

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 531
Committee Substitute Favorable 5/17/95

Short Title: Exempt Certain Securities.

(Public)

Sponsors:

Referred to:

March 23, 1995

A BILL TO BE ENTITLED
AN ACT TO EXEMPT CERTAIN SECURITIES TRANSACTIONS FROM THE
STATE REGISTRATION REQUIREMENTS.

The General Assembly of North Carolina enacts:

Section 1. G.S 78A-17 is amended by adding a new subdivision to read:

"(18) Subject to the limitations below, any promissory note issued by a partnership, proprietorship, domestic limited liability company, domestic limited partnership, or domestic corporation that:

- a. Has a net worth of at least one million dollars (\$1,000,000);
- b. Has conducted its principal business activities and maintained its headquarters in this State for at least 10 years at the time of issuance;
- c. Has audited financial statements including a balance sheet and a profit and loss statement for the last three years as of a date within four months of the filing for the exemption;
- d. Has a net profit of at least two percent (2%) of its total assets for seven of the 10 years prior to issuance;
- e. Has no delinquent federal or State taxes at the time of issuance;
and

1 f. During the 10 years prior to issuance, has not filed for
2 bankruptcy as a principal or as an agent or five percent (5%)
3 equity owner in a partnership, limited liability company, limited
4 partnership, or corporation.

5 Notes authorized for exemption under this subdivision may have
6 maturities of up to five years. In no event may the aggregate
7 outstanding amount of notes or other evidences of indebtedness issued
8 under this subdivision or any other exemptions from registration under
9 G.S. 78A-16 or G.S. 78A-17 exceed five million dollars (\$5,000,000) at
10 any time. Proceeds from the sale of notes pursuant to this subdivision
11 may not be used to pay the individual debts of the sole proprietor,
12 partners, limited liability company members, or stockholders.
13 Advertisements for notes authorized by this subdivision shall clearly
14 state that the notes being offered are not guaranteed by any
15 governmental agency. The applicant must provide authorization to the
16 Administrator to verify the representation that there are no delinquent
17 federal or State taxes. The Administrator shall review any proposal for
18 exemption under this subdivision within 10 business days of receipt,
19 and no securities may be exempted under this subdivision without the
20 approval of the Administrator. If the Administrator does not approve a
21 proposal for exemption under this subdivision, the Administrator shall,
22 within 30 days of the Administrator's refusal to approve the exemption,
23 provide the applicant with a written statement detailing the reasons for
24 the Administrator's refusal to approve the exemption. A proposal for
25 exemption under this subdivision shall include copies of all
26 advertisements to be used for the notes. The Administrator may adopt
27 rules to implement the provisions of this section and may establish a fee
28 to recover the administrative cost of reviewing a proposal under this
29 subdivision, not to exceed one hundred fifty dollars (\$150.00)."

30 Sec. 2. This act becomes effective July 1, 1995.