
16 the exemption provided under the bill.

17 Under the bill, in order to qualify for the exemption from
18 registration, the issuer seeking to offer exempted securities and the
19 Internet site through which the offering is made must provide the
20 following information to the prospective investors in writing on that
21 site:

22 (1) a copy of the legend required pursuant to the bill;

23 (2) evidence that the issuer is a business organization organized
24 under the laws of this State and is authorized to do business in this
25 State;

26 (3) a description of the company, its form and date of business
27 organization, the address and telephone number of its principal
28 office, its history, its business plan, a description of material
29 agreements and the intended use of the offering proceeds;

30 (4) the identity of all persons owning more than 10 percent of
31 the ownership interests of any class of securities of the company,
32 with a description of options or other contingent securities
33 outstanding;

34 (5) the identity of the executive officers, directors, managing
35 members, and other persons occupying a similar status or
36 performing similar functions in the name of and on behalf of the
37 issuer, with a description of options or other contingent securities
38 outstanding;

39 (6) the terms and conditions of the securities being offered and
40 of any outstanding securities of the company, the minimum and
41 maximum amount of securities being offered, if any, and the
42 percentage ownership of the company represented by the offered
43 securities and the valuation of the company implied by the price of
44 the offered securities;

45 (7) the minimum offering amount that is necessary to implement
46 the business plan, and a notice that the funds will only be released
47 to the issuer if the minimum offering amount is reached;

1 (8) the time and date, which may be no more than 12 months
2 from the date of the offering, by which the minimum offering
3 amount must be reached before the funds will be returned to
4 investors;

5 (9) a provision stating that the investors may cancel their
6 commitment to invest for up to 30 days following the date the
7 investment is made, except that investors who invest within 30 days
8 of the time and date by which the minimum offering amount must
9 be reached will only have the amount of time left before the time
10 and date by which the minimum offering amount must be reached in
11 which to cancel their cancel their commitment to invest, even if that
12 amount of time is less than 30 days;

13 (10) the identity of any person who has been or will be retained
14 by the issuer to assist the issuer in conducting the offering and sale
15 of the securities, as well as a description of the consideration being
16 paid for the assistance;

17 (11) a description of any litigation or legal proceedings involving
18 the company or its management;

19 (12) a discussion of significant factors that make the offering
20 speculative or risky;

21 (13) a description of any conflicts of interest;

22 (14) financial statements, including a balance sheet, income
23 statement, cash flow statement, and capitalization of issuer;

24 (15) a statement of current liabilities outstanding, including
25 obligations past due and obligations due within 12 months;

26 (16) the Internet site address at which the quarterly report
27 required by the bill will be made available; and

28 (17) any additional information material to the offering.

29 The bill provides that in order to qualify for the exemption from
30 registration, the issuer must execute an escrow agreement with a
31 bank, savings bank, savings and loan association, or credit union,
32 which institution has a place of business in New Jersey, that
33 provides that investor funds obtained will be deposited in that
34 institution, and further provides that all offering proceeds will be
35 released to the issuer only when the aggregate capital raised from
36 all investors is equal to or greater than the minimum offering
37 amount specified in the issuer's business plan as necessary to
38 implement the business plan. The agreement must also provide that
39 all investor funds will be returned within 60 days to investors if that
40 minimum offering amount is not raised by the time stated in the
41 disclosures required pursuant to the bill.

42 The bill provides that the bureau must promulgate a legend for
43 issuers to provide to all prospective investors of exempted
44 securities, informing prospective investors that the securities have
45 not been registered with the United States Securities and Exchange
46 Commission or the bureau and that the securities are subject to
47 limitations on resale, along with any other information the bureau
48 finds relevant to be included in that legend.

1 Under the bill, investors in the securities are required to certify
2 in writing or electronically that the investor understands that the
3 investment may be a high-risk speculative business venture; the
4 investment has not been reviewed or approved by any State or
5 federal securities regulatory authority; the securities are illiquid and
6 there is no ready market for the sale of the securities; the investor
7 may be subject to tax on the taxable income and losses of the
8 company; and any additional information the bureau finds relevant.

9 Under the bill, in order for securities to qualify for an exemption,
10 they must be offered through an Internet website that is registered
11 with the bureau. The Internet site operator is not be required to
12 register as a broker-dealer provided that certain conditions specified
13 in the bill are met. The bill requires the issuer and the Internet site
14 operator to maintain records of all offers and sales of securities
15 effected through the Internet site and to provide ready access to the
16 records to the bureau, upon request.

17 The bill provides that an issuer of securities exempted from
18 registration pursuant to the bill must provide, free of charge, a
19 quarterly report to the issuer's investors.

20 The bill requires the bureau to establish by regulation criteria for
21 disqualifying issuers from claiming the exemption provided under
22 the bill. Under the bill, disqualifying events include, but are not
23 limited to: certain criminal convictions related to securities;
24 injunctions and court orders against engaging in or continuing
25 conduct or practices in connection with securities; United States
26 Postal Service false representation orders; and bureau stop orders.

27

28

29

30

31 Exempts certain offers and sales of securities from registration.

ASSEMBLY, No. 2073

STATE OF NEW JERSEY 216th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

Sponsored by:

Assemblyman ANGEL FUENTES

District 5 (Camden and Gloucester)

Assemblyman UPENDRA J. CHIVUKULA

District 17 (Middlesex and Somerset)

Assemblywoman AMY H. HANDLIN

District 13 (Monmouth)

Assemblyman PARKER SPACE

District 24 (Morris, Sussex and Warren)

Assemblywoman ALISON LITTELL MCHOSE

District 24 (Morris, Sussex and Warren)

Assemblyman CARMELO G. GARCIA

District 33 (Hudson)

SYNOPSIS

Provides certain issuers of securities with exemption from registration.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



(Sponsorship Updated As Of: 6/6/2014)

1 AN ACT concerning exemption from registration for certain issuers
2 of securities and supplementing P.L.1967, c.93 (C.49:3-47 et
3 seq.).
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. As used in this act, "exempt issuer" means an issuer of
9 securities that meets the exemption requirements of section 2 of this
10 act and is not required to register with the Bureau of Securities in
11 the Division of Consumer Affairs in the Department of Law and
12 Public Safety.
13

14 2. Notwithstanding any law or regulation to the contrary, an
15 issuer of securities shall not be required to register with the Bureau
16 of Securities pursuant to P.L.1967, c.93 (C.49:3-47 et seq.) if:

17 a. the issuer is a business entity organized under the laws of
18 this State and authorized to do business in this State;

19 b. the transaction meets the requirements of the federal
20 exemption for intrastate offerings in section 3(a)(11) of the federal
21 Securities Act of 1933 (15 U.S.C. s.77c(a)(11)) and Rule 147
22 adopted under the Securities Act of 1933 (17 C.F.R. 230.147);

23 c. the sum of all cash and other consideration to be received for
24 all sales of the security in reliance on the exemption under this
25 section, excluding sales to any accredited investor or institutional
26 investor, does not exceed \$1,000,000, except that an offer or sale to
27 an officer, director, partner, trustee, or individual occupying similar
28 status or performing similar functions with the issuer or to a person
29 owning 10 percent or more of the outstanding securities of the
30 issuer shall not be counted toward the aggregate monetary
31 limitation of shares to be issued as established herein;

32 d. the offering by the issuer is made exclusively through one or
33 more Internet sites;

34 e. the issuer does not accept an investment of more than \$5,000
35 from any single purchaser unless the purchaser is an accredited
36 investor; and

37 f. the purchaser of the securities is a resident of this State.
38

39 3. Every exempt issuer shall post any offering to prospective
40 investors on an Internet site established for that purpose and provide
41 the following information to the prospective investors in writing on
42 that site:

43 a. a copy of the disclosure statement required pursuant to
44 section 5 of this act;

45 b. a description of the company, its form of business
46 organization, the address and telephone number of its principal
47 office, its history, its business plan, and the intended use of the

