

49:3-1 et seq. August 13, 1963

LEGISLATIVE HISTORY OF R. S. 49:3-1 et seq.

COPY NO. 4

(Uniform Securities Law)

Earlier Attempts:

1959 - S-198 "Uniform Securities Law" (copy enclosed) Died in Senate Committee.

Laws 1960, Chapter 75, S-172. Introduced March 21, 1960 by Messrs. Cowgill, Jones & Stout.

This bill had statement (copy enclosed)

Bill amended in Senate (copy of amendments enclosed)

For history of the drafting of this bill and its relation to the Uniform Act, see:

Mulford, John.

The proposed New Jersey Blue Sky Law. The Business Lawyer,  
July 1960, p. 1

National Conference on Consumer and Investor Protection  
Summary, March 10-11, 1960, p. 22

Koenigsberg, S. M.

The New Blue Sky Law. 83 NJL 553, November 3, 1960

NEWSPAPER ACCOUNTS:

Investors' safeguard; bill for regulation of securities sales is lauded.  
NEWARK NEWS, April 30, 1960

To vote on fraud bill. NEWARK NEWS, June 30, 1960

Stock fraud crackdown in new law. TRENTON TIMES, June 24, 1960

Meyner signs stockbroker crackdown bill. PHILADELPHIA INQUIRER, June 24, 1960

Protecting the Public [Editorial] NEWARK NEWS, November 26, 1960

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SENATE, No. 172

STATE OF NEW JERSEY

INTRODUCED MARCH 21, 1960

By Senators COWGILL, JONES and STOUT

Referred to Committee on Business Affairs

AN ACT relating to securities; prohibiting fraudulent practices in relation thereto; providing criminal penalties and imposing civil liability for violations; requiring the registration of broker-dealers, agents and investment advisors; making uniform the law with reference thereto; establishing a Bureau of Securities in the Department of Law and Public Safety and repealing the "New Jersey Securities Law," chapter 1 of Title 49 of the Revised Statutes.

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

ARTICLE 1

GENERAL PROVISIONS

1 1. Short title.

2 This act may be cited as the "Uniform Securities Law."

1 2. Definitions.

2 When used in this law, unless the context otherwise requires:

3 (a) "Bureau" means the agency designated in section 14, paragraph  
4 (a);

5 (b) "Agent" means any individual other than a broker-dealer who  
6 represents a broker-dealer or issuer (except as provided in section 3 or  
7 except a person who effects transactions in this State exclusively in se-

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

8 curities described in subdivisions (1) and (2) of section 3(a)) in effecting  
 9 or attempting to effect purchases or sales of securities. A partner, officer,  
 10 or director of a broker-dealer or issuer, or a person occupying a similar  
 11 status or performing similar functions, is an agent only if he otherwise comes  
 12 within this definition;

13 (c) "Broker-dealer" means any person engaged in the business of ef-  
 14 fecting or attempting to effect transactions in securities for the account of  
 15 others or for his own account. "Broker-dealer" does not include (1) an  
 16 agent, (2) an issuer, (3) a person who effects transactions in this State ex-  
 17 clusively in securities described in subdivisions (1) and (2) of section 3(a),  
 18 (4) a bank, savings institution, or trust company, or (5) a person who(i)  
 19 effects transactions in this State exclusively with or through (A) the issuers  
 20 of the securities involved in the transactions, (B) other broker-dealers, or  
 21 (C) banks, savings institutions, trust companies, insurance companies, in-  
 22 vestment companies as defined in the Investment Company Act of 1940,  
 23 pension or profit-sharing trusts, or other financial institutions or institutional  
 24 buyers, whether acting for themselves or as trustees, or (ii) during any  
 25 period of 12 consecutive months does not direct more than 15 offers to sell or  
 26 to buy into this State in any manner to persons other than those specified  
 27 in paragraph (c) (5) (i), whether or not the offeror or any of the offerees  
 28 is then present in this State;

29 (d) "Capital" shall mean net capital as defined and adjusted under the  
 30 formula established by the Securities and Exchange Commission in Rule  
 31 **[15C3-1]** *X-15C3-1*, made pursuant to the Securities Exchange Act of 1934,  
 32 prescribing a minimum permissible ratio of aggregate indebtedness to net  
 33 capital as such rule presently exists or as it may hereafter be amended;

34 (e) "Fraud," in addition to the usual construction placed on it and  
 35 accepted in courts of law and equity, shall include the following, provided,  
 36 however, that any *promise, representation*, misrepresentation or omission be  
 37 made with knowledge and with intent to deceive and result in a detriment  
 37A to the purchaser:

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

41           (2) Any promise or representation as to the future which is be-  
42       yond reasonable expectation or is unwarranted by existing circum-  
43       stances;

44           (3) The gaining of, or attempt to gain, directly or indirectly,  
45       through a trade in any security, a commission, fee or gross profit so  
46       large and exorbitant as to be unconscionable and unreasonable;

47           (4) Generally any course of conduct or business which is calculated  
48       or put forward with intent to deceive the public or the purchaser of any  
49       security as to the nature of any transaction or the value of such se-  
50       curity;

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

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

56       (g) "Investment advisor" means any person who, for compensation,  
57       engages in the business of advising others, either directly or through publica-  
58       tions or writings, as to the value of securities or as to the advisability of in-  
59       vesting in, purchasing, or selling securities, or who, for compensation and  
60       as a part of a regular business, issues or promulgates analyses or reports  
61       concerning securities. "Investment advisor" does not include (1) a bank,  
62       savings institution, or trust company; (2) a lawyer, accountant, engineer, or  
63       teacher whose performance of these services is solely incidental to the prac-  
64       tice of his profession; (3) a broker-dealer registered under this law; (4) a  
65       publisher of any bona fide newspaper, news magazine, or business or finan-  
66       cial publication of general, regular, and paid circulation; (5) a person whose  
67       advice, analyses, or reports relate only to securities exempted by section 3,  
68       paragraph (a) (1) and (2); (6) a person who has no place of business in

