

AMENDED IN ASSEMBLY MARCH 17, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2610

**Introduced by Assembly Member Holden
(Coauthor: Assembly Member Brown)**

February 19, 2016

An act to amend Section 25114 of the Corporations ~~Code~~ Code, relating to securities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2610, as amended, Holden. Securities: ~~qualification.~~ *qualification: period of effectiveness.*

Existing law, the Corporate Securities Law of 1968, requires securities offered or sold in this state in an issuer transaction to be qualified through an application filed with the Commissioner of Business Oversight, unless exempt from the qualification requirements. Existing law requirements, and generally provides that every qualification under these provisions is effective for 12 months from its effective date. Existing This law makes it unlawful a crime for a person in connection with the offer, sale, or purchase of a security to engage in fraudulent or misleading acts or omissions. to willfully violate any of its provisions.

This bill would increase that effective period of for a qualification eligible for a Small Corporate Offering Registration, as specified, from 12 months to 36 months months, unless an issuer makes a change to its board members, directors, officers, partners, members, or trustees, in which case the qualification would become ineffective, as provided. ineffective. The bill would reinstate effectiveness for the remainder of the 36-months qualification period if the offering is requalified, as specified. By modifying the period and conditions under which an

offering is effective, this bill would modify the application of criminal provisions in existing law and thereby impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

1 *SECTION 1. It is the intent of the Legislature in enacting this*
2 *legislation to expand the period of effectiveness for a qualification*
3 *eligible for a Small Corporate Offering Registration. It is not the*
4 *intent of the Legislature to modify the consumer protections*
5 *provided by the requirements for qualification.*

6 ~~SECTION 1.~~

7 *SEC. 2. Section 25114 of the Corporations Code is amended*
8 *to read:*

9 ~~25114. (a) Subject to the limitations in subdivisions (b) and~~
10 ~~(c), every~~ *Every* ~~qualification under this chapter is effective for 36~~
11 ~~12 months from its effective date, unless the commissioner by~~
12 ~~order or rule specifies a different period, except during the time~~
13 ~~an order under Section 25140 or subdivision (a) of Section 25143~~
14 ~~is in effect.~~

15 ~~(b) (1) Any qualification under this chapter immediately~~
16 ~~becomes ineffective upon any change in board members, directors,~~
17 ~~officers, partners, members, or trustees of the issuer.~~

18 ~~(2) If any of the changes specified in paragraph (1) occur, an~~
19 ~~issuer shall reapply for qualification pursuant to this chapter. If a~~
20 ~~qualification becomes ineffective pursuant to paragraph (1) but~~
21 ~~the issuer subsequently successfully obtains qualification for the~~
22 ~~securities, then that qualification shall only remain effective for~~
23 ~~the same period of time as the original qualification issued pursuant~~
24 ~~to subdivision (a).~~

25 ~~(c) The provisions of this section shall not change the~~
26 ~~qualification requirements of Sections 25111, 25112, or 25113.~~

1 ***(b) (1) Notwithstanding subdivision (a) and subject to the***
2 ***limitations in paragraph (2) and the authority of the commissioner***
3 ***pursuant to Section 25140 or subdivision (a) of Section 25143, a***
4 ***qualification pursuant to paragraph (2) of subdivision (b) of***
5 ***Section 25113 shall be effective for a period of 36 months from its***
6 ***effective date.***

7 ***(2) (A) At the end of 12 months from the effective date of the***
8 ***qualification period authorized pursuant to paragraph (1), the***
9 ***qualification shall become ineffective upon any change in the board***
10 ***members, directors, officers, partners, members, or trustee of the***
11 ***issuer.***

12 ***(B) If a qualification becomes ineffective pursuant to***
13 ***subparagraph (A), an issuer may apply for a requalification***
14 ***pursuant to paragraph (2) of subdivision (b) of Section 25113. If***
15 ***an issuer subsequently obtains a requalification, then the***
16 ***requalification shall only remain effective for the remaining period***
17 ***of the 36 months authorized pursuant to paragraph (1).***

18 ***(3) The provisions of this subdivision shall not be deemed to***
19 ***modify the qualification requirements of Section 25111, 25112, or***
20 ***25113.***

21 ***SEC. 3. No reimbursement is required by this act pursuant to***
22 ***Section 6 of Article XIII B of the California Constitution because***
23 ***the only costs that may be incurred by a local agency or school***
24 ***district will be incurred because this act creates a new crime or***
25 ***infraction, eliminates a crime or infraction, or changes the penalty***
26 ***for a crime or infraction, within the meaning of Section 17556 of***
27 ***the Government Code, or changes the definition of a crime within***
28 ***the meaning of Section 6 of Article XIII B of the California***
29 ***Constitution.***