
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1970 Session of
1972

INTRODUCED BY MESSRS. GOODMAN, FRANK, DOMBROWSKI, ARTHURS,
KOWALYSHYN, FINEMAN, SCANLON, CROWLEY, HETRICK, J. J.
JOHNSON, BIXLER, ENGLEHART, HOPKINS, WARGO, PRENDERGAST,
IRVIS, O'BRIEN, F. M. ALLEN, MANBECK AND R. O. DAVIS,
FEBRUARY 28, 1972

AS AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES,
JUNE 6, 1972

AN ACT

1 Relating to securities; prohibiting fraudulent practices in
2 relation thereto; requiring the registration of broker-
3 dealers, agents, investment advisers, and securities; and
4 making uniform the law with reference thereto.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 PART I

8 SHORT TITLE; DEFINITIONS

9 Section 101. Short Title.--This act shall be known and may
10 be cited as the "Pennsylvania Securities Act of 1972."

11 Section 102. Definitions.--When used in this act, the
12 following definitions shall be applicable, unless the context
13 otherwise requires:

14 (a) "Advertisement" means any publicly disseminated, written
15 or printed communication, including without limitation,
16 communication by radio, television, or other public media, used
17 in connection with a sale or purchase or an offer to sell or

1 purchase a security.

2 (b) ~~"Affiliate of," or a person "affiliated with,"~~ AN ←
3 "AFFILIATE" OF, OR A PERSON "AFFILIATED" WITH, a specified
4 person, means a person that directly, or indirectly through one
5 or more intermediaries, controls, is controlled by, or is under
6 common control with, the person specified.

7 (c) "Agent" means any individual, other than a broker-
8 dealer, who represents a broker-dealer or issuer in effecting or
9 attempting to effect purchases or sales of securities. "Agent"
10 does not include an individual who represents an issuer in
11 effecting transactions in securities exempted by section 202 or
12 in effecting transactions exempted by section 203 and does not
13 include an individual who has no place of business in this State
14 if he effects transactions in this State exclusively with
15 broker-dealers. An officer, director, OR PARTNER or employe of a ←
16 broker-dealer or issuer, or an individual occupying a similar
17 status or performing similar functions, is an agent only if he
18 otherwise comes within this definition and receives compensation
19 directly or indirectly related to purchases or sales of
20 securities.

21 (d) "Bank" means any bank, banking and trust company,
22 savings bank, trust company or private bank, as defined in the
23 Banking Code of 1965, act of November 30, 1965 (P.L.847), or any
24 savings and loan association, as defined in the Savings
25 Association Code of 1967, act of December 14, 1967 (P.L.746), or
26 any successor statutes thereto, or any banking institution,
27 trust company or savings and loan institution organized under
28 the laws of the United States, or a receiver, conservator or
29 other liquidating agent of any of the foregoing.

30 (e) "Broker-dealer" means any person engaged in the business

1 of effecting transactions in securities for the account of
2 others or for his own account. "Broker-dealer" does not include:

3 (i) An agent;

4 (ii) An issuer;

5 (iii) A bank, when effecting transactions for its own
6 account or for the account of another under section 302 (c);

7 (iv) An executor, administrator, guardian, conservator or
8 pledgee;

9 (v) A person who has no place of business in this State if
10 he effects transactions in this State exclusively with or
11 through (A) the issuers of the securities involved in the
12 transactions, ~~or (B) persons engaging in transactions exempt by~~ <—
13 ~~section 203 (e);~~ (B) BROKER-DEALERS OR INSTITUTIONAL INVESTORS; <—

14 (vi) A person licensed as a real estate broker or agent
15 under the Real Estate Brokers License Act of one thousand nine
16 hundred and twenty-nine, act of May 1, 1929 (P.L.1216), as
17 amended, and whose transactions in securities are isolated
18 transactions incidental to that business;

19 (vii) A person whose dealings in securities are limited to
20 transactions exempt by section 203 (j); or

21 (viii) Other persons not within the intent of this
22 subsection whom the commission by regulation designates.

23 (f) "Commission" means the Pennsylvania Securities
24 Commission.

25 (g) "Control" (including the terms "controlling,"
26 "controlled by" and "under common control with") means the
27 possession, directly or indirectly, of the power to direct or
28 cause the direction of the management and policies of a person,
29 whether through the ownership of voting securities, by contract,
30 or otherwise.

1 (h) "Fraud," "deceit" and "defraud" are not limited to
2 common law fraud or deceit.

3 (i) "Guaranteed" means guaranteed as to payment of
4 principal, interest, purchase price, dividend or call premium.

5 (j) "Investment adviser" means any person who, for
6 compensation, engages in the business of advising others, either
7 directly or through publications or writings, as to the value of
8 securities or as to the advisability of investing in, purchasing
9 or selling securities, or who, for compensation and as a part of
10 a regular business, issues or promulgates analyses or reports
11 concerning securities. "Investment adviser" does not include:

12 (i) A bank;

13 (ii) A lawyer, accountant, engineer or teacher whose
14 performance of these services is solely incidental to the
15 practice of his profession;

16 (iii) A broker-dealer registered under this act without the
17 imposition of the condition referred to in section 305 (b) (v);

18 (iv) A publisher of any bona fide newspaper, news magazine
19 or business or financial publication of general, regular and
20 paid circulation which is not solely engaged in the rendering of
21 investment advice; and the agents and servants thereof in the
22 performance of their regular duties on behalf of such
23 publication;

24 (v) A person whose advice, analyses or reports relate only
25 to securities exempted under section 202 (a);

26 (vi) A person who has no place of business in this State if
27 his only clients in this State are other investment advisers, ~~or~~ ←
28 ~~persons engaging in transactions exempt under section 203 (c);~~

29 ~~(vii)~~ BROKER-DEALERS OR INSTITUTIONAL INVESTORS; ←

30 (VII) ANY PERSON WHO DURING THE COURSE OF THE PRECEDING

1 TWELVE MONTHS HAS HAD FEWER THAN FIVE CLIENTS AND WHO DOES NOT
2 HOLD HIMSELF OUT GENERALLY TO THE PUBLIC AS AN INVESTMENT
3 ADVISER.

4 (VIII) Other persons not within the intent of this
5 subsection whom the commission by regulation designates.

6 (k) "Institutional investor" means any bank, insurance
7 company, pension or profit sharing plan or trust, investment
8 company, as defined in the Investment Company Act of 1940, other
9 financial institution or any person, other than an individual,
10 which controls any of the foregoing, the Federal Government,
11 State or any agency or political subdivision thereof or any
12 other person so designated by regulation of the commission.

13 (l) "Issuer" means any person who issues or proposes to
14 issue any security, and any promoter who acts for an issuer
15 proposed to be formed. With respect to certificates of deposit,
16 voting trust certificates or collateral-trust certificates, or
17 with respect to certificates of interest or shares in an
18 unincorporated investment trust not having a board of directors
19 or persons performing similar functions or of the fixed,
20 restricted management or unit type, the term "issuer" means the
21 person or persons performing the acts and assuming the duties of
22 depositor or manager pursuant to the provisions of the trust or
23 other agreement or instrument under which the security is
24 issued; except that with respect to equipment-trust certificates
25 or like securities, the term "issuer" means the person by whom
26 the equipment or property is or is to be used. With respect to
27 certificates of interest or participation in oil, gas or mining
28 titles or leases or in payments out of production under such
29 titles or leases, the term "issuer" means the person or persons
30 actively managing the exploration or development of the property

1 who sell such interests or participations or payments or any
2 person or persons who subdivide and sell such interests or
3 participations or payments. The determination of the person or
4 persons actively managing the exploration or development of the
5 property shall be made on the basis of the actual relationship
6 of the parties and not on the basis of the legal designation of
7 a person's interest. Members of unincorporated associations,
8 which members have limited liability, and any trustee or member
9 of a trust, committee or other legal entity shall not be deemed
10 to be an "issuer" for the purposes of this act.

11 (m) "Non-issuer transaction" means any transaction not
12 directly or indirectly for the benefit of the issuer.

13 (n) "Person" means an individual, corporation, partnership,
14 association, joint stock company, syndicate, trust where the
15 interests of the beneficiaries are evidenced by a security, an
16 unincorporated organization, government, political subdivision
17 of a government, or any other entity.

18 (o) "Promoter" includes (i) any person who, acting alone or
19 in conjunction with one or more other persons, directly or
20 indirectly takes initiative in founding and organizing the
21 business or enterprise of an issuer; and (ii) any person who, in
22 connection with the founding and organizing of the business or
23 enterprise of an issuer, directly or indirectly receives in
24 consideration of services or property, or both services and
25 property, ten per cent or more of any class of securities of the
26 issuer or ten per cent or more of the proceeds from the sale of
27 any class of securities. However, a person who receives such
28 securities or proceeds either solely as underwriting commissions
29 or solely in consideration of property shall not be deemed a
30 promoter within the meaning of this clause if such person does

1 not otherwise take part in founding and organizing the
2 enterprise.

3 (p) "Publish" means publicly to issue or circulate by
4 newspaper, mail, radio or television, or otherwise to
5 disseminate to the public.

6 ~~(q) "Reporting company" means any person which is required~~ <—
7 ~~to file, and has for at least ninety days prior to the time of~~
8 ~~application of this definition filed, all periodic reports plus~~
9 ~~the most recent annual report with the Securities and Exchange~~
10 ~~Commission pursuant to the requirements of section 13 or 15 (d)~~
11 ~~of the Securities Exchange Act of 1934 or of section 8 of the~~
12 ~~Investment Company Act of 1940, and the regulations adopted~~
13 ~~thereunder, or for whom there is publicly~~

14 (Q) "REPORTING COMPANY" MEANS ANY PERSON WHICH HAS BEEN <—
15 REQUIRED TO FILE, AND HAS FILED, ALL REQUIRED PERIODIC REPORTS
16 WITH THE SECURITIES AND EXCHANGE COMMISSION AND HAS FILED ALL
17 ANNUAL REPORTS, IF ANY, WHICH IT IS REQUIRED TO FILE (I) FOR AT
18 LEAST NINETY DAYS PRIOR TO THE TIME OF APPLICATION OF THIS
19 DEFINITION FOR PERSONS FILING PURSUANT TO THE PROVISIONS OF
20 SECTION 13 OR 15 (D) OF THE SECURITIES AND EXCHANGE ACT OF 1934;
21 OR (II) FOR AT LEAST ONE HUNDRED EIGHTY DAYS PRIOR TO THE TIME
22 OF APPLICATION OF THIS DEFINITION WITH RESPECT TO PERSONS FILING
23 PURSUANT TO THE PROVISIONS OF SECTION 30 OF THE INVESTMENT
24 COMPANY ACT OF 1940, OR FOR WHOM THERE IS PUBLICLY available the
25 information concerning such person which is specified in clauses
26 (1) through (14) inclusive, and clause (16) of paragraph (a) (4)
27 of Rule 15 c2-11 adopted under the Securities Exchange Act of
28 1934, or if the person is an insurance company the information
29 specified in section 12 (g) (2)(G) (i) of that act. Information
30 shall also be deemed "publicly available" under this section if

1 it has been filed in such places or with such persons as the
2 commission may specify by regulation.

3 (r) (i) "Sale" or "sell" includes every sale, disposition
4 or exchange, and every contract of sale of, or contract to sell,
5 a security or interest in a security for value or any issuance
6 of securities pursuant to any merger, consolidation, sale of
7 assets or other corporate reorganization, involving the exchange
8 of securities, in whole or in part, for the securities of any
9 other person.

10 (ii) "Offer" or "offer to sell" includes every direct or
11 indirect attempt or offer to sell or dispose of, or solicitation
12 of an offer to purchase, a security or interest in a security
13 for value.

14 (iii) Any security given or delivered with, or as a bonus on
15 account of, any purchase of securities or any other thing is
16 considered to constitute part of the subject of the purchase and
17 to have been offered and sold for value.

18 (iv) Every sale or offer of a warrant or right to purchase
19 or subscribe to another security of the same or another issuer,
20 as well as every sale or offer of a security which gives the
21 holder a present or future right or privilege to convert into
22 another security of the same or another issuer, is considered to
23 include an offer of the other security.

24 (v) A purported gift of assessable stock (for which the
25 statutory consideration has not been paid) involves an offer and
26 sale.

27 (vi) An offer of rescission made pursuant to section 504 (e)
28 involves an offer and sale.

29 (vii) The terms "sale," "sell," "offer" and "offer to sell"
30 do not include: (A) any bona fide secured transaction in, or

1 loan of, outstanding securities; or (B) any dividend payable
2 with respect to the securities of a corporation in the same or
3 any other class of securities of such corporation.

4 (viii) A dividend or distribution by any person to all or
5 any class of its security holders of the securities of any other
6 person, whether or not such dividend or distribution is for
7 value, involves a sale.

8 (s) "Securities Act of 1933," "Securities Exchange Act of
9 1934," "Public Utility Holding Company Act of 1935," "Trust
10 Indenture Act of 1939," "Investment Advisers Act of 1940,"
11 "Investment Company Act of 1940" and "Internal Revenue Code of
12 1954" mean the Federal statutes of those names as amended before
13 or after the effective date of this act, or any successor
14 statutes thereto. Section numbers of such statutes or
15 regulations adopted thereunder and referred to herein include
16 such amendments thereto as may be adopted before or after the
17 effective date of this act. "Securities and Exchange Commission"
18 means the "United States Securities and Exchange Commission."

19 (t) "Security" means any note; stock; treasury stock; bond;
20 debenture; evidence of indebtedness; share of beneficial
21 interest in a business trust; certificate of interest or
22 participation in any profit-sharing agreement; collateral trust
23 certificate; preorganization certificate or subscription;
24 transferable share; investment contract; voting trust
25 certificate; certificate of deposit for a security; limited
26 partnership interest; certificate of interest or participation
27 in an oil, gas or mining title or lease or in payments out of
28 production under such a title or lease; or, in general, any
29 interest or instrument commonly known as or having the incidents
30 of a "security"; or any certificate of interest or participation

1 in, temporary or interim certificate for, receipt for, guarantee
2 of, or warrant or right to subscribe to or purchase, any of the
3 foregoing. All of the foregoing are securities whether or not
4 evidenced by written document. "Security" does not include: (i)
5 any beneficial interest in any voluntary inter vivos trust which
6 is not created for the purpose of carrying on any business, or
7 (ii) any beneficial interest in any testamentary trust, or (iii)
8 any insurance or endowment policy or annuity contract under
9 which an insurance company admitted in this State promises to
10 pay a sum of money (whether or not based upon the investment
11 performance of a segregated fund) either in a lump sum or
12 periodically for life or some other specified period, or (iv)
13 any certificate issued under section 809 of The Insurance
14 Company Law of 1921, act of May 17, 1921 (P.L.682), as amended.