69 this State if (a) his only clients in this State are other investment advisors,  
 70 broker-dealers, banks, savings institutions, trust companies, insurance com-  
 71 panies, investment companies as defined in the Investment Company Act of  
 72 1940, pension or profit-sharing trusts, or other financial institutions or in-  
 73 stitutional buyers, whether acting for themselves or as trustees, or (b)  
 74 during any period of 12 consecutive months he does not direct business  
 75 communications into this State in any manner to more than 5 clients other  
 76 than those specified in subparagraph (6) (a) of this paragraph, whether or  
 77 not he or any of the persons to whom the communications are directed is  
 78 then present in this State; or (7) such other persons not otherwise within  
 79 the intent of this paragraph (g) as the bureau chief may by rule or order  
 79A designate;

80 (h) "Issuer" means any person who issues or proposes to issue any  
 81 security, except that (1) with respect to certificates of deposit, voting-trust  
 82 certificates, or collateral-trust certificates, or with respect to certificates of  
 83 interest or shares in an unincorporated investment trust not having a board  
 84 of directors (or persons performing similar functions) or of the fixed, re-  
 85 stricted management, or unit type, the term "issuer" means the person or  
 86 persons performing the acts and assuming the duties of depositor or man-  
 87 ager pursuant to the provisions of the trust or other agreement or instru-  
 88 ment under which the security is issued; and (2) with respect to certificates  
 89 of interest in oil, gas, or mining titles or leases, there is not considered to  
 90 be any "issuer."

91 (i) "Person" means an individual, a corporation, a partnership, an  
 92 association, a joint-stock company, a trust where the interests of the bene-  
 93 ficiaries are evidenced by a security, an unincorporated organization, a gov-  
 94 ernment, or a political subdivision of a government;

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

97 (2) "Offer" or "offer to sell" includes every attempt or offer to dispose  
 98 of, or solicitation of an offer to buy, a security or interest in a security for  
 99 value;

100 (3) Any security given or delivered with, or as a bonus on account of,  
 101 any purchase of securities or any other thing is considered to constitute part  
 102 of the subject of the purchase and to have been offered and sold for value;

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

105 (5) Every sale or offer of a warrant or right to purchase or subscribe to  
 106 another security of the same or another issuer, as well as every sale or offer  
 107 of a security which gives the holder a present or future right or privilege  
 108 to convert into another security of the same or another issuer, is considered  
 109 to include an offer of the other security;

110 (6) The terms defined in this paragraph (j) do not include (a) any bona  
 111 fide pledge or loan; (b) any stock dividend, whether the corporation distribut-  
 112 ing the dividend is the issuer of the stock or not, if nothing of value is given by  
 113 stockholders for the dividend other than the surrender of a right to a cash or  
 114 property dividend when each stockholder may elect to take the dividend  
 115 in cash or property or in stock; (c) any act incident to a class vote by stock-  
 116 holders, pursuant to the certificate of incorporation or the applicable cor-  
 117 poration statute, on a merger, consolidation, reclassification of securities,  
 118 or sale of corporate assets in consideration of the issuance of securities of  
 119 another corporation; or (d) any act incident to a judicially approved reor-  
 120 ganization in which a security is issued in exchange for 1 or more outstand-  
 121 ing securities, claims, or property interests, or partly in such exchange and  
 122 partly for cash;

123 (k) "Savings institution" shall ~~include a savings and loan association~~  
 123A *mean any savings and loan association or building and loan association*  
 123B *operating pursuant to the Savings and Loan Act of New Jersey, and any*  
 123C *Federal savings and loan association and any association organized under*  
 123D *the laws of any State whose accounts are insured by the Federal Savings*  
 123E *and Loan Insurance Corporation and who are subject to supervision and*  
 123F *examination by the Federal Home Loan Bank Board, and any credit union*  
 123G *licensed and supervised under the Credit Union Act of New Jersey or licensed*  
 123H *and supervised by the Bureau of Federal Credit Unions.*

124 (l) "Securities Exchange Act of 1934" and "Investment Company Act  
125 of 1940" mean the Federal statutes of those names as amended or supple-  
126 mented before or after the effective date of this act;

127 (m) "Security" means any note; stock; treasury stock; bond; debenture;  
128 evidence of indebtedness; certificate of interest or participation in any  
129 profit-sharing agreement including but not limited to certificates of interest  
130 or participation in real or personal property; collateral-trust certificate; pro-  
131 organization certificate or subscription; transferable share; investment con-  
132 tract; voting-trust certificate; certificate of deposit for a security; certificate  
133 of interest in an oil, gas or mining title or lease; or, in general, any interest  
134 or instrument commonly known as a "security," or any certificate of interest  
135 or participation in, temporary or interim certificate for, guarantee of, or  
136 warrant or right to subscribe to or purchase, any of the foregoing. "Secur-  
137 ity" does not include any insurance or endowment policy or annuity contract  
138 under which an insurance company promises to pay a fixed or variable num-  
139 ber of dollars either in a lump sum or periodically for life or some other  
140 specified period;

141 (n) "State" means any State, territory, or possession of the United  
142 States, as well as the District of Columbia and Puerto Rico.

### 1 3. Exceptions for agents of issuers of certain securities and in certain 2 transactions.

3 (a) agents of issuers with respect to the following securities are ex-  
4 cepted from section 2, paragraph (b):

5 (1) any security (including a revenue obligation) issued or guar-  
6 anteed by the United States, any State, any political subdivision of a  
7 State, or any agency or corporate or other instrumentality of 1 or more  
8 of the foregoing; or any certificate of deposit for any of the foregoing;

9 (2) any security issued or guaranteed by Canada, any Canadian  
10 province, any political subdivision of any such province, any agency or  
11 corporate or other instrumentality of 1 or more of the foregoing, or any  
12 other foreign government with which the United States currently main-

13 tains diplomatic relations, if the security is recognized as a valid obli-  
 14 gation by the issuer or guarantor;

15 (3) any security issued by and representing an interest in or a debt  
 16 of, or guaranteed by, [any bank organized under the laws of the United  
 17 States, or] any bank, savings institutions, or trust company organized  
 18 and supervised under the laws of any State *or under the laws of the*  
 18A *United States*;

