

REAL ESTATE TRANSACTIONS AND SECURITIES

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Benjamin M. McAdams

House Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Utah Uniform Securities Act and the Real Estate Licensing and Practices Act to address regulation of certain real estate transactions.

Highlighted Provisions:

This bill:

- ▶ removes the exemption of certain real estate transactions from the definition of "security";
- ▶ removes the exemption of persons participating in certain real estate transactions from the definition of "agent," "broker-dealer," "investment adviser," or "investor adviser representative";
- ▶ repeals selected definitions;
- ▶ repeals rulemaking authority regarding transactions related to an undivided fractionalized long-term sale; and
- ▶ makes technical and conforming amendments.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:



28 **61-1-13**, as last amended by Laws of Utah 2010, Chapter 379

29 **61-2f-102**, as last amended by Laws of Utah 2010, Chapter 184 and renumbered and
30 amended by Laws of Utah 2010, Chapter 379 and last amended by Coordination
31 Clause, Laws of Utah 2010, Chapter 379

32 **61-2f-103**, as last amended by Laws of Utah 2010, Chapter 286 and renumbered and
33 amended by Laws of Utah 2010, Chapter 379

34 REPEALS:

35 **61-2f-307**, as renumbered and amended by Laws of Utah 2010, Chapter 379



37 *Be it enacted by the Legislature of the state of Utah:*

38 Section 1. Section **61-1-13** is amended to read:

39 **61-1-13. Definitions.**

40 (1) As used in this chapter:

41 (a) "Affiliate" means a person that, directly or indirectly, through one or more
42 intermediaries, controls or is controlled by, or is under common control with a person
43 specified.

44 (b) (i) "Agent" means an individual other than a broker-dealer who represents a
45 broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.

46 (ii) "Agent" does not include an individual who represents:

47 (A) an issuer, who receives no commission or other remuneration, directly or
48 indirectly, for effecting or attempting to effect purchases or sales of securities in this state, and
49 who effects transactions:

50 (I) in securities exempted by Subsection 61-1-14(1)(a), (b), (c), or (g);

51 (II) exempted by Subsection 61-1-14(2);

52 (III) in a covered security as described in Sections 18(b)(3) and 18(b)(4)(D) of the
53 Securities Act of 1933; or

54 (IV) with existing employees, partners, officers, or directors of the issuer; or

55 (B) a broker-dealer in effecting transactions in this state limited to those transactions
56 described in Section 15(h)(2) of the Securities Exchange Act of 1934.

57 (iii) A partner, officer, or director of a broker-dealer or issuer, or a person occupying a
58 similar status or performing similar functions, is an agent only if the partner, officer, director,

59 or person otherwise comes within the definition of "agent."

60 ~~[(iv) "Agent" does not include a person described in Subsection (3).]~~

61 (c) (i) "Broker-dealer" means a person engaged in the business of effecting transactions
62 in securities for the account of others or for the person's own account.

63 (ii) "Broker-dealer" does not include:

64 (A) an agent;

65 (B) an issuer;

66 (C) a depository institution or trust company;

67 (D) a person who has no place of business in this state if:

68 (I) the person effects transactions in this state exclusively with or through:

69 (Aa) the issuers of the securities involved in the transactions;

70 (Bb) other broker-dealers;

71 (Cc) a depository institution, whether acting for itself or as a trustee;

72 (Dd) a trust company, whether acting for itself or as a trustee;

73 (Ee) an insurance company, whether acting for itself or as a trustee;

74 (Ff) an investment company, as defined in the Investment Company Act of 1940,

75 whether acting for itself or as a trustee;

76 (Gg) a pension or profit-sharing trust, whether acting for itself or as a trustee; or

77 (Hh) another financial institution or institutional buyer, whether acting for itself or as a
78 trustee; or

79 (II) during any period of 12 consecutive months the person does not direct more than
80 15 offers to sell or buy into this state in any manner to persons other than those specified in
81 Subsection (1)(c)(ii)(D)(I), whether or not the offeror or an offeree is then present in this state;

82 (E) a general partner who organizes and effects transactions in securities of three or
83 fewer limited partnerships, of which the person is the general partner, in any period of 12
84 consecutive months;

85 (F) a person whose participation in transactions in securities is confined to those
86 transactions made by or through a broker-dealer licensed in this state;

87 (G) a person who is a principal broker or associate broker licensed in this state and
88 who effects transactions in a bond or other evidence of indebtedness secured by a real or chattel
89 mortgage or deed of trust, or by an agreement for the sale of real estate or chattels, if the entire

90 mortgage, deed of trust, or agreement, together with all the bonds or other evidences of
91 indebtedness secured thereby, is offered and sold as a unit;

92 (H) a person effecting transactions in commodity contracts or commodity options; or
93 [~~(F)~~ a person described in Subsection (3); or]

94 [(~~F~~)] (I) other persons as the division, by rule or order, may designate, consistent with
95 the public interest and protection of investors, as not within the intent of this Subsection (1)(c).