15 (u) "State" means any state, territory or possession of the
16 United States, the District of Columbia and Puerto Rico.

17 (v) "Underwriter" means a person who has agreed with an
18 issuer or other person on whose behalf a distribution is to be
19 made (i) to purchase securities for distribution or (ii) to
20 distribute securities for or on behalf of such issuer or other
21 person or (iii) to manage or supervise a distribution of
22 securities for or on behalf of such issuer or other person.

23 PART II

24 REGISTRATION OF SECURITIES

25 Section 201. Registration Requirement.--It is unlawful for
26 any person to offer or sell any security in this State unless
27 the security is registered under this act or the security or
28 transaction is exempted under section 202 or 203 hereof.

29 Section 202. Exempt Securities.--The following securities
30 are exempted from section 201:

1 (a) Any security issued or guaranteed by the United States,
2 any state or Canadian Province, any political subdivision of a
3 state or Canadian Province, foreign government with which the
4 United States currently maintains diplomatic relations, or any
5 agency or corporate or other instrumentality of any of the
6 foregoing, or any certificate of deposit for any of the
7 foregoing, provided that if the issuer or guarantor is a foreign
8 government other than Canada or an instrumentality of a foreign
9 government other than Canada, such security or certificate of
10 deposit therefor is recognized as a valid obligation by the
11 issuer or guarantor thereof or its or their successors. and ←
12 ~~provided, that such obligation is exempt from registration under~~
13 ~~the Securities Act of 1933.~~

14 ~~(b) Any security, the offer, sale, issuance or guarantee of~~
15 ~~which (i) is subject to regulation by the Interstate Commerce~~
16 ~~Commission, the Comptroller of the Currency, the Federal Deposit~~
17 ~~Insurance Corporation or, with respect to banks, by the~~
18 ~~Pennsylvania Department of Banking; or (ii) is registered under~~
19 ~~the Public Utility Holding Company Act of 1935, or the act of~~
20 ~~May 28, 1937 (P.L.1053), known as the "Public Utility Law"; or~~
21 ~~(iii) the issuer of which is regulated as to the issuance or~~
22 ~~guarantee of such security by a governmental authority of the~~
23 ~~United States.~~

24 (B) ANY SECURITY ISSUED OR GUARANTEED BY ANY BANK OR SAVINGS ←
25 ASSOCIATION AND ANY SECURITY THE OFFER, SALE, ISSUANCE OR
26 GUARANTEE OF WHICH (I) IS SUBJECT TO REGULATION BY THE
27 INTERSTATE COMMERCE COMMISSION, OR (II) IS REGISTERED UNDER THE
28 PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 OR THE ACT OF MAY 28,
29 1937 (P.L.1053), KNOWN AS THE "PUBLIC UTILITY LAW," OR (III) THE
30 ISSUER OF WHICH IS REGULATED AS TO THE ISSUANCE OR GUARANTEE OF

1 SUCH SECURITY BY A GOVERNMENTAL AUTHORITY OF THE UNITED STATES.

2 (c) Any commercial paper which arises out of a current
3 transaction or the proceeds of which have been or are to be used
4 for current transactions, and which evidences an obligation to
5 pay cash within nine months of the date after issuance,
6 exclusive of days of grace, or any renewal of such paper which
7 is likewise limited, or any guarantee of such paper or of any
8 such renewal, except where such paper is proposed to be sold or
9 offered to the public in units of less than five thousand
10 dollars (\$5,000) to any single person.

11 (d) Any security issued or guaranteed by any Federal credit
12 union or any credit union, industrial loan association or other
13 similar association organized and supervised under the laws of
14 this State.

15 (e) Any security (except evidences of indebtedness, whether
16 interest bearing or not) of an issuer (i) organized exclusively
17 for educational, benevolent, fraternal, religious, charitable,
18 social, athletic or reformatory purposes and not for pecuniary
19 profit, if no part of the net earnings of the issuer inures to
20 the benefit of any private shareholder or individual, or (ii)
21 organized as a chamber of commerce or trade or professional
22 association. The fact that amounts received from memberships, or
23 dues, or both will or may be used to construct or otherwise
24 acquire facilities for use by members of the nonprofit
25 organization does not disqualify the organization from this
26 exemption. This exemption shall not apply to the securities of
27 any nonprofit organization if any promoter thereof expects or
28 intends to make a profit directly or indirectly from any
29 business or activity associated with the organization or
30 operation of such nonprofit organization.

1 (f) Any security listed, or approved for listing upon notice
2 of issuance, on the New York, American, or Philadelphia-
3 Baltimore-Washington stock exchange or any other securities
4 exchange or quoted on any national quotation service designated
5 by regulation of the commission AND ANY SECURITY WHICH SATISFIES <—
6 THE MARGIN REQUIREMENTS OF THE BOARD OF GOVERNORS OF THE FEDERAL
7 RESERVE SYSTEM UNDER REGULATION T AND ANY SUPPLEMENT OR ANY
8 SUCCESSOR REGULATION THERETO; any other security of the same
9 issuer which is of senior or substantially equal rank; any
10 security called for by subscription rights or warrants so
11 listed, approved or quoted; and any warrant or right to purchase
12 or subscribe to any of the foregoing.

13 (g) Any investment contract issued in connection with an
14 employe's stock option, purchase, savings, pension, profit
15 sharing or similar benefit plan, provided, in the case of plans
16 adopted after the effective date hereof which are not qualified
17 under section 401 of the Internal Revenue Code of 1954 and which
18 provide for contribution by employes, the commission is notified
19 in writing thirty days before the commencement of the offering
20 in this State.

21 (h) Any security of a registered broker-dealer issued to its
22 officers, partners or employes, subject to such regulations as
23 the commission may establish.

24 (i) Any security as to which the commission by regulation or
25 order finds that registration is not necessary or appropriate
26 for the protection of investors.

27 Section 203. Exempt Transactions.--The following
28 transactions are exempted from section 201:

29 (a) Any non-issuer transaction except where directly or
30 indirectly for the benefit of ~~the issuer or~~ an affiliate of the <—

1 issuer.

2 (b) Any non-issuer transaction directly or indirectly for
3 the benefit of an affiliate of the issuer which is exempted from
4 section 5 of the Securities Act of 1933, other than those
5 transactions exempted pursuant to section 3 (a) (11) or 3 (b) of
6 the Securities Act of 1933, and the rules and regulations now or
7 hereafter adopted thereunder.

8 (c) Any offer or sale to an institutional investor or to a
9 broker-dealer, whether the buyer is acting for itself or in some
10 fiduciary capacity.

11 (d) Any sales by an issuer to not more than twenty-five
12 persons ~~(excluding those designated in subsection (c))~~ in this ←
13 State during a period of twelve consecutive months if (i) the
14 issuer shall obtain the written agreement of each such person
15 not to sell the security within twelve months after the date of
16 purchase; (ii) no public media advertisement is used or mass
17 mailing made in connection with soliciting such sales; and (iii)
18 no cash or securities is given or paid, directly or indirectly,
19 to any promoter in connection therewith. Purchasers of
20 securities registered under this act or sold in reliance upon an
21 exemption under this act other than this subsection (d) or
22 subsection (f) shall not be included in computing the twenty-
23 five persons for purposes of this exemption. A notice in the
24 form prescribed by the commission, signed by the officers or
25 directors of the issuer under oath and stating the name,
26 principal business address of the issuer, proposed use of the
27 proceeds from the sale and such facts as are necessary to
28 establish this exemption shall be filed, together with a copy of
29 any offering literature used in connection with such offer or
30 sale, with the commission not later than the day on which the

1 securities are first issued or the issuer first receives
2 consideration from any person therefor, whichever is earlier.

3 (e) Any offer to not more than fifty persons during a period
4 of twelve consecutive months if no sales result from such offer
5 or if sales resulting from such offer are exempt by reason of
6 subsection (d) hereof. THIS SUBSECTION SHALL NOT BE APPLICABLE ←
7 TO OFFERS MADE PURSUANT TO ANY OTHER SUBSECTION OF THIS SECTION
8 203, EXCEPT SUBSECTIONS (D) AND (F).

9 (f) Any offer or sale of a preorganization subscription or
10 securities of a newly-formed person as part of its initial
11 capitalization to not more than five persons.

12 (g) Any transaction between the issuer or other person on
13 whose behalf the offering is made and an underwriter, or among
14 underwriters.

15 (h) Any offer (but not a sale) of a security for which a
16 registration statement has been filed under the Securities Act
17 of 1933 if (i) no stop order or refusal order is in effect and
18 no public proceeding or examination looking toward such an order
19 is pending under the Securities Act of 1933 or this act; and
20 (ii) no such offer is made until after such registration
21 statement (including a prospectus) has been filed with or mailed
22 to the commission.

23 (i) Any sale of a security registered under section 5 of the
24 Securities Act of 1933 or exempt from registration under section
25 3 (b) ~~if: (i) a copy of any prospectus or~~ OF SUCH ACT IF: (I) A ←
26 COPY OF ANY FINAL PROSPECTUS OR FINAL offering circular utilized
27 or proposed to be utilized in connection therewith is mailed to
28 the commission within two business days after such prospectus or
29 offering circular is filed with the Securities and Exchange
30 Commission; (ii) the filing fee specified in section 602 (b) is

1 paid with respect to such offering; (iii) the issuer of the
2 security is a reporting company; and (iv) no stop order or
3 refusal order is in effect and no public proceeding or
4 investigation looking toward such an order is pending under the
5 Securities Act of 1933 or this act. AS A CONDITION OF THE ←
6 CONTINUING EFFECTIVENESS OF THIS EXEMPTION, COPIES OF ANY POST-
7 EFFECTIVE AMENDMENT OR STICKER TO SUCH PROSPECTUS OR OFFERING
8 CIRCULAR MUST BE MAILED TO THE COMMISSION WITHIN TWO BUSINESS
9 DAYS AFTER THE SAME IS FILED WITH THE SECURITIES AND EXCHANGE
10 COMMISSION.

11 (j) Any transaction in a bond or other evidence of
12 indebtedness secured by a real or chattel mortgage or deed of
13 trust, or by an agreement for the sale of real estate or
14 chattels, if the entire mortgage, deed of trust, or agreement,
15 together with all the bonds or other evidences of indebtedness
16 secured thereby, is offered and sold as a unit.

17 (k) Any judicial sale or any transaction by an executor,
18 administrator, sheriff, marshal, receiver, trustee in
19 bankruptcy, guardian or conservator.

20 (l) Any transaction now or hereafter exempted from section 5
21 of the Securities Act of 1933 by virtue of sections 3 (a) (9) or
22 3 (a) (10) thereof; provided, however, that the commission be
23 given notice of any hearing referred to in section 3 (a) (10).

24 (m) Any transaction executed by a bona fide pledgee without
25 any purpose of evading this act.

26 (n) Any transaction pursuant to an offer OF SECURITIES to ←
27 existing security holders of the issuer or of a corporation
28 which, prior to the commencement of the offer, owned
29 substantially all of the voting stock of the issuer or was
30 organized for the purpose of the offer by persons in control of

1 the issuer, if no commission or other remuneration other than a
2 standby commission is paid or given directly or indirectly for
3 soliciting any security holder in this State, and if the issuer
4 first files a notice specifying the terms of the offer and all
5 other information which the commission by regulation requires,
6 and the commission does not by order disallow the exemption
7 within five days. "Security holders" include persons who at the
8 time of the transaction are holders of convertible securities,
9 nontransferable warrants, or transferable warrants exercisable
10 within not more than ninety days of their issuance.

11 (o) Any transaction incident to a vote by security holders
12 (or written consent of some or all security holders in lieu of
13 such vote) pursuant to the articles of incorporation or the
14 applicable corporation statute or other statute governing such
15 person, or pursuant to a partnership agreement, a declaration of
16 trust, trust indenture or any agreement among security holders
17 on a merger, consolidation, sale of assets in consideration, in
18 whole or part, of the issuance of securities of another person,
19 reclassification of securities, or reorganization involving the
20 exchange of securities, in whole or in part, for the securities
21 of any other person if, but only if: (i) one party to such
22 transaction is required or permitted to file proxy materials
23 pursuant to section 14 (a) of the Securities Exchange Act of
24 1934 or section 20 of the Investment Company Act of 1940 and
25 does file such materials with the commission at least ten days
26 prior to a meeting of security holders called for the purpose of
27 approving such transaction; and such proxy materials are
28 distributed to the security holders of each party to such
29 transaction; or (ii) such materials as may be specified by
30 regulation of the commission are prepared in connection with the

1 proposed transaction and, after review by the commission,
2 distributed to the security holders of each party to the
3 transaction; provided, however, that clause (i) and (ii) of this
4 subsection and section 602 (c) shall not be applicable to any
5 party to a transaction where not more than twenty-five per cent
6 of the security holders of such party are residents of this
7 State.

8 (p) Any offer or sale of an evidence of indebtedness of an
9 issuer either: organized exclusively for educational,
10 benevolent, fraternal, religious, charitable, social, athletic
11 or reformatory purposes and not for pecuniary profit, if no part
12 of the net earnings of the issuer inures to the benefit of any
13 private shareholder or individual; or organized as a chamber of
14 commerce or trade or professional association if there has been
15 filed with the commission a notice identifying the security and
16 the basis of its qualification under this exemption together
17 with such further information as the commission may by
18 regulation require, and if the commission does not by order
19 disallow the exemption within ten days or such shorter period as
20 it may permit. The security qualifies under this exemption: if
21 (i) the issuer and any predecessor have not defaulted within the
22 current fiscal year and the three preceding fiscal years in any
23 fixed interest or principal obligation; and (ii) the issuer
24 complies with regulations of the commission with respect to
25 trust indentures and the use of a prospectus; and (iii) the
26 securities proposed to be sold are secured by a mortgage or deed
27 of trust upon land and buildings, which mortgage or deed of
28 trust is or will become a first lien at or prior to the issuance
29 of such evidences of indebtedness, or provision satisfactory to
30 the commission is made for escrowing the proceeds from their

1 sale until such first lien is established, and the total amount
2 of such securities does not exceed seventy-five per cent of the
3 then fair market value of the land and buildings included in
4 such mortgage or deed of trust, less the amount of any unpaid
5 special assessment taxes. This exemption shall not apply to the
6 securities of any nonprofit organization if any promoter thereof
7 expects or intends to make a profit directly or indirectly from
8 any business or activity associated with the organization or
9 operation of such nonprofit organization.