19 (4) any commercial paper which arises out of a current transaction  
 20 or the proceeds of which have been or are to be used for current trans-  
 21 actions, and which evidences an obligation to pay cash within 12 months  
 22 of the date of issuance, exclusive of days of grace, or any renewal of  
 23 such paper which is likewise limited, or any guarantee of such paper  
 24 or of any such renewal;

25 (5) any investment contract issued in connection with an employees'  
 26 stock purchase, savings, pension, profit-sharing, or similar benefit plan  
 27 if the bureau chief is notified in writing 30 days before the inception  
 28 of the plan or, with respect to plans which are in effect on the effec-  
 29 tive date of this act, within 60 days thereafter (or within 30 days be-  
 30 fore they are reopened if they are closed on the effective date of this  
 31 act);

32 (b) Agents of issuers with respect to the following transactions are ex-  
 33 cepted from section 2, paragraph (b):

34 (1) any transaction between the issuer or other person on whose  
 35 behalf the offering is made and an underwriter, or among underwriters;

36 (2) any transaction in a bond or other evidence of indebtedness  
 37 secured by a real or chattel mortgage or deed of trust, or by an agree-  
 38 ment for the sale of real estate or chattels, if the entire mortgage, deed  
 39 of trust, or agreement, together with all the bonds or other evidences  
 40 of indebtedness secured thereby, is offered and sold as a single unit;

41 (3) any transaction by a receiver or trustee in bankruptcy;

42 (4) any offer or sale to a bank, savings institution, trust company,  
 43 insurance company, investment company as defined in the Investment



44 Company Act of 1940, pension or profit-sharing trust, or other finan-  
 45 cial institution or institutional buyer, or to a broker-dealer, whether the  
 46 purchaser is acting for itself or in some fiduciary capacity;

47 (5) any transaction pursuant to an offer directed by the offeror to  
 48 not more than 10 persons (other than those designated in paragraph  
 49 (b) (4)) in this State during any period of 12 consecutive months,  
 50 whether or not the offeror or any of the offerees is then present in this  
 51 State, if (i) the seller reasonably believes that all buyers are purchas-  
 52 ing for investment, and (ii) no commission or other remuneration is  
 53 paid or given directly or indirectly for soliciting any prospective buyer;

54 (6) any offer or sale of a preorganization certificate or subscription  
 55 if (i) no commission or other remuneration is paid or given directly or  
 56 indirectly for soliciting any prospective subscriber, (ii) the number of  
 57 subscribers does not exceed 10, and (iii) no payment is made by any sub-  
 58 scriber;

59 (7) any transaction pursuant to an offer to existing security holders  
 60 of the issuer, including persons who at the time of the transaction are  
 61 holders of convertible securities, nontransferable warrants, or trans-  
 62 ferable warrants exercisable within not more than 90 days of their issu-  
 63 ance, if (i) no commission or other remuneration (other than a standby  
 64 commission) is paid or given directly or indirectly for soliciting any  
 65 security holder in this State, or (ii) the issuer first files a notice speci-  
 66 fying the terms of the offer and the bureau chief does not by order  
 67 disallow the exception within the next 5 full business days;

68 (8) any transaction effected with existing employees, partners, offi-  
 69 cers or directors of the issuer if no commission other remuneration is  
 70 paid or given directly or indirectly for soliciting any person in this  
 71 State;

72 (e) In any proceeding under this law, the burden of proving an excep-  
 73 tion from a definition is upon the person claiming it.

1 4. Scope of the act.

2 (a) Sections 5, 8, 19 and section 9, paragraph (a) apply to persons who  
3 sell or offer to sell when (1) an offer to sell is made in this State, or (2) an  
4 offer to buy is made and accepted in this State;

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

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

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

22 (e) An offer to sell or to buy is not made in this State when (1) the  
23 publisher circulates or there is circulated on his behalf in this State any bona  
24 fide newspaper or other publication of general, regular, and paid circulation  
25 which is not published in this State, or which is published in this State but  
26 has had more than 2/3 of its circulation outside this State during the past  
27 12 months, or (2) a radio or television program originating outside this  
28 State is received in this State;

29 (f) Sections 6, 8, and 9, so far as investment advisors are concerned, ap-  
30 ply when any act instrumental in effecting prohibited conduct is done in  
31 this State, whether or not either party is then present in this State.

## ARTICLE 2

## FRAUDULENT AND OTHER PROHIBITED PRACTICES

1      5. Sales and purchases.

2      It shall be unlawful for any person, in connection with the offer, sale, or  
3 purchase of any security, directly or indirectly

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

5      (b) to make any untrue statement of a material fact or to omit to state a  
6 material fact necessary in order to make the statements made, in the light of  
7 the circumstances under which they are made, not misleading; or

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

1      6. Advisory activities.

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

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

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

10      (b) It shall be unlawful for any investment advisor or registered broker-  
11 dealer acting as an investment advisor to enter into, extend, or renew any  
12 investment advisory contract unless it provides in writing

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

16      (2) that no assignment of the contract may be made by the invest-  
17 ment advisor without the consent of the other party to the contract; and

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

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

1 7. Misleading filings.

2 It is unlawful for any person to make or cause to be made, in any docu-  
 3 ment filed with the bureau or in any proceeding under this law, any statement  
 4 which is, at the time and in the light of the circumstances under which it is  
 5 made, false or misleading in any material respect.

1 8. Unlawful representations concerning registration.

2 (a) Neither (1) the fact that an application for registration has been  
 3 filed nor (2) the fact that a person is effectively registered constitutes a find-  
 4 ing by the bureau chief that any document filed under this act is true, com-  
 5 plete, and not misleading. Neither any such fact nor the fact that an  
 6 exception is available means that the bureau chief has recommended any  
 7 person, security, or transaction, nor does it constitute approval of any per-  
 8 son, security, or transaction except to the extent that an effectively registered  
 9 person has a revocable authority to conduct business in this State as a broker-  
 10 dealer, agent, or investment advisor, as the case may be.

11 (b) It is unlawful to make, or cause to be made, to any prospective pur-  
 12 chaser, customer, or client any representation inconsistent with paragraph  
 13 (a).

