

AMENDED IN SENATE MAY 23, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2907

Introduced by Committee on Banking and Finance (Assembly Members Dababneh (Chair), Travis Allen (Vice Chair), Achadjian, Bonilla, Brown, Chau, Gatto, Hadley, Kim, Low, and Mark Stone)

March 8, 2016

An act to amend Sections 7574.14 and 17511.1 of the Business and Professions Code, to amend Sections 2510, 2601, 25100, 25254, and 25532 of the Corporations Code, to amend Sections ~~5100.2 and 5100.2~~, 18139, and 18427.9 of the Financial Code, and to amend Section 53638 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 2907, as amended, Committee on Banking and Finance. State government: omnibus technical changes.

(1) Existing law abolished the Department of Corporations, the Commissioner of Corporations, the Department of Financial Institutions, and the Commissioner of Financial Institutions and transferred the powers, duties, responsibilities, and functions of those entities and officers to the Department of Business Oversight and the Commissioner of Business Oversight.

This bill would make technical, nonsubstantive changes to update references from these abolished entities and officers to the successor Department of Business Oversight and the Commissioner of Business Oversight.

(2) Existing law reorganized the provisions of the Financial Code.

This bill would make technical, nonsubstantive changes to update cross-references to the prior organization of the Financial Code to its current organization.

(3) Existing law regulates telephonic sellers, as defined, and requires, among other things, a telephonic seller to, not less than 10 days prior to doing business in this state, register specific information with the Department of Justice.

This bill would modify the definition of “telephonic seller” or “seller” to remove an outdated reference.

(4) The Corporate Securities Law of 1968 authorizes the Commissioner of Business Oversight to enforce its provisions, including the power to issue an order for a violation of that law, and, under certain conditions, make claim for ancillary relief.

This bill would make a technical, nonsubstantive change to include a cross-reference to a specific type of order issued by the commissioner within a procedure for a person to request a hearing regarding that order. The bill would also make a technical, nonsubstantive change to update a reference to the commissioner seeking administrative relief to instead refer to seeking ancillary relief.

(5) Under federal law, the Office of Thrift Supervision merged with the Office of the Comptroller of the Currency.

This bill would make technical, nonsubstantive changes to update references to the Office of Thrift Supervision to instead refer to the Office of the Comptroller of the Currency.

(6) Existing law prohibits the Secretary of State from filing articles of incorporation setting forth a name in which “bank,” “trust,” “trustee,” or related words appear, except as specified.

This bill would remove a duplicate exception that does not prohibit the Secretary of State from filing these types of articles if a certificate of approval of the Commissioner of Business Oversight is attached to the articles.

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

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

- 1 SECTION 1. Section 7574.14 of the Business and Professions
- 2 Code is amended to read:
- 3 7574.14. This chapter shall not apply to the following:

- 1 (a) An officer or employee of the United States of America, or
2 of this state or a political subdivision thereof, while the officer or
3 employee is engaged in the performance of his or her official
4 duties, including uniformed peace officers employed part time by
5 a public agency pursuant to a written agreement between a chief
6 of police or sheriff and the public agency, provided the part-time
7 employment does not exceed 50 hours in a calendar month.
- 8 (b) A person engaged exclusively in the business of obtaining
9 and furnishing information as to the financial rating of persons.
- 10 (c) A charitable philanthropic society or association incorporated
11 under the laws of this state that is organized and duly maintained
12 for the public good and not for private profit.
- 13 (d) Patrol special police officers appointed by the police
14 commission of a city, county, or city and county under the express
15 terms of its charter who also under the express terms of the charter
16 (1) are subject to suspension or dismissal after a hearing on charges
17 duly filed with the commission after a fair and impartial trial, (2)
18 must be not less than 18 years of age nor more than 40 years of
19 age, (3) must possess physical qualifications prescribed by the
20 commission, and (4) are designated by the police commission as
21 the owners of a certain beat or territory as may be fixed from time
22 to time by the police commission.
- 23 (e) An attorney at law in performing his or her duties as an
24 attorney at law.
- 25 (f) A collection agency or an employee thereof while acting
26 within the scope of his or her employment, while making an
27 investigation incidental to the business of the agency, including
28 an investigation of the location of a debtor or his or her property
29 where the contract with an assignor creditor is for the collection
30 of claims owed or due or asserted to be owed or due or the
31 equivalent thereof.
- 32 (g) Admitted insurers and agents and insurance brokers licensed
33 by the state, performing duties in connection with insurance
34 transacted by them.
- 35 (h) A bank subject to the jurisdiction of the Commissioner of
36 Business Oversight under Division 1.1 (commencing with Section
37 1000) of the Financial Code or the Comptroller of the Currency
38 of the United States.
- 39 (i) A person engaged solely in the business of securing
40 information about persons or property from public records.

1 (j) A peace officer of this state or a political subdivision thereof
2 while the peace officer is employed by a private employer to
3 engage in off-duty employment in accordance with Section 1126
4 of the Government Code. However, nothing herein shall exempt
5 such a peace officer who either contracts for his or her services or
6 the services of others as a private patrol operator or contracts for
7 his or her services as or is employed as an armed private security
8 officer. For purposes of this subdivision, “armed security officer”
9 means an individual who carries or uses a firearm in the course
10 and scope of that contract or employment.

11 (k) A retired peace officer of the state or political subdivision
12 thereof when the retired peace officer is employed by a private
13 employer in employment approved by the chief law enforcement
14 officer of the jurisdiction where the employment takes place,
15 provided that the retired officer is in a uniform of a public law
16 enforcement agency, has registered with the bureau on a form
17 approved by the director, and has met any training requirements
18 or their equivalent as established for security personnel under
19 Section 7583.5. This officer may not carry an unloaded and
20 exposed handgun unless he or she is exempted under the provisions
21 of Article 2 (commencing with Section 26361) of Chapter 6 of
22 Division 5 of Title 4 of Part 6 of the Penal Code, may not carry
23 an unloaded firearm that is not a handgun unless he or she is
24 exempted under the provisions of Article 2 (commencing with
25 Section 26405) of Chapter 7 of Division 5 of Title 4 of Part 6 of
26 the Penal Code, and may not carry a loaded or concealed firearm
27 unless he or she is exempted under the provisions of Sections
28 25450 to 25475, inclusive, of the Penal Code or Sections 25900
29 to 25910, inclusive, of the Penal Code or has met the requirements
30 set forth in subdivision (d) of Section 26030 of the Penal Code.
31 However, nothing herein shall exempt the retired peace officer
32 who contracts for his or her services or the services of others as a
33 private patrol operator.