10 (q) Any bona fide distribution in partial or total
11 liquidation of a person, whether or not the assets being
12 distributed include securities of any other person and whether
13 or not wholly or partially in exchange for the securities of the
14 person making the distribution, and any stock split and any
15 stock dividend, where the corporation distributing the dividend
16 is not the issuer, if nothing of value is given by stockholders
17 for the dividend other than the surrender of a right to a cash
18 or property dividend in lieu of the stock and if the dividend is
19 issued pro rata by class; provided, however, in the case of a
20 distribution or dividend by a corporation not the issuer, such
21 corporation shall file with the commission, ten days prior to
22 the intended date of the distribution or dividend, a statement
23 containing the facts and circumstances surrounding the
24 distribution or dividend.

25 (r) Any transaction or class of transactions as to which the
26 commission by regulation or order finds that registration is not
27 necessary or appropriate for the protection of investors.

28 Section 204. Exemption Proceedings.--(a) The commission may
29 by regulation as to any type of security or transaction, or by
30 order in a particular case, as to any security or transaction

1 increase the number of purchasers or offerees permitted, or
2 waive the conditions in either of sections 202 or 203.

3 (b) The commission may by order deny or revoke any exemption
4 specified in section 202 or 203 with respect to a specific
5 security or transaction. No such order may be entered without
6 appropriate prior notice to all interested parties, opportunity
7 for hearing, and written findings of fact and conclusions of
8 law, except that the commission may by order summarily deny or
9 revoke any of the specified exemptions pending final
10 determination of any proceeding under this section. Upon the
11 entry of a summary order, the commission shall promptly notify
12 all interested parties that it has been entered and reasons
13 therefor and that within fifteen days of the receipt of a
14 written request the matter will be set down for hearing. If no
15 hearing is requested and none is ordered by the commission, the
16 order will remain in effect until it is modified or vacated by
17 the commission. If a hearing is requested or ordered, the
18 commission, after notice of and opportunity for hearing to all
19 interested persons, may modify or vacate the order or extend it
20 until final determination. No order under this section may
21 operate retroactively. No person may be considered to have
22 violated section 201 by reason of any offer or sale effected
23 after the entry of an order under this section if he sustains
24 the burden of proof that he did not know, and in the exercise of
25 reasonable care could not have known, of the order.

26 (c) In any proceeding under this act, the burden of proving
27 an exemption or an exception from a definition is upon the
28 person claiming it.

29 Section 205. Registration by Coordination.--(a) Registration
30 by coordination may be used for any offering for which a

1 registration statement has been filed under the Securities Act
2 of 1933 or for any proposed sale pursuant to the exemption
3 contained in section 3 (b) of such act where such registration
4 statement or notification of proposed sale has not become
5 effective.

6 (b) A registration statement under this section shall
7 contain the following information and be accompanied by the
8 following documents in addition to the information specified in
9 section 207 (b) and the consent to service of process required
10 by section 701:

11 (i) Two copies of the preliminary prospectus or offering
12 circular filed under the Securities Act of 1933;

13 (ii) If the commission by regulation requires, a copy of the
14 articles of incorporation and bylaws or their substantial
15 equivalents currently in effect, a copy of any agreements with
16 or among underwriters, a copy of any indenture or other
17 instrument governing the issuance of the security to be
18 registered, and a specimen or copy of the security;

19 (iii) If the commission by regulation or order requires, any
20 other information, or copies of any documents, filed under the
21 Securities Act of 1933; and

22 (iv) An undertaking to forward to the commission all future
23 amendments to the Federal prospectus or offering circular, other
24 than an amendment which merely delays the effective date of the
25 registration statement, not later than the first business day
26 after they are forwarded to or filed with the Securities and
27 Exchange Commission, or such longer period as the commission
28 permits.

29 (c) A registration statement under this section
30 automatically becomes effective at the moment the Federal

1 registration statement or notification becomes effective if (i)
2 no stop order is in effect in this State and no proceeding is
3 pending under section 208; (ii) and the registration statement
4 has been on file with the commission for at least ten days;
5 (iii) a statement of the maximum and minimum proposed offering
6 prices and the maximum underwriting discounts and commissions
7 has been on file for two full business days, or such shorter
8 period as the commission permits; and (iv) the offering is made
9 within these limitations.

10 (d) The registrant shall notify the commission promptly by
11 telephone or telegram of the date and time when the Federal
12 registration statement became effective and the content of the
13 price amendment, if any, and shall file a post-effective
14 amendment promptly containing the information and documents in
15 the price amendment. "Price amendment" means the final Federal
16 amendment which includes a statement of the offering price,
17 underwriting and selling discounts or commissions, amount of
18 proceeds, conversion rates, call prices and other matters
19 dependent upon the offering price. Upon failure to receive the
20 required notification and post-effective amendment with respect
21 to the price amendment, the commission may enter a stop order,
22 without notice or hearing, retroactively denying effectiveness
23 to the registration statement or suspending its effectiveness
24 until compliance with this subsection is effected, if it
25 promptly notifies the registrant by telephone or telegram of the
26 issuance of such order. If the registrant proves compliance with
27 the requirements of this subsection as to notice and post-
28 effective amendment, the stop order shall be vacated as of the
29 time of its entry. The commission may by regulation or order
30 waive any of the conditions specified in subsection (b) or (c).

1 (e) If the Federal registration statement becomes effective
2 before all the conditions in this section are satisfied and they
3 are not waived, the registration statement automatically becomes
4 effective as soon as all the conditions are satisfied. If the
5 registrant advises the commission of the date when the Federal
6 registration statement is expected to become effective, the
7 commission shall promptly advise the registrant by telephone or
8 telegram, at the registrant's expense, whether all the
9 conditions are satisfied and whether it then contemplates the
10 institution of a proceeding under section 208; but this advice
11 by the commission does not preclude the institution of such a
12 proceeding at any time.

13 Section 206. Registration by Qualification.--(a) Any
14 security may be registered by qualification.

15 (b) A registration statement under this section shall
16 contain the information specified in section 207 (b), shall be
17 accompanied by the consent to service of process required by
18 section 701 and shall contain the following information and be
19 accompanied by the following documents:

20 (1) with respect to the issuer and any significant
21 subsidiary: its name, address, and form of organization; the
22 state or foreign jurisdiction and date of its organization; the
23 general character and location of its business; a description of
24 its physical properties and equipment; and a statement of the
25 general competitive conditions in the industry or business in
26 which it is or will be engaged;

27 (2) with respect to every director and officer of the
28 issuer, or person occupying a similar status or performing
29 similar functions: his name, address, and principal occupation
30 for the past five years; the amount of securities of the issuer

1 held by him as of a specified date within thirty days of the
2 filing of the registration statement; the amount of the
3 securities covered by the registration statement to which he has
4 indicated his intention to subscribe; and a description of any
5 material interest in any material transaction with the issuer or
6 any significant subsidiary effected within the past three years
7 or proposed to be effected;

8 (3) with respect to persons covered by clause (2): the
9 remuneration paid during the past twelve months and estimated to
10 be paid during the next twelve months, directly or indirectly,
11 by the issuer (together with all predecessors, parents,
12 subsidiaries, and affiliates) to all those persons in the
13 aggregate;

14 (4) with respect to any person owning of record, or
15 beneficially if known, ten per cent or more of the outstanding
16 shares of any class of equity security of the issuer: the
17 information specified in clause (2) other than his occupation;

18 (5) with respect to every promoter if the issuer was
19 organized within the past three years: the information specified
20 in clause (2), any amount paid to him within that period or
21 intended to be paid to him, and the consideration for any such
22 payment;

23 (6) with respect to any person on whose behalf any part of
24 the offering is to be made in a non-issuer distribution: his
25 name and address; the amount of securities of the issuer held by
26 him as of the date of the filing of the registration statement;
27 a description of any material interest in any material
28 transaction with the issuer or any significant subsidiary
29 effected within the past three years or proposed to be effected;
30 and a statement of his reasons for making the offering;

1 (7) the capitalization and long-term debt (on both a current
2 and pro forma basis) of the issuer and any significant
3 subsidiary, including a description of each security outstanding
4 or being registered or otherwise offered, and a statement of the
5 amount and kind of consideration (whether in the form of cash,
6 physical assets, services, patents, goodwill, or anything else)
7 for which the issuer or any subsidiary has issued any of its
8 securities within the past two years or is obligated to issue
9 any of its securities;

10 (8) the kind and amount of securities to be offered; the
11 proposed offering price or the method by which it is to be
12 computed; any variation therefrom at which any proportion of the
13 offering is to be made to any person or class of persons other
14 than the underwriters, with a specification of any such person
15 or class; the basis upon which the offering is to be made if
16 otherwise than for cash; the estimated aggregate underwriting
17 and selling discounts or commissions and finders' fees
18 (including separately cash, securities, contracts, or anything
19 else of value to accrue to the underwriters or finders in
20 connection with the offering) or, if the selling discounts or
21 commissions are variable; the basis of determining them and
22 their maximum and minimum amounts; the estimated amounts of
23 other selling expenses, including legal, engineering, and
24 accounting charges; the name and address of every underwriter
25 and every recipient of a finder's fee; a copy of any
26 underwriting or selling-group agreement pursuant to which the
27 distribution is to be made, or the proposed form of any such
28 agreement whose terms have not yet been determined; and a
29 description of the plan of distribution of any securities which
30 are to be offered otherwise than through an underwriter;

1 (9) the estimated cash proceeds to be received by the issuer
2 from the offering; the purposes for which the proceeds are to be
3 used by the issuer; the amount to be used for each purpose; the
4 order or priority in which the proceeds will be used for the
5 purposes stated; the amounts of any funds to be raised from
6 other sources to achieve the purposes stated; the sources of any
7 such funds; and, if any part of the proceeds is to be used to
8 acquire any property (including goodwill) otherwise than in the
9 ordinary course of business, the names and addresses of the
10 vendors, the purchase price, the names of any persons who have
11 received commissions in connection with the acquisition, and the
12 amounts of any such commissions and any other expense in
13 connection with the acquisition (including the cost of borrowing
14 money to finance the acquisition);

15 (10) a description of any stock options or other security
16 options outstanding, or to be created in connection with the
17 offering, together with the amount of any such options held or
18 to be held by every person required to be named in clause (2),
19 (4), (5), (6), or (8) and by any person who holds or will hold
20 ten per cent or more in the aggregate of any such options;

21 (11) the dates of, parties to, and general effect concisely
22 stated of, every management or other material contract made or
23 to be made otherwise than in the ordinary course of business if
24 it is to be performed in whole or in part at or after the filing
25 of the registration statement or was made within the past two
26 years, together with a copy of every such contract; and a
27 description of any pending litigation or proceeding to which the
28 issuer is a party and which materially affects its business or
29 assets (including any such litigation or proceeding known to be
30 contemplated by governmental authorities);

1 (12) a copy of any prospectus, pamphlet, circular, form
2 letter, advertisement, or other sales literature intended as of
3 the effective date to be used in connection with the offering;

4 (13) a specimen or copy of the security being registered; a
5 copy of the issuer's articles of incorporation and bylaws, or
6 their substantial equivalents, as currently in effect; and a
7 copy of any indenture or other instrument covering the security
8 to be registered;

9 (14) a signed or conformed copy of an opinion of counsel as
10 to the legality of the security being registered (with an
11 English translation if it is in a foreign language), which shall
12 state whether the security when sold will be legally issued,
13 fully paid, and ~~nonassessable~~, NON-ASSESSABLE, and, if a debt ←
14 security, a binding obligation of the issuer;

15 (15) the written consent of any accountant, engineer,
16 appraiser, or other person whose profession gives authority to a
17 statement made by him, if any such person is named as having
18 prepared or certified a report or valuation (other than a public
19 and official document or statement) which is used in connection
20 with the registration statement;

21 (16) a balance sheet of the issuer as of a date within four
22 months prior to the filing of the registration statement; a
23 profit and loss statement and analysis of surplus for each of
24 the three fiscal years preceding the date of the balance sheet
25 and for any period between the close of the last fiscal year and
26 the date of the balance sheet, or for the period of the issuer's
27 and any predecessors' existence if less than three years; and,
28 if any part of the proceeds of the offering is to be applied to
29 the purchase of any business, the same financial statements
30 which would be required if that business were the registrant, or

1 such other financial statements as may be required pursuant to
2 section 609 (c); and

3 (17) such additional information as the commission requires
4 by regulation or order.

5 For purposes of this section 206 (b) the commission may
6 classify issuers and types of securities.

7 (c) Registration under this section becomes effective when
8 the commission so orders. If a registration statement has been
9 on file for at least thirty days and all information required by
10 the commission has been furnished, the person filing the
11 statement may at any time file a written request that the
12 commission take action within ten days following the filing of
13 such request. If a request is filed and the commission takes no
14 action within the period, the registration becomes effective at
15 the end of the ten-day period.

16 (d) The commission may by regulation or order require as a
17 condition of registration under this section that a prospectus
18 containing any designated part of the information contained in
19 the registration statement or filed with it be sent or given to
20 each person to whom an offer is made before or concurrently
21 with: the first written offer made to him, otherwise than by
22 means of a public advertisement, by or for the account of the
23 issuer or any other person on whose behalf the offering is made,
24 or by any underwriter or broker-dealer who is offering part of
25 an unsold allotment or subscription taken by him as a
26 participant in the distribution; or the confirmation of any sale
27 made by or for the account of any person; or the payment
28 pursuant to any sale; or the delivery of the security pursuant
29 to any sale; whichever first occurs.

30 Section 207. General Registration Provisions.--(a) A

1 registration statement may be filed by the issuer, any other
2 person on whose behalf the offering is to be made or a licensed
3 broker-dealer.

4 (b) Every registration statement shall specify: (i) the
5 amount of securities to be offered in this State; (ii) the
6 states in which a registration statement or application in
7 connection with the offering has been or is to be filed; (iii)
8 any adverse order, judgment or decree entered in connection with
9 the offering by the regulatory authorities in any state or by
10 any court or the Securities and Exchange Commission, or any
11 withdrawal with prejudice of a registration statement or
12 application relating to the offering; and (iv) the names of all
13 underwriters and broker-dealers selling or offering the
14 securities in this State. WHERE THE NAMES OF ALL UNDERWRITERS OR ←
15 BROKER-DEALERS ARE NOT KNOWN AT THE TIME OF FILING OF THE
16 REGISTRATION STATEMENT, SUCH LIST MAY BE SUPPLEMENTED FROM TIME
17 TO TIME PRIOR TO OR AFTER EFFECTIVENESS, PROVIDED THAT NO DELAY
18 OF EFFECTIVENESS OR SUSPENSION SHALL BE CAUSED BY THE FILING OF
19 ANY SUCH SUPPLEMENT.

20 (c) Any document filed under this act or a predecessor law
21 within five years preceding the filing of a registration
22 statement may be incorporated by reference in the registration
23 statement.

