

TITLE 7

Corporations, Associations, and Partnerships

CHAPTER 7-11

Rhode Island Uniform Securities Act

PART 7-11-601

Enforcement and Civil Liability

SECTION 7-11-605

§ 7-11-605 Civil liability. – (a) A person who offers or sells a security in violation of § 7-11-201, 7-11-301(1) or (2), 7-11-305(k), 7-11-501, 7-11-503, or 7-11-505(b) is liable to the purchaser of the security from that person. Upon tender of the security, the purchaser may recover the consideration paid for the security and interest at the legal rate of this state from the date of payment, costs, and reasonable attorney's fees as determined by the court, less the amount of income received on the security. Tender requires only notice of willingness to exchange the security for the amount specified. If that purchaser no longer owns the security, the purchaser may recover damages. Damages are the amount that would be recoverable upon a tender less the value of the security when the purchaser disposed of it, plus interest at the legal rate of this state from the date of disposition of the security, costs, and reasonable attorney's fees as determined by the court.

(b) A person who offers or sells a security in violation of § 7-11-501 or 7-11-503 is not liable under subsection (a) if:

(1) The purchaser knew of the untrue statement of a material fact or omission of a statement of a material fact; or

(2) The seller did not know and in the exercise of reasonable care could not have known of the untrue statement or misleading omission.

(c) A person who willfully participates in an act or transaction in violation of § 7-11-502 is liable to a person who purchases or sells a security, other than a security traded on a national securities exchange or quoted on a national automated quotation system administered by a self regulatory organization, at a price that was affected by the act or transaction for the damages sustained as a result of the act or transaction. Damages are the amount that would be recoverable upon a tender less the value of the security when the purchaser or seller disposed of it, plus interest at the legal rate of this state from the date of disposition of the security, costs, and reasonable attorney's fees as determined by the court.

(d) A person who directly or indirectly controls another person who is liable under subsection (a) or (c), a partner, officer, or director of the person liable, a person occupying a similar status or performing similar functions, an employee of the person liable if the employee materially aids in the act, omission or transaction

constituting the violation, and a broker dealer or sales representative who materially aids in the act, omission, or transaction constituting the violation, are also liable jointly and severally with and to the same extent as the other person, but it is a defense that the person did not know, and in the exercise of reasonable care could not have known, of the existence of the facts by which the liability is alleged to exist. Regarding a person who, directly or indirectly, controls another person who is liable under subsection (c) of this section, it is also a defense that the controlling person acted in good faith and did not, directly or indirectly, induce the act, omission, or transaction constituting the violation. Contribution among the several persons liable is the same as in cases arising out of breach of contract.

History of Section.

(P.L. 1990, ch. 460, § 2; P.L. 1991, ch. 69, § 1; P.L. 1997, ch. 56, § 1; P.L. 1997, ch. 69, § 1.)