- 1 offering proceeds, including any amounts to be paid, as
2 compensation or otherwise, to any owner, executive officer,
3 director, managing member, or other person occupying a similar
4 status or performing similar functions on behalf of the exempt
5 issuer;
- 6 c. the identity of all persons owning more than 10 percent of
7 the ownership interests of any class of securities of the company;
- 8 d. the identity of the executive officers, directors, managing
9 members, and other persons occupying a similar status or
10 performing similar functions in the name of and on behalf of the
11 exempt issuer, including their titles and their prior experience;
- 12 e. the terms and conditions of the securities being offered and
13 of any outstanding securities of the company, the minimum and
14 maximum amount of securities being offered, if any, and either the
15 percentage ownership of the company represented by the offered
16 securities or the valuation of the company implied by the price of
17 the offered securities;
- 18 f. the minimum target offering amount specified in the
19 business plan that is necessary to implement the business plan, and
20 a notice that the funds will only be released to the exempt issuer if
21 the target offering amount is reached;
- 22 g. the time and date by which the target offering amount must
23 be reached before all investors may cancel their commitment to
24 invest;
- 25 h. the identity of any person who has been or will be retained
26 by the exempt issuer to assist the exempt issuer in conducting the
27 offering and sale of the securities, including any Internet site
28 operator, but excluding persons acting solely as accountants or
29 attorneys and employees whose primary job responsibilities involve
30 the operating business of the exempt issuer, rather than assisting the
31 exempt issuer in raising capital;
- 32 i. a description of the consideration being paid for assistance
33 to each person identified under subsection h. of this section;
- 34 j. a description of any litigation or legal proceedings involving
35 the company or its management; and
- 36 k. any additional information material and specific to the
37 offering, including, if appropriate, a discussion of significant factors
38 that make the offering speculative or enhances risk to the
39 prospective investor.
- 40
- 41 4. An exempt issuer shall execute an escrow agreement with a
42 bank, savings bank, savings and loan association or credit union
43 that provides that investor funds obtained pursuant to the provisions
44 of this act will be deposited in that institution, and shall further
45 provide that all offering proceeds will be released to the exempt
46 issuer only when the aggregate capital raised from all investors
47 pursuant to section 3 of this act is equal to or greater than the

1 minimum target offering amount specified in the exempt issuer's
2 business plan as necessary to implement the business plan. The
3 agreement shall also provide that all investors may cancel their
4 commitment to invest if that target offering amount is not raised by
5 the time stated in the disclosures required to be set forth pursuant to
6 section 3 of this act.

7
8 5. a. An exempt issuer shall inform all prospective purchasers
9 of securities offered pursuant to this act that the securities have not
10 been registered with the federal Securities and Exchange
11 Commission or the State Bureau of Securities and that the securities
12 are subject to limitations on resale. The exempt issuer shall display
13 the following statement in 15-point type conspicuously on the
14 exempt issuer's Internet site and on the cover page of the disclosure
15 statement:

16 IN MAKING AN INVESTMENT DECISION REGARDING
17 THE SECURITIES WHICH ARE THE SUBJECT OF THIS
18 OFFER, INVESTORS MUST RELY ON THEIR OWN
19 EXAMINATION OF THE ISSUER AND THE TERMS OF THE
20 OFFERING, INCLUDING THE MERITS AND THE RISKS
21 INVOLVED. THESE SECURITIES HAVE NOT BEEN
22 REGISTERED WITH OR RECOMMENDED BY ANY FEDERAL
23 OR STATE SECURITIES REGULATORY AGENCY, AND NO
24 STATE OR FEDERAL AUTHORITIES HAVE CONFIRMED
25 THE ACCURACY OR DETERMINED THE ADEQUACY OF
26 ANY INFORMATION PROVIDED BY THE ISSUER. ANY
27 REPRESENTATION TO THE CONTRARY SHALL
28 CONSTITUTE A CRIMINAL OFFENSE. THESE SECURITIES
29 ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY
30 AND RESALE AND MAY NOT NECESSARILY BE
31 TRANSFERABLE OR RESOLD. INVESTORS SHOULD BE
32 AWARE THAT THEY WILL BE REQUIRED TO BEAR THE
33 FINANCIAL RISKS OF THIS INVESTMENT FOR AN
34 INDEFINITE PERIOD OF TIME.

35 b. If the business entity's organization is such that individual
36 liability may accrue to those with a share in the entity, this shall
37 also be disclosed in the statement required by subsection a. of this
38 section, as follows:

39 BECAUSE OF THE ORGANIZATIONAL STRUCTURE OF
40 THE BUSINESS ENTITY THAT WOULD BE THE SUBJECT OF
41 THIS INVESTMENT, YOU MAY INCUR SIGNIFICANT
42 INDIVIDUAL PERSONAL LIABILITY FOR PAYMENT OF
43 ANY CLAIM OR JUDGMENT AGAINST THE ENTITY.

44
45 6. Prior to the consummation of a purchase, an exempt issuer
46 shall require the purchaser to certify in writing or electronically as
47 follows:

1 I UNDERSTAND AND ACKNOWLEDGE THAT:

2 I am investing in what may be a high-risk speculative business
3 venture.

4 This offering has not been reviewed or approved by any State or
5 federal securities regulatory authority and no person or authority
6 has confirmed the accuracy or determined the adequacy of any
7 disclosure made to me relating to this offering.

8 The securities I am acquiring in this offering are illiquid, and
9 there is no ready market for the sale of the securities; it may be
10 difficult or impossible for me to sell or otherwise dispose of this
11 investment, and, accordingly, I may be required to hold this
12 investment indefinitely.

13 I may be subject to tax on my share of the taxable income and
14 losses of the company, whether or not I have sold or otherwise
15 disposed of my investment or received any dividends or other
16 distributions from the company.

17

18 7. An exempt issuer shall provide, free of charge, a quarterly
19 report to the exempt issuer's investors. An exempt issuer may
20 satisfy the reporting requirement of this section by making the
21 information available on an Internet site if the information is made
22 available within 45 days after the end of each fiscal quarter and
23 remains available until the succeeding quarterly report is issued. A
24 written copy shall be provided to an investor upon request. The
25 report shall include a statement of the compensation received by
26 each director and executive officer, including cash compensation
27 earned since the previous report, as well as any bonuses, stock
28 options, other rights to receive securities of the exempt issuer or
29 any affiliate of the exempt issuer, or any compensation received.
30 The report shall also include an analysis by management of the
31 exempt issuer of the business operations and financial condition of
32 the exempt issuer.

33

34 8. This act shall take effect immediately, and shall apply to any
35 transaction entered into after the effective date of the act.

36

37

38

STATEMENT

39

40 This bill provides certain issuers of securities with an exemption
41 from registration with the Bureau of Securities in the Division of
42 Consumer Affairs in the Department of Law and Public Safety. The
43 bill provides this exemption for companies organized in New Jersey
44 that offer intrastate "crowdfunding" investment opportunities.
45 Crowdfunding is the financing of a business venture using the
46 Internet to raise small amounts of money from a large number of
47 investors.

1 Under the bill, an issuer of securities is exempt from registration
2 with the Bureau of Securities if the following conditions apply:

3 (1) the issuer is a business entity organized under the laws of
4 this State and authorized to do business in this State;

5 (2) the transaction meets the requirements of the federal
6 exemption for intrastate offerings;

7 (3) the sum of all cash and other consideration to be received for
8 all sales of the security does not exceed \$1,000,000, with certain
9 exceptions;

10 (4) the offering by the issuer is made exclusively through one or
11 more Internet sites;

12 (5) the issuer does not accept an investment of more than \$5,000
13 from any single purchaser unless the purchaser is an accredited
14 investor; and

15 (6) the purchaser of the securities is a resident of this State.