24 (d) The commission may by regulation or otherwise permit the
25 omission of any item of information or document from any
26 registration statement.

27 (e) The commission may by regulation or order require as a
28 condition of registration by qualification or as a condition of
29 registration by coordination (if more than sixty-six and two-
30 thirds per cent of the issue of securities part or all of which

1 is to be registered by coordination is to be sold in
2 Pennsylvania) that a report by an accountant, engineer,
3 appraiser or other professional person be filed. The commission
4 may also designate one of its employees to make an examination of
5 the business and records of an issuer of securities for which a
6 registration statement has been filed by qualification.

7 (f) In the case of a nonissuer distribution, information may
8 not be required under section 206 (b) or section 207 (k) unless
9 it is known to the person filing the registration statement or
10 to the persons on whose behalf the distribution is to be made,
11 or can be furnished by them without unreasonable effort or
12 expense.

13 (g) The commission may by regulation or order require as a
14 condition of registration that any security issued within the
15 past two years or to be issued to a promoter for a consideration
16 substantially different from the public offering price, or to
17 any person for a consideration other than cash, be deposited in
18 escrow; or that the proceeds from the sale of the registered
19 security in this State be escrowed until the issuer receives a
20 specified amount from the sale of the security either in this
21 State or elsewhere; or it may impose both such requirements; ; ←
22 PROVIDED, HOWEVER, THAT THIS SUBSECTION (G) SHALL NOT APPLY TO
23 ANY SECURITY REGISTERED BY COORDINATION IF THE ISSUER HAS BEEN
24 IN EXISTENCE FOR MORE THAN THREE YEARS; AND PROVIDED FURTHER,
25 THAT WITH RESPECT TO SECURITIES REGISTERED BY COORDINATION NO
26 ESCROW HEREUNDER SHALL BE REQUIRED TO EXTEND BEYOND THREE YEARS.
27 The commission may by regulation or order determine the
28 conditions of any escrow required hereunder, but may not reject
29 a depository solely because of location in another state.

30 (h) The commission may by regulation require that debt

1 securities of designated classes to be registered by
2 qualification shall be issued under a trust indenture containing
3 such provisions as it determines, but such provisions shall not
4 be in addition to or inconsistent with the terms required or
5 permitted by the Trust Indenture Act of ~~1929~~. 1939. ←

6 (i) The commission may by regulation require (i) with
7 respect to registration by coordination that a copy of each form
8 of subscription or sale contract used or proposed to be used in
9 this State be filed with the commission prior to its use in this
10 State; and (ii) with respect to registration by qualification
11 that, as a condition of registration, any security registered be
12 sold only on a specified form of subscription or sale contract;
13 and (iii) that a signed or conformed copy of each such contract
14 be preserved for any period up to three years.

15 (j) A registration statement is effective for one year from
16 its effective date, or any longer period during which the
17 security is being offered or distributed in a nonexempted
18 transaction by or for the account of the issuer or other person
19 on whose behalf the offering is being made, or by any
20 underwriter or broker-dealer who is still offering part of an
21 unsold allotment or subscription taken by him as a participant
22 in the distribution, provided that the commission has been
23 notified of such continued offering and the period thereof. Any
24 such extension of the offering period for securities registered
25 by qualification shall be subject to regulations established by
26 the commission. The fact that a registration statement has been
27 effective in this State with respect to any security does not
28 permit sales of securities of the same class by the issuer or an
29 affiliate of the issuer if such person did not file the
30 registration statement, unless a separate registration statement

1 is filed and declared effective with respect thereto, or an
2 exemption from registration is available. A registration
3 statement may not be withdrawn after its effective date if any
4 of the securities registered have been sold in this State,
5 unless permitted by regulation or order of the commission. No
6 registration statement is effective during the time a stop order
7 is in effect under section 208.

8 (k) During the effective period of a registration statement,
9 the commission may by regulation require the person who filed
10 the registration statement to file reports with the commission,
11 not more often than quarterly, to keep reasonably current the
12 information contained in the registration statement and to
13 disclose the progress of the offering; provided, however, that
14 no person need comply with any such regulation of the commission
15 if such person files with the commission copies of all reports
16 such person is required to file with the Securities and Exchange
17 Commission and if such reports are filed in a timely manner. If
18 any of the securities registered have been sold in the State,
19 the commission may by regulation extend the period for filing
20 the reports for an additional term not exceeding two years from
21 the date the registration became effective or the date of its
22 last amendment or extension.

23 (l) A registration statement relating to ~~redeemable~~ <—
24 ~~securities issued by an open end management company or unit~~
25 ~~investment trust, as defined in the Investment Company Act of~~
26 ~~1940, or to securities issued by any class of financial~~
27 ~~institutions which the commission by rule determines,~~ ANY <—
28 CONTINUOUS OFFERING OF SECURITIES may be amended after its
29 effective date so as to increase the specified amount of
30 securities proposed to be offered. The amendment becomes

1 effective when the commission so orders.

2 (m) Each person who accepts an offer to purchase securities
3 registered by qualification directly from an issuer or an
4 affiliate of an issuer shall have the right to withdraw his
5 acceptance without incurring any liability to the seller,
6 underwriter (if any) or any other person, within two business
7 days after he receives a prospectus relating to the offering
8 (which is not materially different from the final prospectus
9 relating to such offering) and a notice explaining the
10 provisions of this subsection. As used herein, the term "final
11 prospectus" shall mean the document prepared in accordance with
12 such regulations as the commission may provide, to be used by
13 the seller in connection with an offering of securities in this
14 State after the registration of such securities has become
15 effective under this act. Each person who accepts an offer to
16 purchase securities exempted from registration by section 203
17 (d), (f), (p) or (r), directly from an issuer or affiliate of an
18 issuer shall have the right to withdraw his acceptance without
19 incurring any liability to the seller, underwriter (if any) or
20 any other person, within two business days after he enters into
21 a binding contract of purchase, or makes any payment for the
22 securities being offered or the exemption becomes effective,
23 whichever is later.

24 Section 208. Denial, Suspension, and Revocation of
25 Registrations.--(a) The commission may issue a stop order
26 denying effectiveness to, or suspending or revoking the
27 effectiveness of, any registration statement if it finds that
28 the order is in the public interest and that:

29 (i) The registration statement as of its effective date or
30 as of any earlier date in the case of an order denying

1 effectiveness, or any amendment filed under section 207 (l) as
2 of its effective date, or any report under section 207 (k) is
3 incomplete in any material respect or contains any statement
4 which was, in the light of the circumstances under which it was
5 made, false or misleading with respect to any material fact, or
6 omitted to state a material fact necessary in order to make the
7 statements made, in the light of the circumstances under which
8 they are made, not misleading;

9 (ii) Any provision of this act or any regulation, order or
10 condition lawfully imposed under this act has been wilfully
11 violated, in connection with the offering by: (A) the person
12 filing the registration statement, (B) the issuer, (C) any
13 partner, officer or director of the issuer, (D) any person
14 occupying a similar status or performing similar functions, (E)
15 any affiliate of the issuer, but only if the person filing the
16 registration statement is an affiliate of the issuer, or (F) any
17 broker-dealer;

18 (iii) The securities are the subject of an administrative
19 stop order or similar order or a permanent or temporary
20 injunction of any court of competent jurisdiction entered under
21 any other Federal or State act applicable to the offering, but
22 the commission may not institute a proceeding against an
23 effective registration statement under this section more than
24 one year from the date of the order or injunction relied on, and
25 it may not enter an order under this section on the basis of an
26 order or injunction entered under any other state act unless
27 that order or injunction was based on facts which would
28 currently constitute a ground for a stop order under this act;

29 (iv) The issuer's enterprise or method of business includes
30 or would include activities which are illegal where performed;

1 (v) The offering has been or would be made with unreasonable
2 amounts of underwriters' and sellers' discounts, commissions or
3 other compensation, or promoters' profits or participation, or
4 unreasonable amounts or kinds of options, or has worked or
5 tended to work a fraud upon purchasers or would so operate,
6 provided that any underwriting compensation approved by a
7 national securities association registered under the Securities
8 Exchange Act of 1934 with respect to the underwriting activities
9 of its members shall not be deemed unreasonable under this
10 section;

11 (vi) The applicant or registrant has failed to pay the
12 proper filing fee; but the commission may only enter a denial
13 order under this subsection, and it shall vacate any such order
14 when the deficiency has been corrected; or

15 (vii) Advertising prohibited by section 606 ~~(e)~~ has been ←
16 used in connection with the sale or offering of the securities.

17 (b) The commission may not institute a stop order proceeding
18 against an effective registration statement on the basis of a
19 fact or transaction known to it when the registration statement
20 became effective unless the proceeding is instituted within
21 thirty days after effectiveness.

22 (c) The commission may issue a summary order denying,
23 postponing, suspending or revoking the effectiveness of a
24 registration statement pending final determination of any
25 proceeding under this section. Upon the entry of the order, the
26 commission shall promptly notify each person specified in
27 subsection (d) that it has been entered and the reasons therefor
28 and that within fifteen days after the receipt of a written
29 request the matter will be set down for hearing. If no hearing
30 is requested or ordered, the commission, after notice of and

1 opportunity for hearing to each person specified in subsection
2 (d); may modify or vacate the order or extend it until final
3 determination.

4 (d) No stop order may be entered under this section except
5 under subsection (c) without appropriate prior notice to the
6 applicant or registrant, the issuer and the person on whose
7 behalf the securities are to be or have been offered;
8 opportunity for hearing; and written findings of fact and
9 conclusions of law.

10 (e) The commission may vacate or modify a stop order if it
11 finds that the conditions which prompted its entry have changed
12 or that it is otherwise in the public interest to do so.

13 Section 209. Books, Records and Accounts.--Every issuer
14 registering securities for sale in this State or who has sold
15 securities in this State pursuant to an exemption contained in
16 section 202 (e), 203 (d), 203 (p) or 203 (r) shall at all times
17 keep and maintain a complete set of books, records, and accounts
18 of such sales and the disposition of the proceeds thereof for a
19 period of three years following the last sale of securities in
20 this State or one year after the disposition of all proceeds,
21 whichever is longer, and shall thereafter, at such times as are
22 required by the commission, make and file in the office of the
23 commission, a report, setting forth the securities sold by it
24 under such registration or exemption, the proceeds derived
25 therefrom and the disposition thereof.

26 PART III

27 REGISTRATION OF BROKER-DEALERS, AGENTS

28 AND INVESTMENT ADVISERS

29 Section 301. Registration Requirement.--Unless exempted
30 under section 302 hereof:

1 (a) It is unlawful for any person to transact business in
2 this State as a broker-dealer or agent unless he is registered
3 under this act.

4 (b) It is unlawful for any broker-dealer or issuer to employ
5 an agent to represent him in this State unless the agent is
6 registered under this act. The registration of an agent is not
7 effective during any period when he is not associated with a
8 specified broker-dealer registered under this act or a specified
9 issuer. No agent shall at any time represent more than one
10 broker-dealer or issuer, except that where affiliated
11 organizations are registered broker-dealers, an agent may
12 represent ~~any such organization.~~ ONE OR MORE OF SUCH ←
13 ORGANIZATIONS. When an agent begins or terminates a connection
14 with a broker-dealer or issuer, or begins or terminates those
15 activities which make him an agent, the agent as well as the
16 broker-dealer or issuer shall promptly notify the commission.
17 The commission may adopt a temporary registration procedure to
18 permit agents to change employers without suspension of their
19 registrations hereunder.

20 (c) It is unlawful for any person to transact business in
21 this State as an investment adviser unless he is so registered
22 or registered as a broker-dealer under this act or unless he is
23 exempted under section 302 (d).

24 (d) It is unlawful for any licensed broker-dealer, agent or
25 investment adviser, ~~or any affiliate of such a broker dealer or~~ ←
26 ~~investment adviser,~~ to effect a transaction in securities,
27 DIRECTLY OR INDIRECTLY, in this State if the registrant is in ←
28 violation of this act, or any regulation or order promulgated
29 under this act of which he has notice, if such violation (i) is
30 a material violation; (ii) relates to transactions effected in

1 this State; and (iii) has been committed by such registrant, or
2 if the information contained in his application for
3 registration, as of the date of such transaction, is incomplete
4 in any material respect or is false or misleading with respect
5 to any material fact.

6 (e) Every registration expires two years from its effective
7 date unless renewed. The commission by regulation may prepare an
8 initial schedule for registration renewals so that subsequent
9 renewals of registrations effective ON OR AFTER April 1, 1972 <—
10 may be staggered. For this purpose the commission may adjust the
11 registration fee proportionately. No registration is effective
12 after its expiration, unless a ~~registration~~ RENEWAL application <—
13 has been TIMELY filed, ~~within the time period specified in~~ <—
14 ~~section 305~~ and expiration of a registration for which no
15 renewal application has been filed is deemed an application for
16 withdrawal under section 305 (f).

17 Section 302. Exemptions.--The following persons shall be
18 exempted from the registration provisions of section 301:

19 (a) A broker-dealer registered under the Securities Exchange
20 Act of 1934, who has not previously had any certificate denied
21 or revoked under this act or any predecessor statute, if he has
22 no place of business in this State and, during any period of
23 twelve consecutive months, he does not direct offers to sell or
24 buy into this State in any manner to persons other than broker-
25 dealers, institutional investors or governmental agencies and
26 other instrumentalities designated by regulation of the
27 commission, or to more than five other customers in this State,
28 whether or not the offeror or any of the offerees is then
29 present in this State.

30 (b) An agent in so far as he effects transactions on behalf

1 of a broker-dealer who is exempted by the provisions of
2 subsection (a).

3 (c) A bank not registered as a broker-dealer under this act
4 executing orders for the purchase or sale of securities for the
5 account of the purchaser or seller thereof.

6 (d) A person registered under the Investment Advisers Act of
7 1940, who has not previously had any certificate denied or
8 revoked under this act or any predecessor statute, if (i) his
9 only clients in this State are other investment advisers,
10 broker-dealers, institutional investors or governmental agencies
11 and other instrumentalities designated by regulation of the
12 commission, or (ii) during any period of twelve consecutive
13 months he does not direct business communications into this
14 State in any manner to more than five clients other than those
15 specified in clause (i) above, whether or not he or any of the
16 persons to whom the communications are directed is then present
17 in this State.

18 (e) Any bona fide officer, director, partner or employe of
19 an issuer, or an individual occupying similar status or
20 performing similar functions, if such person does not receive
21 any compensation, directly or indirectly, for his activities on
22 behalf of an issuer in connection with any security or
23 transaction except those exempted under section 202 or 203.

