

ASSEMBLY BILL NO. 75—ASSEMBLYMAN YEAGER

PREFILED JANUARY 30, 2023

Referred to Committee on Judiciary

SUMMARY—Revises certain requirements relating to securities. (BDR 7-145)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: No.

~

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to securities; defining “Nevada certified investor”; authorizing the Administrator of the Securities Division of the Office of the Secretary of State, who is the Deputy of Securities, to adopt certain regulations in consultation with the Office of Economic Development; revising the information that must be included in a registration statement for a security that may be registered by qualification; exempting a person who files a registration statement for a security that may be registered by qualification from paying any fees associated with that filing; providing for an exemption from certain requirements concerning the registration of securities for certain transactions involving an offer to sell or sale of a security by certain issuers who are residents of this State to a Nevada certified investor; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

- 1 Existing federal law, with certain exceptions, prohibits a person from engaging
- 2 in certain activities relating to offering to sell or selling a security unless the
- 3 security is registered with the Securities and Exchange Commission. (15 U.S.C. §
- 4 77e) Existing federal law creates an exemption from this requirement for a security
- 5 which is part of an issue offered or sold only to persons who are residents of the
- 6 same state of which the issuer is also a resident and doing business within or, if the
- 7 issuer is a corporation, incorporated by and doing business within. (15 U.S.C. §
- 8 77c(a)(11)) Existing federal regulations set forth: (1) requirements that an issuer
- 9 must meet to be deemed to be a resident of and doing business within a state where
- 10 the issuer offers and sells securities; and (2) various other requirements for
- 11 transactions involving intrastate offers or sales of securities for the transaction to



12 qualify for the exemption from the federal registration requirements. (17 C.F.R. §§  
13 230.147, 230.147A)

14 Existing state law prohibits a person from offering to sell or selling any security  
15 in this State unless the security meets certain registration requirements or the  
16 security transaction is exempt from the registration requirements. (NRS 90.460)  
17 **Section 5** of this bill creates an exemption from those state registration  
18 requirements for certain transactions involving an offer to sell or sale of a security  
19 to a Nevada certified investor. **Section 2** of this bill defines "Nevada certified  
20 investor" to mean, in general, a natural person who is, or a married couple who  
21 each are, a resident of this State and who meets certain financial qualifications.  
22 Under **section 5**, a transaction involving an offer to sell or sale of a security to a  
23 Nevada certified investor is exempt from the registration requirements provided  
24 under existing state law if: (1) the transaction meets the requirements for the federal  
25 exemption for intrastate offers and sales of securities; (2) the transaction meets any  
26 other requirements established by regulations adopted by the Administrator of the  
27 Securities Division of the Office of the Secretary of State, who is the Deputy of  
28 Securities, pursuant to **section 3** of this bill; (3) the transaction involves certain  
29 types of Nevada certified investors, the total amount paid by the Nevada certified  
30 investor for all of the securities involved in the transaction does not exceed 10  
31 percent of the net worth of the investor, subject to certain requirements concerning  
32 the net worth of the investor; (4) the transaction is part of an issue in which not  
33 more than 75 purchasers are Nevada certified investors; and (5) the person offering  
34 to sell or selling the security first undergoes a criminal background check.

35 **Section 3** authorizes the Administrator, in consultation with the Office of  
36 Economic Development within the Office of the Governor, to adopt regulations  
37 establishing additional requirements for transactions involving an offer to sell or  
38 sale of a security to a Nevada certified investor to qualify for an exemption from  
39 the registration requirements pursuant to **section 5**.

40 **Section 4** of this bill makes a conforming change to indicate the proper  
41 placement of **section 2** in the Nevada Revised Statutes.

42 Existing law authorizes the registration of a security by qualification and  
43 requires the registration statement for such a security to contain certain information  
44 relating to the issuer and certain other persons. (NRS 90.490) **Section 4.5** of this  
45 bill revises the information which is required to be included in the registration  
46 statement.

47 Existing law sets forth certain fees associated with the filing of a registration  
48 statement or an amendment to a registration statement. (NRS 90.500) **Section 4.7**  
49 of this bill exempts a person who files a registration statement to register a security  
50 by qualification or an amendment to such a registration statement from paying any  
51 fees associated with such filings. **Sections 4.1-4.9 and 5.5** make conforming  
52 changes to revise certain internal references.

---

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 90 of NRS is hereby amended by adding  
2 thereto the provisions set forth as sections 2 and 3 of this act.

3 **Sec. 2. 1. "Nevada certified investor" means a natural**  
4 **person who is, or a married couple who each are, a resident of this**  
5 **State and who, at the time an offer to sell or sale of a security is**  
6 **made to the person or couple:**



1 (a) Holds an ownership interest of more than 50 percent in a  
2 business that has reported a gross revenue of more than \$200,000  
3 or 2 1/2 times the median household income, whichever is greater,  
4 on each federal income tax return filed for the 2 immediately  
5 preceding calendar years; or

6 (b) Has reported an income on the federal income tax return  
7 of the person or couple filed for the immediately preceding  
8 calendar year that exceeds \$100,000 or the median household  
9 income, whichever is greater.

10 2. As used in this section, "median household income" means  
11 the median household income in this State, as identified in the  
12 most recent data from the American Community Survey published  
13 by the Bureau of the Census of the United States Department of  
14 Commerce or as determined by the Administrator based on  
15 another source of data specified by the Administrator by  
16 regulation.

17 **Sec. 3.** The Administrator may, in consultation with the  
18 Office of Economic Development, adopt regulations that set forth  
19 additional requirements for transactions involving an offer to sell  
20 or sale of a security to a Nevada certified investor that must be met  
21 for the transaction to qualify for an exemption pursuant to  
22 subsection 22 of NRS 90.530. Such regulations may include,  
23 without limitation, provisions establishing minimum qualifications  
24 for an issuer who engages in such a transaction.

25 **Sec. 4.** NRS 90.211 is hereby amended to read as follows:

26 90.211 As used in this chapter, unless the context otherwise  
27 requires, the words and terms defined in NRS 90.215 to 90.309,  
28 inclusive, **and section 2 of this act** have the meanings ascribed to  
29 them in those sections.

