

**ACT 136**

An Act Relating to Sales of Securities and Providing for Control of Sales of Securities Issued by Residential Cooperative Corporations.

*Be it Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Subsection (m) of section 199-5, Revised Laws of Hawaii 1955, as amended, is hereby amended to read as follows:

“(m) Any offer or sale by or through a real estate broker or real estate salesman licensed under the laws of the State as such, of a security issued by a corporation organized under the laws of the State, the holder of which is entitled solely by reason of his ownership thereof, to occupy for dwelling purposes, or to a lease which entitles such holder to occupy for dwelling purposes a house, or an apartment in a building, owned or leased by such corporation, subject, however to the provisions of section 199-5.5.”

SECTION 2. There is hereby enacted a new section of chapter 199, Revised Laws of Hawaii 1955, as amended, to be numbered and to read as follows:

**"Sec. 199-5.5. Securities issued by residential cooperative corporations.** In order to be entitled to the exemption provided by subsection (m) of section 199-5, the issuer of a security defined in such subsection shall make application for such exemption to the commissioner on such form and containing such information as the commissioner may prescribe. If the commissioner finds that the proposed plan of business of the applicant and the proposed issuance of securities are fair, just and equitable, that the applicant intends to transact its business fairly and honestly, and that the securities that the applicant proposes to issue and the method to be used by the applicant in issuing or disposing of such securities are not such as, in the opinion of the commissioner, will work a fraud upon the purchaser thereof, the commissioner shall issue to the applicant a permit authorizing the applicant to issue and dispose of the securities in this State in the manner provided in subsection (m) of section 199-5 and in such amounts and for such consideration as the commissioner may provide in the permit. Otherwise, the commissioner shall deny the application and refuse the permit and notify the applicant in writing of such decision, and the exemption of subsection (m) of section 199-5 shall not apply, subject to appeal as provided in section 199-19.

In any permit issued under this section, the commissioner may impose conditions requiring the deposit in escrow of any or all securities, the impoundment of the proceeds from the sale thereof, approval of advertising material, any of the conditions set forth in section 199-14, and such other conditions as the commissioner deems advisable for the protection of the public and the purchasers of the securities. The commissioner may act as escrow holder for securities required to be deposited in escrow by his order or as a necessary signatory on any account in which impounded proceeds from the sale of escrowed securities are deposited."

SECTION 3. This Act shall take effect upon its approval, but shall not apply to or affect any transaction entered into prior to such effective date nor to any security of the type defined in subsection (m) of section 199-5, Revised Laws of Hawaii 1955, issued prior to July 1, 1961.

(Approved July 5, 1961.) **S.B. 784.**

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