96 (d) "Buy" or "purchase" means a contract for purchase of, contract to buy, or
97 acquisition of a security or interest in a security for value.

98 (e) "Commission" means the Securities Commission created in Section 61-1-18.5.

99 (f) "Commodity" means, except as otherwise specified by the division by rule:

100 (i) an agricultural, grain, or livestock product or byproduct, except real property or a
101 timber, agricultural, or livestock product grown or raised on real property and offered or sold
102 by the owner or lessee of the real property;

103 (ii) a metal or mineral, including a precious metal, except a numismatic coin whose fair
104 market value is at least 15% greater than the value of the metal it contains;

105 (iii) a gem or gemstone, whether characterized as precious, semi-precious, or
106 otherwise;

107 (iv) a fuel, whether liquid, gaseous, or otherwise;

108 (v) a foreign currency; and

109 (vi) all other goods, articles, products, or items of any kind, except a work of art
110 offered or sold by art dealers, at public auction or offered or sold through a private sale by the
111 owner of the work.

112 (g) (i) "Commodity contract" means an account, agreement, or contract for the
113 purchase or sale, primarily for speculation or investment purposes and not for use or
114 consumption by the offeree or purchaser, of one or more commodities, whether for immediate
115 or subsequent delivery or whether delivery is intended by the parties, and whether characterized
116 as a cash contract, deferred shipment or deferred delivery contract, forward contract, futures
117 contract, installment or margin contract, leverage contract, or otherwise.

118 (ii) A commodity contract offered or sold shall, in the absence of evidence to the
119 contrary, be presumed to be offered or sold for speculation or investment purposes.

120 (iii) (A) A commodity contract may not include a contract or agreement that requires,

121 and under which the purchaser receives, within 28 calendar days from the payment in good
122 funds any portion of the purchase price, physical delivery of the total amount of each
123 commodity to be purchased under the contract or agreement.

124 (B) A purchaser is not considered to have received physical delivery of the total
125 amount of each commodity to be purchased under the contract or agreement when the
126 commodity or commodities are held as collateral for a loan or are subject to a lien of any
127 person when the loan or lien arises in connection with the purchase of each commodity or
128 commodities.

129 (h) (i) "Commodity option" means an account, agreement, or contract giving a party to
130 the option the right but not the obligation to purchase or sell one or more commodities or one
131 or more commodity contracts, or both whether characterized as an option, privilege, indemnity,
132 bid, offer, put, call, advance guaranty, decline guaranty, or otherwise.

133 (ii) "Commodity option" does not include an option traded on a national securities
134 exchange registered:

135 (A) with the Securities and Exchange Commission; or

136 (B) on a board of trade designated as a contract market by the Commodity Futures
137 Trading Commission.

138 (i) "Depository institution" is as defined in Section 7-1-103.

139 (j) "Director" means the director of the division appointed in accordance with Section
140 61-1-18.

141 (k) "Division" means the Division of Securities established by Section 61-1-18.

142 (l) "Executive director" means the executive director of the Department of Commerce.

143 (m) "Federal covered adviser" means a person who:

144 (i) is registered under Section 203 of the Investment Advisers Act of 1940; or

145 (ii) is excluded from the definition of "investment adviser" under Section 202(a)(11) of
146 the Investment Advisers Act of 1940.

147 (n) "Federal covered security" means a security that is a covered security under Section
148 18(b) of the Securities Act of 1933 or rules or regulations promulgated under Section 18(b) of
149 the Securities Act of 1933.

150 (o) "Fraud," "deceit," and "defraud" are not limited to their common-law meanings.

151 (p) "Guaranteed" means guaranteed as to payment of principal or interest as to debt

152 securities, or dividends as to equity securities.

153 (q) (i) "Investment adviser" means a person who:

154 (A) for compensation, engages in the business of advising others, either directly or
155 through publications or writings, as to the value of securities or as to the advisability of
156 investing in, purchasing, or selling securities; or

157 (B) for compensation and as a part of a regular business, issues or promulgates
158 analyses or reports concerning securities.