16 The bill requires exempt issuers to post the offering to
17 prospective investors on an Internet site established for that purpose
18 and provide the following information to the prospective investors
19 in writing:

20 (1) a copy of the disclosures required by the bill;

21 (2) a description of the company, its form of business
22 organization, the address and telephone number of its principal
23 office, its history, its business plan, and the intended use of the
24 offering proceeds;

25 (3) the identity of all persons owning more than 10 percent of
26 the ownership interests of any class of securities of the company;

27 (4) the identity of the executive officers, directors, managing
28 members, and other persons occupying a similar status or
29 performing similar functions;

30 (5) the terms and conditions of the securities being offered and
31 of any outstanding securities of the company, the minimum and
32 maximum amount of securities being offered, if any, and either the
33 percentage ownership of the company represented by the offered
34 securities or the valuation of the company implied by the price of
35 the offered securities;

36 (6) the minimum target offering amount specified in the
37 business plan that is necessary to implement the business plan, and
38 a notice that the funds will only be released to the exempt issuer if
39 the target offering amount is reached;

40 (7) the time and date when the target offering amount must be
41 reached before all investors may cancel their commitment to invest;

42 (8) the identity of any person who has been or will be retained
43 by the exempt issuer to assist the exempt issuer in conducting the
44 offering and sale of the securities and a description of the
45 consideration being paid to the person for that assistance;

46 (9) a description of any litigation or legal proceedings involving
47 the company or its management; and

1 (10) any additional information material and specific to the
2 offering, including, if appropriate, a discussion of significant factors
3 that make the offering speculative or enhances risk to the
4 prospective investor.

5 The bill requires exempt issuers to execute an escrow agreement
6 with a bank, savings bank, savings and loan association or credit
7 union that provides that investor funds obtained pursuant to the
8 provisions of the bill will be deposited in that institution, and shall
9 further provide that all offering proceeds will be released to the
10 exempt issuer only when the aggregate capital raised from all
11 investors is equal to or greater than the minimum target offering
12 amount specified in the exempt issuer's business plan. The
13 agreement shall also provide that all investors may cancel their
14 commitment to invest if that target offering amount is not raised by
15 the time stated in the disclosure statement.

16 The bill requires exempt issuers to inform all prospective
17 purchasers of securities that the securities have not been registered
18 with the federal Securities and Exchange Commission or the State
19 Bureau of Securities and that the securities are subject to limitations
20 on resale. The bill also requires an exempt issuer to require, prior
21 to the consummation of a purchase, that the purchaser certifies in
22 writing or electronically that the purchaser understands that the
23 securities may be a high-risk speculative business venture, have not
24 been registered with the federal Securities and Exchange
25 Commission or the State Bureau of Securities, and are subject to
26 limitations on resale.

27 The bill also requires exempt issuers to provide, free of charge, a
28 quarterly report to the exempt issuer's investors.

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 2073

STATE OF NEW JERSEY

DATED: JUNE 5, 2014

The Assembly Financial Institutions and Insurance Committee reports favorably Assembly Committee Substitute for Assembly Bill No. 2073.

This Assembly Committee Substitute exempts certain offers and sales of securities from registration with the Bureau of Securities in the Division of Consumer Affairs in the Department of Law and Public Safety. The substitute provides this exemption for companies organized in New Jersey that offer intrastate “crowdfunding” investment opportunities. Crowdfunding is the financing of a business venture using the Internet to raise small amounts of money from a large numbers of investors.

Under the substitute bill, an offer or sale of a security is exempt from registration with the Bureau of Securities if:

(1) The issuer is a business entity organized under the laws of this State and authorized to do business in this State;

(2) The transaction meets the requirements of the federal exemption for intrastate offerings;

(3) The sum of all cash and other consideration to be received for all sales of the security does not exceed \$1,000,000, with certain exceptions;

(4) The offering by the issuer is made exclusively through an Internet site;

(5) The issuer does not accept an investment of more than \$5,000 from any single purchaser unless the purchaser is an accredited investor;

(6) The purchaser of the securities is a resident of this State; and

(7) Not less than 10 days prior to the commencement of an offering of the security, certain information is filed with the bureau, in a form to be prescribed by the bureau, with a filing fee established by the bureau.

The bill requires issuers seeking exemption to post any offering to prospective investors on an Internet site established for that purpose and provide the following information to the prospective investors in writing on that site:

(1) a copy of the disclosures required pursuant to the bill;

(2) evidence that the issuer is a business organization organized under the laws of this State and is authorized to do business in this State;

(3) a description of the company, its form of business organization, the address and telephone number of its principal office, its history, its business plan, and the intended use of the offering proceeds, including any amounts to be paid, as compensation or otherwise, to any owner, executive officer, director, managing member, or other person occupying a similar status or performing similar functions on behalf of the issuer;

(4) the identity of all persons owning more than 10 percent of the ownership interests of any class of securities of the company;

(5) the identity of the executive officers, directors, managing members, and other persons occupying a similar status or performing similar functions in the name of and on behalf of the issuer, including their titles and their prior experience;

(6) the terms and conditions of the securities being offered and of any outstanding securities of the company, the minimum and maximum amount of securities being offered, if any, and either the percentage ownership of the company represented by the offered securities or the valuation of the company implied by the price of the offered securities;

(7) the minimum target offering amount specified in the business plan that is necessary to implement the business plan, and a notice that the funds will only be released to the issuer if the target offering amount is reached;

(8) the time and date by which the target offering amount must be reached before all investors may cancel their commitment to invest;

(9) the identity of certain persons who have been or will be retained by the issuer to assist the issuer in conducting the offering and sale of the securities;

(10) a description of the consideration being paid for assistance to certain persons employed by the company;

(11) a description of any litigation or legal proceedings involving the company or its management; and

(12) any additional information material and specific to the offering, including, if appropriate, a discussion of significant factors that make the offering speculative or enhances risk to the prospective investor.

The bill requires the bureau to promulgate a notice for all prospective purchasers of exempted securities, informing prospective purchasers that the securities have not been registered with the federal Securities and Exchange Commission or the State Bureau of Securities and that the securities are subject to limitations on resale, along with any other information the bureau finds relevant to be included in that notice. The bill also requires the bureau to promulgate a notice on

which, prior to the consummation of a purchase, the purchaser of the securities is required to certify in writing or electronically that the purchaser understands:

(1) The investment may be a high-risk speculative business venture;

(2) The offering has not been reviewed or approved by any State or federal securities regulatory authority and no person or authority has confirmed the accuracy or determined the adequacy of disclosures made relating to this offering;

(3) The securities are illiquid, there is no ready market for the sale of the securities, and it may be difficult or impossible to sell or otherwise dispose of the investment;

(4) The purchaser may be subject to tax on the taxable income and losses of the company; and

(5) Any additional information the bureau finds relevant.

The bill provides that the operator of an Internet site offering exempted securities is required to register with the bureau by filing a statement, accompanied by a filing fee to be determined by the bureau, that includes certain information about the Internet site operator.

The bill provides that the Internet site operator is not required to register as a broker-dealer if the Internet site and its operator comply with certain requirements, such as not offering investment advice or recommendations, not soliciting purchases, sales or offers to buy the securities offered or displayed on the site, and not receiving compensation based on the amount of securities sold. Additionally, the Internet site operator is not required to register as a broker-dealer if the Internet site operator is registered as a broker-dealer under federal law or is a funding portal registered under the federal law governing funding portals.

The bill requires the issuer and the Internet site operator to maintain records of all offers and sales of securities effected through the Internet site and to provide ready access to the records to the bureau, upon request. The bureau may access, inspect, and review any Internet site registered under the substitute, as well as its records.

The bill requires the Internet site operator to execute an escrow agreement with a bank, savings bank, savings and loan association or credit union that provides that investor funds will be deposited in that institution, and to provide that all offering proceeds will be released to the issuer only when the aggregate capital raised from all investors is equal to or greater than the minimum target offering amount specified in the issuer's business plan as necessary to implement the business plan. The agreement must also provide that all investors may cancel their commitment to invest if that target offering amount is not raised by the time stated.

The bill requires issuers of securities exempted from registration to provide, free of charge, a quarterly report to the issuer's investors.

The bill requires the bureau to establish by regulation criteria for disqualifying issuers from claiming the exemption provided by the substitute.

SENATE COMMERCE COMMITTEE

STATEMENT TO

ASSEMBLY SUBSTITUTE FOR

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 2073

STATE OF NEW JERSEY

DATED: JUNE 8, 2015

The Senate Commerce Committee reports favorably the Assembly Substitute for Assembly Bill No. 2073 ACS.

This Assembly Substitute exempts certain offers and sales of securities from registration with the Bureau of Securities in the Division of Consumer Affairs in the Department of Law and Public Safety. The substitute provides this exemption for companies organized in New Jersey that offer intrastate “crowdfunding” investment opportunities. Crowdfunding is the financing of a business venture using the Internet to raise small amounts of money from a large numbers of investors.