34 (l) A licensed insurance adjuster in performing his or her duties
35 within the scope of his or her license as an insurance adjuster.

36 (m) A savings association subject to the jurisdiction of the
37 Commissioner of Business Oversight or the Office of the
38 Comptroller of the Currency.

1 (n) A secured creditor engaged in the repossession of the
2 creditor's collateral and a lessor engaged in the repossession of
3 leased property in which it claims an interest.

4 (o) A peace officer in his or her official police uniform acting
5 in accordance with subdivisions (c) and (d) of Section 70 of the
6 Penal Code.

7 (p) An unarmed, uniformed security person employed
8 exclusively and regularly by a motion picture studio facility
9 employer who does not provide contract security services for other
10 entities or persons in connection with the affairs of that employer
11 only and where there exists an employer-employee relationship if
12 that person at no time carries or uses a deadly weapon, as defined
13 in subdivision (a), in the performance of his or her duties, which
14 may include, but are not limited to, the following business
15 purposes:

16 (1) The screening and monitoring access of employees of the
17 same employer.

18 (2) The screening and monitoring access of prearranged and
19 preauthorized invited guests.

20 (3) The screening and monitoring of vendors and suppliers.

21 (4) Patrolling the private property facilities for the safety and
22 welfare of all who have been legitimately authorized to have access
23 to the facility.

24 (q) An armored contract carrier operating armored vehicles
25 pursuant to the authority of the Department of the California
26 Highway Patrol or the Public Utilities Commission, or an armored
27 vehicle guard employed by an armored contract carrier.

28 SEC. 2. Section 17511.1 of the Business and Professions Code
29 is amended to read:

30 17511.1. As used in this article, "telephonic seller" or "seller"
31 means a person who, on his or her own behalf or through
32 salespersons or through the use of an automatic dialing-announcing
33 device, as defined in Section 2871 of the Public Utilities Code,
34 causes a telephone solicitation or attempted telephone solicitation
35 to occur which meets the criteria specified in subdivision (a), (b),
36 (c), or (d) and who is not exempted by subdivision (e), as follows:

37 (a) A telephone solicitation or attempted telephone solicitation
38 wherein the telephonic seller initiates telephonic contact with a
39 prospective purchaser and represents or implies one or more of
40 the following:

- 1 (1) That a prospective purchaser who buys one or more items
2 will also receive additional or other items, whether or not of the
3 same type as purchased, without further cost. For purposes of this
4 subdivision, “further cost” does not include actual postage or
5 common carrier delivery charges, if any.
- 6 (2) That a prospective purchaser will receive a prize or gift, if
7 the person also encourages the prospective purchaser to do either
8 of the following:
- 9 (A) Purchase or rent any goods or services.
- 10 (B) Pay any money, including, but not limited to, a delivery or
11 handling charge.
- 12 (3) That a prospective purchaser is able to obtain any item or
13 service at a price which the seller states or implies is below the
14 regular price of the item or service offered. This paragraph shall
15 not apply to retailers who, within the previous 12 months, have
16 sold a majority of their goods or services through in-person sales
17 at retail stores.
- 18 (4) That a prospective purchaser who buys office equipment or
19 supplies will, because of some unusual event or imminent price
20 increase, be able to buy these items at prices which are below those
21 that are usually charged or will be charged for the items.
- 22 (5) That the seller is a person other than the person he or she is.
- 23 (6) That the items for sale are manufactured or supplied by a
24 person other than the actual manufacturer or supplier.
- 25 (7) That the seller is offering to sell the prospective purchaser
26 any gold, silver, or other metals, including coins, diamonds, rubies,
27 sapphires, or other stones, coal or other minerals, or any interest
28 in oil, gas, or mineral fields, wells, or exploration sites, or any
29 other investment opportunity of any type whatsoever.
- 30 (8) That the seller is offering to make a loan, or to arrange or
31 assist in arranging a loan or to assist in providing information
32 which may lead to the obtaining of a loan, unless no payment of
33 any kind is made until the loan proceeds are disbursed to the
34 borrower.
- 35 (9) That a prospective purchaser will receive a credit card, as
36 defined in subdivision (a) of Section 1747.02 of the Civil Code,
37 if the purchaser pays an upfront or preapplication fee for the credit
38 card to the telephonic seller.
- 39 (b) A solicitation or attempted solicitation which is made by
40 telephone in response to inquiries generated by unrequested

1 notifications sent by the seller to persons who have not previously
2 purchased goods or services from the seller or who have not
3 previously requested credit from the seller, to a prospective
4 purchaser wherein the seller represents or implies to the recipient
5 of the notification that any of the following applies to the recipient:

6 (1) That the recipient has in any manner been specially selected
7 to receive the notification or the offer contained in the notification.

8 (2) That the recipient will receive a prize or gift if the recipient
9 calls the seller.

10 (3) That if the recipient buys one or more items from the seller,
11 the recipient will also receive additional or other items, whether
12 or not of the same type as purchased, without further cost or at a
13 cost which the seller states or implies is less than the regular price
14 of such items.

15 However, this subdivision does not apply to the solicitation of
16 sales by a catalog seller who periodically issues and delivers
17 catalogs to potential purchasers by mail or by other means. This
18 exception only applies if the catalog includes a written description
19 or illustration and the sales price of each item of merchandise
20 offered for sale, includes at least 24 full pages of written material
21 or illustrations, is distributed in more than one state, and has an
22 annual circulation of not less than 250,000 customers.

23 (c) A solicitation or attempted solicitation which is made by
24 telephone in response to inquiries generated by advertisements on
25 behalf of the telephonic seller wherein it is represented or implied
26 that the seller is offering to sell to the prospective purchaser any
27 gold, silver, or other metals, including coins, diamonds, rubies,
28 sapphires, or other stones, coal or other minerals, or any interest
29 in oil, gas, or mineral fields, wells, or exploration sites, or any
30 other investment opportunity of any type whatsoever.

31 (d) A solicitation or attempted solicitation which is made by
32 telephone in response to inquiries generated by advertisements on
33 behalf of the telephonic seller wherein it is represented or implied
34 that the seller is offering to make a loan or to arrange or assist in
35 arranging a loan or to assist in providing information which may
36 lead to the obtaining of a loan, unless no payment of any kind is
37 made until the loan proceeds are disbursed to the borrower.