30 **Sec. 4.1.** NRS 90.470 is hereby amended to read as follows:

31 90.470 1. Securities for which a registration statement has  
32 been filed under the Securities Act of 1933 in connection with the  
33 offering of the securities may be registered by filing, whether or not  
34 they are also eligible for registration under NRS 90.480 or 90.490,  
35 if:

36 (a) The issuer is organized under the laws of the United States or  
37 a state or, if the issuer is not organized under the laws of the United  
38 States or a state, it has appointed a duly authorized agent in the  
39 United States for service of process;

40 (b) The issuer has actively engaged in business operations in the  
41 United States for a period of at least 36 consecutive calendar months  
42 immediately before the filing of the federal registration statement;

43 (c) The issuer has registered a class of equity securities under  
44 section 12(b) or 12(g) of the Securities Exchange Act of 1934, and  
45 the class of securities is held of record by 500 or more persons;



1 (d) The issuer has:

2 (1) Either a total net worth of \$4,000,000 or a total net worth  
3 of \$2,000,000 and net pretax income from operations before  
4 allowances for extraordinary items, for at least 2 of the 3 preceding  
5 fiscal years;

6 (2) Not less than 400,000 units of the class of security  
7 registered under section 12 of the Securities Exchange Act of 1934  
8 held by the public, excluding securities held by officers and  
9 directors of the issuer, underwriters and persons beneficially owning  
10 10 percent or more of that class of security; and

11 (3) No outstanding warrants and options held by the  
12 underwriters and executive officers and directors of the issuer in an  
13 amount exceeding 10 percent of the total number of shares to be  
14 outstanding after completion of the offering of the securities being  
15 registered;

16 (e) The issuer has been subject to the requirements of section 12  
17 of the Securities Exchange Act of 1934 and has filed all the material  
18 required to be filed under sections 13 and 14 of that act for at least  
19 36 consecutive calendar months immediately before the filing of the  
20 statement and the issuer has filed in a timely manner all reports  
21 required to be filed during the 12 calendar months next preceding  
22 the filing of the federal registration statement;

23 (f) For at least 30 days during the 3 months next preceding the  
24 offering of the securities registered there have been at least four  
25 market makers for the class of equity securities registered under  
26 section 12 of the Securities Exchange Act of 1934;

27 (g) Each of the underwriters participating in the offering of the  
28 security and each broker-dealer who will offer the security in this  
29 State is a member of or is subject to the regulations of fair practice  
30 of a national association of securities dealers with respect to the  
31 offering and the underwriters have contracted to purchase the  
32 securities offered in a principal capacity;

33 (h) The aggregate commissions or discounts to be received by  
34 the underwriters will not exceed 10 percent of the aggregate price at  
35 which the securities being registered are offered to the public;

36 (i) Neither the issuer nor any of its subsidiaries, since the end of  
37 the fiscal year next preceding the filing of the registration statement,  
38 have:

39 (1) Failed to pay a dividend or sinking fund installment on  
40 preferred stock;

41 (2) Defaulted on indebtedness for borrowed money; or

42 (3) Defaulted on the rental on one or more long-term leases,  
43 and the defaults in the aggregate are material to the financial  
44 position of the issuer and its subsidiaries, taken as a whole; and



1 (j) In the case of an equity security, the price at which the  
2 security will be offered to the public is not less than \$5 per share.

3 2. A registration statement under this section must contain the  
4 following information and be accompanied by the following records  
5 in addition to the information specified in subsection ~~4~~ 5 of NRS  
6 90.500 and the consent to service of process required by  
7 NRS 90.770:

8 (a) A statement demonstrating eligibility for registration by  
9 filing;

10 (b) The name, address and form of organization of the issuer;

11 (c) With respect to a person on whose behalf a part of the  
12 offering is to be made in a nonissuer distribution:

13 (1) Name and address;

14 (2) The amount of securities of the issuer held by the person  
15 as of the date of the filing of the registration statement; and

16 (3) A statement of the reasons for making the offering;

17 (d) A description of the security being registered; and

18 (e) A copy of the latest prospectus filed with the registration  
19 statement under and satisfying the requirements of section 10 of the  
20 Securities Act of 1933.

21 3. If the information and records required to be filed by  
22 subsection 2 have been on file with the Administrator for at least 5  
23 business days, or any shorter period the Administrator allows by  
24 regulation or order, and the applicable registration fee has been paid  
25 before the effectiveness of the federal registration statement, a  
26 registration statement under this section automatically becomes  
27 effective concurrently with the effectiveness of the federal  
28 registration statement. If the federal statement becomes effective  
29 before the conditions in this section are satisfied and they are not  
30 waived, the registration statement becomes effective when the  
31 conditions are satisfied. The registrant shall promptly notify the  
32 Administrator by telephone or telegram of the date and time when  
33 the federal registration statement became effective and the content  
34 of the price amendment, if any, and shall file promptly a  
35 posteffective amendment containing the information and records in  
36 the price amendment. The Administrator shall promptly  
37 acknowledge receipt of notification and effectiveness of the  
38 registration statement as of the date and time the registration  
39 statement became effective with the Securities and Exchange  
40 Commission.

41 **Sec. 4.3.** NRS 90.480 is hereby amended to read as follows:

42 90.480 1. Securities for which a registration statement has  
43 been filed under the Securities Act of 1933 in connection with the  
44 offering of the securities may be registered by coordination.



1 2. A registration statement under this section must contain the  
2 following information and be accompanied by the following records  
3 in addition to the information specified in subsection ~~4~~ 5 of NRS  
4 90.500 and the consent to service of process required by  
5 NRS 90.770:

6 (a) One copy of the latest form of prospectus filed under the  
7 Securities Act of 1933;

8 (b) If the Administrator by regulation or order requires:

9 (1) A copy of the articles of incorporation and bylaws, or  
10 their substantial equivalents, currently in effect;

11 (2) A copy of any agreement with or among underwriters;

12 (3) A copy of any indenture or other instrument governing  
13 the issuance of the security to be registered; and

14 (4) A copy, specimen or description of the security;

15 (c) If the Administrator requests and subject to the provisions of  
16 NRS 90.730, any other information or copies of any other records  
17 filed under the Securities Act of 1933; and

18 (d) An undertaking to forward promptly and in any event not  
19 later than the first business day after the day they are forwarded to  
20 or filed with the Securities and Exchange Commission, all future  
21 amendments to the federal prospectus, other than an amendment that  
22 delays the effective date of the registration statement, whichever  
23 occurs first.