Under the substitute bill, an offer or sale of a security is exempt from registration with the Bureau of Securities if:

(1) The issuer is a business entity organized under the laws of this State and authorized to do business in this State;

(2) The transaction meets the requirements of the federal exemption for intrastate offerings;

(3) The sum of all cash and other consideration to be received for all sales of the security does not exceed \$1,000,000, with certain exceptions;

(4) The offering by the issuer is made exclusively through an Internet site;

(5) The issuer does not accept an investment of more than \$5,000 from any single purchaser unless the purchaser is an accredited investor;

(6) The purchaser of the securities is a resident of this State; and

(7) Not less than 10 days prior to the commencement of an offering of the security, certain information is filed with the bureau, in a form to be prescribed by the bureau, with a filing fee established by the bureau.

The bill requires issuers seeking exemption to post any offering to prospective investors on an Internet site established for that purpose

and provide the following information to the prospective investors in writing on that site:

- (1) a copy of the disclosures required pursuant to the bill;
- (2) evidence that the issuer is a business organization organized under the laws of this State and is authorized to do business in this State;
- (3) a description of the company, its form of business organization, the address and telephone number of its principal office, its history, its business plan, and the intended use of the offering proceeds, including any amounts to be paid, as compensation or otherwise, to any owner, executive officer, director, managing member, or other person occupying a similar status or performing similar functions on behalf of the issuer;
- (4) the identity of all persons owning more than 10 percent of the ownership interests of any class of securities of the company;
- (5) the identity of the executive officers, directors, managing members, and other persons occupying a similar status or performing similar functions in the name of and on behalf of the issuer, including their titles and their prior experience;
- (6) the terms and conditions of the securities being offered and of any outstanding securities of the company, the minimum and maximum amount of securities being offered, if any, and either the percentage ownership of the company represented by the offered securities or the valuation of the company implied by the price of the offered securities;
- (7) the minimum target offering amount specified in the business plan that is necessary to implement the business plan, and a notice that the funds will only be released to the issuer if the target offering amount is reached;
- (8) the time and date by which the target offering amount must be reached before all investors may cancel their commitment to invest;
- (9) the identity of certain persons who have been or will be retained by the issuer to assist the issuer in conducting the offering and sale of the securities;
- (10) a description of the consideration being paid for assistance to certain persons employed by the company;
- (11) a description of any litigation or legal proceedings involving the company or its management; and
- (12) any additional information material and specific to the offering, including, if appropriate, a discussion of significant factors that make the offering speculative or enhances risk to the prospective investor.

The bill requires the bureau to promulgate a notice for all prospective purchasers of exempted securities, informing prospective purchasers that the securities have not been registered with the federal Securities and Exchange Commission or the State Bureau of Securities and that the securities are subject to limitations on resale, along with

any other information the bureau finds relevant to be included in that notice. The bill also requires the bureau to promulgate a notice on which, prior to the consummation of a purchase, the purchaser of the securities is required to certify in writing or electronically that the purchaser understands:

(1) The investment may be a high-risk speculative business venture;

(2) The offering has not been reviewed or approved by any State or federal securities regulatory authority and no person or authority has confirmed the accuracy or determined the adequacy of disclosures made relating to this offering;

(3) The securities are illiquid, there is no ready market for the sale of the securities, and it may be difficult or impossible to sell or otherwise dispose of the investment;

(4) The purchaser may be subject to tax on the taxable income and losses of the company; and

(5) Any additional information the bureau finds relevant.

The bill provides that the operator of an Internet site offering exempted securities is required to register with the bureau by filing a statement, accompanied by a filing fee to be determined by the bureau, that includes certain information about the Internet site operator.

The bill provides that the Internet site operator is not required to register as a broker-dealer if the Internet site and its operator comply with certain requirements, such as not offering investment advice or recommendations, not soliciting purchases, sales or offers to buy the securities offered or displayed on the site, and not receiving compensation based on the amount of securities sold. Additionally, the Internet site operator is not required to register as a broker-dealer if the Internet site operator is registered as a broker-dealer under federal law or is a funding portal registered under the federal law governing funding portals.

The bill requires the issuer and the Internet site operator to maintain records of all offers and sales of securities effected through the Internet site and to provide ready access to the records to the bureau, upon request. The bureau may access, inspect, and review any Internet site registered under the substitute, as well as its records.

The bill requires the Internet site operator to execute an escrow agreement with a bank, savings bank, savings and loan association or credit union that provides that investor funds will be deposited in that institution, and to provide that all offering proceeds will be released to the issuer only when the aggregate capital raised from all investors is equal to or greater than the minimum target offering amount specified in the issuer's business plan as necessary to implement the business plan. The agreement must also provide that all investors may cancel their commitment to invest if that target offering amount is not raised by the time stated.

The bill requires issuers of securities exempted from registration to provide, free of charge, a quarterly report to the issuer's investors.

The bill requires the bureau to establish by regulation criteria for disqualifying issuers from claiming the exemption provided by the substitute.

As reported, this substitute bill is identical to the Senate Committee Substitute for Senate Bill No. 712, as reported by the committee.

SENATE, No. 712

STATE OF NEW JERSEY 216th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

Sponsored by:

Senator JOSEPH M. KYRILLOS, JR.

District 13 (Monmouth)

Senator RAYMOND J. LESNIAK

District 20 (Union)

SYNOPSIS

Provides certain issuers of securities with exemption from registration.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



1 AN ACT concerning exemption from registration for certain issuers
2 of securities and supplementing P.L.1967, c.93 (C.49:3-47 et
3 seq.).
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. As used in this act, "exempt issuer" means an issuer of
9 securities that meets the exemption requirements of section 2 of this
10 act and is not required to register with the Bureau of Securities in
11 the Division of Consumer Affairs in the Department of Law and
12 Public Safety.
13

14 2. Notwithstanding any law or regulation to the contrary, an
15 issuer of securities shall not be required to register with the Bureau
16 of Securities pursuant to P.L.1967, c.93 (C.49:3-47 et seq.) if:

17 a. the issuer is a business entity organized under the laws of
18 this State and authorized to do business in this State;

19 b. the transaction meets the requirements of the federal
20 exemption for intrastate offerings in section 3(a)(11) of the federal
21 Securities Act of 1933 (15 U.S.C. s.77c(a)(11)) and Rule 147
22 adopted under the Securities Act of 1933 (17 C.F.R. 230.147);

23 c. the sum of all cash and other consideration to be received for
24 all sales of the security in reliance on the exemption under this
25 section, excluding sales to any accredited investor or institutional
26 investor, does not exceed \$1,000,000, except that an offer or sale to
27 an officer, director, partner, trustee, or individual occupying similar
28 status or performing similar functions with the issuer or to a person
29 owning 10 percent or more of the outstanding securities of the
30 issuer shall not be counted toward the aggregate monetary
31 limitation of shares to be issued as established herein;

32 d. the offering by the issuer is made exclusively through one or
33 more Internet sites;

34 e. the issuer does not accept an investment of more than \$5,000
35 from any single purchaser unless the purchaser is an accredited
36 investor; and

37 f. the purchaser of the securities is a resident of this State.
38

39 3. Every exempt issuer shall post any offering to prospective
40 investors on an Internet site established for that purpose and provide
41 the following information to the prospective investors in writing on
42 that site:

43 a. a copy of the disclosure statement required pursuant to
44 section 5 of this act;

45 b. a description of the company, its form of business
46 organization, the address and telephone number of its principal
47 office, its history, its business plan, and the intended use of the

