

# Weintraub Law Group PC



Weintraub Law Group PC Specializes in:

Securities Fraud Litigation  
Business Counsel  
Civil and Business Litigation  
Negotiations with Investors  
Venture Capital Transactions  
Mergers and Acquisitions  
Public and Private Securities Offerings

The Firm also negotiates, drafts, and files such legal documents as consulting agreements, software licensing agreements, employee manuals and agreements, stock option plans, and software service agreements.

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## OUR LEGAL TEAM THANKS YOU FOR YOUR INTEREST IN OUR REPORT

We specialize in Securities Fraud Litigation and are requested by other attorneys to appear as an expert witness in Securities Fraud cases.

Richard A. Weintraub has the highest rating by [Martindale-Hubbell® Peer Review Ratings™](#) so you can be assured our firm operates with the highest of ethical standards and have the professional ability to litigate your case.

Should you have any questions that this report does not answer, we can be reached at:

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Investors who have been defrauded by companies and their management in securities offerings are often faced with the daunting task of initiating a federal or state securities fraud lawsuit in order to seek recompense. Securities Fraud Lawsuits are extremely complicated in addition to being time consuming and expensive. It is difficult to meet the pleading requirements and facts are not always apparent while drafting a complaint. For the above reasons, securities fraud lawsuits are difficult to maintain.

On January 1, 2005, the California legislature enacted a statute to assist investors in their efforts to seek recompense. Section 25501.5(a) (1) of the Code provides:

*A person who purchases a security from or sells a security to a broker-dealer that is required to be licensed and has not, at the time of the sale or purchase, applied for and secured from the commissioner a certificate under Part 3 (commencing with Section 25200), that is in effect at the time of the sale or purchase authorizing that broker-dealer to act in that capacity, may bring an action for rescission of the sale or purchase or, if the plaintiff or the defendant no longer owns the security, for damages.*

In other words, there are three elements to consider.

**The first element** to prove is that a sale of securities occurred. Stocks, notes and limited liability interests, among other instruments, are securities. These are the three most common types of securities offered to investors.

**The second element** involves whether the sales of a security were effectuated by a broker dealer. If an unlicensed broker-dealer participates in sales of securities more than once per year and receives compensation for his efforts, the court will generally find the frequency of sales that warrant broker-dealer registration. Section 25501.5 permits an investor to seek repayment from a person who acted as a broker (but failed to register as a broker) in the sales of the securities to the investor. Persons associated with an issuer of securities may unwittingly be subjecting themselves to the application of Section 25501.5. Associated persons could include the officers and directors of the issuing company. Many companies sell to “friends and family” of the officers, directors, employees or, in the case of limited liability companies, managers, in the sale of securities.

**The third element** is the failure to obtain a certificate as a broker dealer. The legislature adopted Section 25210 in an effort to protect purchasers of securities from being defrauded by unlicensed sellers of securities. The licensure requirement allows tracking of the broker dealer’s professional activities and gives the Commissioner the opportunity to check the broker dealer’s professional background prior to issuing a license. The licensing scheme also gives the Commissioner the ability to rescind a license for failure to comply with the professional requirements, thereby exposing one who continues to sell securities to liability for his actions.

**If the three elements are met**, strict liability attaches to the person involved, whether it is an unaffiliated party or an associated person to the issuer. No intent need be proved. **An investor has the ability to collect damages from those persons involved in the sale of securities regardless of whether fraud has been committed.** In other words, even if no fraud was perpetrated, an investor has the ability to collect from an offending party. Such party essentially becomes a “guarantor” of the investment for the statute of limitations period. The statute of limitations is for a period of the earlier of five (5) years from the purchase of the security or two (2) years from the date that the investor knew or should have known of facts sufficient to constitute a violation of Section 25501.5. Therefore, many investors may have up to five years from the purchase of a security to bring an action.

You are also welcome to have your questions answered by using the link below.

[Securities Fraud Questions](#)

**Or Call**

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Fax: 1-858-566-7015

**THANKS AGAIN FOR REQUESTING OUR REPORT**

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