24 (f) The commission may by such regulations as it deems
25 necessary or appropriate in the public interest or for the
26 protection of investors, either unconditionally or upon
27 specified terms and conditions or for specified periods, exempt
28 from the provisions of section 301 any class of persons
29 specified in such regulations.

30 Section 303. Registration Procedure.--(a) (i) A broker-

1 dealer, agent, or investment adviser may obtain an initial or
2 renewal license by filing with the commission an application
3 together with a consent to service of process pursuant to
4 section 701. The application shall contain such information, and
5 in such detail, as the commission by rule requires concerning
6 the applicant's form and place of organization, proposed method
7 of doing business, and financial condition, the qualifications
8 and experience of the applicant, including, in the case of a
9 broker-dealer or investment adviser, the qualifications and
10 experience of any partner, officer, director, or affiliate, or a
11 person occupying a similar status or performing similar
12 functions any injunction or administrative order or conviction
13 referred to in section 305 (a) (ii), information about
14 affiliates or predecessors of the applicant, and any other
15 matters which the commission determines are relevant to the
16 application.

17 (ii) If no denial order is in effect and no proceeding is
18 pending under section 305, the registration becomes effective on
19 the thirtieth day after the filing of the application therefor
20 or any material amendment thereto, or on such earlier date as
21 the commission may order. The commission is directed to
22 cooperate with other securities administrators and regulatory
23 authorities to simplify and coordinate registration, application
24 and renewal procedures.

25 (b) A registered broker-dealer or investment adviser may
26 file an application for registration of a successor, whether or
27 not the successor is then in existence, for the unexpired
28 portion of the registrant's term. There shall be no filing fee.

29 (c) The commission may by regulation prescribe standards of
30 qualification with respect to training, experience and knowledge

1 of the securities business and provide for an examination, which
2 may be written or oral or both, to be taken by any class of or
3 all applicants, as well as persons who represent or will
4 represent an investment adviser, and the commission may by order
5 require an examination of a licensed broker-dealer, agent or
6 investment adviser for due cause.

7 (d) The commission may by regulation require a minimum
8 capital for broker-dealers and investment advisers and establish
9 limitations on aggregate indebtedness of broker-dealers in
10 relation to net capital and may classify broker-dealers and
11 investment advisers for purposes of such requirements. The
12 commission may not, however, with respect to any broker-dealer
13 who is a member of the National Association of Securities
14 Dealers, Inc. or who is registered with the Securities and
15 Exchange Commission require a higher minimum capital or lower
16 ratio of aggregate indebtedness to net capital than is contained
17 in the rules or regulations adopted by such association or
18 commission.

19 (e) The commission may by regulation require surety bonds to
20 be posted by any broker-dealer, investment adviser, and any
21 issuer who employs agents in connection with any security or
22 transaction not exempted by section 202 or 203 in an amount not
23 exceeding ten thousand dollars (\$10,000), and all bonds required
24 shall provide for suit thereon by injured customers, clients or
25 purchasers, but no bond may be required of any registered
26 broker-dealer or investment adviser whose net capital exceeds
27 the amount prescribed in this section 303 or by regulation for
28 this purpose. Such bond, unless cancelled as provided herein,
29 shall be in effect during the entire period that a registration
30 is in effect. Every bond shall contain a provision that such

1 bond is not cancellable, except on thirty-days prior written
2 notice to the person by whom the bond was posted and the
3 commission, provided that such cancellation shall not affect any
4 liability incurred or accrued prior to the effective date of
5 such cancellation.

6 Section 304. Post-Registration Provisions.--(a) Every
7 registered broker-dealer and investment adviser shall make and
8 keep all accounts, correspondence, memoranda, papers, books and
9 other records which the commission by regulation prescribes. All
10 records required shall be preserved for three years unless the
11 commission by regulation prescribes otherwise for particular
12 types of records. All required records shall be kept within this
13 State or shall, at the request of the commission, be made
14 available at any time for examination by it either in the
15 principal office of the registrant or by production of exact
16 copies thereof in this State.

17 (b) Every registered broker-dealer and investment adviser
18 shall file such financial reports as the commission by
19 regulation prescribes.

20 (c) If the information contained in any document filed with
21 the commission is or becomes inaccurate or incomplete in any
22 material respect, the registrant shall promptly file a
23 correcting amendment.

24 (d) The commission shall make periodic examinations, within
25 or without this State, of each broker-dealer and investment
26 adviser at reasonable times and in reasonable scope. These
27 examinations may be made without prior notice to the broker-
28 dealer or investment adviser. For the purpose of avoiding
29 unnecessary duplication of examinations, the commission, in so
30 far as it deems it practicable in administering this subsection,

1 shall cooperate with securities administrators of other states,
2 the Securities and Exchange Commission, and any national
3 securities exchange or national securities association
4 registered under the Securities Exchange Act of 1934 or any
5 other department or agency of this State.

6 (e) The commission may by regulation prohibit unreasonable
7 charges, commissions or other compensation of broker-dealers and
8 investment advisers, provided that any charges, commissions, or
9 other compensation consistent with rates set by a national
10 securities exchange, when applied to transactions on that
11 exchange, or by the Securities and Exchange Commission or
12 national securities association registered under the Securities
13 Exchange Act of 1934, shall not be deemed unreasonable under
14 this section. Any underwriting compensation permitted by a
15 national securities association registered under the Securities
16 Exchange Act of 1934 with respect to the underwriting activities
17 of its members shall not be deemed unreasonable under this
18 section.

19 (f) The commission may prescribe rules which it finds
20 appropriate in the public interest and for the protection of
21 investors for the conduct of business by broker-dealers and
22 investment advisers who are not members of the National
23 Association of Securities Dealers, Inc. or any other national
24 securities association registered under the Securities Exchange
25 Act of 1934, which association has adopted rules of conduct.

26 (g) All broker-dealers and investment advisers registered
27 hereunder shall display copies of their currently effective
28 licenses, bearing the seal of the commission, prominently in
29 each place of business within this State. Each such certificate
30 shall contain the names of such persons as the commission shall

1 by rule provide.

2 Section 305. Denial, Suspension and Revocation of
3 Registration.--(a) The commission may, by order, deny, suspend,
4 or revoke any registration or may censure any registrant if it
5 finds that such order is in the public interest and that such
6 registrant or applicant, or in the case of any broker-dealer or
7 investment adviser, any affiliate thereof, whether prior or
8 subsequent to becoming associated with such person:

9 (i) Has, in any application for registration or in any
10 report required to be filed with the commission under this act,
11 or in any proceeding before the commission, wilfully made or
12 caused to be made any statement which was at the time and in the
13 light of the circumstances under which it was made false or
14 misleading with respect to any material fact, or has wilfully
15 omitted to state in any such application, report or proceeding,
16 any material fact which is required to be stated therein or
17 necessary in order to make the statements made, in the light of
18 the circumstances under which they are made, not misleading, or
19 has wilfully failed to amend or supplement such an application,
20 report or statement in a timely manner in accordance with rules
21 which may be adopted by the commission; or

22 (ii) Has, within ten years of the date of the commission's
23 action, been either (A) convicted of a felony or misdemeanor, or
24 (B) held liable in a civil action by final judgment of a court
25 based upon conduct showing moral turpitude, and the commission
26 finds that any such felony, misdemeanor or civil action (I)
27 involved the purchase or sale of any security, or any other
28 aspect of the securities business, (II) arose out of the conduct
29 of the business of a broker-dealer, investment adviser or issuer
30 with respect to a security or transaction not exempt under

1 section 202 or 203, (III) involved embezzlement, fraudulent
2 conversion or misappropriation of property, funds or securities,
3 or (IV) involved the violation of section 1341, 1342 or 1343 of
4 Title 18 of the United States Code; or

5 (iii) Is permanently or temporarily enjoined by any court of
6 competent jurisdiction from engaging in or continuing any
7 conduct or practice involving any aspect of the securities
8 business or involving fraudulent conduct in the banking or
9 insurance business; or

10 (iv) Is subject to any currently effective order or order
11 entered within the past five years of the Securities and
12 Exchange Commission or the securities administrator of any other
13 state denying registration to or revoking or suspending the
14 registration of such person as a broker-dealer, agent or
15 investment adviser or is subject to any currently effective
16 order of any national securities association or national
17 securities exchange (as defined in the Securities Exchange Act
18 of 1934) suspending or expelling such person from membership in
19 such association or exchange, or is the subject of a currently
20 effective United States Postal Service fraud order; but the
21 commission may not institute a revocation or suspension
22 proceeding under this subsection on the basis of an order under
23 another state law more than one year after termination of the
24 effectiveness of the order relied on and unless the order was
25 based on facts which would currently constitute grounds for an
26 order under this section; or

27 (v) Has wilfully violated any provision of the Securities
28 Act of 1933, the Securities Exchange Act of 1934, the Trust
29 Indenture Act of 1939, the Investment Advisers Act of 1940, the
30 Investment Company Act of 1940 or this act, or any predecessor

1 law, or of any rule or regulation under any of such statutes; or

2 (vi) Has wilfully aided, abetted, counseled, commanded,
3 induced, or procured the violation by any other person of any of
4 the statutes or rules or regulations referred to in subsection
5 (v); or

6 (vii) Has failed reasonably to supervise his agents, if he
7 is a broker-dealer, or his employes, if he is an investment
8 adviser, but no person shall be deemed to have failed in such
9 supervision if there have been established procedures, and a
10 system for applying such procedures, which would reasonably be
11 expected to prevent and detect, in so far as practicable, any
12 violation of statutes, rules or orders described in subsection
13 (v) and if such person has reasonably discharged the duties and
14 obligations incumbent upon him by reason of such procedures and
15 system without reasonable cause to believe that such procedures
16 and system were not being complied with; or

17 (viii) Is the subject of a currently effective order of the
18 commission denying, suspending or revoking his registration in
19 any other capacity under this act; or

20 (ix) Has engaged in dishonest or unethical practices in the
21 securities business or has taken unfair advantage of a customer;
22 or

23 (x) Is insolvent, either in the sense that his liabilities
24 exceed his assets or in the sense that he cannot meet his
25 obligations as they mature, or is in such financial condition
26 that he cannot continue in business with safety to his
27 customers, or has not sufficient financial responsibility to
28 carry out the obligations incident to his operations provided
29 that the commission has made a specific finding of insolvency,
30 absence of safety or insufficient financial responsibility; or

1 (xi) Is not qualified on the basis of such factors as
2 training, experience and knowledge of the securities business;
3 except as otherwise provided in subsection (b); or

4 (xii) Is selling or has sold, or is offering or has offered
5 for sale, in this State securities through any unregistered
6 agent required to be registered under this act or for any
7 broker-dealer or issuer with knowledge that such broker-dealer
8 or issuer had not or has not complied with this act; or

9 (xiii) Has made any material misrepresentation to or
10 withheld or concealed from or omitted to state to the commission
11 or any of its representatives any material fact necessary in
12 order to make the statements made, in the light of the
13 circumstances under which they are made, not misleading, or has
14 refused to furnish information reasonably requested by the
15 commission.

16 (b) The following provisions govern the application of
17 section 305 (a) (xi):

18 (i) The commission may not enter an order against a broker-
19 dealer on the basis of the lack of qualification of any person
20 other than (A) the broker-dealer himself if he is an individual,
21 or (B) an agent of the broker-dealer.

22 (ii) The commission may not enter an order against an
23 investment adviser on the basis of the lack of qualification of
24 any person other than (A) the investment adviser himself if he
25 is an individual, or (B) any other person who represents the
26 investment adviser in doing any of the acts which make him an
27 investment adviser.

28 (iii) The commission may not enter an order solely on the
29 basis of lack of experience if the applicant or registrant is
30 qualified by training or knowledge or both.

1 (iv) The commission shall consider that an agent who will
2 work under the supervision of a registered broker-dealer need
3 not have the same qualifications as a broker-dealer.

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

11 (vi) The commission may by rule provide for an examination,
12 which may be written or oral or both, to be taken by any class
13 of or all applicants, as well as persons who represent or will
14 represent an investment adviser in doing any of the acts which
15 make him an investment adviser.

16 (c) The commission may not institute a suspension or
17 revocation proceeding on the basis of a fact or transaction
18 known to it when the registration became effective unless the
19 proceeding is instituted within thirty days after such effective
20 date.

21 (d) The commission may by order summarily deny, postpone or
22 suspend an application for registration pending final
23 determination of any proceeding under this section. Upon the
24 entry of the order, the commission shall promptly notify the
25 applicant or registrant, as well as the employer or prospective
26 employer if the applicant or registrant is an agent, that it has
27 been entered and of the reasons therefor and that within fifteen
28 days after the receipt of a written request the matter will be
29 set down for hearing. If no hearing is requested and none is
30 ordered by the commission, the order will remain in effect until

1 it is modified or vacated by the commission. If a hearing is
2 requested or ordered, the commission, after notice of and
3 opportunity for hearing, may modify or vacate the order or
4 extend it until final determination.

5 (e) If the commission finds that any registrant or applicant
6 is no longer in existence or has ceased to do business as a
7 broker-dealer, agent or investment adviser, or is subject to an
8 adjudication of mental incompetence or to the control of a
9 committee, conservator or guardian, or cannot be located after
10 reasonable search, the commission may by order revoke the
11 registration or deny the application.

12 (f) Withdrawal from the status of a registered broker-
13 dealer, agent or investment adviser becomes effective on the
14 thirtieth day after receipt of an application to withdraw, or
15 within such shorter period as the commission determines, unless
16 a revocation or suspension proceeding is pending before the
17 commission when the application is filed or a proceeding to
18 revoke or suspend or to impose conditions upon the withdrawal is
19 instituted before the commission within thirty days after the
20 application is filed. If a proceeding is so pending or
21 instituted, withdrawal becomes effective at such time and upon
22 such conditions as the commission by order determines. If no
23 proceeding is so pending or instituted and withdrawal
24 automatically becomes effective, the commission may institute a
25 revocation or suspension proceeding under subsection (a) (ii)
26 within one year after withdrawal became effective and enter a
27 revocation or suspension order as of the last date on which the
28 registration was in effect.

29 (g) No order may be entered under this section except under
30 subsection (d) without appropriate prior notice to the applicant

1 or registrant as well as the employer or prospective employer if
2 the applicant or registrant is an agent, opportunity for hearing
3 and written findings of fact and conclusions of law. In cases of
4 denial orders, such findings and conclusions shall be provided
5 only if requested by the applicant.

6 Section 306. Prohibited Employment.--(a) It is unlawful for
7 any person, as to whom an order suspending or revoking his
8 registration is in effect, willfully to become or to be employed
9 in any capacity by any broker-dealer or investment adviser or in
10 the position of agent for an issuer without the consent of the
11 commission; and it is unlawful for any broker-dealer, investment
12 adviser or issuer to permit such a person to become or to remain
13 a person employed by him without the consent of the commission
14 if such broker-dealer, investment adviser or issuer knew, or in
15 the exercise of reasonable care should have known, of such
16 order.