38 (e) For purposes of this article, “telephonic seller” or “seller”
39 does not include any of the following:

1 (1) A person offering or selling a security qualified under
2 Section 25110, 25120, or 25130 of the Corporations Code or
3 exempt from qualification under Chapter 1 (commencing with
4 Section 25100) of Part 2 of Division 1 of Title 4 of the
5 Corporations Code. The fact that a notice claiming an exemption
6 under the Corporate Securities Law of 1968 is filed with the
7 Department of Business Oversight does not create an exemption
8 under this paragraph.

9 (2) A person licensed pursuant to Part 1 (commencing with
10 Section 10000) of Division 4, when the solicited transaction is
11 governed by that law.

12 (3) A person licensed pursuant to Chapter 9 (commencing with
13 Section 7000) of Division 3, when the solicited transaction is
14 governed by that law.

15 (4) A person licensed or certificated pursuant to Part 2
16 (commencing with Section 680) of Division 1 of the Insurance
17 Code, including a person licensed pursuant to Chapter 5
18 (commencing with Section 1621) thereof, when the solicited
19 transaction is governed by that law.

20 (5) A person offering or selling a franchise registered pursuant
21 to Section 31110 of the Corporations Code or exempt from
22 registration under Chapter 1 (commencing with Section 31100)
23 of Part 2 of Division 5 of Title 4 of the Corporations Code. The
24 fact that a notice claiming an exemption under the Franchise
25 Investment Law is filed with the Department of Business Oversight
26 does not create an exemption under this paragraph.

27 (6) A person soliciting the sale of a seller assisted marketing
28 plan, as defined in Title 2.7 (commencing with Section 1812.200)
29 of Part 4 of Division 3 of the Civil Code, who has filed with the
30 Attorney General the documents required by Section 1812.203 of
31 the Civil Code.

32 (7) A person primarily soliciting the sale of a newspaper of
33 general circulation, as defined in Article 1 (commencing with
34 Section 6000) of Chapter 1 of Division 7 of Title 1 of the
35 Government Code, a magazine, or membership in a book or record
36 club whose program operates in conformity with the requirements
37 of Section 1584.5 of the Civil Code.

38 (8) A person soliciting business from prospective purchasers
39 who have previously purchased from the business enterprise for
40 which the person is calling.

1 (9) A person soliciting without the intent to complete and who
2 does not complete the sales presentation during the telephone
3 solicitation but completes the sales presentation at a later
4 face-to-face meeting between the solicitor and the prospective
5 purchaser. However, if a seller, directly following a telephone
6 solicitation, causes an individual whose primary purpose it is to
7 go to the prospective purchaser to collect the payment or deliver
8 any item purchased, this exemption does not apply.

9 (10) Any supervised financial institution or parent, subsidiary,
10 or subsidiary of parent thereof. As used in this paragraph,
11 “supervised financial institution” means any commercial bank,
12 trust company, savings and loan association, credit union, industrial
13 loan company, finance lender or broker, or insurer, provided that
14 the institution is subject to supervision by an official or agency of
15 this state or of the United States.

16 (11) A person soliciting the sale of a preneed funeral
17 arrangement regulated by Article 9 (commencing with Section
18 7735) of Chapter 12 of Division 3.

19 (12) A person licensed pursuant to Chapter 19 (commencing
20 with Section 9600) of Division 3 when acting pursuant to that
21 licensure.

22 (13) A person soliciting the sale of services provided by a cable
23 television system licensed or franchised pursuant to Section 53066
24 of the Government Code or any other authority.

25 (14) A person or an affiliate of a person whose business is
26 regulated by the Public Utilities Commission.

27 (15) A person soliciting the sale of a commodity pursuant to
28 Part 2 (commencing with Section 58601) of Division 21 of the
29 Food and Agricultural Code, if the solicitation neither intends to,
30 nor actually results in, a sale which costs the purchaser in excess
31 of one hundred dollars (\$100).

32 (16) An issuer or subsidiary of an issuer that has a security listed
33 on a national securities exchange if the exchange has been certified
34 by rule or order of the Commissioner of Business Oversight under
35 subdivision (o) of Section 25100 of the Corporations Code. A
36 subsidiary of an issuer that qualifies for exemption under this
37 paragraph is not itself exempt unless not less than 60 percent of
38 the voting power of its shares is owned by the qualifying issuer or
39 issuers.

1 (17) A person soliciting exclusively the sale of telephone
2 answering services to be provided by that person or that person's
3 employer.

4 (18) A person soliciting a transaction regulated by the
5 Commodity Futures Trading Commission if the person is registered
6 or temporarily licensed for this activity with the Commodity
7 Futures Trading Commission under the Commodity Exchange Act
8 (7 U.S.C. Sec. 1 et seq.), and the registration or license has not
9 expired or been suspended or revoked.

10 (19) A person who sells coins or bullion at a price which is not
11 more than 25 percent more than the price at which the seller is
12 concurrently buying the same coins or bullion, if: (A) the seller
13 has had a retail location in California from which he or she has
14 been selling coins or bullion to the public in person for at least
15 three years; (B) the telephonic solicitations are not the person's
16 primary business and sales made telephonically make up less than
17 20 percent of the person's total retail sales; and (C) the person
18 claiming an exemption pursuant to this subdivision complies with
19 Section 17511.3, as applicable, and subdivision (p) of Section
20 17511.4.

21 (20) A person licensed pursuant to Division 1.2 (commencing
22 with Section 2000) of the Financial Code to engage in the business
23 of money transmission if the license has not expired or been
24 suspended or revoked.

25 (21) A person licensed as a residential mortgage lender or
26 servicer pursuant to Division 20 (commencing with Section 50000)
27 of the Financial Code, when acting under the authority of that
28 license.

29 (22) A corporation that meets all of the following conditions:

30 (A) It has been exempt from taxation under Section 23701e of
31 the Revenue and Taxation Code for a minimum of 10 years.

32 (B) It has maintained its principal purpose for a minimum of
33 10 years.

34 (C) It has been incorporated in the state for a minimum of 25
35 years.

36 (f) In any civil proceeding alleging a violation of this article,
37 the burden of proving an exemption or an exception from a
38 definition is upon the person claiming it, and in any criminal
39 proceeding alleging a violation of this article, the burden of

1 producing evidence to support a defense based upon an exemption
2 or an exception from a definition is upon the person claiming it.

3 (g) Compliance with this article does not satisfy nor substitute
4 for any requirements for license, registration, or regulation
5 mandated by other laws.

6 SEC. 3. Section 2510 of the Corporations Code is amended to
7 read:

8 2510. “Social purpose corporation subject to the Banking Law”
9 means any of the following:

10 (a) A social purpose corporation that, with the approval of the
11 Commissioner of Business Oversight, is incorporated for the
12 purpose of engaging in, or that is authorized by the Commissioner
13 of Business Oversight to engage in, the commercial banking
14 business under the Banking Law (Division 1.1 (commencing with
15 Section 1000) of the Financial Code).