## ARTICLE 3

## REGISTRATION OF BROKER-DEALERS, AGENTS AND INVESTMENT ADVISORS

## 1      9. Registration requirement.

2      (a) It shall be unlawful for any person to act as a broker-dealer or  
3 agent in this State unless he is registered under this act;

4      (b) It shall be unlawful for any broker-dealer or issuer to employ an  
5 agent in this State unless the agent is registered, except as permitted by sec-  
6 tions 3(a) and (b). The registration of an agent is not effective during any  
7 period when he is not associated with a particular broker-dealer registered  
8 under this act or a particular issuer. When an agent begins or terminates  
9 a connection with a broker-dealer or issuer, or begins or terminates those  
10 activities which make him an agent, the agent as well as the broker-dealer or  
11 issuer shall promptly notify the bureau;

12      (c) It shall be unlawful for any person to transact business in this State  
13 as an investment advisor unless (1) he is so registered under this act, (2) he  
14 is registered as a broker-dealer without the imposition of a condition under  
15 section 11, paragraph (b) (6), or (3) his only clients in this State are invest-  
16 ment companies as defined in the Investment Company Act of 1940 or insur-  
17 ance companies;

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

## 1      10. Registration procedure.

2      (a) A broker-dealer, agent, or investment advisor may obtain an initial  
3 or renewal registration by filing with the bureau an application together with  
4 a consent to service of process pursuant to section 21, paragraph (a). The  
5 application shall contain whatever information the bureau chief by rule re-  
6 quires concerning such matters as (1) the applicant's form and place of or-  
7 ganization; (2) the applicant's proposed method of doing business; (3) the  
8 qualifications and business history of the applicant; in the case of a broker-  
9 dealer or investment advisor, the qualifications and business history of any

10 partner, officer, or director, any person occupying a similar status or per-  
11 forming similar functions, or any person directly or indirectly controlling the  
12 broker-dealer or investment advisor; and, in the case of an investment ad-  
13 visor or registered broker-dealer acting as an investment advisor, the qualifi-  
14 cations and business history of any employee who is to give investment ad-  
15 vice; (4) any injunction or administrative order or conviction of a misde-  
16 meanor involving a security or any aspect of the securities business and any  
17 conviction of a high misdemeanor or felony; and (5) the applicant's financial  
18 condition. If no denial, postponement or suspension order is in effect and no  
19 proceeding is pending under section 11, registration becomes effective at  
20 noon of the thirtieth day after an application is filed. The bureau chief may  
21 by rule or order specify an earlier effective date, or he may by order defer  
22 the effective date until the first day of the next calendar month after the  
23 thirtieth day after the filing of the application. The time limits herein pro-  
24 vided shall run anew from the filing of any amendment. Registration of a  
25 broker-dealer automatically constitutes registration of any agent who is a  
26 partner, officer, or director, or a person occupying a similar status or per-  
27 forming similar functions;

28 (b) Every applicant for initial or renewal registration shall pay a filing  
29 fee of \$75.00 in the case of a broker-dealer, plus \$2.00 for each partner, officer,  
30 director or principal doing business in this State, \$15.00 in the case of an  
31 agent, and \$50.00 in the case of an investment advisor. When application is  
32 denied or withdrawn, the bureau shall retain the fee. Whenever any supple-  
33 mental filing, for the purpose of keeping current the information furnished  
34 to the bureau chief, is made there shall be a supplemental filing fee of \$5.00.

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

39 (d) The bureau chief may by rule require a minimum capital for regis-  
40 tered broker-dealers, provided that the bureau chief shall not in any case re-

41 quire a minimum capital in excess of \$10,000.00 in the case of a registered  
42 broker-dealer; and provided, further, that the minimum capital requirement  
43 of a broker-dealer engaged exclusively in the sale of investment company  
44 shares shall not be in excess of \$5,000.00;

45 (e) The bureau chief may by rule require registered investment advisors  
46 who have custody of clients' funds or securities and registered broker-dealers  
47 to post surety bonds in amounts up to \$25,000.00, and may determine their  
48 conditions; provided that no such surety bond shall be required of an invest-  
49 ment advisor or a broker-dealer who has a minimum capital of at least  
50 \$25,000.00 or of a broker-dealer engaged exclusively in the sale of invest-  
51 ment company shares who has a minimum capital of \$5,000.00; except that,  
52 notwithstanding the provisions of this or any other section of this law, the  
53 bureau chief may by rule require registered broker-dealers and investment ad-  
54 visors if such registrant or any partner, officer, or director, any person occupy-  
55 ing a similar status or performing similar functions, or any person directly  
56 or indirectly controlling such registrant has ever been convicted of any mis-  
57 demeanor involving a security or any aspect of the securities business, or any  
58 high misdemeanor or felony to post surety bonds in amounts up to \$200,000.00.  
59 Any appropriate deposit of cash or securities shall be accepted in lieu of any  
60 bond so required. Every bond shall provide for suit thereon by any person  
61 who has a cause of action under section 19. Every bond shall provide that  
62 no suit may be maintained to enforce any liability on the bond unless brought  
63 within 2 years after the sale or other act upon which it is based, or within  
64 2 years of the time when the person aggrieved knew or should have known  
65 of the existence of his cause of action, whichever is later.

1 11. Denial, revocation, suspension, and withdrawal of registration.

2 (a) The bureau chief may by order deny, suspend, or revoke any regis-  
3 tration if he finds (1) that the order is in the public interest and (2) that  
4 the applicant or registrant or, in the case of a broker-dealer or investment  
5 advisor, any partner, officer, or director, any person occupying a similar  
6 status or performing similar functions, or any person directly or indirectly  
7 controlling the broker-dealer or investment advisor

8           (i) has filed an application for registration which as of its effective  
9     date, or as of any date after filing in the case of an order denying ef-  
10    fectiveness, was incomplete in any material respect or contained any  
11    statement which was, in light of the circumstances under which it was  
12    made, false or misleading with respect to any material fact;

13           (ii) has willfully violated or willfully failed to comply with any pro-  
14    vision of this law or a predecessor law or any rule or order authorized  
15    by this law or a predecessor law;