17 (b) No issuer (except for a broker-dealer registered
18 hereunder) shall employ any person as an agent hereunder if such
19 issuer knew, or in the exercise of reasonable care should have
20 known, that such person has at any time within the twelve
21 previous months participated in this State as an agent, officer
22 or director of another issuer in the sale of securities of that
23 issuer, which securities were registered under section 205 or
24 206.

25 PART IV

26 FRAUDULENT AND PROHIBITED PRACTICES

27 Section 401. Sales and Purchases.--It is unlawful for any
28 person, in connection with the offer, sale or purchase of any
29 security in this State, directly or indirectly:

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

1 (b) To make any untrue statement of a material fact or to
2 omit to state a material fact necessary in order to make the
3 statements made, in the light of the circumstances under which
4 they are made, not misleading; or

5 (c) To engage in any act, practice or course of business
6 which operates or would operate as a fraud or deceit upon any
7 person.

8 Section 402. Market Manipulation.--It is unlawful for any
9 person, directly or indirectly, in this State:

10 (a) For the purpose of creating a false or misleading
11 appearance of active trading in a security or a false or
12 misleading appearance with respect to the market for a security:

13 (i) to effect any transaction in the security which involves
14 no change in the beneficial ownership thereof; or

15 (ii) to enter any order or orders for the purchase (or sale) ←
16 of the security with the knowledge that an order or orders of
17 substantially the same size, at substantially the same time, and
18 at substantially the same price for the sale (or purchase) of ←
19 the security, have been or will be entered by or for the same or
20 affiliated persons;

21 (b) To effect, alone or with one or more other persons, a
22 series of transactions in any security creating actual or
23 apparent active trading in the security or raising or depressing
24 the price of the security for the purpose of inducing the
25 purchase or sale of the security by others; or

26 (c) To induce the purchase or sale of any security by the
27 circulation or dissemination of information to the effect that
28 the price of the security will or is likely to rise or fall
29 because of market operations of any one or more persons
30 conducted for the purpose of raising or depressing the price of

1 the security, if he is selling or offering to sell or purchasing
2 or offering to purchase the security or is receiving a
3 consideration, directly or indirectly, from any such person.

4 Section 403. Prohibited Transactions; Broker-dealers and
5 Agents.--No broker-dealer or agent shall effect any transaction
6 in, or induce or attempt to induce the purchase or sale of, any
7 security in this State by means of any manipulative, deceptive
8 or other fraudulent scheme, device, or contrivance, fictitious
9 quotation, or in violation of this act or any regulation or
10 order hereunder.

11 Section 404. Prohibited Activities; Investment Advisers.--It
12 is unlawful for any investment adviser, directly or indirectly,
13 in this State:

14 (a) To employ any device, scheme, or artifice to defraud any
15 client or prospective client.

16 (b) To engage in any transaction, practice, or course of
17 business which operates as a fraud or deceit upon any client or
18 prospective client.

19 (c) Acting as principal for his own account, knowingly to
20 sell any security to or purchase any security from a client for
21 whom he is acting as investment adviser, or, acting as broker
22 for a person other than such client, knowingly to effect any
23 sale or purchase of any security for the account of such client,
24 without disclosing to such client in writing before the
25 completion of the transaction the capacity in which he is acting
26 and obtaining the written consent of the client to such
27 transaction.

28 (d) To engage in any act, practice, or course of business
29 which is fraudulent, deceptive, or manipulative.

30 (e) To represent that he is an investment counsel or to use

1 the name "investment counsel" as descriptive of his business
2 unless his principal business consists of acting as investment
3 adviser and a substantial part of his business consists of
4 rendering investment advisory services on the basis of the
5 individual needs of his clients.

6 (f) Unless an ~~adviser~~ ADVISER is registered as a broker- ←
7 dealer under this act, to take and have custody of any
8 securities or funds of any client if he fails to meet such
9 requirements therefor as may be prescribed by the commission by
10 regulation.

11 Section 405. Contract Requirements.--It is unlawful for any
12 investment adviser to enter into, extend, or renew any
13 investment advisory contract unless it provides in writing:

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

18 (2) that no assignment of the contract may be made by the
19 investment adviser without the consent of the other party to the
20 contract; and

21 (3) that the investment adviser, if a partnership, shall
22 notify the other party to the contract of any change in the
23 membership of the partnership within a reasonable time after the
24 change.

25 Clause (1) does not prohibit an investment advisory contract
26 which provides for compensation based upon the total value of a
27 fund averaged over a definite period, or as of definite dates or
28 taken as of a definite date, or in any other manner permitted by
29 the Investment Advisers Act of 1940, and the rules and
30 regulations promulgated thereunder or any contract for the

1 rendering of investment advisory services to an institutional
2 investor. "Assignment," as used in clause (2), includes any
3 direct or indirect transfer or hypothecation of an investment
4 advisory contract by the assignor or of a controlling block of
5 the assignor's outstanding voting securities by a security
6 holder of the assignor; but, if the investment ~~adviser~~ ADVISER ←
7 is a partnership, no assignment of an investment advisory
8 contract is considered to result from the death or withdrawal of
9 a minority of the members of the investment adviser having only
10 a minority interest in the business of the investment adviser,
11 or from the admission to the investment adviser of one or more
12 members who, after admission, will be only a minority of the
13 members and will have only a minority interest in the business.

14 Section 406. Inside Information.--It is unlawful for an
15 issuer or any person who is an officer, director, or affiliate
16 of an issuer or any other person whose relationship to the
17 issuer gives him access, directly or indirectly, to material
18 information about the issuer not generally available to the
19 public, to purchase or sell any security of the issuer in this
20 State at a time when he knows material information about the
21 issuer gained from such relationship, which information (a)
22 would significantly affect the market price of that security;
23 (b) is not generally available to the public; and (c) he knows
24 is not intended to be so available, unless he has reason to
25 believe that the person selling to or buying from him is also in
26 possession of the information.

27 Section 407. Misleading Filings; Misrepresentations of
28 Commission Approval.--(a) It is unlawful for any person to make
29 or cause to be made, in any document filed with the commission
30 or in any proceeding under this act, any statement which is, at

1 the time and in the light of the circumstances under which it is
2 made, false or misleading in any material respect or, in
3 connection with such statement, to omit to state a material fact
4 necessary in order to make the statements made, in the light of
5 the circumstances under which they are made, not misleading.

6 (b) It is unlawful for any person registered as a broker-
7 dealer, agent or investment adviser under this act to represent
8 or imply in any manner whatsoever that such person has been
9 sponsored, recommended, or approved or that his abilities or
10 qualifications have in any respect been passed upon by the
11 commission. Nothing in this section prohibits a statement (other
12 than in a paid advertisement) that a person is registered under
13 this act, if such statement is true in fact and if the effect of
14 such registration is not misrepresented.

15 (c) (i) Neither the fact that an application for
16 registration of securities under this act has been filed nor the
17 fact that such application becomes effective constitutes a
18 finding by the commission that any document filed under this act
19 is true, complete or not misleading. Neither any such fact nor
20 the fact that an exemption is available for a security or a
21 transaction means that the commission has passed upon the merits
22 or qualifications of, or recommended or given approval to any
23 person, security or transaction.

24 (ii) It is unlawful to make, or cause to be made, to any
25 prospective purchaser or any other person, any representation
26 inconsistent with clause (i) of this subsection.

27 PART V

28 ENFORCEMENT

29 Section 501. Civil Liabilities.--(a) Any person who: (i)
30 offers or sells a security in violation of section ~~301 or~~ 407 <—

1 (c) OR AT ANY TIME WHEN SUCH PERSON HAS COMMITTED A MATERIAL <—
2 VIOLATION OF SECTION 301, or any regulation relating thereto, TO <—
3 EITHER SECTION 301 OR 407 (C), or any order under this act of
4 which he has notice; or (ii) offers or sells a security in
5 violation of sections 401, 403, 404 or otherwise by means of any
6 untrue statement of a material fact or any omission to state a
7 material fact necessary in order to make the statements made, in
8 the light of the circumstances under which they are made, not
9 misleading, the purchaser not knowing of the untruth or
10 omission, and who does not sustain the burden of proof that he
11 did not know and in the exercise of reasonable care could not
12 have known of the untruth or omission, shall be liable to the
13 person purchasing the security from him, who may sue either at
14 law or in equity to recover the consideration paid for the
15 security, together with interest at the legal rate from the date
16 of payment, less the amount of any income or distributions, in
17 cash or in kind, received on the security, upon the tender of
18 the security, or for damages if he no longer owns the security.
19 Damages are the amount that would be recoverable upon a tender
20 less the value of the security when the purchaser disposed of
21 it, plus interest at the legal rate from the date of
22 disposition. Tender shall require only notice of willingness to
23 exchange the security for the amount specified. Any notice may
24 be given by service as in civil actions or by certified mail
25 addressed to the last known address of the person liable.

26 (b) Any person who purchases a security in violation of
27 sections 401, 403, 404 or otherwise by means of any untrue
28 statement of a material fact or any omission to state a material
29 fact necessary in order to make the statements made, in light of
30 the circumstances under which they are made, not misleading,

1 shall be liable to the person selling the security to him, who
2 may sue either at law or in equity to recover the security, plus
3 any income or distributions, in cash or in kind, received by the
4 purchaser thereon, upon tender of the consideration received, or
5 for damages if the purchaser no longer owns the security.

6 Damages are the excess of the value of the security when the
7 purchaser disposed of it, plus interest at the legal rate from
8 the date of disposition, over the consideration paid for the
9 security. Tender requires only notice of willingness to pay the
10 amount specified in exchange for the security. Any notice may be
11 given by service as in civil actions or by certified mail to the
12 last known address of the person liable.

13 (c) Any person who wilfully participates in any act or
14 transaction in violation of section 402 shall be liable to any
15 other person who purchases or sells any security at a price
16 which was affected by the act or transaction for the damages
17 sustained as a result of such act or transaction. Damages shall
18 be the difference between the price at which the other person
19 purchased or sold securities and the market value which the
20 securities would have had at the time of his purchase or sale in
21 the absence of the act or transaction, plus interest at the
22 legal rate.

23 (d) Any investment adviser who violates section 405 shall be
24 liable to the other party to the investment advisory contract
25 for all fees paid under such contract to the investment adviser,
26 less any profits earned by such party through transactions
27 effected as a result of advice given under the contract, plus
28 interest at the legal rate. In addition, either party may, at
29 any time, declare the contract null and void as of the date of
30 such declaration.

1 (e) Any person who violates section 406 shall be liable to
2 the person who purchases a security from him or sells a security
3 to him in violation of section 406, for damages equal to the
4 difference between the price at which such security was
5 purchased or sold and the market value which such security would
6 have had at the time of the purchase or sale if the information
7 known to the defendant had been publicly disseminated prior to
8 that time and a reasonable time had elapsed for the market to
9 absorb the information, plus interest at the legal rate, unless
10 the defendant proves that the plaintiff knew the information or
11 that the plaintiff would have purchased or sold at the same
12 price even if the information had been revealed to him.

13 Section 502. Violation of Registration Requirements.--Any
14 person who violates section 201 or any material condition
15 imposed under section 206 or 207 shall be liable to the person
16 purchasing the security offered or sold in violation of section
17 201 from him who may sue EITHER at law or in equity to recover ←
18 the consideration paid for the security, together with interest
19 at the legal rate from the date of payment, less the amount of
20 any income or distributions, in cash or in kind, received on the
21 security, upon the tender of the security, or for damages if he
22 no longer owns the security. Damages shall be the amount that
23 would be recoverable upon a tender less the value of the
24 security when the purchaser disposed of it and interest at the
25 legal rate from the date of disposition. Any person on whose
26 behalf an offering is made and any underwriter of the offering,
27 whether on a best efforts or a firm commitment basis, shall be
28 jointly and severally liable under this section, but in no event
29 shall any underwriter be liable in any suit or suits authorized
30 under this section for damages in excess of the total price at

1 which the securities underwritten by him and distributed to the
2 public were offered to the public. Tender requires only notice
3 of willingness to exchange the security for the amount
4 specified. Any notice may be given by service as in civil
5 actions or by certified mail addressed to the last known address
6 of the person liable. No person shall be liable under this
7 section if the sale of the security is registered prior to the
8 payment or receipt of any part of the consideration for the
9 security sold, even though an offer to sell or a contract of
10 sale may have been made or entered into without registration.

11 Section 503. Joint and Several Liability; Contribution;
12 Corporation's Right of Indemnification.--(a) Every affiliate of
13 a person liable under section 501 or 502, every partner,
14 principal executive officer or director of such person, every
15 person occupying a similar status or performing similar
16 functions, every employe of such person who materially aids in
17 the act or transaction constituting the violation, and every
18 broker-dealer or agent who materially aids in the act or
19 transaction constituting the violation, are also liable jointly
20 and severally with and to the same extent as such person, unless
21 the person liable hereunder proves that he did not know, and in
22 the exercise of reasonable care could not have known, of the
23 existence of the facts by reason of which the liability is
24 alleged to exist.

25 (b) A corporation which is liable under this act shall have
26 a right of indemnification against any of its affiliates whose
27 wilful violation of any provision of this act gave rise to such
28 liability. All persons civilly liable under this act shall have
29 a right of contribution against all other persons similarly
30 liable, based upon each person's proportionate share of the

1 total liability, except that no person whose wilful violation of
2 any provision of this act has given rise to any civil liability
3 shall have any right of contribution against any other person
4 guilty merely of a negligent violation.

5 Section 504. Time Limitations on Rights of Action.--(a) No
6 action shall be maintained to enforce any liability created
7 under section 501 (or section 503 in so far as it relates to
8 that section) unless brought before the expiration of three
9 years after the act or transaction constituting the violation or
10 the expiration of one year after the plaintiff receives actual
11 notice or upon the exercise of reasonable diligence should have
12 known of the facts constituting the violation, whichever shall
13 first expire.

14 (b) No action shall be maintained to enforce any liability
15 created under section 502 (or section 503 in so far as it
16 relates to that section) unless brought before the expiration of
17 two years after the violation upon which it is based or the
18 expiration of one year after the plaintiff receives actual
19 notice or upon the exercise of reasonable diligence should have
20 known of the facts constituting such violation, whichever shall
21 first expire.

22 (c) No action shall be maintained to enforce any right of
23 indemnification or contribution created by section 503 unless
24 brought before the expiration of one year after final judgment
25 based upon the liability for which the right of indemnification
26 or contribution exists.