16 (b) Any social purpose corporation that, with the approval of
17 the Commissioner of Business Oversight, is incorporated for the
18 purpose of engaging in, or that is authorized by the Commissioner
19 of Business Oversight to engage in, the industrial banking business
20 under the Banking Law (Division 1.1 (commencing with Section
21 1000) of the Financial Code).

22 (c) Any social purpose corporation, other than a social purpose
23 corporation described in subdivision (d), that, with the approval
24 of the Commissioner of Business Oversight, is incorporated for
25 the purpose of engaging in, or that is authorized by the
26 Commissioner of Business Oversight to engage in, the trust
27 business under the Banking Law (Division 1.1 (commencing with
28 Section 1000) of the Financial Code).

29 (d) Any social purpose corporation that is authorized by the
30 Commissioner of Business Oversight and the Commissioner of
31 Insurance to maintain a title insurance department to engage in
32 title insurance business and a trust department to engage in trust
33 business.

34 (e) Any social purpose corporation that, with the approval of
35 the Commissioner of Business Oversight, is incorporated for the
36 purpose of engaging in, or that is authorized by the Commissioner
37 of Business Oversight to engage in, business under Article 1
38 (commencing with Section 1850) of Chapter 21 of Division 1.1
39 of the Financial Code.

1 *SEC. 4. Section 2601 of the Corporations Code is amended to*
2 *read:*

3 2601. (a) The Secretary of State shall not file articles setting
4 forth a name in which “bank,” “trust,” “trustee,” or related words
5 appear, unless the certificate of approval of the Commissioner of
6 Business Oversight is attached to the articles. This subdivision
7 does not apply to the articles of any social purpose corporation
8 subject to the Banking Law on which is endorsed the approval of
9 the Commissioner of Business Oversight or to which a certificate
10 of approval of the Commissioner of Business Oversight is attached
11 to the articles. *Oversight.*

12 (b) (1) The Secretary of State shall not file articles that set forth
13 a name that is likely to mislead the public or that is the same as,
14 or resembles so closely as to tend to deceive, the name of a
15 domestic corporation, the name of a domestic social purpose
16 corporation, or the name of a foreign corporation that is authorized
17 to transact intrastate business or has registered its name pursuant
18 to Section 2101, a name that a foreign corporation has assumed
19 under subdivision (b) of Section 2106, a name that will become
20 the record name of a corporation or social purpose corporation or
21 a foreign corporation upon the effective date of a filed corporate
22 instrument where there is a delayed effective date pursuant to
23 subdivision (c) of Section 110 or subdivision (c) of Section 5008,
24 or a name that is under reservation for another corporation or social
25 purpose corporation pursuant to this title, except that a social
26 purpose corporation may adopt a name that is substantially the
27 same as an existing corporation or social purpose corporation,
28 foreign or domestic, which is authorized to transact intrastate
29 business or has registered its name pursuant to Section 2101, upon
30 proof of consent by the domestic or foreign corporation or social
31 purpose corporation and a finding by the Secretary of State that
32 under the circumstances the public is not likely to be misled. The
33 use by a social purpose corporation of a name in violation of this
34 section may be enjoined notwithstanding the filing of its articles
35 by the Secretary of State.

36 (2) A corporation formed pursuant to this division before
37 January 1, 2015, may elect to change its status from a flexible
38 purpose corporation to a social purpose corporation by amending
39 its articles of incorporation to change its name to replace “flexible
40 purpose corporation” with “social purpose corporation” and to

1 replace the term “flexible purpose corporation” with “social
2 purpose corporation” as applicable in any statements contained in
3 the articles. For any flexible purpose corporation formed prior to
4 January 1, 2015, that has not amended its articles of incorporation
5 to change its status to a social purpose corporation, any reference
6 in this division to social purpose corporation shall be deemed a
7 reference to “flexible purpose corporation.”

8 (c) Any applicant may, upon payment of the fee prescribed in
9 Article 3 (commencing with Section 12180) of Chapter 3 of Part
10 2 of Division 3 of Title 2 of the Government Code, obtain from
11 the Secretary of State a certificate of reservation of any name not
12 prohibited by subdivision (b), and upon the issuance of the
13 certificate the name stated in the certificate shall be reserved for
14 a period of 60 days. The Secretary of State shall not, however,
15 issue certificates reserving the same name for two or more
16 consecutive 60-day periods to the same applicant or for the use or
17 benefit of the same person. No consecutive reservations shall be
18 made by or for the use or benefit of the same person of names so
19 similar as to fall within the prohibitions of subdivision (b).

20 ~~SEC. 4.~~

21 *SEC. 5.* Section 25100 of the Corporations Code is amended
22 to read:

23 25100. The following securities are exempted from Sections
24 25110, 25120, and 25130:

25 (a) Any security (including a revenue obligation) issued or
26 guaranteed by the United States, any state, any city, county, city
27 and county, public district, public authority, public corporation,
28 public entity, or political subdivision of a state or any agency or
29 corporate or other instrumentality of any one or more of the
30 foregoing; or any certificate of deposit for any of the foregoing.

31 (b) Any security issued or guaranteed by Canada, any Canadian
32 province, any political subdivision or municipality of that province,
33 or by any other foreign government with which the United States
34 currently maintains diplomatic relations, if the security is
35 recognized as a valid obligation by the issuer or guarantor; or any
36 certificate of deposit for any of the foregoing.

37 (c) Any security issued or guaranteed by and representing an
38 interest in or a direct obligation of a national bank or a bank or
39 trust company incorporated under the laws of this state, and any

1 security issued by a bank to one or more other banks and
2 representing an interest in an asset of the issuing bank.

3 (d) Any security issued or guaranteed by a federal savings
4 association or federal savings bank or federal land bank or joint
5 land bank or national farm loan association or by any savings
6 association, as defined in subdivision (a) of Section 5102 of the
7 Financial Code, which is subject to the supervision and regulation
8 of the Commissioner of Business Oversight of this state.

9 (e) Any security (other than an interest in all or portions of a
10 parcel or parcels of real property which are subdivided land or a
11 subdivision or in a real estate development), the issuance of which
12 is subject to authorization by the Insurance Commissioner, the
13 Public Utilities Commission, or the Real Estate Commissioner of
14 this state.