- 1 offering proceeds, including any amounts to be paid, as
2 compensation or otherwise, to any owner, executive officer,
3 director, managing member, or other person occupying a similar
4 status or performing similar functions on behalf of the exempt
5 issuer;
- 6 c. the identity of all persons owning more than 10 percent of
7 the ownership interests of any class of securities of the company;
- 8 d. the identity of the executive officers, directors, managing
9 members, and other persons occupying a similar status or
10 performing similar functions in the name of and on behalf of the
11 exempt issuer, including their titles and their prior experience;
- 12 e. the terms and conditions of the securities being offered and
13 of any outstanding securities of the company, the minimum and
14 maximum amount of securities being offered, if any, and either the
15 percentage ownership of the company represented by the offered
16 securities or the valuation of the company implied by the price of
17 the offered securities;
- 18 f. the minimum target offering amount specified in the
19 business plan that is necessary to implement the business plan, and
20 a notice that the funds will only be released to the exempt issuer if
21 the target offering amount is reached;
- 22 g. the time and date by which the target offering amount must
23 be reached before all investors may cancel their commitment to
24 invest;
- 25 h. the identity of any person who has been or will be retained
26 by the exempt issuer to assist the exempt issuer in conducting the
27 offering and sale of the securities, including any Internet site
28 operator, but excluding persons acting solely as accountants or
29 attorneys and employees whose primary job responsibilities involve
30 the operating business of the exempt issuer, rather than assisting the
31 exempt issuer in raising capital;
- 32 i. a description of the consideration being paid for assistance
33 to each person identified under subsection h. of this section;
- 34 j. a description of any litigation or legal proceedings involving
35 the company or its management; and
- 36 k. any additional information material and specific to the
37 offering, including, if appropriate, a discussion of significant factors
38 that make the offering speculative or enhances risk to the
39 prospective investor.
- 40
- 41 4. An exempt issuer shall execute an escrow agreement with a
42 bank, savings bank, savings and loan association or credit union
43 that provides that investor funds obtained pursuant to the provisions
44 of this act will be deposited in that institution, and shall further
45 provide that all offering proceeds will be released to the exempt
46 issuer only when the aggregate capital raised from all investors
47 pursuant to section 3 of this act is equal to or greater than the

1 minimum target offering amount specified in the exempt issuer's
2 business plan as necessary to implement the business plan. The
3 agreement shall also provide that all investors may cancel their
4 commitment to invest if that target offering amount is not raised by
5 the time stated in the disclosures required to be set forth pursuant to
6 section 3 of this act.

7
8 5. a. An exempt issuer shall inform all prospective purchasers
9 of securities offered pursuant to this act that the securities have not
10 been registered with the federal Securities and Exchange
11 Commission or the State Bureau of Securities and that the securities
12 are subject to limitations on resale. The exempt issuer shall display
13 the following statement in 15-point type conspicuously on the
14 exempt issuer's Internet site and on the cover page of the disclosure
15 statement:

16 IN MAKING AN INVESTMENT DECISION REGARDING
17 THE SECURITIES WHICH ARE THE SUBJECT OF THIS
18 OFFER, INVESTORS MUST RELY ON THEIR OWN
19 EXAMINATION OF THE ISSUER AND THE TERMS OF THE
20 OFFERING, INCLUDING THE MERITS AND THE RISKS
21 INVOLVED. THESE SECURITIES HAVE NOT BEEN
22 REGISTERED WITH OR RECOMMENDED BY ANY FEDERAL
23 OR STATE SECURITIES REGULATORY AGENCY, AND NO
24 STATE OR FEDERAL AUTHORITIES HAVE CONFIRMED
25 THE ACCURACY OR DETERMINED THE ADEQUACY OF
26 ANY INFORMATION PROVIDED BY THE ISSUER. ANY
27 REPRESENTATION TO THE CONTRARY SHALL
28 CONSTITUTE A CRIMINAL OFFENSE. THESE SECURITIES
29 ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY
30 AND RESALE AND MAY NOT NECESSARILY BE
31 TRANSFERABLE OR RESOLD. INVESTORS SHOULD BE
32 AWARE THAT THEY WILL BE REQUIRED TO BEAR THE
33 FINANCIAL RISKS OF THIS INVESTMENT FOR AN
34 INDEFINITE PERIOD OF TIME.

35 b. If the business entity's organization is such that individual
36 liability may accrue to those with a share in the entity, this shall
37 also be disclosed in the statement required by subsection a. of this
38 section, as follows:

39 BECAUSE OF THE ORGANIZATIONAL STRUCTURE OF
40 THE BUSINESS ENTITY THAT WOULD BE THE SUBJECT OF
41 THIS INVESTMENT, YOU MAY INCUR SIGNIFICANT
42 INDIVIDUAL PERSONAL LIABILITY FOR PAYMENT OF
43 ANY CLAIM OR JUDGMENT AGAINST THE ENTITY.

44
45 6. Prior to the consummation of a purchase, an exempt issuer
46 shall require the purchaser to certify in writing or electronically as
47 follows:

1 I UNDERSTAND AND ACKNOWLEDGE THAT:

2 I am investing in what may be a high-risk speculative business
3 venture.

4 This offering has not been reviewed or approved by any State or
5 federal securities regulatory authority and no person or authority
6 has confirmed the accuracy or determined the adequacy of any
7 disclosure made to me relating to this offering.

8 The securities I am acquiring in this offering are illiquid, and
9 there is no ready market for the sale of the securities; it may be
10 difficult or impossible for me to sell or otherwise dispose of this
11 investment, and, accordingly, I may be required to hold this
12 investment indefinitely.

13 I may be subject to tax on my share of the taxable income and
14 losses of the company, whether or not I have sold or otherwise
15 disposed of my investment or received any dividends or other
16 distributions from the company.

17

18 7. An exempt issuer shall provide, free of charge, a quarterly
19 report to the exempt issuer's investors. An exempt issuer may
20 satisfy the reporting requirement of this section by making the
21 information available on an Internet site if the information is made
22 available within 45 days after the end of each fiscal quarter and
23 remains available until the succeeding quarterly report is issued. A
24 written copy shall be provided to an investor upon request. The
25 report shall include a statement of the compensation received by
26 each director and executive officer, including cash compensation
27 earned since the previous report, as well as any bonuses, stock
28 options, other rights to receive securities of the exempt issuer or
29 any affiliate of the exempt issuer, or any compensation received.
30 The report shall also include an analysis by management of the
31 exempt issuer of the business operations and financial condition of
32 the exempt issuer.

33

34 8. This act shall take effect immediately, and shall apply to any
35 transaction entered into after the effective date of the act.

36

37

38

STATEMENT

39

40 This bill provides certain issuers of securities with an exemption
41 from registration with the Bureau of Securities in the Division of
42 Consumer Affairs in the Department of Law and Public Safety. The
43 bill provides this exemption for companies organized in New Jersey
44 that offer intrastate "crowdfunding" investment opportunities.
45 Crowdfunding is the financing of a business venture using the
46 Internet to raise small amounts of money from a large number of
47 investors.

1 Under the bill, an issuer of securities is exempt from registration
2 with the Bureau of Securities if the following conditions apply:

3 (1) the issuer is a business entity organized under the laws of
4 this State and authorized to do business in this State;

5 (2) the transaction meets the requirements of the federal
6 exemption for intrastate offerings;

7 (3) the sum of all cash and other consideration to be received for
8 all sales of the security does not exceed \$1,000,000, with certain
9 exceptions;

10 (4) the offering by the issuer is made exclusively through one or
11 more Internet sites;

12 (5) the issuer does not accept an investment of more than \$5,000
13 from any single purchaser unless the purchaser is an accredited
14 investor; and

15 (6) the purchaser of the securities is a resident of this State.

16 The bill requires exempt issuers to post the offering to
17 prospective investors on an Internet site established for that purpose
18 and provide the following information to the prospective investors
19 in writing:

20 (1) a copy of the disclosures required by the bill;

21 (2) a description of the company, its form of business
22 organization, the address and telephone number of its principal
23 office, its history, its business plan, and the intended use of the
24 offering proceeds;

25 (3) the identity of all persons owning more than 10 percent of
26 the ownership interests of any class of securities of the company;

27 (4) the identity of the executive officers, directors, managing
28 members, and other persons occupying a similar status or
29 performing similar functions;

30 (5) the terms and conditions of the securities being offered and
31 of any outstanding securities of the company, the minimum and
32 maximum amount of securities being offered, if any, and either the
33 percentage ownership of the company represented by the offered
34 securities or the valuation of the company implied by the price of
35 the offered securities;

36 (6) the minimum target offering amount specified in the
37 business plan that is necessary to implement the business plan, and
38 a notice that the funds will only be released to the exempt issuer if
39 the target offering amount is reached;

40 (7) the time and date when the target offering amount must be
41 reached before all investors may cancel their commitment to invest;

42 (8) the identity of any person who has been or will be retained
43 by the exempt issuer to assist the exempt issuer in conducting the
44 offering and sale of the securities and a description of the
45 consideration being paid to the person for that assistance;

46 (9) a description of any litigation or legal proceedings involving
47 the company or its management; and

1 (10) any additional information material and specific to the
2 offering, including, if appropriate, a discussion of significant factors
3 that make the offering speculative or enhances risk to the
4 prospective investor.