159 (ii) "Investment adviser" includes a financial planner or other person who:

160 (A) as an integral component of other financially related services, provides the
161 investment advisory services described in Subsection (1)(q)(i) to others for compensation and
162 as part of a business; or

163 (B) holds the person out as providing the investment advisory services described in
164 Subsection (1)(q)(i) to others for compensation.

165 (iii) "Investment adviser" does not include:

166 (A) an investment adviser representative;

167 (B) a depository institution or trust company;

168 (C) a lawyer, accountant, engineer, or teacher whose performance of these services is
169 solely incidental to the practice of the profession;

170 (D) a broker-dealer or its agent whose performance of these services is solely
171 incidental to the conduct of its business as a broker-dealer and who receives no special
172 compensation for the services;

173 (E) a publisher of a bona fide newspaper, news column, news letter, news magazine, or
174 business or financial publication or service, of general, regular, and paid circulation, whether
175 communicated in hard copy form, or by electronic means, or otherwise, that does not consist of
176 the rendering of advice on the basis of the specific investment situation of each client;

177 (F) a person who is a federal covered adviser; or

178 [~~(G) a person described in Subsection (3); or~~]

179 [~~(H)~~] (G) such other persons not within the intent of this Subsection (1)(q) as the
180 division may by rule or order designate.

181 (r) [~~(i)~~] "Investment adviser representative" means a partner, officer, director of, or a
182 person occupying a similar status or performing similar functions, or other individual, except

183 clerical or ministerial personnel, who:

184 ~~[(A)-(F)]~~ (i) (A) is employed by or associated with an investment adviser who is
185 licensed or required to be licensed under this chapter; or

186 ~~[(H)]~~ (B) has a place of business located in this state and is employed by or associated
187 with a federal covered adviser; and

188 ~~[(B)]~~ (ii) does any of the following:

189 ~~[(F)]~~ (A) makes a recommendation or otherwise renders advice regarding securities;

190 ~~[(H)]~~ (B) manages accounts or portfolios of clients;

191 ~~[(HH)]~~ (C) determines which recommendation or advice regarding securities should be
192 given;

193 ~~[(IV)]~~ (D) solicits, offers, or negotiates for the sale of or sells investment advisory
194 services; or

195 ~~[(V)]~~ (E) supervises employees who perform any of the acts described in this
196 Subsection (1)(r)~~[(F)]~~~~(ii)~~.

197 ~~[(ii) "Investment adviser representative" does not include a person described in
198 Subsection (3):]~~

199 (s) "Investment contract" includes:

200 (i) an investment in a common enterprise with the expectation of profit to be derived
201 through the essential managerial efforts of someone other than the investor; or

202 (ii) an investment by which:

203 (A) an offeree furnishes initial value to an offerer;

204 (B) a portion of the initial value is subjected to the risks of the enterprise;

205 (C) the furnishing of the initial value is induced by the offerer's promises or
206 representations that give rise to a reasonable understanding that a valuable benefit of some kind
207 over and above the initial value will accrue to the offeree as a result of the operation of the
208 enterprise; and

209 (D) the offeree does not receive the right to exercise practical or actual control over the
210 managerial decisions of the enterprise.

211 (t) "Isolated transaction" means not more than a total of two transactions that occur
212 anywhere during six consecutive months.

213 (u) (i) "Issuer" means a person who issues or proposes to issue a security or has

214 outstanding a security that it has issued.

215 (ii) With respect to a preorganization certificate or subscription, "issuer" means the one
216 or more promoters of the person to be organized.

217 (iii) "Issuer" means the one or more persons performing the acts and assuming duties
218 of a depositor or manager under the provisions of the trust or other agreement or instrument
219 under which the security is issued with respect to:

220 (A) interests in trusts, including collateral trust certificates, voting trust certificates, and
221 certificates of deposit for securities; or

222 (B) shares in an investment company without a board of directors.

223 (iv) With respect to an equipment trust certificate, a conditional sales contract, or
224 similar securities serving the same purpose, "issuer" means the person by whom the equipment
225 or property is to be used.

226 (v) With respect to interests in partnerships, general or limited, "issuer" means the
227 partnership itself and not the general partner or partners.

228 (vi) With respect to certificates of interest or participation in oil, gas, or mining titles or
229 leases or in payment out of production under the titles or leases, "issuer" means the owner of
230 the title or lease or right of production, whether whole or fractional, who creates fractional
231 interests therein for the purpose of sale.