27 (d) No purchaser may commence an action under section 501,
28 502 or 503 if, before suit is commenced, the purchaser has
29 received a written offer: (i) stating the respect in which
30 liability under such section may have arisen and fairly advising

1 the purchaser of his rights; offering to repurchase the security
2 for cash, payable on delivery of the security, equal to the
3 consideration paid, together with interest at the legal rate
4 from the date of payment, less the amount of any income or
5 distributions, in cash or in kind, received thereon or, if the
6 purchaser no longer owns the security, offering to pay the
7 purchaser upon acceptance of the offer an amount in cash equal
8 to the damages computed in accordance with section 501 (a); and
9 (ii) stating that the offer may be accepted by the purchaser at
10 any time within a specified period of not less than thirty days
11 after the date of receipt thereof, or such shorter period as the
12 commission may by rule prescribe; and the purchaser has failed
13 to accept such offer in writing within the specified period.

14 (e) No seller may commence an action under section 501, 502
15 or 503 if, before suit is commenced, the seller has received a
16 written offer: (i) stating the respect in which liability under
17 such section may have arisen and fairly advising the seller of
18 his rights; (ii) offering to return the security plus the amount
19 of any income or distributions, in cash or in kind, received
20 thereon upon payment of the consideration received, or, if the
21 purchaser no longer owns the security, offering to pay the
22 seller upon acceptance of the offer an amount in cash equal to
23 the damages computed in accordance with section 501 (b); and
24 (iii) providing that the offer may be accepted by the seller at
25 any time within a specified period of not less than thirty days
26 after the date of receipt thereof, or such shorter period as the
27 commission may by regulation prescribe; and the seller has
28 failed to accept the offer in writing within the specified
29 period.

30 (f) Offers under subsection (d) or (e) of this section 504

1 shall be in the form and contain the information the commission
2 by rule prescribes. Every offer under this subsection shall be
3 delivered to the offeree personally or sent by certified mail
4 addressed to him at his last known address. If an offer is not
5 performed in accordance with its terms, suit by the offeree
6 under section 501, 502 or 503, shall be permitted without regard
7 to subsections (d) and (e) of this section 504.

8 Section 505. Death of Plaintiff or Defendant.--Every cause
9 of action under this act survives the death of any person who
10 might have been a plaintiff or defendant.

11 Section 506. Limitation of Liability.--Except as explicitly
12 provided in this act, no civil liability in favor of any private
13 party shall arise against any person by implication from or as a
14 result of the violation of any provision of this act or any rule
15 or order hereunder. Nothing in this act shall limit any
16 liability which might exist by virtue of any other statute or
17 under common law if this act were not in effect.

18 Section 507. No Waiver of Right of Action.--Any condition,
19 stipulation or provision binding any person acquiring any
20 security to waive compliance with any provision of this act or
21 any rule or order hereunder is void.

22 Section 508. Limitation on Plaintiffs.--No person may base
23 any suit on any contract in violation of this act or any rule or
24 order hereunder if he has made or engaged in the performance of
25 such contract or has acquired any purported right under any such
26 contract with knowledge of the facts by reason of which its
27 making or performance was in violation.

28 Section 509. Right of Commission to Bring Action; Class
29 Actions.--(a) Whenever it appears to the commission that any
30 person has engaged or is about to engage in any act or practice

1 constituting a violation of any provision of this act or any
2 rule or order hereunder, it may in its discretion bring an
3 action in the name of the people of the Commonwealth of
4 Pennsylvania in the Commonwealth Court or in any of the several
5 courts of common pleas of Pennsylvania to enjoin the acts or
6 practices or to enforce compliance with this act or any rule or
7 order hereunder. Upon a proper showing, a permanent or
8 preliminary injunction, restraining order, or writ of mandamus
9 shall be granted, and a receiver or conservator may be appointed
10 for the defendant or the defendant's assets. The court may not
11 require the commission to post a bond.

12 (b) The commission may, with the approval of the Attorney
13 General, include in any action authorized by subsection (a) a
14 claim for restitution or damages under section 501, 502 or 503
15 on behalf of the persons injured by the act or practice
16 constituting the subject matter of the action, and the court
17 shall have jurisdiction to award appropriate relief to such
18 persons, if the court finds that enforcement of the rights of
19 such persons by private civil action, whether by class action or
20 otherwise, would be so burdensome or expensive as to be
21 impractical.

22 Section 510. Investigations and Subpoenas.--(a) The
23 commission in its discretion:

24 (i) May make such public or private investigations within or
25 without this State as it deems necessary to determine whether
26 any person has violated or is about to violate this act or any
27 rule or order hereunder, or to aid in the enforcement of this
28 act or in the prescribing of rules and forms hereunder;

29 (ii) May, for a reasonable time not exceeding thirty days,
30 take possession of the books, records, accounts and other papers

1 pertaining to the business of any broker-dealer or investment
2 adviser or pertaining to the activities of any issuer in
3 connection with any transaction in a security, whether or not
4 exempted under section 202 or 203 and the use of any proceeds
5 obtained therefrom, and place a keeper in exclusive charge of
6 them in the place where they are usually kept. During such
7 possession no person shall remove or attempt to remove any of
8 the books, records, accounts, or other papers except pursuant to
9 a court order or with the consent of the commission; but the
10 directors, officers, partners, and employes of the broker-
11 dealer, investment adviser or issuer may examine them, and
12 employes shall be permitted to make entries therein reflecting
13 current transactions.

14 (iii) May require or permit any person to file a statement
15 in writing, under oath or otherwise as the commission
16 determines, as to all the facts and circumstances concerning the
17 matter being investigated;

18 (iv) May publish information concerning any violation of
19 this act or any rule or order hereunder or concerning
20 securities, or practices in the sale thereof, which appear or
21 tend to be unfair, inequitable or fraudulent, but only where it
22 deems such publication to be in the public interest and for the
23 protection of investors; and

24 (v) May hold hearings, upon reasonable notice, in respect of
25 any matters arising out of the administration of this act.

26 (b) For the purpose of any investigation, hearing or
27 proceeding under this act, the commission or any officer
28 designated by it may administer oaths and affirmations, subpoena
29 witnesses, compel their attendance, take evidence and require
30 the production of any books, papers, correspondence, memoranda,

1 agreements or other documents or records which the commission
2 deems relevant or material to the inquiry.

3 (c) In case of contumacy by, or refusal to obey a subpoena
4 issued to, any person, the Commonwealth Court or any of the
5 several courts of common pleas of Pennsylvania, upon application
6 by the commission, may issue to the person an order requiring
7 him to appear before the commission, or the officer designated
8 by it, there to produce documentary evidence, if so ordered, or
9 to give evidence touching the matter under investigation or in
10 question. Failure to obey the order of the court may be punished
11 by the court as a contempt.

12 (d) (i) If, in a proceeding before the commission, any
13 person shall refuse to testify or to produce evidence of any
14 other kind on the ground that his testimony or evidence may tend
15 to incriminate him, that person may be ordered to give such
16 testimony. The order to testify shall not be given except upon
17 an order of court after a hearing in which the Attorney General
18 has established a need for the grant of immunity, as hereinafter
19 provided;

20 (ii) The Attorney General may petition the Commonwealth
21 Court or the court of common pleas of the county in which such
22 person resides (if he is a resident of this State) for an order
23 requiring any person to testify or produce evidence, which
24 petition may be joined in by the district attorney of such
25 county. Such petition shall set forth the nature of the
26 investigation and the need for the immunization of the witness;

27 (iii) No such witness shall be prosecuted or subjected to
28 any penalty or forfeiture, nor shall there be any liability on
29 the part of and no cause of action of any nature shall arise
30 against, any such witness for or on account of any transaction,

1 matter or thing concerning which he is compelled, after having
2 claimed his privilege against self-incrimination, to testify or
3 produce evidence, nor shall testimony so compelled be used as
4 evidence in any criminal proceeding against him in any court;

5 (iv) No person so ordered to testify or to produce evidence,
6 shall be exempt from any punishment or forfeiture for perjury
7 committed by him while so testifying. Such testimony shall be
8 admissible against him in any criminal action or other
9 proceeding concerning such perjury;

10 (v) Any person who shall refuse or decline to testify or
11 produce evidence of any other kind after being granted immunity
12 and ordered by the court shall be guilty of criminal contempt
13 and, upon conviction thereof, shall be sentenced to pay a fine
14 of not exceeding one thousand dollars (\$1,000), or to undergo
15 imprisonment for a period not exceeding one year, or both.

16 Section 511. Criminal Penalties.--Any person who wilfully
17 violates any material provision of this act, except section 407
18 (a), or any rule under this act, or any order of which he has
19 notice, or who violates section 407 (a) knowing that the
20 statement made was false or misleading in any material respect,
21 may be fined not more than five thousand dollars (\$5,000) or
22 imprisoned not more than five years, or both. Each of the acts
23 specified shall constitute a separate offense and a prosecution
24 or conviction for any one of such offenses shall not bar
25 prosecution or conviction for any other offense. No indictment
26 or information may be returned under this act more than five
27 years after the alleged violation.

28 PART VI

29 ADMINISTRATION

30 Section 601. Administration.--(a) This act shall be

1 administered by the commission, which shall consist of three
2 commissioners appointed by the Governor with the advice and
3 consent of the Senate. The commissioners shall hold office at
4 the pleasure of the Governor and until their successors are duly
5 appointed and qualified. A quorum of the commission shall be a
6 majority of the commissioners then serving. Any action taken at
7 a meeting at which a quorum of the commission is present shall
8 be the lawful act of the commission for all purposes.

9 (b) The commission shall also employ a secretary, who shall
10 certify to all actions of the commission and shall make and keep
11 all files and records of proceedings before it.

12 (c) It is unlawful for the commission or any of its officers
13 or employes to use for personal benefit any information which is
14 filed with or obtained by the commission and which is not
15 generally available to the public. Nothing in this act
16 authorizes the commission or any of its officers or employes to
17 disclose such confidential information except among themselves
18 or to other securities administrators, regulatory authorities or
19 governmental agencies, or when necessary or appropriate in a
20 proceeding or investigation under this act or any other law of
21 this State. No provision of this act either creates or derogates
22 from any privilege which exists at common law or otherwise when
23 documentary or other evidence is sought under a subpoena
24 directed to the commission or any of its officers or employes.

25 (d) The principal office of the commission shall be in
26 Harrisburg. It shall establish and maintain offices in such
27 other towns or cities throughout the State as it may, from time
28 to time, determine.

29 (e) The commission shall adopt a seal bearing the
30 inscription: "Pennsylvania Securities Commission." The seal

1 shall be affixed to or imprinted on all orders or certificates
2 issued by it and such other instruments as the commission
3 directs. All courts shall take judicial notice of the seal.

4 Section 602. Fees.--(a) The commission shall charge and
5 collect the fees fixed in this section and remit them to the
6 General Fund.

7 (b) The filing fees for sales of securities under this act
8 shall be as follows:

9 (1) one hundred dollars (\$100) for exemption filings under
10 section 203 (i), except as provided in clause (4) below;

11 (2) two hundred fifty dollars (\$250) for every registration
12 statement filed under section 205, except as provided in clause
13 (4) below;

14 (3) one hundred dollars (\$100) plus one-twentieth of one per
15 cent of the maximum aggregate offering price at which such
16 securities are offered in this State for every registration
17 statement filed under section 206, except that the maximum
18 filing fee shall be one thousand dollars (\$1,000);

19 (4) in the case of an offering of securities by an open-end
20 or closed-end investment company, face amount certificate
21 company or unit investment trust, as such terms are defined in
22 the Investment Company Act of 1940, the filing fee shall be the
23 same as specified in clause (3) above; and

24 (5) when a registration statement is withdrawn before the
25 effective date or a pre-effective stop order is entered under
26 section 208, the commission shall retain one hundred dollars
27 (\$100) from the filing fee.

28 (c) The fee for filing an application for exemption from
29 registration under section 203 (o) (ii) shall be two hundred
30 fifty dollars (\$250). There shall be no filing fee for an

1 application under section 203 (o) (i).

2 (d) Every applicant for an initial or renewal license under
3 section 301 shall pay a filing fee of two hundred fifty dollars
4 (\$250) in the case of a broker-dealer, fifty dollars (\$50) in
5 the case of an agent and two hundred dollars (\$200) in the case
6 of an investment adviser. The term of an agent's registration
7 hereunder shall be concurrent with that of his employer, if a
8 broker-dealer. When an agent changes employers, there shall be a
9 ten dollar (\$10) fee; no additional registration fee shall be
10 paid unless the term of registration of his new employer (if a
11 broker-dealer) expires after the term of his present
12 registration, in which case an additional fee, prorated to allow
13 for the time of expiration of his new employer's registration,
14 shall be paid. A broker-dealer maintaining any office within
15 this State shall pay an additional filing fee of eighty dollars
16 (\$80) for each office. When an application is denied or
17 withdrawn or a registration revoked, the filing fee shall be
18 retained.

19 (e) The fee for the commission's acting as an escrow holder
20 for securities under section 207 is seventy-five dollars (\$75).

21 (f) The fee for any examination, audit, or investigation is
22 the actual amount of all salary costs and other compensation
23 paid to the persons making the examination, audit, or
24 investigation, plus the actual amount of expenses reasonably
25 incurred in the performance of the work. Such fee shall only be
26 payable by a registrant, applicant for registration, issuer or
27 other person in connection with an investigation by the
28 commission where such person has been found guilty of a
29 violation of the provisions of this act.

30 (g) The commission may fix by regulation a reasonable charge

1 for any publication issued under its authority.

2 (h) The commission may fix by regulation reasonable charges
3 for the cost of administering examinations required for
4 registration under this act by section 301.

5 Section 603. Administrative Files.--(a) A document is filed
6 when it is received by the commission.

7 (b) The commission shall keep a register of all registrants
8 and registration statements which are or have ever been
9 effective under this act and predecessor laws and all denial,
10 suspension or revocation orders which have been entered under
11 this act and predecessor laws. The register shall be open for
12 public inspection except with respect to summary suspensions
13 under sections 208 ~~(d)~~ (C) and 305 (d). ←

14 (c) The information contained in or filed with any
15 registration statement, application or report shall be made
16 available to the public in accordance with regulations
17 prescribed by the commission; provided that, upon proper showing
18 of the registrant or issuer, the commission shall treat certain
19 filings as confidential.

20 (d) The commission upon request shall furnish to any person,
21 at a reasonable charge, photostatic or other copies, certified
22 under seal of the commission if certification is requested, of
23 any entry in the register or any order or other document made
24 available to the public under subsection (c) above.

25 Section 604. Interpretive Opinions of Commission.--The
26 commission in its discretion may honor requests from interested
27 persons for interpretive opinions and may make such opinions
28 available to the public under section 603 (c).