15 (f) Any security consisting of any interest in all or portions of
16 a parcel or parcels of real property that are subdivided lands or a
17 subdivision or in a real estate development; provided that the
18 exemption in this subdivision shall not be applicable to: (1) any
19 investment contract sold or offered for sale with, or as part of, that
20 interest, or (2) any person engaged in the business of selling,
21 distributing, or supplying water for irrigation purposes or domestic
22 use that is not a public utility except that the exemption is
23 applicable to any security of a mutual water company (other than
24 an investment contract as described in paragraph (1)) offered or
25 sold in connection with subdivided lands pursuant to Chapter 2
26 (commencing with Section 14310) of Part 7 of Division 3 of Title
27 1.

28 (g) Any mutual capital certificates or savings accounts, as
29 defined in the Savings Association Law, issued by a savings
30 association, as defined by subdivision (a) of Section 5102 of the
31 Financial Code, and holding a license or certificate of authority
32 then in force from the Commissioner of Business Oversight of this
33 state.

34 (h) Any security issued or guaranteed by any federal credit
35 union, or by any credit union organized and supervised, or
36 regulated, under the Credit Union Law.

37 (i) Any security issued or guaranteed by any railroad, other
38 common carrier, public utility, or public utility holding company
39 which is (1) subject to the jurisdiction of the Interstate Commerce
40 Commission or its successor or (2) a holding company registered

1 with the Securities and Exchange Commission under the Public
2 Utility Holding Company Act of 1935 or a subsidiary of that
3 company within the meaning of that act or (3) regulated in respect
4 of the issuance or guarantee of the security by a governmental
5 authority of the United States, of any state, of Canada or of any
6 Canadian province; and the security is subject to registration with
7 or authorization of issuance by that authority.

8 (j) Any security (except evidences of indebtedness, whether
9 interest bearing or not) of an issuer (1) organized exclusively for
10 educational, benevolent, fraternal, religious, charitable, social, or
11 reformatory purposes and not for pecuniary profit, if no part of the
12 net earnings of the issuer inures to the benefit of any private
13 shareholder or individual, or (2) organized as a chamber of
14 commerce or trade or professional association. The fact that
15 amounts received from memberships or dues or both will or may
16 be used to construct or otherwise acquire facilities for use by
17 members of the nonprofit organization does not disqualify the
18 organization for this exemption. This exemption does not apply
19 to the securities of any nonprofit organization if any promoter
20 thereof expects or intends to make a profit directly or indirectly
21 from any business or activity associated with the organization or
22 operation of that nonprofit organization or from remuneration
23 received from that nonprofit organization.

24 (k) Any agreement, commonly known as a “life income
25 contract,” of an issuer (1) organized exclusively for educational,
26 benevolent, fraternal, religious, charitable, social, or reformatory
27 purposes and not for pecuniary profit and (2) which the
28 commissioner designates by rule or order, with a donor in
29 consideration of a donation of property to that issuer and providing
30 for the payment to the donor or persons designated by him or her
31 of income or specified periodic payments from the donated
32 property or other property for the life of the donor or those other
33 persons.

34 (l) Any note, draft, bill of exchange, or banker’s acceptance
35 which is freely transferable and of prime quality, arises out of a
36 current transaction or the proceeds of which have been or are to
37 be used for current transactions, and which evidences an obligation
38 to pay cash within nine months of the date of issuance, exclusive
39 of days of grace, or any renewal of that paper which is likewise
40 limited, or any guarantee of that paper or of that renewal, provided

1 that the paper is not offered to the public in amounts of less than
2 twenty-five thousand dollars (\$25,000) in the aggregate to any one
3 purchaser. In addition, the commissioner may, by rule or order,
4 exempt any issuer of any notes, drafts, bills of exchange or banker's
5 acceptances from qualification of those securities when the
6 commissioner finds that the qualification is not necessary or
7 appropriate in the public interest or for the protection of investors.

8 (m) Any security issued by any corporation organized and
9 existing under the provisions of Chapter 1 (commencing with
10 Section 54001) of Division 20 of the Food and Agricultural Code.

11 (n) Any beneficial interest in an employees' pension,
12 profit-sharing, stock bonus, or similar benefit plan which meets
13 the requirements for qualification under Section 401 of the federal
14 Internal Revenue Code or any statute amendatory thereof or
15 supplementary thereto. A determination letter from the Internal
16 Revenue Service stating that an employees' pension, profit-sharing,
17 stock bonus, or similar benefit plan meets those requirements shall
18 be conclusive evidence that the plan is an employees' pension,
19 profit-sharing, stock bonus, or similar benefit plan within the
20 meaning of the first sentence of this subdivision until the date the
21 determination letter is revoked in writing by the Internal Revenue
22 Service, regardless of whether or not the revocation is retroactive.

23 (o) Any security listed or approved for listing upon notice of
24 issuance on a national securities exchange, if the exchange has
25 been certified by rule or order of the commissioner and any warrant
26 or right to purchase or subscribe to the security. The exemption
27 afforded by this subdivision does not apply to securities listed or
28 approved for listing upon notice of issuance on a national securities
29 exchange, in a rollup transaction unless the rollup transaction is
30 an eligible rollup transaction as defined in Section 25014.7.

31 That certification of any exchange shall be made by the
32 commissioner upon the written request of the exchange if the
33 commissioner finds that the exchange, in acting on applications
34 for listing of common stock, substantially applies the minimum
35 standards set forth in either subparagraph (A) or (B) of paragraph
36 (1), and, in considering suspension or removal from listing,
37 substantially applies each of the criteria set forth in paragraph (2).

38 (1) Listing standards:

39 (A) (i) Shareholders' equity of at least four million dollars
40 (\$4,000,000).

1 (ii) Pretax income of at least seven hundred fifty thousand
2 dollars (\$750,000) in the issuer's last fiscal year or in two of its
3 last three fiscal years.

4 (iii) Minimum public distribution of 500,000 shares (exclusive
5 of the holdings of officers, directors, controlling shareholders, and
6 other concentrated or family holdings), together with a minimum
7 of 800 public holders or minimum public distribution of 1,000,000
8 shares together with a minimum of 400 public holders. The
9 exchange may also consider the listing of a company's securities
10 if the company has a minimum of 500,000 shares publicly held, a
11 minimum of 400 shareholders and daily trading volume in the
12 issue has been approximately 2,000 shares or more for the six
13 months preceding the date of application. In evaluating the
14 suitability of an issue for listing under this trading provision, the
15 exchange shall review the nature and frequency of that activity
16 and any other factors as it may determine to be relevant in
17 ascertaining whether the issue is suitable for trading. A security
18 that trades infrequently shall not be considered for listing under
19 this paragraph even though average daily volume amounts to 2,000
20 shares per day or more.