232 (v) (i) "Life settlement interest" means the entire interest or a fractional interest in any
233 of the following that is the subject of a life settlement:

234 (A) a policy; or

235 (B) the death benefit under a policy.

236 (ii) "Life settlement interest" does not include the initial purchase from the owner by a
237 life settlement provider.

238 (w) "Nonissuer" means not directly or indirectly for the benefit of the issuer.

239 (x) "Person" means:

240 (i) an individual;

241 (ii) a corporation;

242 (iii) a partnership;

243 (iv) a limited liability company;

244 (v) an association;

- 245 (vi) a joint-stock company;
- 246 (vii) a joint venture;
- 247 (viii) a trust where the interests of the beneficiaries are evidenced by a security;
- 248 (ix) an unincorporated organization;
- 249 (x) a government; or
- 250 (xi) a political subdivision of a government.
- 251 (y) "Precious metal" means the following, whether in coin, bullion, or other form:
 - 252 (i) silver;
 - 253 (ii) gold;
 - 254 (iii) platinum;
 - 255 (iv) palladium;
 - 256 (v) copper; and
 - 257 (vi) such other substances as the division may specify by rule.
- 258 (z) "Promoter" means a person who, acting alone or in concert with one or more
259 persons, takes initiative in founding or organizing the business or enterprise of a person.
- 260 (aa) (i) Except as provided in Subsection (1)(aa)(ii), "record" means information that
261 is:
 - 262 (A) inscribed in a tangible medium; or
 - 263 (B) (I) stored in an electronic or other medium; and
 - 264 (II) retrievable in perceivable form.
- 265 (ii) This Subsection (1)(aa) does not apply when the context requires otherwise,
266 including when "record" is used in the following phrases:
 - 267 (A) "of record";
 - 268 (B) "official record"; or
 - 269 (C) "public record."
- 270 (bb) (i) "Sale" or "sell" includes a contract for sale of, contract to sell, or disposition of,
271 a security or interest in a security for value.
- 272 (ii) "Offer" or "offer to sell" includes an attempt or offer to dispose of, or solicitation of
273 an offer to buy, a security or interest in a security for value.
- 274 (iii) The following are examples of the definitions in Subsection (1)(bb)(i) or (ii):
 - 275 (A) a security given or delivered with or as a bonus on account of a purchase of a

276 security or any other thing, is part of the subject of the purchase, and is offered and sold for
277 value;

278 (B) a purported gift of assessable stock is an offer or sale as is each assessment levied
279 on the stock;

280 (C) an offer or sale of a security that is convertible into, or entitles its holder to acquire
281 or subscribe to another security of the same or another issuer is an offer or sale of that security,
282 and also an offer of the other security, whether the right to convert or acquire is exercisable
283 immediately or in the future;

284 (D) a conversion or exchange of one security for another constitutes an offer or sale of
285 the security received in a conversion or exchange, and the offer to buy or the purchase of the
286 security converted or exchanged;

287 (E) securities distributed as a dividend wherein the person receiving the dividend
288 surrenders the right, or the alternative right, to receive a cash or property dividend is an offer or
289 sale;

290 (F) a dividend of a security of another issuer is an offer or sale; or

291 (G) the issuance of a security under a merger, consolidation, reorganization,
292 recapitalization, reclassification, or acquisition of assets constitutes the offer or sale of the
293 security issued as well as the offer to buy or the purchase of a security surrendered in
294 connection therewith, unless the sole purpose of the transaction is to change the issuer's
295 domicile.

296 (iv) The terms defined in Subsections (1)(bb)(i) and (ii) do not include:

297 (A) a good faith gift;

298 (B) a transfer by death;

299 (C) a transfer by termination of a trust or of a beneficial interest in a trust;

300 (D) a security dividend not within Subsection (1)(bb)(iii)(E) or (F); or

301 (E) a securities split or reverse split.

302 (cc) "Securities Act of 1933," "Securities Exchange Act of 1934," and "Investment
303 Company Act of 1940" mean the federal statutes of those names as amended before or after the
304 effective date of this chapter.

305 (dd) "Securities Exchange Commission" means the United States Securities Exchange
306 Commission created by the Securities Exchange Act of 1934.