16           (iii) has been convicted of any crime involving a security or any  
17    aspect of the security business or any crime involving moral turpitude;  
18    however, where the applicant can show by proof satisfactory to the bu-  
19    reau chief that during the 10-year period preceding the application he  
20    has conducted himself in such a manner as to warrant his registration  
21    consistent with all other provisions of this act, the conviction shall not  
22    be a bar to registration;

23           (iv) is permanently or temporarily enjoined by any court of com-  
24    petent jurisdiction from engaging in or continuing any conduct or prac-  
25    tice involving any aspect of the securities business;

26           (v) is the subject of an effective order of the bureau chief denying,  
27    suspending, or revoking registration as a broker-dealer, agent, or invest-  
28    ment advisor;

29           (vi) is the subject of an order entered within the past 5 years by  
30    the securities administrator of any other State or by the Securities and  
31    Exchange Commission denying or revoking registration as a broker-  
32    dealer, agent, or investment advisor, or the substantial equivalent of  
33    those terms as defined in this act, or is the subject of an order of the  
34    Securities and Exchange Commission suspending or expelling him from  
35    a national securities exchange or national securities association regis-  
36    tered under the Securities Exchange Act of 1934, or is the subject of  
37    a United States Post Office fraud order; but (A) the bureau chief may  
38    not institute a revocation or suspension proceeding under this clause



39 (vi) more than 1 year from the date of the order relied on and (B)  
 40 he may not enter an order under this clause (vi) on the basis of an  
 41 order under another State act unless that order was based on facts  
 42 which would currently constitute a ground for an order under this law;

43 (vii) has engaged in dishonest or unethical practices in the securi-  
 44 ties business;

45 (viii) is insolvent, either in the sense that his liabilities exceed his  
 46 assets or in the sense that he cannot meet his obligations as they ma-  
 47 ture; but the bureau chief may not enter an order against a broker-  
 48 dealer or investment advisor for insolvency without a finding of insol-  
 49 vency as to the broker-dealer or investment advisor;

50 (ix) is not qualified on the basis of such factors as character, train-  
 51 ing, experience, and knowledge of the securities business, except as  
 52 otherwise provided in paragraph (b);

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

56 (xi) has failed reasonably to supervise his agents if he is a broker-  
 57 dealer or his employees who give investment advice if he is an invest-  
 58 ment advisor;

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

61 (b) The following provisions govern the application of paragraph (a)  
 62 (2) (ix):

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

67 (2) The bureau chief may not enter an order against an investment  
 68 advisor on the basis of the lack of qualification of any person other  
 69 than (i) the investment advisor himself if he is an individual or (ii) any

70 other person who represents the investment advisor in doing any of  
71 the acts which make him an investment advisor;

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

75 (4) The bureau chief may by rule provide for an examination, which  
76 may be written or oral or both, to be taken by any class of or all ap-  
77 plicants, as well as persons who represent or will represent an invest-  
78 ment advisor in doing any of the acts which make him an investment  
79 advisor;

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

83 (6) The bureau chief shall consider that an investment advisor is  
84 not necessarily qualified solely on the basis of experience as a broker-  
85 dealer or agent. When he finds that an applicant for initial or renewal  
86 registration as a broker-dealer is not qualified as an investment advisor,  
87 he may by order condition the applicant's registration as a broker-  
88 dealer upon his not transacting business in this State as an investment  
89 advisor.

90 (c) (1) When the bureau chief finds that an application for registra-  
91 tion should be denied he may enter an order denying such registration; but  
92 he shall promptly notify the applicant, as well as the prospective employer  
93 if the applicant is an agent, that the order has been entered and of the  
94 reasons therefor and that the matter will be set down for hearing if a written  
95 request for such hearing is filed with the bureau chief within 30 days after  
96 receipt of such notice by the applicant. If no hearing is requested the order  
97 shall remain in effect until modified or vacated. If a hearing is held the  
98 bureau chief shall affirm, vacate or modify the order in accord with the  
99 findings at the hearing.

100       (2) When the bureau chief finds that a registration should be suspended  
101 or revoked he may enter a proposed order to suspend or revoke such regis-  
102 tration and he shall promptly notify the registrant, as well as the employer  
103 if the registrant is an agent, of the proposed order, of the reasons therefor  
104 and that the matter will be set down for hearing if a written request for  
105 such hearing is filed with the bureau chief within 10 days after receipt of  
106 such notice by the registrant. If no hearing is requested within the speci-  
107 fied time the bureau chief shall enter the proposed order as a final order,  
108 which shall be effective when entered. If a hearing is held the bureau chief  
109 shall withdraw the proposed order or enter a final order in accord with the  
110 findings at the hearing, which order shall be effective when entered.

111       (d) If the bureau chief finds that any registrant or applicant for reg-  
112 istration is no longer in existence or has ceased to do business as a broker-  
113 dealer, agent, or investment advisor, or is subject to an adjudication of  
114 mental incompetence or to the control of a committee, conservator, or  
115 guardian, or cannot be located after reasonable search, the bureau chief  
116 may by order revoke or deny the registration or application;

117       (e) Withdrawal from registration as a broker-dealer, agent, or invest-  
118 ment advisor becomes effective 30 days after receipt of an application to  
119 withdraw or within such shorter period of time as the bureau chief may  
120 determine by rule or order. The bureau chief may nevertheless institute a  
121 revocation or suspension proceeding under paragraph (a) (2) (ii) within 1  
122 year after withdrawal becomes effective and enter a revocation or suspen-  
123 sion order as of the last date on which registration was effective;

124       (f) No order may be entered under this section, except under para-  
125 graph (c) (1), without (i) appropriate prior notice to the applicant or reg-  
126 istrant (as well as the employer or prospective employer if the applicant or  
127 registrant is an agent), (ii) opportunity for hearing, and (iii) written find-  
128 ings of fact and conclusions of law;

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

1       12. Post-registration procedures.

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

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

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

1       13. Bureau files.

2       (a) A document is filed when it is received by the bureau;

3       (b) The bureau shall keep a register of all applications for registra-  
4 tion which are or have ever been effective under this act and all denial,  
5 suspension, or revocation orders which have been entered under this act.  
6 The register shall be open for public inspection;

7       (c) The information contained in or filed with any application or report  
8 may be made available to the public under such rules as the bureau chief  
9 prescribes;

10       (d) Upon request, the bureau chief shall furnish to any person photo-  
11 graphic or other copies, certified under his seal of office if requested, of any  
12 entry in the register or any document in the custody of the bureau chief

13 which is a public record. The bureau chief may establish such reasonable  
14 conditions and charges for the obtaining of such copies as will in his judg-  
15 ment be practicable.