24 3. A registration statement under this section becomes effective  
25 when the federal registration statement becomes effective and all the  
26 following conditions are satisfied:

27 (a) No order is in effect, and no proceeding is pending, under  
28 NRS 90.510;

29 (b) The registration statement has been on file with the  
30 Administrator for at least 10 days, but if the registration statement is  
31 not filed with the Administrator within 5 days after the initial filing  
32 under the Securities Act of 1933, the registration statement must  
33 have been on file with the Administrator for 30 days or any shorter  
34 period as the Administrator by regulation or order specifies; and

35 (c) A statement of the maximum and minimum proposed  
36 offering prices and the maximum underwriting discounts and  
37 commissions has been on file for 2 full business days or any shorter  
38 period the Administrator permits and the offering is made within  
39 those limitations.

40 4. The registrant shall promptly notify the Administrator of the  
41 date and time when the federal registration statement became  
42 effective and the content of the price amendment, if any, and shall  
43 promptly file a posteffective amendment containing the information  
44 and records in the price amendment.



1 5. Upon failure to receive the required notification and  
2 posteffective amendment with respect to the price amendment, the  
3 Administrator may enter an order, retroactively denying  
4 effectiveness to the registration statement or suspending its  
5 effectiveness until the registrant complies with subsection 4. The  
6 Administrator shall promptly notify the registrant of the issuance  
7 of the order. If the registrant proves compliance with the requirements  
8 of subsection 4 as to notice and posteffective amendment, the order  
9 is void as of its entry.

10 6. The Administrator by regulation or order may waive either  
11 or both of the conditions specified in paragraphs (b) and (c) of  
12 subsection 3.

13 7. If the federal registration statement becomes effective before  
14 all the conditions in subsection 3 are satisfied and they are not  
15 waived, the registration statement automatically becomes effective  
16 when all the conditions are satisfied. If the registrant advises the  
17 Administrator of the date when the federal registration statement is  
18 expected to become effective, the Administrator shall promptly  
19 advise the registrant, at the registrant's expense, whether all  
20 conditions are satisfied and whether the Administrator then  
21 contemplates the institution of a proceeding under NRS 90.510, but  
22 the advice by the Administrator does not preclude the institution of a  
23 proceeding for an order suspending the effectiveness of the  
24 registration statement. An order issued under this subsection is not  
25 retroactive.

26 8. The Administrator by regulation or order may waive or  
27 modify the application of a requirement of this section if a provision  
28 or an amendment, repeal or other alteration of the provisions of the  
29 Securities Act of 1933 for the registration of securities or of the  
30 regulations adopted under that act renders the waiver or  
31 modification appropriate for further coordination of state and federal  
32 registration.

33 **Sec. 4.5.** NRS 90.490 is hereby amended to read as follows:

34 90.490 1. A security may be registered by qualification.

35 2. A registration statement under this section must contain the  
36 following information and be accompanied by the following records  
37 in addition to the information specified in subsection ~~4~~ 5 of NRS  
38 90.500 and the consent to service of process required by  
39 NRS 90.770:

40 (a) With respect to the issuer and any significant subsidiary:

41 (1) Its name, address and form of organization;

42 (2) The state or foreign jurisdiction and date of its  
43 organization;

44 (3) The general character and location of its business;

45 (4) A description of its physical property and equipment; and



1 (5) A statement of the general competitive conditions in the  
2 industry or business in which it is or will be engaged;

3 (b) With respect to every director and officer of the issuer or  
4 person occupying a similar status or performing similar functions:

5 (1) Name ~~{,}~~ and address ; ~~{and principal occupation for the~~  
6 ~~last 5 years;}~~

7 (2) The amount of securities of the issuer held by the person  
8 as of a specified date within 30 days before the filing of the  
9 registration statement;

10 (3) The amount of the securities covered by the registration  
11 statement to which the person has indicated an intention to  
12 subscribe; and

13 (4) A description of any material interest in any material  
14 transaction with the issuer or any significant subsidiary effected  
15 within the past 3 years or proposed to be effected ~~{,}~~ , *including,*  
16 *without limitation, compensation provided to the person or that is*  
17 *proposed to be provided to the person by the issuer or the*  
18 *significant subsidiary;*

19 ~~{With respect to persons covered by paragraph (b), the~~  
20 ~~compensation paid or given, directly or indirectly, during the last 12~~  
21 ~~months and estimated to be paid during the next 12 months by the~~  
22 ~~issuer together with all predecessors, parents, subsidiaries and~~  
23 ~~affiliates, to all those persons in the aggregate;~~

24 ~~—(d)}~~ With respect to any person owning of record, or beneficially  
25 if known, 10 percent or more of the outstanding shares of a class of  
26 equity security of the issuer, the information specified in paragraph

27 (b) ~~{other than occupation;~~

28 ~~—(e)}~~ ;

29 (d) With respect to a promoter, *if such a promoter exists, and* if  
30 the issuer was organized within the last 3 years:

31 (1) The information specified in paragraph (b);

32 (2) The amount paid to the person within that period or  
33 intended to be paid; and

34 (3) The consideration for the payment;

35 ~~{(f) With respect to a person on whose behalf a part of the~~  
36 ~~offering is to be made in a nonissuer distribution:~~

37 ~~—(1) Name and address;~~

38 ~~—(2) The amount of securities of the issuer held by the person~~  
39 ~~as of the date of the filing of the registration statement;~~

40 ~~—(3) A description of any material interest in any material~~  
41 ~~transaction with the issuer or any significant subsidiary effected~~  
42 ~~within the past 3 years or proposed to be effected; and~~

43 ~~—(4) A statement of the reasons for making the offering;~~

44 ~~—(g)}~~ (e) The capitalization and long-term debt, on both a current  
45 and a pro forma basis, of the issuer and any significant subsidiary,





1 including a description of each security outstanding or being  
2 registered or otherwise offered, and , *if applicable*, a statement of  
3 the amount and kind of consideration, whether in the form of cash,  
4 physical assets, services, patents, goodwill or anything else, for  
5 which the issuer or a subsidiary has issued its securities within the  
6 last 2 years or is obligated to issue its securities;