- 307 (ee) (i) "Security" means a:
- 308 (A) note;
- 309 (B) stock;
- 310 (C) treasury stock;
- 311 (D) bond;
- 312 (E) debenture;
- 313 (F) evidence of indebtedness;
- 314 (G) certificate of interest or participation in a profit-sharing agreement;
- 315 (H) collateral-trust certificate;
- 316 (I) preorganization certificate or subscription;
- 317 (J) transferable share;
- 318 (K) investment contract;
- 319 (L) burial certificate or burial contract;
- 320 (M) voting-trust certificate;
- 321 (N) certificate of deposit for a security;
- 322 (O) certificate of interest or participation in an oil, gas, or mining title or lease or in
- 323 payments out of production under such a title or lease;
- 324 (P) commodity contract or commodity option;
- 325 (Q) interest in a limited liability company;
- 326 (R) life settlement interest; or
- 327 (S) in general, an interest or instrument commonly known as a "security," or a
- 328 certificate of interest or participation in, temporary or interim certificate for, receipt for,
- 329 guarantee of, or warrant or right to subscribe to or purchase an item listed in Subsections
- 330 (1)(ee)(i)(A) through (R).
- 331 (ii) "Security" does not include:
- 332 (A) an insurance or endowment policy or annuity contract under which an insurance
- 333 company promises to pay money in a lump sum or periodically for life or some other specified
- 334 period; or
- 335 (B) an interest in a limited liability company in which the limited liability company is
- 336 formed as part of an estate plan where all of the members are related by blood or marriage, or
- 337 the person claiming this exception can prove that all of the members are actively engaged in the

338 management of the limited liability company[; or].
339 [~~(C) (f) a whole long-term estate in real property;~~]
340 [~~(H) an undivided fractionalized long-term estate in real property that consists of 10 or~~
341 ~~fewer owners; or]~~
342 [~~(HH) an undivided fractionalized long-term estate in real property that consists of more~~
343 ~~than 10 owners if, when the real property estate is subject to a management agreement:]~~
344 [~~(Aa) the management agreement permits a simple majority of owners of the real~~
345 ~~property estate to not renew or to terminate the management agreement at the earlier of the end~~
346 ~~of the management agreement's current term, or 180 days after the day on which the owners~~
347 ~~give notice of termination to the manager;]~~
348 [~~(Bb) the management agreement prohibits, directly or indirectly, the lending of the~~
349 ~~proceeds earned from the real property estate or the use or pledge of its assets to a person or~~
350 ~~entity affiliated with or under common control of the manager; and]~~
351 [~~(Cc) the management agreement complies with any other requirement imposed by rule~~
352 ~~by the Real Estate Commission under Section 61-2f-103.]~~
353 (iii) For purposes of Subsection (1)(ee)(ii)(B), evidence that members vote or have the
354 right to vote, or the right to information concerning the business and affairs of the limited
355 liability company, or the right to participate in management, may not establish, without more,
356 that all members are actively engaged in the management of the limited liability company.
357 (ff) "State" means a state, territory, or possession of the United States, the District of
358 Columbia, and Puerto Rico.
359 [~~(gg) (i) "Undivided fractionalized long-term estate" means an ownership interest in~~
360 ~~real property by two or more persons that is a:]~~
361 [~~(A) tenancy in common; or]~~
362 [~~(B) any other legal form of undivided estate in real property including:]~~
363 [~~(f) a fee estate;]~~
364 [~~(H) a life estate; or]~~
365 [~~(HH) other long-term estate.]~~
366 [~~(ii) "Undivided fractionalized long-term estate" does not include a joint tenancy:]~~
367 [~~(hh) "Whole long-term estate" means a person owns or persons through joint tenancy~~
368 ~~own real property through:]~~

369 ~~[(i) a fee estate;]~~

370 ~~[(ii) a life estate; or]~~

371 ~~[(iii) other long-term estate.]~~

372 ~~[(ii)]~~ (gg) "Working days" means 8 a.m. to 5 p.m., Monday through Friday, exclusive
373 of legal holidays listed in Section 63G-1-301.

374 (2) A term not defined in this section shall have the meaning as established by division
375 rule. The meaning of a term neither defined in this section nor by rule of the division shall be
376 the meaning commonly accepted in the business community.