21 Companies whose securities are concentrated in a limited
22 geographical area, or whose securities are largely held in block by
23 institutional investors, normally may not be considered eligible
24 for listing unless the public distribution appreciably exceeds
25 500,000 shares.

26 (iv) Minimum price of three dollars (\$3) per share for a
27 reasonable period of time prior to the filing of a listing application;
28 provided, however, in certain instances an exchange may favorably
29 consider listing an issue selling for less than three dollars (\$3) per
30 share after considering all pertinent factors, including market
31 conditions in general, whether historically the issue has sold above
32 three dollars (\$3) per share, the applicant's capitalization, and the
33 number of outstanding and publicly held shares of the issue.

34 (v) An aggregate market value for publicly held shares of at
35 least three million dollars (\$3,000,000).

36 (B) (i) Shareholders' equity of at least four million dollars
37 (\$4,000,000).

38 (ii) Minimum public distribution set forth in clause (iii) of
39 subparagraph (A) of paragraph (1).

40 (iii) Operating history of at least three years.

1 (iv) An aggregate market value for publicly held shares of at
2 least fifteen million dollars (\$15,000,000).

3 (2) Criteria for consideration of suspension or removal from
4 listing:

5 (A) If a company that (A) has shareholders' equity of less than
6 one million dollars (\$1,000,000) has sustained net losses in each
7 of its two most recent fiscal years, or (B) has net tangible assets
8 of less than three million dollars (\$3,000,000) and has sustained
9 net losses in three of its four most recent fiscal years.

10 (B) If the number of shares publicly held (excluding the holdings
11 of officers, directors, controlling shareholders, and other
12 concentrated or family holdings) is less than 150,000.

13 (C) If the total number of shareholders is less than 400 or if the
14 number of shareholders of lots of 100 shares or more is less than
15 300.

16 (D) If the aggregate market value of shares publicly held is less
17 than seven hundred fifty thousand dollars (\$750,000).

18 (E) If shares of common stock sell at a price of less than three
19 dollars (\$3) per share for a substantial period of time and the issuer
20 shall fail to effectuate a reverse stock split of the shares within a
21 reasonable period of time after being requested by the exchange
22 to take that action.

23 A national securities exchange, certified by rule or order of the
24 commissioner under this subdivision, shall file annual reports when
25 requested to do so by the commissioner. The annual reports shall
26 contain, by issuer: the variances granted to an exchange's listing
27 standards, including variances from corporate governance and
28 voting rights' standards, for any security of that issuer; the reasons
29 for the variances; a discussion of the review procedure instituted
30 by the exchange to determine the effect of the variances on
31 investors and whether the variances should be continued; and any
32 other information that the commissioner deems relevant. The
33 purpose of these reports is to assist the commissioner in
34 determining whether the quantitative and qualitative requirements
35 of this subdivision are substantially being met by the exchange in
36 general or with regard to any particular security.

37 The commissioner after appropriate notice and opportunity for
38 hearing in accordance with the provisions of the Administrative
39 Procedure Act, Chapter 5 (commencing with Section 11500) of
40 Part 1 of Division 3 of Title 2 of the Government Code, may, in

1 his or her discretion, by rule or order, decertify any exchange
2 previously certified that ceases substantially to apply the minimum
3 standards or criteria as set forth in paragraphs (1) and (2).

4 A rule or order of certification shall conclusively establish that
5 any security listed or approved for listing upon notice of issuance
6 on any exchange named in a rule or order of certification, and any
7 warrant or right to purchase or subscribe to that security, is exempt
8 under this subdivision until the adoption by the commissioner of
9 any rule or order decertifying the exchange.

10 (p) A promissory note secured by a lien on real property, which
11 is neither one of a series of notes of equal priority secured by
12 interests in the same real property nor a note in which beneficial
13 interests are sold to more than one person or entity.

14 (q) Any unincorporated interindemnity or reciprocal or
15 interinsurance contract, that qualifies under the provisions of
16 Section 1280.7 of the Insurance Code, between members of a
17 cooperative corporation, organized and operating under Part 2
18 (commencing with Section 12200) of Division 3 of Title 1, and
19 whose members consist only of physicians and surgeons licensed
20 in California, which contracts indemnify solely in respect to
21 medical malpractice claims against the members, and which do
22 not collect in advance of loss any moneys other than contributions
23 by each member to a collective reserve trust fund or for necessary
24 expenses of administration.

25 (1) Whenever it appears to the commissioner that any person
26 has engaged or is about to engage in any act or practice constituting
27 a violation of any provision of Section 1280.7 of the Insurance
28 Code, the commissioner may, in the commissioner's discretion,
29 bring an action in the name of the people of the State of California
30 in the superior court to enjoin the acts or practices or to enforce
31 compliance with Section 1280.7 of the Insurance Code. Upon a
32 proper showing a permanent or preliminary injunction, a restraining
33 order, or a writ of mandate shall be granted and a receiver or
34 conservator may be appointed for the defendant or the defendant's
35 assets.

36 (2) The commissioner may, in the commissioner's discretion,
37 (A) make public or private investigations within or outside of this
38 state as the commissioner deems necessary to determine whether
39 any person has violated or is about to violate any provision of
40 Section 1280.7 of the Insurance Code or to aid in the enforcement

1 of Section 1280.7, and (B) publish information concerning the
2 violation of Section 1280.7.

3 (3) For the purpose of any investigation or proceeding under
4 this section, the commissioner or any officer designated by the
5 commissioner may administer oaths and affirmations, subpoena
6 witnesses, compel their attendance, take evidence, and require the
7 production of any books, papers, correspondence, memoranda,
8 agreements, or other documents or records which the commissioner
9 deems relevant or material to the inquiry.

10 (4) In case of contumacy by, or refusal to obey a subpoena
11 issued to, any person, the superior court, upon application by the
12 commissioner, may issue to the person an order requiring the
13 person to appear before the commissioner, or the officer designated
14 by the commissioner, to produce documentary evidence, if so
15 ordered, or to give evidence touching the matter under investigation
16 or in question. Failure to obey the order of the court may be
17 punished by the court as a contempt.

18 (5) No person is excused from attending or testifying or from
19 producing any document or record before the commissioner or in
20 obedience to the subpoena of the commissioner or any officer
21 designated by the commissioner, or in any proceeding instituted
22 by the commissioner, on the ground that the testimony or evidence
23 (documentary or otherwise), required of the person may tend to
24 incriminate the person or subject the person to a penalty or
25 forfeiture, but no individual may be prosecuted or subjected to any
26 penalty or forfeiture for or on account of any transaction, matter,
27 or thing concerning which the person is compelled, after validly
28 claiming the privilege against self-incrimination, to testify or
29 produce evidence (documentary or otherwise), except that the
30 individual testifying is not exempt from prosecution and
31 punishment for perjury or contempt committed in testifying.