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

26 ~~(i)~~ (g) The estimated cash proceeds to be received by the  
27 issuer from the offering, the purposes for which the proceeds are to  
28 be used by the issuer, the amount to be used for each purpose, the  
29 order of priority in which the proceeds will be used for the purposes  
30 stated, the amounts of funds to be raised from other sources to  
31 achieve the purposes stated, the sources of the funds, and, if part of  
32 the proceeds is to be used to acquire property, including goodwill,  
33 otherwise than in the ordinary course of business, the names and  
34 addresses of the vendors, the purchase price, the names of the  
35 persons who have received commissions in connection with the  
36 acquisition and the amounts of commissions and any other expense  
37 in connection with the acquisition, including the cost of borrowing  
38 money to finance the acquisition;

39 ~~(j)~~ (h) A description of the stock options or other security  
40 options outstanding or to be created in connection with the offering  
41 and the amount of the options held or to be held by every person  
42 required to be named in paragraph (b), (c), (d) ~~[(e)]~~ or (f) ~~or (h)]~~  
43 and by a person who holds or will hold 10 percent or more in the  
44 aggregate of the options;



1 ~~[(k)]~~ (i) The dates of, parties to and general effect, concisely  
2 stated, of every management or other material contract made or to  
3 be made otherwise than in the ordinary course of business if it is to  
4 be performed in whole or in part at or after the filing of the  
5 registration statement or was made within the last 2 years, and a  
6 copy of the contract;

7 ~~[(l)]~~ (j) A description of any pending litigation or proceedings  
8 to which the issuer is a party and that materially affect its business  
9 or assets, including any litigation or proceeding known to be  
10 contemplated by a governmental authority;

11 ~~[(m)]~~ (k) A copy of any prospectus, pamphlet, circular, form  
12 letter, advertisement or other sales literature intended as of the  
13 effective date to be used in connection with the offering ~~[(~~

14 ~~—(n)]~~ , *if such materials exist*;

15 (l) A copy, specimen or description of the security being  
16 registered, a copy of the issuer's articles of incorporation and  
17 bylaws or their substantial equivalents, as currently in effect, and a  
18 copy of any indenture or other instrument covering the security to be  
19 registered;

20 ~~[(o)]~~ ~~A signed or conformed copy of an opinion of counsel as to~~  
21 ~~the legality of the security being registered, with an English~~  
22 ~~translation if it is in a foreign language, which states whether the~~  
23 ~~security when sold will be legally issued, fully paid and~~  
24 ~~nonassessable and, if a debt security, a binding obligation of the~~  
25 ~~issuer;~~

26 ~~—(p)~~ ~~The written consent of an accountant, engineer, appraiser or~~  
27 ~~other person whose profession gives authority to a statement made~~  
28 ~~by the person, if the person is named as having prepared or certified~~  
29 ~~a report or valuation, other than a public and official record or~~  
30 ~~statement, which is used in connection with the registration~~  
31 ~~statement;~~

32 ~~—(q)~~ ~~A statement of financial condition of the issuer as of a date~~  
33 ~~within 4 months before the filing of the registration statement, a~~  
34 ~~statement of results of operations and analysis of surplus for each of~~  
35 ~~the 3 fiscal years preceding the date of the statement of financial~~  
36 ~~condition and for any period between the close of the last fiscal year~~  
37 ~~and the date of the statement of financial condition, or for the period~~  
38 ~~of the issuer's and any predecessors' existence if less than 3 years,~~  
39 ~~and, if part of the proceeds of the offering is to be applied to the~~  
40 ~~purchase of a business, the same financial statements which would~~  
41 ~~be required if that business were the registrant; and~~

42 ~~—(r)]~~ *and*

43 (m) Any additional information the Administrator by regulation  
44 or order specifies.



1 3. A statement under this section becomes effective 30  
2 calendar days, or any shorter period as the Administrator by  
3 regulation or order specifies, after the date the registration statement  
4 or the last amendment other than a price amendment is filed, if:

5 (a) No order is in effect and no proceeding is pending under  
6 NRS 90.510;

7 (b) The Administrator has not, under subsection 4, ordered that  
8 effectiveness be delayed; and

9 (c) The registrant has not requested that effectiveness be  
10 delayed.

11 4. The Administrator may delay effectiveness for a single  
12 period of not more than 90 days if the Administrator determines the  
13 registration statement is not complete in all material respects and  
14 promptly notifies the registrant of that determination. The  
15 Administrator may delay effectiveness for a single period of not  
16 more than 30 days if the Administrator determines that the delay is  
17 necessary, whether or not the Administrator previously delayed  
18 effectiveness under this subsection.

19 **Sec. 4.7.** NRS 90.500 is hereby amended to read as follows:

20 90.500 1. A registration statement may be filed by the issuer,  
21 any other person on whose behalf the offering is to be made, or a  
22 broker-dealer licensed under this chapter.

23 2. Except as otherwise provided in subsection 3 ~~or~~ *or* 4, a  
24 person filing a registration statement shall pay a filing fee of 0.2  
25 percent of the maximum aggregate offering price at which the  
26 registered securities are to be offered in this State, but not less than  
27 \$700 or more than \$5,000. If a registration statement is withdrawn  
28 before the effective date or a pre-effective order is entered under  
29 NRS 90.510, the Administrator shall retain the fee.

30 3. An open-end management company, a face-amount  
31 certificate company or a unit investment trust, as defined in the  
32 Investment Company Act of 1940, may register an indefinite  
33 amount of securities under a registration statement. The registrant  
34 shall pay:

35 (a) A fee of \$1,000 at the time of filing; and

36 (b) Within 60 days after the registrant's fiscal year during which  
37 its statement is effective, a fee of \$4,000, or file a report on a form  
38 the Administrator adopts, specifying its sale of securities to persons  
39 in this State during the fiscal year and pay a fee of 0.2 percent of the  
40 aggregate sales price of the securities sold to persons in this State,  
41 but the latter fee must not be less than \$700 or more than \$5,000.

42 4. *A person filing a registration statement pursuant to NRS*  
43 *90.490 is exempt from paying any fee to file the registration*  
44 *statement.*



1 5. Except as otherwise permitted by subsection 3, a statement  
2 must specify:

3 (a) The amount of securities to be offered in this State and the  
4 states in which a statement or similar record in connection with the  
5 offering has been or is to be filed; and

6 (b) Any adverse order, judgment or decree entered by a  
7 securities agency or administrator in any state or by a court or the  
8 Securities and Exchange Commission in connection with the  
9 offering.