377 ~~[(3)(a) This Subsection (3) applies to:]~~

378 ~~[(i) the offer or sale of a real property estate exempted from the definition of security
379 under Subsection (1)(ee)(ii)(C); or]~~

380 ~~[(ii) the offer or sale of an undivided fractionalized long-term estate that is the offer of
381 a security.]~~

382 ~~[(b) A person who, directly or indirectly receives compensation in connection with the
383 offer or sale as provided in this Subsection (3) of a real property estate is not an agent,
384 broker-dealer, investment adviser, or investment adviser representative under this chapter if
385 that person is licensed under Chapter 2f, Real Estate Licensing and Practices Act, as:]~~

386 ~~[(i) a principal broker;]~~

387 ~~[(ii) an associate broker; or]~~

388 ~~[(iii) a sales agent.]~~

389 ~~[(4) The list of real property estates excluded from the definition of securities under
390 Subsection (1)(ee)(ii)(C) is not an exclusive list of real property estates or interests that are not
391 a security.]~~

392 Section 2. Section **61-2f-102** is amended to read:

393 **61-2f-102. Definitions.**

394 As used in this chapter:

395 (1) "Associate broker" means an individual who is:

396 (a) employed or engaged as an independent contractor by or on behalf of a principal
397 broker to perform an act set out in Subsection (17) for valuable consideration; and

398 (b) licensed under this chapter as an associate broker.

399 (2) "Branch office" means a principal broker's real estate brokerage office that is not

400 the principal broker's main office.

401 (3) "Business day" means a day other than:

402 (a) a Saturday;

403 (b) a Sunday; or

404 (c) a federal or state holiday.

405 (4) "Commission" means the Real Estate Commission established under this chapter.

406 (5) "Concurrence" means the entities given a concurring role must jointly agree for
407 action to be taken.

408 [~~(7)~~] (6) "Condominium homeowners' association" means the condominium unit
409 owners acting as a group in accordance with declarations and bylaws.

410 [~~(8)~~] (7) (a) "Condominium hotel" means one or more condominium units that are
411 operated as a hotel.

412 (b) "Condominium hotel" does not mean a hotel consisting of condominium units, all
413 of which are owned by a single entity.

414 [~~(6)~~] (8) "Condominium unit" is as defined in Section 57-8-3.

415 (9) "Director" means the director of the Division of Real Estate.

416 (10) "Division" means the Division of Real Estate.

417 (11) "Entity" means:

418 (a) a corporation;

419 (b) a partnership;

420 (c) a limited liability company;

421 (d) a company;

422 (e) an association;

423 (f) a joint venture;

424 (g) a business trust;

425 (h) a trust; or

426 (i) any organization similar to an entity described in Subsections (11)(a) through (h).

427 (12) "Executive director" means the director of the Department of Commerce.

428 (13) "Foreclosure rescue" means, for compensation or with the expectation of receiving
429 valuable consideration, to:

430 (a) engage, or offer to engage, in an act that:

- 431 (i) the person represents will assist a borrower in preventing a foreclosure; and
- 432 (ii) relates to a transaction involving the transfer of title to residential real property; or
- 433 (b) as an employee or agent of another person:
- 434 (i) solicit, or offer that the other person will engage in an act described in Subsection
- 435 (13)(a); or
- 436 (ii) negotiate terms in relationship to an act described in Subsection (13)(a).
- 437 (14) "Loan modification assistance" means, for compensation or with the expectation
- 438 of receiving valuable consideration, to:
- 439 (a) act, or offer to act, on behalf of a person to:
- 440 (i) obtain a loan term of a residential mortgage loan that is different from an existing
- 441 loan term including:
- 442 (A) an increase or decrease in an interest rate;
- 443 (B) a change to the type of interest rate;
- 444 (C) an increase or decrease in the principal amount of the residential mortgage loan;
- 445 (D) a change in the number of required period payments;
- 446 (E) an addition of collateral;
- 447 (F) a change to, or addition of, a prepayment penalty;
- 448 (G) an addition of a cosigner; or
- 449 (H) a change in persons obligated under the existing residential mortgage loan; or
- 450 (ii) substitute a new residential mortgage loan for an existing residential mortgage loan;
- 451 or
- 452 (b) as an employee or agent of another person:
- 453 (i) solicit, or offer that the other person will engage in an act described in Subsection
- 454 (14)(a); or
- 455 (ii) negotiate terms in relationship to an act described in Subsection (14)(a).
- 456 (15) "Main office" means the address which a principal broker designates with the
- 457 division as the principal broker's primary brokerage office.
- 458 (16) "Person" means an individual or entity.
- 459 (17) "Principal broker" means an individual who is licensed as a principal broker under
- 460 this chapter and who:
- 461 (a) (i) sells or lists real estate for sale with the expectation of receiving valuable

462 consideration;

463 (ii) buys, exchanges, or auctions real estate, options on real estate, or improvements on
464 real estate with the expectation of receiving valuable consideration; or

465 (iii) who advertises, offers, attempts, or otherwise holds the individual out to be
466 engaged in the business described in Subsection (17)(a)(i) or (ii);