32 (6) The cost of any review, examination, audit, or investigation
33 made by the commissioner under Section 1280.7 of the Insurance
34 Code shall be paid to the commissioner by the person subject to
35 the review, examination, audit, or investigation, and the
36 commissioner may maintain an action for the recovery of these
37 costs in any court of competent jurisdiction. In determining the
38 cost, the commissioner may use the actual amount of the salary or
39 other compensation paid to the persons making the review,
40 examination, audit, or investigation plus the actual amount of

1 expenses including overhead reasonably incurred in the
2 performance of the work.

3 The recoverable cost of each review, examination, audit, or
4 investigation made by the commissioner under Section 1280.7 of
5 the Insurance Code shall not exceed twenty-five thousand dollars
6 (\$25,000), except that costs exceeding twenty-five thousand dollars
7 (\$25,000) shall be recoverable if the costs are necessary to prevent
8 a violation of any provision of Section 1280.7 of the Insurance
9 Code.

10 (r) Any shares or memberships issued by any corporation
11 organized and existing pursuant to the provisions of Part 2
12 (commencing with Section 12200) of Division 3 of Title 1,
13 provided the aggregate investment of any shareholder or member
14 in shares or memberships sold pursuant to this subdivision does
15 not exceed one thousand dollars (\$1,000). This exemption does
16 not apply to the shares or memberships of that corporation if any
17 promoter thereof expects or intends to make a profit directly or
18 indirectly from any business or activity associated with the
19 corporation or the operation of the corporation or from
20 remuneration, other than reasonable salary, received from the
21 corporation. This exemption does not apply to nonvoting shares
22 or memberships of that corporation issued to any person who does
23 not possess, and who will not acquire in connection with the
24 issuance of nonvoting shares or memberships, voting power
25 (Section 12253) in the corporation. This exemption also does not
26 apply to shares or memberships issued by a nonprofit cooperative
27 corporation organized to facilitate the creation of an unincorporated
28 interindemnity arrangement that provides indemnification for
29 medical malpractice to its physician and surgeon members as set
30 forth in subdivision (q).

31 (s) Any security consisting of or representing an interest in a
32 pool of mortgage loans that meets each of the following
33 requirements:

34 (1) The pool consists of whole mortgage loans or participation
35 interests in those loans, which loans were originated or acquired
36 in the ordinary course of business by a national bank or federal
37 savings association or federal savings bank having its principal
38 office in this state, by a bank incorporated under the laws of this
39 state or by a savings association as defined in subdivision (a) of
40 Section 5102 of the Financial Code and which is subject to the

1 supervision and regulation of the Commissioner of Business
2 Oversight, and each of which at the time of transfer to the pool is
3 an authorized investment for the originating or acquiring institution.

4 (2) The pool of mortgage loans is held in trust by a trustee which
5 is a financial institution specified in paragraph (1) as trustee or
6 otherwise.

7 (3) The loans are serviced by a financial institution specified in
8 paragraph (1).

9 (4) The security is not offered in amounts of less than
10 twenty-five thousand dollars (\$25,000) in the aggregate to any one
11 purchaser.

12 (5) The security is offered pursuant to a registration under the
13 Securities Act of 1933, or pursuant to an exemption under
14 Regulation A under that act, or in the opinion of counsel for the
15 issuer, is offered pursuant to an exemption under Section 4(2) of
16 that act.

17 (t) (1) Any security issued or guaranteed by and representing
18 an interest in or a direct obligation of an industrial loan company
19 incorporated under the laws of the state and authorized by the
20 Commissioner of Business Oversight to engage in industrial loan
21 business.

22 (2) Any investment certificate in or issued by any industrial
23 loan company that is organized under the laws of a state of the
24 United States other than this state, that is insured by the Federal
25 Deposit Insurance Corporation, and that maintains a branch office
26 in this state.

27 ~~SEC. 5.~~

28 SEC. 6. Section 25254 of the Corporations Code is amended
29 to read:

30 25254. (a) If the commissioner determines it is in the public
31 interest, the commissioner may include in any administrative action
32 brought under this part a claim for ancillary relief, including, but
33 not limited to, a claim for restitution or disgorgement or damages
34 on behalf of the persons injured by the act or practice constituting
35 the subject matter of the action, and the administrative law judge
36 shall have jurisdiction to award additional relief.

37 (b) In an administrative action brought under this part, the
38 commissioner is entitled to recover costs, which in the discretion
39 of the administrative law judge may include an amount representing
40 reasonable attorney’s fees and investigative expenses for the

1 services rendered, for deposit into the State Corporations Fund for
2 the use of the Department of Business Oversight.

3 (c) After the exhaustion of the review procedures provided in
4 accordance with the provisions of the Administrative Procedure
5 Act, Chapter 5 (commencing with Section 11500) of Part 1 of
6 Division 3 of Title 2 of the Government Code, the commissioner
7 may apply to the appropriate superior court for a judgment in the
8 amount of the ancillary relief and costs awarded in a final decision
9 and order compelling the respondent, or the named or cited person,
10 to comply with the final decision of the commissioner brought
11 under this division. The application shall include a certified copy
12 of the final decision of the commission and shall constitute a
13 sufficient showing to warrant the issuance of the judgment and
14 order from superior court.

15 ~~SEC. 6.~~

16 *SEC. 7.* Section 25532 of the Corporations Code is amended
17 to read:

18 25532. (a) If, in the opinion of the commissioner, (1) the sale
19 of a security is subject to qualification under this law and it is being
20 or has been offered or sold without first being qualified, the
21 commissioner may order the issuer or offeror of the security to
22 desist and refrain from the further offer or sale of the security until
23 qualification has been made under this law or (2) the sale of a
24 security is subject to the requirements of Section 25100.1, 25101.1,
25 or 25102.1 and the security is being or has been offered or sold
26 without first meeting the requirements of those sections, the
27 commissioner may order the issuer or offeror of that security to
28 desist and refrain from the further offer or sale of the security until
29 those requirements have been met.

30 (b) If, in the opinion of the commissioner, a person has been or
31 is acting as a broker-dealer or investment adviser, or has been or
32 is engaging in broker-dealer or investment adviser activities, in
33 violation of Section 25210, 25230, or 25230.1, the commissioner
34 may order that person to desist and refrain from the activity until
35 the person has been appropriately licensed or the required filing
36 has been made under this law.