10 ~~5.1~~ 6. A record filed under this chapter as now or previously  
11 in effect, within 5 years before the filing of a registration statement,  
12 may be incorporated by reference in the registration statement if the  
13 record is currently accurate.

14 ~~6.1~~ 7. The Administrator by regulation or order may permit  
15 the omission of an item of information or record from a statement.

16 ~~7.1~~ 8. In the case of a nonissuer offering, the Administrator  
17 may not require information under subsection ~~14.3~~ 14 or NRS  
18 90.510 unless it is known to the person filing the registration  
19 statement or to the person on whose behalf the offering is to be  
20 made, or can be furnished by one of them without unreasonable  
21 effort or expense.

22 ~~8.1~~ 9. In the case of a registration under NRS 90.480 or  
23 90.490 by an issuer who has no public market for its shares and no  
24 significant earnings from continuing operations during the last 5  
25 years or any shorter period of its existence, the Administrator by  
26 regulation or order may require as a condition of registration that the  
27 following securities be deposited in escrow for not more than 3  
28 years:

29 (a) A security issued to a promoter within the 3 years  
30 immediately before the offering or to be issued to a promoter for a  
31 consideration substantially less than the offering price; and

32 (b) A security issued to a promoter for a consideration other  
33 than cash, unless the registrant demonstrates that the value of the  
34 noncash consideration received in exchange for the security is  
35 substantially equal to the offering price for the security.

36 ↪ The Administrator by regulation may determine the conditions of  
37 an escrow required under this subsection, but the Administrator may  
38 not reject a depository solely because of location in another state.

39 ~~9.1~~ 10. The Administrator by regulation may require as a  
40 condition of registration under NRS 90.480 or 90.490 that the  
41 proceeds from the sale of the registered security in this State must  
42 be impounded until the issuer receives a specified amount from the  
43 sale of the security. The Administrator by regulation or order may  
44 determine the conditions of an impounding arrangement required



1 under this subsection, but the Administrator may not reject a  
2 depository solely because of its location in another state.

3 ~~[10.]~~ 11. If a security is registered pursuant to NRS 90.470 or  
4 90.480, the prospectus filed under the Securities Act of 1933 must  
5 be delivered to each purchaser in accordance with the requirements  
6 of that act for the delivery of a prospectus.

7 ~~[11.]~~ 12. If a security is registered pursuant to NRS 90.490, an  
8 offering record containing information the Administrator by  
9 regulation or order designates must be delivered to each purchaser  
10 with or before the earliest of:

11 (a) The first written offer made to the purchaser by or for the  
12 account of the issuer or another person on whose behalf the offering  
13 is being made or by an underwriter or broker-dealer who is offering  
14 part of an unsold allotment or subscription taken by it as a  
15 participant in the distribution;

16 (b) Confirmation of a sale made by or for the account of a  
17 person named in paragraph (a);

18 (c) Payment pursuant to a sale; or

19 (d) Delivery pursuant to a sale.

20 ~~[12.]~~ 13. Except for a registration statement under which an  
21 indefinite amount of securities are registered as provided in  
22 subsection 3, a statement remains effective for 1 year after its  
23 effective date unless the Administrator by regulation extends the  
24 period of effectiveness. A registration statement under which an  
25 indefinite amount of securities are registered remains effective until  
26 60 days after the beginning of the registrant's next fiscal year  
27 following the date the statement was filed. All outstanding securities  
28 of the same class as a registered security are considered to be  
29 registered for the purpose of a nonissuer transaction while the  
30 registration statement is effective, unless the Administrator by  
31 regulation or order provides otherwise. A registration statement may  
32 not be withdrawn after its effective date if any of the securities  
33 registered have been sold in this State, unless the Administrator by  
34 regulation or order provides otherwise. No registration statement is  
35 effective while an order is in effect under subsection 1 of  
36 NRS 90.510.

37 ~~[13.]~~ 14. During the period that an offering is being made  
38 pursuant to an effective registration statement, the Administrator by  
39 regulation or order may require the person who filed the registration  
40 statement to file reports, not more often than quarterly, to keep  
41 reasonably current the information contained in the registration  
42 statement and to disclose the progress of the offering.

43 ~~[14.]~~ 15. A registration statement filed under NRS 90.470 or  
44 90.480 may be amended after its effective date to increase the  
45 securities specified to be offered and sold. The amendment becomes



1 effective upon filing of the amendment and payment of an  
2 additional filing fee of 3 times the fee otherwise payable, calculated  
3 in the manner specified in subsection 2, with respect to the  
4 additional securities to be offered and sold. The effectiveness of the  
5 amendment relates back to the date or dates of sale of the additional  
6 securities being registered.

7 ~~15.16.~~ A registration statement filed under NRS 90.490 may  
8 be amended after its effective date to increase the securities  
9 specified to be offered and sold, if the public offering price and  
10 underwriters' discounts and commissions are not changed from the  
11 respective amounts which the Administrator was informed. The  
12 amendment becomes effective when the Administrator so orders and  
13 relates back to the date of sale of the additional securities being  
14 registered. ~~[A person filing an amendment shall pay an additional~~  
15 ~~filing fee of 3 times the fee otherwise payable, calculated in the~~  
16 ~~manner specified in subsection 2, with respect to the additional~~  
17 ~~securities to be offered and sold.]~~

18 **Sec. 4.9.** NRS 90.510 is hereby amended to read as follows:

19 90.510 1. The Administrator may issue an order denying  
20 effectiveness to, or suspending or revoking the effectiveness of, a  
21 registration statement if the Administrator finds that the order is in  
22 the public interest and that:

23 (a) The registration statement as of its effective date or as of the  
24 proposed effective date in the case of an order denying  
25 effectiveness, an amendment under subsection ~~14.15~~ or ~~15.16~~ of  
26 NRS 90.500, as of its effective date, or a report under subsection  
27 ~~13.14~~ of NRS 90.500, is incomplete in any material respect or  
28 contains a statement that, in the light of the circumstances under  
29 which it was made, was false or misleading with respect to a  
30 material fact;

31 (b) This chapter, or a regulation, order or condition lawfully  
32 imposed under this chapter, has been willfully violated in  
33 connection with the offering by:

34 (1) The person filing the registration statement;

35 (2) The issuer, a partner, officer or director of the issuer, a  
36 person occupying similar status or performing similar functions, or a  
37 person directly or indirectly controlling or controlled by the issuer,  
38 but only if the person filing the registration statement is directly or  
39 indirectly controlled by or acting for the issuer; or

40 (3) An underwriter;

41 (c) The security registered or sought to be registered is the  
42 subject of a permanent or temporary injunction of a court of  
43 competent jurisdiction or an administrative order similar to an order  
44 under this section entered under any other federal or state law  
45 applicable to the offering, except that the Administrator may not:



1 (1) Institute a proceeding against an effective registration  
2 statement under this paragraph more than 1 year after the date of the  
3 order or injunction relied on; or

4 (2) Enter an order under this paragraph on the basis of an  
5 order or injunction entered under the securities act of another state  
6 unless the order or injunction was based on facts that currently  
7 would constitute a ground for an order under this section;

8 (d) The issuer's enterprise or method of business includes or  
9 would include activities that are illegal where performed;

10 (e) The offering has worked or tended to work a fraud upon  
11 purchasers or would so operate;

12 (f) The offering has been or would be made with unreasonable  
13 amounts of underwriters' and sellers' discounts, commissions or  
14 other compensation, or promoters' profits or participation, or  
15 unreasonable amounts or kinds of options;

16 (g) A security sought to be registered pursuant to NRS 90.470 is  
17 not eligible for such registration;

18 (h) With respect to a security sought to be registered pursuant to  
19 NRS 90.480, there has been a failure to comply with the undertaking  
20 required by paragraph (d) of subsection 2 of that section; or

21 (i) The applicant or registrant has failed to pay the proper filing  
22 fee, but the Administrator may enter only an order denying  
23 effectiveness under this paragraph and shall vacate the order if the  
24 deficiency is corrected.

25 2. The Administrator may not institute a proceeding:

26 (a) Against an effective registration statement on the basis of a  
27 fact or transaction known to the Administrator when the registration  
28 statement became effective unless the proceeding is instituted within  
29 30 days after the registration statement became effective; or

30 (b) With respect to a registration filed under NRS 90.470 on the  
31 basis of paragraph (e) or (f) of subsection 1.

32 3. The Administrator may vacate or modify an order entered  
33 under this section if the Administrator finds that the conditions  
34 which prompted entry have changed or that it is otherwise in the  
35 public interest.

36 **Sec. 5.** NRS 90.530 is hereby amended to read as follows:

37 90.530 The following transactions are exempt from NRS  
38 90.460 and 90.560:

39 1. An isolated nonissuer transaction, whether or not effected  
40 through a broker-dealer.

41 2. A nonissuer transaction in an outstanding security if the  
42 issuer of the security has a class of securities subject to registration  
43 under section 12 of the Securities Exchange Act of 1934, 15 U.S.C.  
44 § 78l, and has been subject to the reporting requirements of section  
45 13 or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. §§



1 78m and 78o(d), for not less than 90 days next preceding the  
2 transaction, or has filed and maintained with the Administrator for  
3 not less than 90 days preceding the transaction information, in such  
4 form as the Administrator, by regulation, specifies, substantially  
5 comparable to the information the issuer would be required to file  
6 under section 12(b) or 12(g) of the Securities Exchange Act of 1934,  
7 15 U.S.C. §§ 78l(b) and 78l(g), were the issuer to have a class of its  
8 securities registered under section 12 of the Securities Exchange Act  
9 of 1934, 15 U.S.C. § 78l, and paid a fee of \$300 with the filing.

10 3. A nonissuer transaction by a sales representative licensed in  
11 this State, in an outstanding security if:

12 (a) The security is sold at a price reasonably related to the  
13 current market price of the security at the time of the transaction;

14 (b) The security does not constitute all or part of an unsold  
15 allotment to, or subscription or participation by, a broker-dealer as  
16 an underwriter of the security;

17 (c) At the time of the transaction, a recognized securities manual  
18 designated by the Administrator by regulation or order contains the  
19 names of the issuer's officers and directors, a statement of the  
20 financial condition of the issuer as of a date within the preceding 18  
21 months, and a statement of income or operations for each of the last  
22 2 years next preceding the date of the statement of financial  
23 condition, or for the period as of the date of the statement of  
24 financial condition if the period of existence is less than 2 years;

25 (d) The issuer of the security has not undergone a major  
26 reorganization, merger or acquisition within the preceding 30 days  
27 which is not reflected in the information contained in the manual;  
28 and

29 (e) At the time of the transaction, the issuer of the security has a  
30 class of equity security listed on the New York Stock Exchange,  
31 American Stock Exchange or other exchange designated by the  
32 Administrator, or on the National Market System of the National  
33 Association of Securities Dealers Automated Quotation System. The  
34 requirements of this paragraph do not apply if:

35 (1) The security has been outstanding for at least 180 days;

36 (2) The issuer of the security is actually engaged in business  
37 and is not developing the issuer's business, in bankruptcy or in  
38 receivership; and

39 (3) The issuer of the security has been in continuous  
40 operation for at least 5 years.

41 4. A nonissuer transaction in a security that has a fixed  
42 maturity or a fixed interest or dividend provision if there has been  
43 no default during the current fiscal year or within the 3 preceding  
44 years, or during the existence of the issuer, and any predecessors if





1 less than 3 years, in the payment of principal, interest or dividends  
2 on the security.

3 5. A nonissuer transaction effected by or through a registered  
4 broker-dealer pursuant to an unsolicited order or offer to purchase.

5 6. A transaction between the issuer or other person on whose  
6 behalf the offering of a security is made and an underwriter, or a  
7 transaction among underwriters.

8 7. A transaction in a bond or other evidence of indebtedness  
9 secured by a real estate mortgage, deed of trust, personal property  
10 security agreement, or by an agreement for the sale of real estate or  
11 personal property, if the entire mortgage, deed of trust or agreement,  
12 together with all the bonds or other evidences of indebtedness  
13 secured thereby, is offered and sold as a unit.

14 8. A transaction by an executor, administrator, sheriff, marshal,  
15 receiver, trustee in bankruptcy, guardian or conservator.

16 9. A transaction executed by a bona fide secured party without  
17 the purpose of evading this chapter.