5 The bill requires exempt issuers to execute an escrow agreement
6 with a bank, savings bank, savings and loan association or credit
7 union that provides that investor funds obtained pursuant to the
8 provisions of the bill will be deposited in that institution, and shall
9 further provide that all offering proceeds will be released to the
10 exempt issuer only when the aggregate capital raised from all
11 investors is equal to or greater than the minimum target offering
12 amount specified in the exempt issuer's business plan. The
13 agreement shall also provide that all investors may cancel their
14 commitment to invest if that target offering amount is not raised by
15 the time stated in the disclosure statement.

16 The bill requires exempt issuers to inform all prospective
17 purchasers of securities that the securities have not been registered
18 with the federal Securities and Exchange Commission or the State
19 Bureau of Securities and that the securities are subject to limitations
20 on resale. The bill also requires an exempt issuer to require, prior
21 to the consummation of a purchase, that the purchaser certifies in
22 writing or electronically that the purchaser understands that the
23 securities may be a high-risk speculative business venture, have not
24 been registered with the federal Securities and Exchange
25 Commission or the State Bureau of Securities, and are subject to
26 limitations on resale.

27 The bill also requires exempt issuers to provide, free of charge, a
28 quarterly report to the exempt issuer's investors.

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 712**

STATE OF NEW JERSEY

DATED: JUNE 8, 2015

The Senate Commerce Committee reports favorably a Senate Committee Substitute for Senate Bill No. 712.

This committee substitute for Senate Bill No. 712 exempts certain offers and sales of securities from registration with the Bureau of Securities in the Division of Consumer Affairs in the Department of Law and Public Safety. The substitute provides this exemption for companies organized in New Jersey that offer intrastate “crowdfunding” investment opportunities. Crowdfunding is the financing of a business venture using the Internet to raise small amounts of money from a large numbers of investors.

Under the substitute bill, an offer or sale of a security is exempt from registration with the Bureau of Securities if:

(1) The issuer is a business entity organized under the laws of this State and authorized to do business in this State;

(2) The transaction meets the requirements of the federal exemption for intrastate offerings;

(3) The sum of all cash and other consideration to be received for all sales of the security does not exceed \$1,000,000, with certain exceptions;

(4) The offering by the issuer is made exclusively through an Internet site;

(5) The issuer does not accept an investment of more than \$5,000 from any single purchaser unless the purchaser is an accredited investor;

(6) The purchaser of the securities is a resident of this State; and

(7) Not less than 10 days prior to the commencement of an offering of the security, certain information is filed with the bureau, in a form to be prescribed by the bureau, with a filing fee established by the bureau.

The bill requires issuers seeking exemption to post any offering to prospective investors on an Internet site established for that purpose and provide the following information to the prospective investors in writing on that site:

(1) a copy of the disclosures required pursuant to the bill;

(2) evidence that the issuer is a business organization organized under the laws of this State and is authorized to do business in this State;

(3) a description of the company, its form of business organization, the address and telephone number of its principal office, its history, its business plan, and the intended use of the offering proceeds, including any amounts to be paid, as compensation or otherwise, to any owner, executive officer, director, managing member, or other person occupying a similar status or performing similar functions on behalf of the issuer;

(4) the identity of all persons owning more than 10 percent of the ownership interests of any class of securities of the company;

(5) the identity of the executive officers, directors, managing members, and other persons occupying a similar status or performing similar functions in the name of and on behalf of the issuer, including their titles and their prior experience;

(6) the terms and conditions of the securities being offered and of any outstanding securities of the company, the minimum and maximum amount of securities being offered, if any, and either the percentage ownership of the company represented by the offered securities or the valuation of the company implied by the price of the offered securities;

(7) the minimum target offering amount specified in the business plan that is necessary to implement the business plan, and a notice that the funds will only be released to the issuer if the target offering amount is reached;

(8) the time and date by which the target offering amount must be reached before all investors may cancel their commitment to invest;

(9) the identity of certain persons who have been or will be retained by the issuer to assist the issuer in conducting the offering and sale of the securities;

(10) a description of the consideration being paid for assistance to certain persons employed by the company;

(11) a description of any litigation or legal proceedings involving the company or its management; and

(12) any additional information material and specific to the offering, including, if appropriate, a discussion of significant factors that make the offering speculative or enhances risk to the prospective investor.

The bill requires the bureau to promulgate a notice for all prospective purchasers of exempted securities, informing prospective purchasers that the securities have not been registered with the federal Securities and Exchange Commission or the State Bureau of Securities and that the securities are subject to limitations on resale, along with any other information the bureau finds relevant to be included in that notice. The bill also requires the bureau to promulgate a notice on which, prior to the consummation of a purchase, the purchaser of the

securities is required to certify in writing or electronically that the purchaser understands:

(1) The investment may be a high-risk speculative business venture;

(2) The offering has not been reviewed or approved by any State or federal securities regulatory authority and no person or authority has confirmed the accuracy or determined the adequacy of disclosures made relating to this offering;

(3) The securities are illiquid, there is no ready market for the sale of the securities, and it may be difficult or impossible to sell or otherwise dispose of the investment;

(4) The purchaser may be subject to tax on the taxable income and losses of the company; and

(5) Any additional information the bureau finds relevant.

The bill provides that the operator of an Internet site offering exempted securities is required to register with the bureau by filing a statement, accompanied by a filing fee to be determined by the bureau, that includes certain information about the Internet site operator.

The bill provides that the Internet site operator is not required to register as a broker-dealer if the Internet site and its operator comply with certain requirements, such as not offering investment advice or recommendations, not soliciting purchases, sales or offers to buy the securities offered or displayed on the site, and not receiving compensation based on the amount of securities sold. Additionally, the Internet site operator is not required to register as a broker-dealer if the Internet site operator is registered as a broker-dealer under federal law or is a funding portal registered under the federal law governing funding portals.

The bill requires the issuer and the Internet site operator to maintain records of all offers and sales of securities effected through the Internet site and to provide ready access to the records to the bureau, upon request. The bureau may access, inspect, and review any Internet site registered under the substitute, as well as its records.

The bill requires the Internet site operator to execute an escrow agreement with a bank, savings bank, savings and loan association or credit union that provides that investor funds will be deposited in that institution, and to provide that all offering proceeds will be released to the issuer only when the aggregate capital raised from all investors is equal to or greater than the minimum target offering amount specified in the issuer's business plan as necessary to implement the business plan. The agreement must also provide that all investors may cancel their commitment to invest if that target offering amount is not raised by the time stated.

The bill requires issuers of securities exempted from registration to provide, free of charge, a quarterly report to the issuer's investors.

The bill requires the bureau to establish by regulation criteria for disqualifying issuers from claiming the exemption provided by the substitute.

As reported, this Senate Committee Substitute is identical to the Assembly Substitute for Assembly Bill No. 2073, as reported by the committee.

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Governor Christie Takes Action On Pending Legislation

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Trenton, NJ – Governor Chris Christie today took action on legislation, including a package of five bills intended to address the fiscal stability of Atlantic City.

Understanding both the immediate and long-term obstacles facing Atlantic City and its stabilization, the Governor has consistently highlighted the need for comprehensive reform efforts to confront the city's challenges – both from State and local leaders. The Governor remains committed to bringing about the necessary reforms to stabilize Atlantic City and continue an effective long-term transition to an economy that is diversified beyond its traditional gaming industry.

Continuing in that effort, Governor Christie conditionally vetoed A-3981, establishing a payment-in-lieu-of-taxes (PILOT) program for casinos operating in the City, A-3984, reallocating revenue derived from the casino investment alternative tax from the Casino Reinvestment Development Authority to the City to pay debt service on municipal bonds, and A-3985, repealing the Atlantic City Alliance.