#### ARTICLE 4

##### ENFORCEMENT

###### 1 14. Administration of law.

2 (a) This law shall be administered by the Bureau of Securities which  
3 is hereby created in the Division of Law of the Department of Law and  
4 Public Safety. The principal executive officer of the bureau shall be a chief  
5 who is appointed by and serves at the pleasure of the Attorney General.  
6 The chief of the bureau shall have power to employ such officers and em-  
7 ployees as may be necessary to carry out the purposes of this law and to  
8 define their duties;

9 (b) It shall be unlawful for any of the officers or employees of the  
10 bureau to use for personal benefit any information which is filed with or  
11 obtained by the bureau and which is not made public. No provision of this  
12 law authorizes any officers or employees of the bureau to disclose any such  
13 information except among themselves or when necessary or appropriate in  
14 a proceeding or investigation under this law. No provision of this law either  
15 creates or derogates from any privilege which exists at common law or  
16 otherwise when documentary or other evidence is sought under a subpoena  
17 directed to any of the officers or employees of the bureau.

###### 1 15. Rules, forms and orders.

2 (a) The bureau chief may from time to time make, amend and rescind such  
3 rules, forms and orders as are reasonably necessary to carry out the pro-  
4 visions of this law, including rules and forms governing applications and re-  
5 ports, and defining any terms, whether or not used in this law, insofar as  
6 the definitions are not inconsistent with the provisions of this law. For the  
7 purpose of rules and forms, the bureau chief may classify securities, per-  
8 sons and matters within his jurisdiction, and prescribe different require-  
9 ments for different classes;

10 (b) No rule, form or order may be made, amended or rescinded unless  
 11 the bureau chief finds that the action is necessary and appropriate (1) in  
 12 the public interest, or (2) for the protection of investors, or (3) consistent  
 13 with the purposes fairly intended by the policy and provisions of this act.  
 14 In prescribing rules and forms the bureau chief may co-operate with the se-  
 15 curities administrators of the other States and the Securities and Exchange  
 16 Commission with a view to effectuating the policy of this statute to achieve  
 17 maximum uniformity in the form and content of applications and reports  
 18 wherever practicable;

19 (c) The bureau chief may by rule prescribe (1) the form and content  
 20 of financial statements required under this act; and (2) the circumstances  
 21 under which consolidated financial statements shall be filed. All financial  
 22 statements shall be prepared in accordance with generally accepted account-  
 23 ing practices. The form and content of financial statements shall conform,  
 24 insofar as practicable, to those prescribed by the Securities and Exchange  
 25 Commission.

26 (d) All rules and forms promulgated by the bureau chief shall be filed  
 27 with the Secretary of State a reasonable time before their effective date.  
 28 Copies of the rules and samples of the forms shall be published in convenient  
 29 form by the bureau for distribution to interested persons, subject to avail-  
 30 able appropriations.

1 16. Investigations, subpoenas and depositions.

2 (a) The bureau chief in his discretion (1) may make such private in-  
 3 vestigations within or outside of this State as he deems necessary to deter-  
 4 mine whether any person has violated or is about to violate any provision  
 5 of this law or any rule or order hereunder, or to aid in the enforcement of  
 6 this law or in the prescribing of rules and forms hereunder, (2) may re-  
 7 quire or permit any person to file a statement in writing, under oath or  
 8 otherwise as the bureau chief determines, as to all the facts and circum-  
 9 stances concerning the matter to be investigated, and (3) may publish in-  
 10 formation concerning any violation of this act or any rule or order here-

11 under, provided that there shall be no publication until such rule or order  
12 becomes effective;

13       (b) For the purpose of any investigation or proceeding under this law,  
14 the bureau chief or any officer designated by him may administer oaths and  
15 affirmations, subpoena witnesses, compel their attendance, take evidence and  
16 require the production of any books, papers, correspondence, memoranda,  
17 agreements or other documents or records which the bureau chief deems  
18 relevant or material to the inquiry;

19       (c) In case of contumacy by, or refusal to obey a subpoena issued to,  
20 any person, the Superior Court, upon application by the bureau chief, may  
21 issue to the person an order requiring him to appear before the bureau  
22 chief, or the officer designated by him, there to produce documentary evi-  
23 dence if so ordered or to give evidence touching the matter under investiga-  
24 tion or in question. The court may grant injunctive relief restraining the  
25 issuance, sale or offer for sale, purchase or offer to purchase, promotion,  
26 negotiation, advertisement or distribution from or within this State of any  
27 securities by a person, or agent, employee, broker, partner, officer, director  
28 or stockholder thereof, until such person has fully complied with such sub-  
29 poena and the bureau has completed its investigation. The court may pro-  
30 ceed in the action in a summary manner or otherwise;

31       (d) No person is excused from attending and testifying or from pro-  
32 ducing any document or record before the bureau, or in obedience to the  
33 subpoena of the bureau chief or any officer designated by him, or in any pro-  
34 ceeding instituted by the bureau, on the ground that the testimony or evi-  
35 dence (documentary or otherwise) required of him may tend to incriminate  
36 him or subject him to a penalty or forfeiture; but no individual may be  
37 prosecuted or subjected to any penalty or forfeiture for or on account of  
38 any transaction, matter or thing concerning which he is compelled, after  
39 claiming his privilege against self-incrimination, to testify or produce evi-  
40 dence (documentary or otherwise), except that the individual testifying is  
41 not exempt from prosecution and punishment for perjury, false swearing or  
42 contempt committed in testifying.