18 10. An offer to sell or the sale of a security to a financial or  
19 institutional investor or to a broker-dealer.

20 11. Except as otherwise provided in this subsection, a sale or  
21 an offer to sell securities of an issuer if:

22 (a) The transaction is part of an issue in which there are not  
23 more than 35 purchasers in this State, other than those designated in  
24 subsection 10, during any 12 consecutive months;

25 (b) No general solicitation or general advertising is used in  
26 connection with the offer to sell or sale of the securities;

27 (c) No commission or other similar compensation is paid or  
28 given, directly or indirectly, to a person, other than a broker-dealer  
29 licensed or not required to be licensed under this chapter, for  
30 soliciting a prospective purchaser in this State; and

31 (d) One of the following conditions is satisfied:

32 (1) The seller reasonably believes that all the purchasers in  
33 this State, other than those designated in subsection 10, are  
34 purchasing for investment; or

35 (2) Immediately before and immediately after the  
36 transaction, the issuer reasonably believes that the securities of the  
37 issuer are held by 50 or fewer beneficial owners, other than those  
38 designated in subsection 10, and the transaction is part of an  
39 aggregate offering that does not exceed \$500,000 during any 12  
40 consecutive months.

41 ➔ The Administrator by rule or order as to a security or transaction  
42 or a type of security or transaction may withdraw or further  
43 condition the exemption set forth in this subsection or waive one or  
44 more of the conditions of the exemption.



1 12. An offer to sell or sale of a preorganization certificate or  
2 subscription if:

3 (a) No commission or other similar compensation is paid or  
4 given, directly or indirectly, for soliciting a prospective subscriber;

5 (b) No public advertising or general solicitation is used in  
6 connection with the offer to sell or sale;

7 (c) The number of offers does not exceed 50;

8 (d) The number of subscribers does not exceed 10; and

9 (e) No payment is made by a subscriber.

10 13. An offer to sell or sale of a preorganization certificate or  
11 subscription issued in connection with the organization of a  
12 depository institution if that organization is under the supervision of  
13 an official or agency of a state or of the United States which has and  
14 exercises the authority to regulate and supervise the organization of  
15 the depository institution. For the purpose of this subsection, "under  
16 the supervision of an official or agency" means that the official or  
17 agency by law has authority to require disclosures to prospective  
18 investors similar to those required under NRS 90.490, impound  
19 proceeds from the sale of a preorganization certificate or  
20 subscription until organization of the depository institution is  
21 completed, and require refund to investors if the depository  
22 institution does not obtain a grant of authority from the appropriate  
23 official or agency.

24 14. A transaction pursuant to an offer to sell to existing  
25 security holders of the issuer, including persons who at the time of  
26 the transaction are holders of transferable warrants exercisable  
27 within not more than 90 days after their issuance, convertible  
28 securities or nontransferable warrants, if:

29 (a) No commission or other similar compensation, other than a  
30 standby commission, is paid or given, directly or indirectly, for  
31 soliciting a security holder in this State; or

32 (b) The issuer first files a notice specifying the terms of the offer  
33 to sell, together with a nonrefundable fee of \$300, and the  
34 Administrator does not by order disallow the exemption within the  
35 next 5 full business days.

36 15. A transaction involving an offer to sell, but not a sale, of a  
37 security not exempt from registration under the Securities Act of  
38 1933, 15 U.S.C. §§ 77a et seq., if:

39 (a) A registration or offering statement or similar record as  
40 required under the Securities Act of 1933, 15 U.S.C. §§ 77a et seq.,  
41 has been filed, but is not effective;

42 (b) A registration statement, if required, has been filed under  
43 this chapter, but is not effective; and

44 (c) No order denying, suspending or revoking the effectiveness  
45 of registration, of which the offeror is aware, has been entered by



1 the Administrator or the Securities and Exchange Commission, and  
2 no examination or public proceeding that may culminate in that kind  
3 of order is known by the offeror to be pending.

4 16. A transaction involving an offer to sell, but not a sale, of a  
5 security exempt from registration under the Securities Act of 1933,  
6 15 U.S.C. §§ 77a et seq., if:

7 (a) A registration statement has been filed under this chapter, but  
8 is not effective; and

9 (b) No order denying, suspending or revoking the effectiveness  
10 of registration, of which the offeror is aware, has been entered by  
11 the Administrator and no examination or public proceeding that may  
12 culminate in that kind of order is known by the offeror to be  
13 pending.

14 17. A transaction involving the distribution of the securities of  
15 an issuer to the security holders of another person in connection  
16 with a merger, consolidation, exchange of securities, sale of assets  
17 or other reorganization to which the issuer, or its parent or  
18 subsidiary, and the other person, or its parent or subsidiary, are  
19 parties, if:

20 (a) The securities to be distributed are registered under the  
21 Securities Act of 1933, 15 U.S.C. §§ 77a et seq., before the  
22 consummation of the transaction; or

23 (b) The securities to be distributed are not required to be  
24 registered under the Securities Act of 1933, 15 U.S.C. §§ 77a et  
25 seq., written notice of the transaction and a copy of the materials, if  
26 any, by which approval of the transaction will be solicited, together  
27 with a nonrefundable fee of \$300, are given to the Administrator at  
28 least 10 days before the consummation of the transaction and the  
29 Administrator does not, by order, disallow the exemption within the  
30 next 10 days.

31 18. A transaction involving the offer to sell or sale of one or  
32 more promissory notes each of which is directly secured by a first  
33 lien on a single parcel of real estate, or a transaction involving the  
34 offer to sell or sale of participation interests in the notes if the notes  
35 and participation interests are originated by a depository institution  
36 and are offered and sold subject to the following conditions:

37 (a) The minimum aggregate sales price paid by each purchaser  
38 may not be less than \$250,000;

39 (b) Each purchaser must pay cash either at the time of the sale or  
40 within 60 days after the sale; and

41 (c) Each purchaser may buy for the purchaser's own account  
42 only.

43 19. A transaction involving the offer to sell or sale of one or  
44 more promissory notes directly secured by a first lien on a single  
45 parcel of real estate or participating interests in the notes, if the



1 notes and interests are originated by a mortgagee approved by the  
2 Secretary of Housing and Urban Development under sections 203  
3 and 211 of the National Housing Act, 12 U.S.C. §§ 1709 and 1715b,  
4 and are offered or sold, subject to the conditions specified in  
5 subsection 18, to a depository institution or insurance company, the  
6 Federal Home Loan Mortgage Corporation, the Federal National  
7 Mortgage Association or the Government National Mortgage  
8 Association.