467 (b) is employed by or on behalf of the owner of real estate or by a prospective
468 purchaser of real estate and performs an act described in Subsection (17)(a), whether the
469 individual's compensation is at a stated salary, a commission basis, upon a salary and
470 commission basis, or otherwise;

471 (c) (i) with the expectation of receiving valuable consideration, manages property
472 owned by another person; or

473 (ii) advertises or otherwise holds the individual out to be engaged in property
474 management;

475 (d) with the expectation of receiving valuable consideration, assists or directs in the
476 procurement of prospects for or the negotiation of a transaction listed in Subsections (17)(a)
477 and (c);

478 (e) except for a mortgage lender, title insurance producer, or an employee of a
479 mortgage lender or title insurance producer, assists or directs in the closing of a real estate
480 transaction with the expectation of receiving valuable consideration; or

481 (f) (i) engages in foreclosure rescue; or

482 (ii) advertises, offers, attempts, or otherwise holds the person out as being engaged in
483 foreclosure rescue~~[-and]~~.

484 ~~[(g) is licensed as a principal broker under this chapter.]~~

485 (18) (a) "Property management" means engaging in, with the expectation of receiving
486 valuable consideration, the management of real estate owned by another person or advertising
487 or otherwise claiming to be engaged in property management by:

488 (i) advertising for, arranging, negotiating, offering, or otherwise attempting or
489 participating in a transaction calculated to secure the rental or leasing of real estate;

490 (ii) collecting, agreeing, offering, or otherwise attempting to collect rent for the real
491 estate and accounting for and disbursing the money collected; or

492 (iii) authorizing expenditures for repairs to the real estate.

493 (b) "Property management" does not include:

494 (i) hotel or motel management;

495 (ii) rental of tourist accommodations, including hotels, motels, tourist homes,
496 condominiums, condominium hotels, mobile home park accommodations, campgrounds, or
497 similar public accommodations for a period of less than 30 consecutive days, and the
498 management activities associated with these rentals; or

499 (iii) the leasing or management of surface or subsurface minerals or oil and gas
500 interests, if the leasing or management is separate from a sale or lease of the surface estate.

501 (19) "Real estate" includes leaseholds and business opportunities involving real
502 property.

503 (20) (a) "Regular salaried employee" means an individual who performs a service for
504 wages or other remuneration, whose employer withholds federal employment taxes under a
505 contract of hire, written or oral, express or implied.

506 (b) "Regular salaried employee" does not include an individual who performs services
507 on a project-by-project basis or on a commission basis.

508 (21) "Reinstatement" means restoring a license that has expired or has been suspended.

509 (22) "Reissuance" means the process by which a licensee may obtain a license
510 following revocation of the license.

511 (23) "Renewal" means extending a license for an additional licensing period on or
512 before the date the license expires.

513 (24) "Sales agent" means an individual who is:

514 (a) affiliated with a principal broker, either as an independent contractor or an
515 employee as provided in Section 61-2f-303, to perform for valuable consideration an act
516 described in Subsection (17); and

517 (b) licensed under this chapter as a sales agent.

518 ~~[(25) (a) "Undivided fractionalized long-term estate" means an ownership interest in~~
519 ~~real property by two or more persons that is:]~~

520 ~~[(i) a tenancy in common; or]~~

521 ~~[(ii) any other legal form of undivided estate in real property including:]~~

522 ~~[(A) a fee estate;]~~

523 ~~[(B) a life estate; or]~~

524 [~~(C) other long-term estate.~~]

525 [~~(b) "Undivided fractionalized long-term estate" does not include a joint tenancy.~~]

526 Section 3. Section **61-2f-103** is amended to read:

527 **61-2f-103. Real Estate Commission.**

528 (1) There is created within the division a Real Estate Commission. The commission
529 shall:

530 (a) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
531 make rules for the administration of this chapter that are not inconsistent with this chapter,
532 including:

533 (i) licensing of:

534 (A) a principal broker;

535 (B) an associate broker; and

536 (C) a sales agent;

537 (ii) registration of:

538 (A) an entity; and

539 (B) a branch office;

540 (iii) prelicensing and postlicensing education curricula;

541 (iv) examination procedures;

542 (v) the certification and conduct of:

543 (A) a real estate school;

544 (B) a course provider; or

545 (C) an instructor;

546 (vi) proper handling of money received by a licensee under this chapter;

547 (vii) brokerage office procedures and recordkeeping requirements;

548 (viii) property management;