43 (e) When it shall appear to the bureau chief that the testimony of any  
 44 person is essential to an investigation instituted by him as provided by this  
 45 chapter, and that the failure of such person to appear and testify may de-  
 46 feat the proper and effective conduct thereof, the bureau chief, in addition  
 47 to the other remedies provided for herein, may, by petition verified gen-  
 48 erally, setting forth the facts, apply to the Superior Court for a writ of ne  
 49 exeat against such person. The court shall thereupon direct the issuance of  
 50 the writ against such person requiring him to give sufficient bail conditioned  
 51 to insure his appearance before the bureau chief for examination under  
 52 oath in such investigation and that he will continue his appearance therein  
 53 from time to time until the completion of the investigation and will appear  
 54 before the court if the bureau chief shall institute any proceeding therein as  
 55 a result of his investigation.

56 The court shall cause to be indorsed on the writ of ne exeat, in words  
 57 at length, a suitable amount of bail upon which the person named in the  
 58 writ shall be freed, having a due regard to the nature of the case and the  
 59 value of the securities involved. All applications to be freed on bail shall be  
 60 on notice to the bureau chief and the sufficiency of the bail given on the  
 61 writ shall be approved by the court. All recognizances shall be to the State  
 62 and all forfeitures thereof shall be declared by the court. The proceeds of  
 63 the forfeitures shall be paid into the State treasury.

# 1 17. Injunctions and receivers.

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



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

21 (c) When the court shall grant injunctive relief as provided for in para-  
22 graph (b), it may appoint a receiver with power to sue for, collect, receive  
23 and take into his possession all the goods and chattels, rights and credits,  
24 moneys and effects, lands and tenements, books, records, documents, papers,  
25 choses in action, bills, notes and property of every description, derived by  
26 means of any practice declared to be illegal and prohibited by this law, in-  
27 cluding property with which such property has been mingled, if it cannot be  
28 identified in kind because of such commingling, and to sell, convey and as-  
29 sign the same and hold and dispose of the proceeds thereof under the direc-  
30 tion of the court for the equal benefit of all who establish an interest therein  
31 by reason of the use and employment by the defendant of any practices herein  
32 declared to be illegal and prohibited. The receiver may retain an attorney  
33 with the consent of the Attorney General and the court. The court shall have  
34 jurisdiction of all questions arising in such proceedings and may make such  
35 orders and judgments therein as justice shall require;

36 (d) When injunctive relief is granted as provided for in paragraph (b)  
36A against a corporation, partnership, company, association or trust, the court  
37 may appoint a receiver and may restrain the corporation, its officers, direc-  
38 tors, stockholders, and agents, the partnership, company or association, its  
39 officers, members and agents, and the trust, its grantors, trustees, officers,  
40 cestuis que trustent and agents, from exercising any of its privileges or

41 franchises, and in the case of a trust from executing the trust, and in all  
42 cases from collecting or receiving any debts, or paying out, selling, assign-  
43 ing or transferring any of its estate, moneys, funds, lands, tenements or  
44 effects except to the receiver appointed by the court until the court shall  
45 otherwise order.

46     Upon the appointment of the receiver, all the real and personal prop-  
47 erty of the corporation, partnership, company, association or trust, and its  
48 franchises, rights, privileges and effects shall forthwith vest in him and the  
49 corporation, partnership, company, association or trust shall be divested of  
50 the title thereto.

51     The receiver shall settle the estate and distribute the assets, and have  
52 all the powers and duties conferred upon receivers by the provisions of Title  
53 14, Corporations, General, so far as the provisions thereof are applicable.

1     18. Criminal penalties.

2     Any person who willfully violates any provision of this law, except sec-  
3 tion 7, or who willfully violates any rule or order under this law, or who will-  
4 fully violates section 7 knowing the statement made to be false or misleading  
5 in any material respect, shall be guilty of a misdemeanor and fined not more  
6 than \$5,000.00 or imprisoned not more than 3 years, or both; but no person  
7 may be imprisoned for the violation of any rule or order if he proves that he  
8 had no knowledge of the rule or order. No indictment or information may be  
9 returned under this law more than 5 years after the alleged violation.

1     19. Civil liabilities.

2     (a) Any person who

3         (1) offers or sells a security in violation of section 8, paragraph

4         (b) or section 9, paragraph (a), or

5         (2) offers or sells a security by means of any untrue statement of  
6     a material fact or any omission to state a material fact necessary in order  
7     to make the statements made, in the light of the circumstances under  
8     which they are made, not misleading (the buyer not knowing of the un-  
9     truth or omission),

10 is liable to the person buying the security from him, who may sue to recover  
11 the consideration paid for the security, together with interest at 6% per year  
12 from the date of payment and costs, less the amount of any income received  
13 on the security, upon the tender of the security and any income received on  
14 it, or for damages if he no longer owns the security; provided, however, that  
15 the person buying the security must sustain the burden of proof that the  
16 seller knew of the untruth or omission and intended to deceive the buyer, and  
17 provided further that the buyer has suffered a financial detriment. Damages  
18 are the amount that would be recoverable upon a tender less the value of the  
19 security when the buyer disposed of it and interest at 6% per year from the  
20 date of disposition;

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

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

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

35 (e) No person may sue under this section more than 2 years after the  
36 contract of sale. No person may sue under this section (1) if the buyer re-  
37 ceived a written offer, before suit and at a time when he owned the security,  
38 to refund the consideration paid together with interest at 6% per year from  
39 the date of payment, less the amount of any income received on the security,  
40 and he failed to accept the offer within 30 days of its receipt, or (2) if the

41 buyer received such an offer before suit and at a time when he did not own  
 42 the security, unless he rejected the offer in writing within 30 days of its  
 43 receipt;

44 (f) No person who has made or engaged in the performance of any con-  
 45 tract in violation of any provision of this law or any rule or order here-  
 46 under, or who has acquired any purported right under any such contract  
 47 with knowledge of the facts by reason of which its making or performance  
 48 was in violation, may base any suit on the contract;

49 (g) Any condition, stipulation or provision binding any person acquir-  
 50 ing any security to waive compliance with any provision of this law or any  
 51 rule or order hereunder is void;

52 (h) The rights and remedies provided by this act are in addition to any  
 53 other rights or remedies that may exist at law or in equity, but this law does  
 54 not create any cause of action not specified in this section or section 10, para-  
 55 graph (e).

1 20. No liability for good faith compliance with invalid rule, form or  
 2 order.