29 Section 605. Commissioners and Commission Employes;
30 Relationship with Licensed Persons or Qualified Organizations.--

1 (a) Neither the commissioners nor any employe, clerk or servant
2 of the commission, during their respective terms of employment,
3 shall be interested as a director, officer, shareholder, member,
4 partner, agent, or employe of any person who, during the period
5 of such official's or employe's association with the commission,
6 (i) was licensed or applied for license as a broker-dealer,
7 agent or investment adviser under this act, or (ii) applied for
8 or secured the registration of securities under this act.

9 (b) Nothing contained in subsection (a) shall prohibit the
10 holding or purchasing of any securities by any employe, clerk,
11 or servant in accordance with such regulations as the commission
12 shall adopt for the purpose of protecting the public interest
13 and avoiding conflicts of interest with respect to such
14 employes, clerks and servant.

15 (c) Nothing contained in subsection (a) shall prohibit the
16 holding or purchasing of any securities by any commissioner if;
17 either (i) the commissioner, together with his spouse, minor
18 children and parents or other relatives who are members of his
19 household, owns less than one-tenth of one per cent of any class
20 of outstanding securities of any issuer described in subsection
21 (a) (ii); or (ii) such security is held or purchased through a
22 management account or trust administered by a bank or trust
23 company authorized to do business in this State which has sole
24 investment discretion regarding the holding, purchase and sale
25 of securities, and (A) the commissioner did not, directly or
26 indirectly, advise, counsel, command or suggest the holding,
27 purchase or sale of any such security or furnish any information
28 relating to any such security to such bank or trust company, and
29 (B) such account or trust does not at any time have more than
30 ten per cent of its total assets invested in the securities of

1 any one issuer or hold more than five per cent of the
2 outstanding shares or units of any class of securities of any
3 one issuer. Each commissioner shall report to the Governor not
4 less often than quarterly all holdings, purchases, and sales of
5 securities by him, which reports shall be retained by the
6 Governor's office as public documents.

7 Section 606. Miscellaneous Powers of Commission.--(a) The
8 commission may, by regulation, require any issuer of securities
9 registered under this act or exempted from registration under
10 section 203 (d), ~~(p) or (r)~~ (O), OR (Q), which issuer is not a ←
11 reporting company, to distribute financial information to its
12 shareholders at least annually.

13 (b) If in its opinion the public interest and the protection
14 of investors, so require, the commission may apply to a court of
15 competent jurisdiction for an order, suspending all trading in
16 this State by broker-dealers and agents in any security for any
17 period.

18 (c) No person shall publish in this State any advertisement
19 concerning any security (other than tombstone advertisements
20 permitted under the Securities Act of 1933 and the Investment
21 Company Act of 1940 and the rules and regulations promulgated
22 thereunder) except in accordance with such rules as the
23 commission may promulgate from time to time. No person shall
24 publish any advertisement concerning any security in this State
25 after the commission finds that the advertisement contains any
26 statement that is false or misleading or omits to make any
27 statement necessary in order to make the statements made, in the
28 light of the circumstances under which they are made, not
29 misleading and so notifies the person in writing. Such
30 notification may be given summarily without notice or hearing.

1 At any time after the issuance of a notification under this
2 section, the person desiring to use the advertisement may
3 request in writing that the order be rescinded. Upon the receipt
4 of such a written request, the matter shall be set down for
5 hearing to commence within thirty days after such receipt unless
6 the person making the request consents to a later date. After
7 such hearing, the commission shall determine whether to affirm
8 and continue or to rescind such order.

9 (d) The commission may, by regulation, delegate any powers
10 specified in this act to be exercised by the commission to
11 members of the commission's staff, except for powers related to
12 hearings.

13 Section 607. Hearings and Judicial Review.--(a) Within
14 thirty days after any order has become effective without a
15 hearing, any interested party may apply to the commission for a
16 hearing in respect to any matters determined by the order, and a
17 hearing shall be held within thirty days after the application
18 is filed. After the hearing the commission may modify the order
19 as it deems appropriate.

20 (b) Within thirty days after any order has become effective
21 after a hearing, any interested party may apply to the
22 commission for a rehearing. The commission may grant and hold a
23 rehearing if in its judgment sufficient reasons therefor appear.
24 After rehearing, the commission may vacate or modify the order,
25 and any order vacating the original order shall have the same
26 effect as an original order. Failure to grant an application for
27 rehearing within thirty days from the date of the filing shall
28 constitute a denial; and failure, within fifteen days after the
29 conclusion of a rehearing, to issue an order affirming, vacating
30 or modifying the original order shall constitute an affirmation

1 of the original order.

2 (c) Disciplinary hearings and rehearings shall be public
3 unless the commission grants a request joined in by all parties
4 that the hearing be conducted privately. Investigatory hearings
5 shall not be open to members of the general public unless all
6 parties to the hearing agree otherwise.

7 (d) Orders of the commission shall be subject to judicial
8 review in accordance with law, but orders originally entered
9 without a hearing may be reviewed only if the party seeking
10 review has requested a hearing within the time provided by
11 subsection (a).

12 Section 608. Injunction Procedure.--(a) No injunction shall
13 issue in any proceeding under this act suspending or staying any
14 order of the commission, except upon application to the
15 Commonwealth Court of Pennsylvania or the presiding judge
16 thereof, notice of which shall be given to the commission and
17 other parties to the proceeding, and except after an opportunity
18 for a hearing thereon. No injunction shall issue in any other
19 proceeding or action, in any court, which shall have the effect
20 of delaying or preventing any such order from becoming
21 effective, unless the parties to the proceeding before the
22 commission are also parties to the court proceeding or action
23 and except after notice and opportunity for a hearing.

24 (b) No injunction shall issue in any proceeding under
25 section 607 or in any other proceeding or action suspending or
26 staying any order of the commission or having the effect of
27 delaying or preventing any such order from becoming effective
28 unless an undertaking is entered into on the part of the
29 petitioner or plaintiff, with a surety and in the sum the court
30 or the presiding judge thereof directs or approves, to the

1 effect that the petitioner or plaintiff will pay all damages
2 which any party sustains by the suspension or stay of the order
3 or the delay or prevention of the order's becoming effective,
4 and to such other effect as the court or judge directs, and no
5 order or judgment in any proceeding or action shall be stayed on
6 appeal therefrom unless a like undertaking is entered into by
7 the petitioner or plaintiff.

8 Section 609. Regulations, Forms and Orders.--(a) The
9 commission may make, amend and rescind any regulations, forms
10 and orders that are necessary to carry out this act, including
11 regulations and forms governing registration statements,
12 applications and reports, and defining any terms, whether or not
13 used in this act, insofar as the definitions are not
14 inconsistent with this act. All regulations of the commission
15 (other than those relating solely to its internal
16 administration) shall be of general application and future
17 effect and shall be made, amended or rescinded in accordance
18 with the act of June 4, 1945 (P.L.1388), known as the
19 "Administrative Agency Law," and the act of July 31, 1968
20 (P.L.240), known as the "Commonwealth Documents Law," and no
21 regulation shall be effective until a public hearing is held
22 thereon or until thirty days after the regulation is published
23 pursuant to such "Commonwealth Documents Law." For the purpose
24 of rules and forms, the commission may classify securities,
25 persons and matters within its jurisdiction, and prescribe
26 different requirements for different classes. The commission
27 may, in its discretion, waive any requirement of any regulation
28 or form in situations where, in its opinion, such requirement is
29 not necessary in the public interest or for the protection of
30 investors.

1 (b) No regulation, form or order may be made, amended or
2 rescinded unless the commission finds that the action is
3 necessary or appropriate in the public interest and for the
4 protection of investors and consistent with the purposes fairly
5 intended by the policy and provisions of this act.

6 (c) The commission may by regulation or order prescribe the
7 kind, form and content of financial statements required under
8 this act, the fiscal or other periods and dates for such
9 statements, the circumstances under which consolidated or other
10 combining financial statements shall be filed, or other
11 requirements it deems necessary for financial statement
12 presentation purposes, and whether any required financial
13 statements shall be certified by independent public or certified
14 accountants in good standing with this State. All financial
15 statements shall be prepared reflecting conformity with
16 generally accepted accounting principles consistently applied,
17 unless variance therefrom is disclosed in an acceptable manner,
18 and shall reflect pertinent disclosures by financial notes or
19 other form, where required for that data in compliance with
20 pronouncements by recognized authoritative accounting bodies or
21 if applicable, by governmental agencies, and unless otherwise
22 permitted by regulation or order.

23 (d) No provision of this act imposing any liability applies
24 to any act done or omitted in good faith in conformity with any
25 regulation, form or order of the commission, notwithstanding
26 that the regulation form or order may later be amended or
27 rescinded or be determined to be invalid for any reason.

28 (e) The commission may propose and adopt regulations under
29 this act prior to its effective date, provided that such
30 regulations do not take effect until on or after the effective

1 date of this act.

2 Section 610. Destruction of Documents and Records.--The
3 commission may make such regulations with respect to record
4 retention as it may deem appropriate and desirable, consistent
5 with law.

6 PART VII

7 GENERAL PROVISIONS

8 Section 701. Service of Process.--(a) Every applicant for
9 registration under this act, and every issuer which proposes to
10 offer a security in this State through any person acting as
11 agent, shall file with the commission, in such form as it by
12 regulation prescribes, an irrevocable consent appointing the
13 secretary of the commission, or his successor in office, to be
14 his attorney to receive service of any lawful process in any
15 noncriminal suit, action or proceeding against him or his
16 successor, executor or administrator which arises under this act
17 or any regulation or order hereunder after the consent has been
18 filed, with the same validity as if served personally on the
19 person filing the consent. The consent need not be filed by a
20 person who has filed a consent in connection with a previous
21 registration or license which is then in effect. Service may be
22 made by leaving a copy of the process in the office of the
23 commission, but it is not effective unless the plaintiff
24 promptly sends notice of the service and a copy of the process
25 by registered or certified mail to the defendant or respondent
26 at his last address on file with the commission, and the
27 plaintiff's affidavit of compliance with this subsection is
28 filed in the case on or before the return day of the process, or
29 within such time as the court allows.

30 (b) When any person, including any nonresident of this

1 State, engages in conduct prohibited or made actionable by this
2 act or any regulation or order hereunder, and he has not filed a
3 consent to service of process under subsection (a) and personal
4 jurisdiction over him cannot otherwise be obtained in this
5 State, that conduct shall be considered equivalent to his
6 appointment of the secretary of the commission to be his
7 attorney to receive service of any lawful process in any
8 noncriminal suit, action or proceeding against him or his
9 successor, executor or administrator which arises out of that
10 conduct and which is brought under this act or any regulation or
11 order hereunder, with the same validity as if served on him
12 personally. Service may be made by leaving a copy of the process
13 in the office of the commission, but it is not effective unless
14 the plaintiff, who may be the commission in a suit, action or
15 proceeding instituted by it, promptly sends notice of the
16 service and a copy of the process by registered or certified
17 mail to the defendant or respondent at his last known address or
18 takes other steps which are reasonably calculated to give actual
19 notice; and the plaintiff's affidavit of compliance with this
20 subsection is filed in the case on or before the return day of
21 the process or within such time as the court allows.

22 (c) When process is served under this section the court, or
23 the commission in a proceeding before it, shall order such
24 continuance as is necessary to afford the defendant or
25 respondent reasonable opportunity to defend.

26 Section 702. Scope of Act.--(a) The provisions of this act
27 concerning sales and offers to sell apply to persons who sell or
28 offer to sell when (i) a sale or offer to sell is made in this
29 State or when (ii) an offer to purchase is made and accepted in
30 this State. The provisions concerning purchases and offers to

1 purchase apply to persons who buy or offer to buy when (i) a
2 purchase or offer to purchase is made in this State or when (ii)
3 an offer to sell is made and accepted in this State.

4 (b) For the purpose of this section, an offer to sell or to
5 purchase is made in this State, whether or not either party is
6 then present in this State, when the offer originates from this
7 State or is directed by the offeror to this State and received
8 by the offeree in this State; provided, however, for the purpose
9 of section 201 an offer to sell which is not directed to or
10 received by the offeree in this State is not made in this State.

11 (c) For the purpose of this section, an offer to purchase or
12 to sell is accepted in this State when acceptance is
13 communicated to the offeror in this State, and has not
14 previously been communicated to the offeror, orally or in
15 writing, outside this State; and acceptance is communicated to
16 the offeror in this State, whether or not either party is then
17 present in this State, when the offeree directs it to the
18 offeror in this State reasonably believing the offeror to be in
19 this State, and it is received by the offeror in this State.

20 (d) An offer to sell or to purchase is not made in this
21 State when the publisher circulates, or there is circulated on
22 his behalf in this State, any bona fide newspaper or other
23 publication of general, regular and paid circulation which is
24 not published in this State, or a radio or television program
25 originating outside this State is received in this State.

26 Section 703. Statutory Policy.--(a) This act shall be so
27 construed as to effectuate its general purpose to make uniform
28 the law of those states which enact the "Uniform Securities Act"
29 and to coordinate the interpretation and administration of this
30 act with related Federal regulation.

1 (b) If any provision of this act or the application thereof
2 to any person or circumstance is held invalid, the invalidity
3 shall not affect other provisions or applications of this act
4 which can be given effect without the invalid provision or
5 application, and to this end the provisions of this law are
6 declared to be severable.

7 Section 704. Prior Law.--(a) Except as expressly provided in
8 this section, prior law exclusively governs all suits, actions,
9 prosecutions or proceedings which are pending or may be
10 initiated on the basis of facts or circumstances occurring
11 before the effective date of this act.

12 (b) No civil suit or action may be maintained to enforce any
13 liability under prior law unless brought within any period of
14 limitation which applied when the cause of action accrued.

15 (c) All effective certificates, orders, consents, and
16 registrations under prior law, all administrative orders
17 relating to the same and all conditions imposed upon the same
18 remain in effect so long as they would have remained in effect
19 if this act had not been enacted. They are considered to have
20 been filed, entered, or imposed under this act, but are governed
21 by prior law.

22 (d) Prior law applies in respect of any offer or sale made
23 within six months after the effective date of this act pursuant
24 to an offering begun in good faith before its effective date on
25 the basis of an exemption available under prior law.

26 (e) Judicial review of all administrative orders as to which
27 review proceedings have not been instituted by the effective
28 date of this act are governed by section 607, except that no
29 review proceeding may be instituted unless the petition is filed
30 within any period of limitation which applied to a review

1 proceeding when the order was entered and in any event within
2 sixty days after the effective date of this act.

3 Section 705. Effective Date.--This act shall take effect
4 October 1, 1972.