549 (ix) standards of conduct for a licensee under this chapter; and

550 [~~(x) a rule made under Section 61-2f-307 regarding an undivided fractionalized~~
551 ~~long-term estate; and]~~

552 [~~(xi)~~ (x) if the commission determines necessary, a rule as provided in Subsection
553 61-2f-306(3) regarding a legal form;

554 (b) establish, with the concurrence of the division, a fee provided for in this chapter,

555 except a fee imposed under Part 5, Real Estate Education, Research, and Recovery Fund Act;

556 (c) conduct an administrative hearing not delegated by the commission to an
557 administrative law judge or the division relating to the:

558 (i) licensing of an applicant;

559 (ii) conduct of a licensee;

560 (iii) the certification or conduct of a real estate school, course provider, or instructor
561 regulated under this chapter; or

562 (iv) violation of this chapter by any person;

563 (d) with the concurrence of the director, impose a sanction as provided in Section
564 61-2f-404;

565 (e) advise the director on the administration and enforcement of a matter affecting the
566 division and the real estate sales and property management industries;

567 (f) advise the director on matters affecting the division budget;

568 (g) advise and assist the director in conducting real estate seminars; and

569 (h) perform other duties as provided by this chapter.

570 (2) (a) The commission shall be comprised of five members appointed by the governor
571 and approved by the Senate.

572 (b) Four of the commission members shall:

573 (i) have at least five years' experience in the real estate business; and

574 (ii) hold an active principal broker, associate broker, or sales agent license.

575 (c) One commission member shall be a member of the general public.

576 (d) The governor may not appoint a commission member described in Subsection (2)(b)
577 who, at the time of appointment, resides in the same county in the state as another commission
578 member.

579 (e) At least one commission member described in Subsection (2)(b) shall at the time of
580 an appointment reside in a county that is not a county of the first or second class.

581 (3) (a) Except as required by Subsection (3)(b), as terms of current commission
582 members expire, the governor shall appoint each new member or reappointed member to a
583 four-year term ending June 30.

584 (b) Notwithstanding the requirements of Subsection (3)(a), the governor shall, at the
585 time of appointment or reappointment, adjust the length of terms to ensure that the terms of

586 commission members are staggered so that approximately half of the commission is appointed
587 every two years.

588 (c) Upon the expiration of the term of a member of the commission, the member of the
589 commission shall continue to hold office until a successor is appointed and qualified.

590 (d) A commission member may not serve more than two consecutive terms.

591 (e) Members of the commission shall annually select one member to serve as chair.

592 (4) When a vacancy occurs in the membership for any reason, the governor, with the
593 consent of the Senate, shall appoint a replacement for the unexpired term.

594 (5) A member may not receive compensation or benefits for the member's service, but
595 may receive per diem and travel expenses in accordance with:

596 (a) Section 63A-3-106;

597 (b) Section 63A-3-107; and

598 (c) rules made by the Division of Finance pursuant to Sections 63A-3-106 and
599 63A-3-107.

600 (6) (a) The commission shall meet at least monthly.

601 (b) The director may call additional meetings:

602 (i) at the director's discretion;

603 (ii) upon the request of the chair; or

604 (iii) upon the written request of three or more commission members.

605 (7) Three members of the commission constitute a quorum for the transaction of
606 business.

607 **Section 4. Repealer.**

608 This bill repeals:

609 **Section 61-2f-307, Rulemaking required for offer or sale of an undivided**

610 **fractionalized long-term estate -- Disclosures -- Management agreement.**

Legislative Review Note
as of 2-2-11 11:43 AM

Office of Legislative Research and General Counsel

FISCAL NOTE

S.B. 151

SHORT TITLE: Real Estate Transactions and Securities

SPONSOR: McAdams, B.

2011 GENERAL SESSION, STATE OF UTAH

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill is expected to result in the additional collection of approximately \$75,000 in fines and penalties, deposited into the Securities Investor Education and Training Fund. Balances in this fund that exceed \$100,000 are transferred to the General Fund.

STATE BUDGET DETAIL TABLE

	FY 2011	FY 2012	FY 2013
Revenue:			
General Fund	\$0	\$75,000	\$75,000
Total Revenue	\$0	\$75,000	\$75,000
Expenditure			
	\$0	\$0	\$0
Net Impact, All Funds (Rev.-Exp.)	\$0	\$75,000	\$75,000
Net Impact, General/Education Funds	\$0	\$75,000	\$75,000

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Individuals who participate in securities transactions in violation of the provisions of this legislation will incur new fines.