37 (c) If, in the opinion of the commissioner, a person has violated
38 or is violating Section 25401, the commissioner may order that
39 person to desist and refrain from the violation.

1 (d) If the commissioner determines that a person has engaged,
2 is engaging, or is about to engage in an act, practice, or course of
3 business constituting a violation of this division or a rule adopted
4 or order issued under this division, the commissioner may issue
5 an order directing the person to desist and refrain from engaging
6 in the act, practice, or course of business, or take other action
7 necessary or appropriate to comply with this division.

8 (e) If the commissioner determines it is in the public interest,
9 the commissioner may include in any administrative action brought
10 under this division a claim for ancillary relief, including, but not
11 limited to, a claim for restitution or disgorgement or damages on
12 behalf of the persons injured by the act or practice constituting the
13 subject matter of the action, and the administrative law judge shall
14 have jurisdiction to award additional relief.

15 (f) If, after an order has been served under subdivision (a), (b),
16 (c), or (d), a request for hearing is filed in writing within 30 days
17 of the date of service of the order by the person to whom the order
18 was directed, a hearing shall be held in accordance with provisions
19 of the Administrative Procedure Act, Chapter 5 (commencing with
20 Section 11500) of Part 1 of Division 3 of Title 2 of the Government
21 Code, and the commissioner shall have all of the powers granted
22 under that chapter. Unless the hearing is commenced within 15
23 business days after the request is filed (or the person affected
24 consents to a later date), the order is rescinded.

25 If that person fails to file a written request for a hearing within
26 30 days from the date of service of the order, the order shall be
27 deemed a final order of the commissioner and is not subject to
28 review by any court or agency, notwithstanding Section 25609.

29 The commissioner may file a certified copy of the final order
30 with the clerk of the superior court or any court of competent
31 jurisdiction. The order so filed has the same effect as a judgment
32 of the court and may be recorded, enforced, or satisfied in the same
33 manner as a judgment of the court.

34 If a person does not comply with an order under this section, the
35 commissioner may petition the superior court or any court of
36 competent jurisdiction to enforce the order. The court may not
37 require the commissioner to post a bond in an action or proceeding
38 under this section. If the court finds, after service and opportunity
39 for hearing, that the person was not in compliance with the order,
40 the court may adjudge the person in civil contempt of the order.

1 The court may impose a further civil penalty against the person
2 for contempt and may grant any other relief the court determines
3 is just and proper in the circumstances.

4 ~~SEC. 7.~~

5 *SEC. 8.* Section 5100.2 of the Financial Code is amended to
6 read:

7 5100.2. For purposes of this division:

8 (a) Any reference to regulations of the federal Office of the
9 Comptroller of the Currency or the Federal Deposit Insurance
10 Corporation shall also be deemed to include and refer to regulations
11 adopted by the Federal Home Loan Bank Board or the Federal
12 Savings and Loan Insurance Corporation, to the extent these
13 regulations have been continued in effect and made enforceable
14 by the Office of the Comptroller of the Currency or Federal Deposit
15 Insurance Corporation, respectively, pursuant to the Financial
16 Institutions Reform, Recovery, and Enforcement Act of 1989
17 (Public Law 101-73).

18 (b) Any reference to charters issued by the Office of the
19 Comptroller of the Currency shall also be deemed to include and
20 refer to charters issued by the Federal Home Loan Bank Board.

21 *SEC. 9.* Section 18139 of the Financial Code is amended to
22 read:

23 18139. A sale, merger, or conversion involving an industrial
24 loan company and another industrial loan company, a bank, or a
25 savings association is subject to Division ~~1.5~~ 1.6 (commencing
26 with Section 4800).

27 ~~SEC. 8.~~

28 *SEC. 10.* Section 18427.9 of the Financial Code is amended
29 to read:

30 18427.9. There shall be exempted from the provisions of
31 Section 18427.1 all of the following:

32 (a) (1) Any offer, not involving a public offering, to an affiliate
33 or to a person of the type described in subdivision (i) of Section
34 25102 of the Corporations Code or in the regulations of the
35 Commissioner of Business Oversight adopted thereunder.

36 (2) The execution and delivery of an agreement for the sale of
37 securities to any person of the type described in paragraph (1),
38 subject to all of the following:

39 (A) The agreement shall contain substantially the following
40 provision:

1 “The sale of the securities which are the subject of this agreement
2 has not been authorized by a permit issued by the Commissioner
3 of Business Oversight. The issuance of the securities or the
4 payment or receipt of any part of the consideration therefor prior
5 to the issuance of a permit is unlawful, unless the sale of securities
6 is exempt from Section 18427.1 of the California Financial Code.
7 The rights of all parties to this agreement are expressly conditioned
8 upon the issuance of a permit, unless the sale is so exempt.”

9 (B) No part of the purchase price may be paid or received, and
10 none of the securities may be issued, until a permit authorizing the
11 sale of the securities is issued, unless the sale is exempt from
12 Section 18427.1.

13 (b) Any transaction or security which the commissioner by
14 regulation or order exempts as not being comprehended within the
15 purposes of this article and the regulation of which he or she finds
16 is not necessary or appropriate in the public interest or for the
17 protection of investors.

18 ~~SEC. 9.~~

19 *SEC. 11.* Section 53638 of the Government Code is amended
20 to read:

21 53638. (a) The deposit shall not exceed the shareholder’s
22 equity of any depository bank. For the purposes of this subdivision,
23 shareholder’s equity shall be determined in accordance with Section
24 463 of the Financial Code, but shall be deemed to include capital
25 notes and debentures.

26 (b) The deposit shall not exceed the total of the net worth of
27 any depository savings association or federal association, except
28 that deposits not exceeding a total of five hundred thousand dollars
29 (\$500,000) may be made to a savings association or federal
30 association without regard to the net worth of that depository, if
31 such deposits are insured or secured as required by law.

32 (c) The deposit to the share accounts of any regularly chartered
33 credit union shall not exceed the total of the unimpaired capital
34 and surplus of the credit union, as defined by rule of the
35 Commissioner of Business Oversight, except that the deposit to
36 any credit union share account in an amount not exceeding five
37 hundred thousand dollars (\$500,000) may be made if the share
38 accounts of that credit union are insured or guaranteed pursuant
39 to Section 14858 of the Financial Code or are secured as required
40 by law.

- 1 (d) The deposit in investment certificates of a federally insured
- 2 industrial loan company shall not exceed the total of the unimpaired
- 3 capital and surplus of the insured industrial loan company.

O