"While I commend the Legislature for attempting to devise measures to stabilize the City's budget and finances, I am concerned that the bills, in their present form, fail to recognize the true path to economic revitalization and fiscal stability in the City," Governor Christie said. "While these bills represent the bipartisan efforts of many to provide important, near-term support to the City's immediate challenges, I do not believe they meet the goal of setting a course toward renewed, long-term prosperity and economic growth. To achieve these goals, we must continue our work and go further to ensure that the next step leads to that economically vibrant future for Atlantic City."

In addition, the Governor signed A- 3983, authorizing supplemental school aid to the Atlantic City school district, and vetoed the fifth bill, A-3982, which would add a costly and unjustified new mandate for casino business operation in the City by requiring each casino, as a condition of licensure, to provide to its full time employees "suitable" health care benefits and "suitable" retirement benefits.

"A-3982 would do nothing to enhance the financial condition of Atlantic City," Governor Christie wrote. "To be sure, this bill would make it more costly for casinos to operate in Atlantic City, thereby impeding the industry's ability to grow and expand."

Governor Christie also vetoed legislation designed to revise certain laws concerning domestic violence and firearms. The Christie Administration has made protecting our most vulnerable residents one of its main priorities and has enacted some of the toughest measures to combat domestic violence. Governor Christie has supported a comprehensive approach to addressing the level of violence within our society and recently signed legislation to further penalize aggravated assault perpetuated against domestic violence victims. This legislation, A-4218 (Mosquera, Greenwald, Lagana, Benson, Lampitt, Vainieri Huttie, Danielsen/Weinberg, Gill, Cruz-Perez), substantially restates New Jersey's existing laws that govern firearms and domestic violence and does not offer new and sensible improvements to those current laws. For that reason, rather than restate existing laws, the Governor is proposing significant amendments that will meaningfully deter future acts of violence.

• **Enhanced Penalties For Domestic Violence.** Governor Christie is proposing enhanced criminal penalties imposed against those who are convicted of domestic violence. To demonstrate society's unconditional condemnation of this conduct, perpetrators would receive the maximum available prison sentence under New Jersey law.

• **Tighter Restrictions On Parole Eligibility For Perpetrators Of Domestic Violence.** The Governor's recommended changes will strengthen penalties for perpetrators of domestic abuse by lengthening periods of parole

ineligibility.

- **Prioritizing Victims Who Seek Firearms For Protection.** The Governor is also recommending an immediate codification in statute of new rules currently being processed, giving expedited processing of firearm license applications for victims of domestic violence so that the victims may better defend themselves against future instances of abuse.

"I urge the Legislature to join with me in a bipartisan manner to broaden this bill's approach to reducing domestic violence while simultaneously empowering victims to protect themselves through lawful means," Governor Christie said. "Together, we can enact a more comprehensive approach and reduce the harm that domestic violence inflicts on victims, families, and our society."

The Governor also took the following action on other pending legislation:

BILL SIGNINGS:

S-2174/A-3364 (Barnes, Holzapfel/Quijano, Mainor, Pinkin) - Prohibits manufacture, sale, or installation of counterfeit or nonfunctional air bags in motor vehicles

A-815/S-852 (Coughlin, Ciattarelli, Diegnan, Pinkin, Giblin/Vitale) - Requires municipalities which license peddlers and solicitors to accept certain background check results from other municipalities

A-1029/S-274 (Benson, Vainieri Huttie, Jasey, Tucker, Wimberly/Greenstein, Ruiz) - Requires training program for school bus drivers and school bus aides on interacting with students with special needs, and requires development and use of student information cards

A-1041/S-2676 (Schaer, Johnson, Vainieri Huttie, Eustace, Mazzeo/Rumana, Gordon, Weinberg) - Exempts Holocaust reparations payments from legal process, and from estate recovery under Medicaid program

A-1102/S-1145 (Vainieri Huttie, Sumter, Spencer, Schaer, Wimberly/Weinberg, Cruz-Perez) - Provides for licensure of dementia care homes by DOH

ACS for A-1662/S-2856 (Johnson, Lagana, Wimberly/Weinberg) - Authorizes the court to order the deletion, sealing, labeling, or correction of certain personal information in government records involving certain victims of identity theft

AS for A-1678/SS for S-1365 (Johnson, Mainor, O'Scanlon, Wilson, Wimberly/Weinberg) - Authorizes court to order submission of DNA evidence to national database to determine whether evidence matches known individual or DNA profile from an unsolved crime

AS for ACS for A-2073/SCS for S-712 (Handlin, Space, Garcia, Pintor Marin/Cruz-Perez, Kyrillos, Lesniak) - Exempts certain offers and sales of securities from registration

A-2385/S-944 (McKeon, Diegnan, Jasey, Andrzejczak/Smith, Codey) - Authorizes rural electric cooperative and certain municipalities to establish municipal shared services authority

ACS for A-2477/SCS for S-1705 (Lampitt, Conaway, Benson, Sumter, Munoz, Pinkin/Vitale, Singer) - Establishes requirements for pharmacists to dispense biological products

A-2714/S-1993 (Giblin, Sumter/Barnes) - Requires continuing education for licensed practicing psychologists

A-2936/S-1957 (Mosquera, Lampitt, Singleton, Wimberly/Singer, Connors) - Requires complaint for guardianship of person receiving services from Division of Developmental Disabilities to include one of documents identified in bill

A-3012/S-2296 (Ciattarelli, Dancer/Bateman) - Criminalizes bestiality

A-3079/S-2766 (Jasey, Diegnan, Mainor, Wimberly, Oliver, DeCroce/Turner, Ruiz) - Prohibits administration of standardized assessments in kindergarten through second grade

A-3153/S-2415 (DeAngelo, Mosquera/Madden, Beach) - Requires UI employer contribution reports and remittances be submitted to the Division of Revenue

A-3248/S-2459 (Conaway, Sumter, Pintor Marin/Singer) - Establishes the Task Force on Chronic Obstructive Pulmonary Disease in DOH

A-3580/S-2846 (Moriarty, Dancer, Coughlin, Mainor, Pinkin, Munoz, Daniels, Wimberly/Madden, Turner) - Prohibits sale of powdered alcohol

A-3636/SCS for S-2393, 2408, 2411 (McKeon, Lagana, Spencer/Scutari, O'Toole, Holzapfel) - Establishes crime-fraud exception to marital and civil union partnership privilege

A-3669/S-2655 (Mazzeo, Burzichelli/Whelan) - Prohibits eligibility for certain sign programs from being conditioned on availability of free drinking water or public telephone

A-3807/S-2619 (Eustace, Greenwald/Whelan) - Permits educational research and services corporations to act as lead procurement agencies for local units and publically supported educational institutions; permits Council of County Colleges to act as lead procurement agency for county colleges

A-3841/S-2540 (Munoz, Gusciora, Angelini, DeCroce/O'Toole, Weinberg) – Upgrades violation of a stalking restraining order to a crime of the third degree

A-3843/S-2735 (Caputo, Giblin, Tucker, Johnson, Mainor, Sumter/Rice) - Permits municipality to enact ordinance allowing voluntary registration of private outdoor video surveillance cameras

A-3983/S-2574 (Mazzeo, Burzichelli, Giblin/Sweeney, Whelan) - Authorizes supplemental State aid to school districts in municipality with significant decrease in commercial property valuation; makes appropriation

A-4008/SCS for S-2334 (Singleton, Mukherji, Pintor Marin, Wimberly, Sumter/Cunningham, Ruiz) - Requires DOC to make reports containing information concerning treatment and reentry initiative participation; requires AOC to establish program that collects recidivism data and make reports concerning adults sentenced to period of probation

A-4013/S-2497 (Greenwald, Lagana, Coughlin/Oroho) - Eliminates mortgage guaranty insurance coverage cap of 25% of outstanding balance of insured loan

A-4073/S-2687 (Schaer, Prieto, Caride, Lagana, Giblin, Wimberly, Rumana/Sarlo, Gill) - Requires installation of carbon monoxide detectors in certain structures; designated as "Korman and Park's Law"