3 No provision of this law imposing any liability applies to any act done  
 4 or omitted in good faith in conformity with any rule, form or order of the  
 5 bureau chief, notwithstanding that the rule, form or order may later be  
 6 amended or rescinded or be determined by judicial or other authority to be  
 7 invalid for any reason.

1 21. Appointment of bureau chief as attorney to receive process.

2 (a) Every applicant for registration under this law and every issuer  
 3 which proposes to offer a security in this State through any person acting  
 4 on an agency basis in the common-law sense shall file with the bureau, in  
 5 such form as the bureau chief by rule prescribes, an irrevocable consent  
 6 appointing the bureau chief or his successor in office to be his attorney to  
 7 receive service of any lawful process in any noncriminal suit, action or pro-  
 8 ceeding against him or his successor, executor or administrator which arises  
 9 under this law or any rule or order hereunder after the consent has been

10 filed, with the same force and validity as if served personally on the per-  
 11 son filing the consent. A person who has filed such a consent in connection  
 12 with a previous registration need not file another. Service may be made by  
 13 leaving a copy of the process in the office of the bureau, but it is not effec-  
 14 tive unless the plaintiff, who may be the bureau chief, in a suit, action or  
 15 proceeding instituted on his behalf by the Attorney General forthwith sends  
 16 notice of the service and a copy of the process by certified or registered  
 17 mail to the defendant or respondent at his last address on file with the bu-  
 18 reau;

19 (b) When any person, including any nonresident of this State, engages  
 20 in conduct prohibited or made actionable by this law or any rule or order  
 21 authorized by this law, and he has not filed a consent to service of process  
 22 under paragraph (a) and personal jurisdiction over him cannot otherwise  
 23 be obtained in this State, that conduct shall be considered equivalent to his  
 24 appointment of the bureau chief or his successor in office to be his attorney  
 25 to receive service of any lawful process in any noncriminal suit, action or  
 26 proceeding against him or his successor, executor or administrator which  
 27 grows out of that conduct and which is brought under this law or any rule  
 28 or order hereunder, with the same force and validity as if served on him  
 29 personally. Service may be made by leaving a copy of the process in the  
 30 office of the bureau, and it is not effective unless the plaintiff, who may be  
 31 the bureau chief in any action instituted on his behalf by the Attorney Gen-  
 32 eral, forthwith sends notice of the service and a copy of the process by  
 33 certified or registered mail to the defendant or respondent at his last known  
 34 address.

## ARTICLE V

### MISCELLANEOUS PROVISIONS

1 22. Security Advisory Committee.

2 The Governor shall appoint a Security Advisory Committee which shall  
 3 consist of 6 members. The members of the committee shall be residents of

4 New Jersey, actively engaged in the securities business or as investment  
5 advisors. The members shall be selected on the basis of their experience  
6 and qualifications and with a view to representing all phases of the securi-  
7 ties business. The members shall be appointed for staggered terms of 3  
8 years with 2 members being appointed each year, without compensation, and  
9 may be reappointed for additional terms. The members of the committee  
10 shall select a chairman. Meetings of the committee shall be held when called  
11 by the bureau chief. The committee shall serve in an advisory capacity to  
12 the bureau chief on all matters pertaining to this law.

1     23. Statutory policy.

2     This law shall be so construed as to effectuate its general purpose to  
3 make uniform the law of those States which enact similar laws and to co-  
4 ordinate the interpretation and administration of this law with related  
5 Federal regulation.

1     24. Severability of provisions.

2     If any provision of this law or the application thereof to any person or  
3 circumstance is held invalid, the invalidity shall not affect other provisions or  
4 applications of the law which can be given effect without the invalid provi-  
5 sion or application, and to this end the provisions of this law are severable.

1     25. Repeal and saving provisions.

2     (a) The New Jersey Securities Law, chapter 1 of Title 49 of the Re-  
3 vised Statutes, is repealed except as saved in this section;

4     (b) Prior law exclusively governs all suits, actions, prosecutions or pro-  
5 ceedings which are pending or may be initiated on the basis of facts or cir-  
6 cumstances occurring before the effective date of this law, except that no  
7 civil suit or action may be maintained to enforce any liability under prior  
8 law unless brought within any period of limitation which applied when the  
9 cause of action accrued and in any event, within 2 years after the effective  
10 date of this law.

1     26. Effective date.

2     This act shall take effect on January 1, 1961.

4 ordinate the interpretation and administration of this law with related  
5 Federal regulation.

1 24. Severability of provisions.

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3 circumstance is held invalid, the invalidity shall not affect other provisions or  
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9 cause of action accrued and in any event, within 2 years after the effective  
10 date of this law.

1 26. Effective date.

2 This act shall take effect on January 1, 1961.

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*Sp. on.* STATEMENT

New Jersey is 1 of the few States which has not required registration of  
dealers and brokers in securities and their agents. This bill adopts a substantial  
part of the Uniform Securities Law, including the requirement of registration  
of broker-dealers, agents and investment advisors. The bill also further defines  
what conduct is unlawful. The bill, and in particular, the requirement of regis-  
tration before engaging in the securities business, will permit more effective en-  
forcement of the prohibition of unlawful conduct.

*S122 (1960)*

SENATE COMMITTEE AMENDMENTS TO

**SENATE, No. 172**

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**STATE OF NEW JERSEY**

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ADOPTED MAY 23, 1960

Amend page 2, section 2, line 31, delete "15C3-1", insert "X-15C3-1".

Amend page 2, section 2, line 36, after "any", insert "promise, representation,".

Amend page 5, section 2, line 123, delete "include a savings and loan association", insert "mean any savings and loan association or building and loan association operating pursuant to the Savings and Loan Act of New Jersey, and any Federal savings and loan association and any association organized under the laws of any State whose accounts are insured by the Federal Savings and Loan Insurance Corporation and who are subject to supervision and examination by the Federal Home Loan Bank Board, and any credit union licensed and supervised under the Credit Union Act of New Jersey or licensed and supervised by the Bureau of Federal Credit Unions".

Amend page 6, section 3, lines 16 and 17, delete "any bank organized under the laws of the United States, or".

Amend page 6, section 3, line 18, after "State", insert "or under the laws of the United States".