9 20. A transaction between any of the persons described in  
10 subsection 19 involving a nonassignable contract to buy or sell the  
11 securities described in subsection 18 if the contract is to be  
12 completed within 2 years and if:

13 (a) The seller of the securities pursuant to the contract is one of  
14 the parties described in subsection 18 or 19 who may originate  
15 securities;

16 (b) The purchaser of securities pursuant to a contract is any  
17 other person described in subsection 19; and

18 (c) The conditions described in subsection 18 are fulfilled.

19 21. A transaction involving one or more promissory notes  
20 secured by a lien on real estate, or participating interests in those  
21 notes, by a mortgage company licensed pursuant to chapter 645B of  
22 NRS to engage in those transactions.

23 *22. A transaction involving an offer to sell or sale of a*  
24 *security to a Nevada certified investor if all of the following*  
25 *conditions are satisfied:*

26 *(a) The transaction satisfies the requirements for exemption*  
27 *under section 3(a)(11) of the Securities Act of 1933, 15 U.S.C. §*  
28 *77c(a)(11) and Rule 147 or 147A of the Securities and Exchange*  
29 *Commission, 17 C.F.R. § 230.147 or 230.147A.*

30 *(b) The transaction satisfies any requirements established by*  
31 *the Administrator by regulation pursuant to section 3 of this act.*

32 *(c) For a transaction involving the sale of a security to a*  
33 *Nevada certified investor described in paragraph (b) of subsection*  
34 *1 of section 2 of this act, the total amount paid by the Nevada*  
35 *certified investor for all of the securities involved in the*  
36 *transaction does not exceed 10 percent of the net worth of the*  
37 *investor. For the purposes of meeting the requirements of this*  
38 *paragraph, the equity the Nevada certified investor holds in a*  
39 *primary residence must not account for more than 50 percent of*  
40 *the net worth of the Nevada certified investor.*

41 *(d) The transaction is part of an issue in which there are not*  
42 *more than 75 purchasers who are Nevada certified investors.*

43 *(e) The person offering to sell or selling the security has*  
44 *submitted to the Administrator a complete set of his or her*  
45 *fingerprints and written permission authorizing the Administrator*



1 *to submit the fingerprints to the Central Repository for Nevada*  
2 *Records of Criminal History for its report on the criminal history*  
3 *of the person and for forwarding to the Federal Bureau of*  
4 *Investigation for its report on the criminal history of the person.*

5 **Sec. 5.5.** NRS 90.660 is hereby amended to read as follows:

6 90.660 1. A person who offers or sells a security in violation  
7 of any of the following provisions:

8 (a) Subsection 1 of NRS 90.310;

9 (b) NRS 90.460;

10 (c) Subsection ~~10~~ 11 of NRS 90.500;

11 (d) Subsection 2 of NRS 90.570;

12 (e) Subsection 2 of NRS 90.610; or

13 (f) A condition imposed in subsection ~~8~~ 9 or ~~9~~ 10 of  
14 NRS 90.500,

15 ➔ is liable to the person purchasing the security. Upon tender of the  
16 security, the purchaser may recover the consideration paid for the  
17 security and interest at the legal rate of this State from the date of  
18 payment, costs and reasonable attorney's fees, less the amount of  
19 income received on the security. A purchaser who no longer owns  
20 the security may recover damages. Damages are the amount that  
21 would be recoverable upon a tender less the value of the security  
22 when the purchaser disposed of it, plus interest at the legal rate of  
23 this State from the date of disposition of the security, costs and  
24 reasonable attorney's fees determined by the court. Tender requires  
25 only notice of willingness to exchange the security for the amount  
26 specified.

27 2. A person who offers or sells a security in violation of  
28 subsection 2 of NRS 90.570 is not liable under subsection 1 of this  
29 section if:

30 (a) The purchaser knew that a statement of a material fact was  
31 untrue or that there was an omission of a statement of a material  
32 fact; or

33 (b) The seller did not know and in the exercise of reasonable  
34 care could not have known of the untrue statement or misleading  
35 omission.

36 3. A person who willfully participates in any act or transaction  
37 in violation of NRS 90.580 is liable to a person who purchases or  
38 sells a security, other than a security traded on a national securities  
39 exchange or quoted on a national automated quotation system  
40 administered by a self-regulatory organization, at a price that was  
41 affected by the act or transaction for the damages sustained as a  
42 result of the act or transaction. Damages are the difference between  
43 the price at which the securities were purchased or sold and the  
44 market value the securities would have had at the time of the  
45 person's purchases or sale in the absence of the act or transaction,



1 plus interest at the legal rate of this State from the date of the act or  
2 transaction and reasonable attorney's fees.

3 4. A person who directly or indirectly controls another person  
4 who is liable under subsection 1 or 3, a partner, officer or director of  
5 the person liable, a person occupying a similar status or performing of  
6 similar functions, any agent of the person liable, an employee of the  
7 person liable if the employee materially aids in the act, omission or  
8 transaction constituting the violation, and a broker-dealer or sales  
9 representative who materially aids in the act, omission or transaction  
10 constituting the violation, are also liable jointly and severally with  
11 and to the same extent as the other person, but it is a defense that the  
12 person did not know, and in the exercise of reasonable care could  
13 not have known, of the existence of the facts by which the liability  
14 is alleged to exist. With respect to a person who directly or  
15 indirectly, controls another person who is liable under subsection 3,  
16 it is also a defense that the controlling person acted in good faith and  
17 did not, directly or indirectly, induce the act, omission or transaction  
18 constituting the violation. Contribution among the several persons  
19 liable is the same as in cases arising out of breach of contract.

20 **Sec. 6.** 1. This section becomes effective upon passage and  
21 approval.

22 2. Sections 1 to 5.5, inclusive, of this act become effective:

23 (a) Upon passage and approval for the purpose of adopting any  
24 regulations and performing any other preparatory administrative  
25 tasks that are necessary to carry out the provisions of this act; and

26 (b) On October 1, 2023, for all other purposes.