A-4078/S-2686 (Vainieri Huttie, Mosquera, McKeon, Munoz, Benson, Sumter/Pou, Beck) - "Sexual Assault Survivor Protection Act of 2015"; authorizes the court to issue protective orders for victims of certain nonconsensual sexual conduct

A-4089/S-2693 (Coughlin, Ciattarelli/Beach, Singer) - Revises certain provisions of dental service corporation law

A-4143/S-2514 (Lagana, Spencer, Mukherji, Johnson, Rumana, Rodriguez-Gregg, Gusciora, Mazzeo/Barnes, Addiego) - Permits holders of certain alcoholic beverage licenses to be issued amusement game license and updates definition of recognized amusement park

A-4144/S-2755 (Pintor Marin, Spencer, Caride, Quijano, Mukherji/Ruiz, Stack) – Requires insurance producer licensing examination and registration materials to be offered in English and Spanish, and examination instructional materials to be available in Spanish

A-4167/S-2751 (Lagana, Mazzeo, Eustace, Andrzejczak, Vainieri Huttie/Barnes) - Requires DHS to notify enrollees in Programs of All-Inclusive Care for the Elderly of Medicare eligibility

A-4168/S-2750 (Lagana, Mazzeo, Eustace, Andrzejczak, Vainieri Huttie/Barnes) - Requires providers to submit to DHS expenditure details of enrollees in Program of All-Inclusive Care for the Elderly

A-4169/S-2752 (Lagana, Mazzeo, Eustace, Andrzejczak, Vainieri Huttie/Barnes) - Requires DHS to monitor utilization and billing of services for Medicaid home and community-based long-term care

A-4333/S-3020 (Singleton, Gill) - Exempts certain activities of alarm businesses from statutes governing practice of locksmithing

A-4361/S-2891 (Johnson, A.M. Bucco, Garcia, S. Kean/Barnes, A.R. Bucco) - Revises definition of all-terrain vehicles

A-4375/S-3011 (Moriarty, Andrzejczak, Mazzeo, Mosquera, Quijano, Ciattarelli, Wimberly/Van Drew, Bateman) - Upgrades crimes of false public alarm under certain circumstances and establishes reporting requirements concerning crime

A-4485/S-2881 (Diegnan, Jasey, Wimberly, McKeon, Lagana/Gill, Turner) - Prohibits withholding of State school aid based on student participation rate on State assessments

A-4587/S-3049 (Greenwald, Lampitt, McKeon, Holley/Scutari, Cruz-Perez) – Requires facilities providing services to persons with developmental disabilities and schools to adopt policies permitting administration of medical marijuana to qualifying patients

AJR-64/SJR-82 (Schaer, Eustace, Lagana, Spencer, Caride, Mukherji/Pou, Ruiz) - Declares August 16 of each year as "Dominican Restoration Day" in New Jersey

BILLS VETOED:

S-929/A-1908 (Sweeney, Madden/Burzichelli, Riley, Moriarty) – **ABSOLUTE** -Concerns certain workers' compensation supplemental benefits

A-801/S-861 (Coughlin, Wisniewski, Mazzeo/Vitale, Sacco) - **CONDITIONAL** - Directs New Jersey Turnpike Authority and South Jersey Transportation Authority to study and report on potential revenue generating services of rest areas and service plazas

A-947/S-2216 (Singleton, Lagana, Diegnan/Pennacchio, Rice) – **CONDITIONAL** - Requires release of bid list prior to bid date under "Local Public Contracts Law"

A-1468/S-2513 (Diegnan, Lampitt, Caride/Barnes, Ruiz) – **CONDITIONAL** -Establishes Task Force on Engineering Curriculum and Instruction

A-1726/S-308 (Eustace, Lagana, Mosquera, Vainieri Huttie, Wimberly/Gordon) – **CONDITIONAL** - Amends "Flood Hazard Area Control Act" to require DEP to take certain actions concerning delineations of flood hazard areas and

floodplains

A-2579/S-1510 (Mukherji, Pintor Marin, Eustace/Smith, Bateman) – CONDITIONAL - Authorizes municipalities to facilitate private financing of water conservation, storm shelter construction, and flood and hurricane resistance projects through use of voluntary special assessments

A-2771/S-452 (Johnson, Burzichelli, Pintor Marin, Mosquera/Ruiz, Cruz-Perez) – CONDITIONAL - "The New Jersey Social Innovation Act"; establishes social innovation loan pilot program and study commission within EDA

A-2906/S-2926 (Stender, Pinkin, Mazzeo/Whelan, Scutari) – ABSOLUTE - Excludes from gross income compensation paid to members of district boards of election for services rendered in elections

A-3223/S-2056 (Singleton, Lampitt, Quijano, Pintor Marin, Wimberly/Sarlo, Ruiz) – CONDITIONAL - Requires Division of Local Government Services to include certain property tax information on division's web page

A-3393/S-2167 (Spencer, Pintor Marin, Caputo, Tucker/Rice, Ruiz) – CONDITIONAL - Permits Newark to use rental car tax proceeds over three-year period to help reduce its "cash deficit for preceding year" appropriation and operational deficit

A-3421/S-2220 (Dancer, Mukherji/Singer) – CONDITIONAL - Revises the "Self-Funded Multiple Employer Welfare Arrangement Regulation Act"

A-3435/S-2503 (Garcia, Mukherji, Vainieri Huttie, Mainor, Eustace, Mosquera/Stack, Gordon) - CONDITIONAL - "Boys & Girls Clubs Keystone Law"; permits minors to give consent for behavioral health care

A-3500/S-1973 (Andrzejczak, Pinkin, Quijano/Van Drew, Beach) – ABSOLUTE - Requires local recreation departments and youth serving organizations to have defibrillators for youth athletic events

A-3954/S-2981 (Conaway, Singleton, Spencer, McKeon/Greenstein) – CONDITIONAL - Requires maximum contaminant level to be established for 1,2,3-trichloropropane in drinking water

A-3981/S-2572 (Mazzeo, Burzichelli, Andrzejczak/Sweeney, Whelan) - CONDITIONAL - "Casino Property Taxation Stabilization Act"

A-3982/S-2573 (Mazzeo, Burzichelli, Andrzejczak/Sweeney, Whelan) – ABSOLUTE - Requires holder of casino license to provide certain employees with certain health care and retirement benefits

A-3984/S-2575 (Mazzeo, Burzichelli, Giblin/Sweeney, Whelan) – CONDITIONAL - Reallocates casino investment alternative tax to Atlantic City to pay debt service on municipal bonds issued

A-3985/S-2576 (Mazzeo, Burzichelli, Andrzejczak, Giblin/Sweeney, Whelan) – CONDITIONAL - Removes provisions of law relating to Atlantic City Alliance

A-4018/S-2843 (Burzichelli, Caputo, Mazzeo/Sarlo, Whelan) – ABSOLUTE - Authorizes operation of lottery courier services

A-4218/S-2786 (Mosquera, Greenwald, Lagana, Benson, Lampitt, Vainieri Huttie, Danielsen/Weinberg, Gill, Cruz-Perez) - CONDITIONAL - Revises certain laws concerning domestic violence and firearms

A-4265/S-2783 (McKeon, Pintor Marin, Jasey, Caputo, Giblin, Tucker, Spencer, Oliver, Gusciora, Danielson/Codey, Ruiz, Rice) – ABSOLUTE - Permits municipal, county, and regional police and fire forces to establish five-year residency requirement for police officers and firefighters; allows exceptions to requirement under certain circumstances

A-4337/S-3008 (Schaer, Danielsen, Dancer, Sumter/Barnes) – ABSOLUTE - Expands eligibility of inmates for medical parole and requires inmate's enrollment in Medicaid under certain circumstances

A-4476/S-2876 (Conaway/Codey) - CONDITIONAL - Requires certain surgical practices and ambulatory care facilities licensed in this State to be owned by hospital or medical school located in the State

A-4607/S-3106 (Pintor Marin, Schaer, Oliver, Lagana, Johnson, Singleton/Ruiz, Cunningham) – ABSOLUTE - Makes FY 2016 supplemental appropriations of \$6,500,000 and adds language provision

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