

**SUBSCRIPTION DOCUMENTS CONSISTING OF THE
SAMPLE SUBSCRIPTION AGREEMENT AND
INVESTOR QUESTIONNAIRE AND NJSA 49; 3-5 LAWS**

Indo-US Special Equities Group Inc.

PART I: Sample Subscription Form Pages 1-12

PART II: NJSA 49; 3-5b 1&2 Pages 13-14

Please carefully read all instructions and the terms and conditions of your Subscription Contract (CONTRACT) dated as of __, 200X, before filling out these Subscription Documents consisting of the Subscription Agreement and Investor Questionnaire (collectively, this “Subscription Agreement”).

Please, review the CONTRACT carefully and Please contact Ms. Radha K Grandhi for any clarification. We advise you to consult with your Tax and Financial Advisors.



When this Subscription Agreement is complete, mail or wire your investment to:

All documents and checks (no wires)

should be sent to:
Ms. Radha K Grandhi
15 Armand Court
Holmdel, NJ 07733

All wires should be sent to:

Receiving Bank: Prime Broker Services Firm/Bank
ABA Routing Number:
Swift:
Account:
Account #:
For Credit to: F/F/C A/C:
F/F/C A/C#:

Make checks payable to:



SUBSCRIBERS SHOULD BE AWARE THAT THE FUND REQUIRES AT LEAST TWO BUSINESS DAYS FOR THE CLEARANCE OF CHECKS DRAWN ON NEW YORK BANK ACCOUNTS AND LONGER PERIODS FOR NON-NEW YORK CHECKS.

I. ACCOUNT REGISTRATION — CHECK ONE

☐

Individual Account

☐☐

Corporation,
Partnership, Limited
Liability Company,
Trust, Association or
Other Entity

☐☐☐☐☐

Name; Marital Status:

Name of APPLICANT, CUSTODIAN, CORPORATION, TRUST or
BENEFICIARY

M or F

Date of Birth

Soc. Sec. No. or Tax I.D. No.

Name of JOINT TENANT or TRUSTEE (*if applicable*)

M or F

Date of Birth

Soc. Sec. No. or Tax I.D. No.

Name of ADDITIONAL TRUSTEE (*if applicable*)

M or F

Date of Birth

Soc. Sec. No. or Tax I.D. No.

☐

PLEASE PUT A
CHECK NEXT TO
THE SOCIAL
SECURITY. NO.
OR TAX I.D. NO.
RESPONSIBLE FOR
TAXES.

☐☐

WE WILL REPORT
THIS NUMBER TO
THE IRS.

Marital Status (*please check one*)

Investment Information:

Single ☐ Married ☐ Separated ☐ Divorced ☐

\$ _____ **Investment Amount**

Wire Information for account from which investment is coming:

Name of Firm (Bank, Brokerage or Custodian): _____

Account Name: _____

ABA Routing Number: _____

Account Number: _____

Address: _____

City, State, Zip: _____

Home Address:

Name

Street Address

Apt. Number

City

State

Zip Code

Home Phone Number (with Area Code)

Home Facsimile Number

E-mail address

Business Address:

Name of Company

Street Address

Suite Number

City

State

Zip Code

Home Phone Number (with Area Code)

Home Facsimile Number

E-mail address

****Please note: the bulk of the requests we receive are sent via Email and Fax****

Please send all correspondence to: ____ Residence ____ Business ____ Other Please Specify: _____

III. SUBSCRIPTION

You, as an individual or on behalf of the subscribing entity (the “Investor”), are being asked to complete this Subscription Agreement so a determination can be made as to whether or not you or the subscribing entity are qualified under applicable U.S. federal and state securities laws.

Your answers to the questions contained herein must be true and correct in all respects, and any false representation by you may constitute a violation of law for which a claim for damages may otherwise be made against you.

Your answers will be kept strictly confidential; provided, however, that by signing this Subscription Agreement, you will be authorizing the Fund to present a completed copy of this Subscription Agreement to such parties as it may deem appropriate in order to (i) make certain that the offer and sale of the Interests will not result in a violation of the Securities Act of 1933, as amended (the “Securities Act”), or of the securities laws of any state, (ii) provide relevant information to the Fund’s service providers so that they may accomplish their respective obligations and (iii) make certain that the amounts contributed by an Investor in connection with the purchase of the Interests were not and are not directly or indirectly derived from activities that may contravene federal, state or international laws and regulations, including anti-money laundering laws and regulations.

This Subscription Agreement does not constitute an offer to sell or a solicitation of an offer to buy the Interests, or any other security.

All questions must be answered. If the appropriate answer is “None” or “Not Applicable,” please so state. Please print or type your answers to all questions and attach additional sheets if necessary to complete your answers to any item. Please initial any correction.

Individual Subscribers:

If the Interests subscribed for are to be owned by more than one person, you and the other co-subscriber must each complete a separate Subscription Agreement (except if the co-subscriber is your spouse and Statement 1, 2 or 3 of Part A under Section IV below has been checked) and sign the signature page hereto. If your spouse is a co-subscriber, you must indicate his or her name and social security number.

Corporations, Partnerships, Pension Plans Employee Benefit Plans and Trusts:

The information requested herein relates to the subscribing entity and not to you personally (unless otherwise determined in the ACCREDITED INVESTOR STATUS Section below).

IV. ACCREDITED INVESTOR STATUS

A. Individual Accounts

I certify that I am an “accredited investor” because:

1. _____ I had an individual income of more than \$200,000 in each of the two most recent calendar years, and I reasonably expect to have an individual income in excess of \$200,000 in the current calendar year.⁽¹⁾
2. _____ My spouse and I had a joint income in excess of \$300,000 in each of the two most recent calendar years, and we reasonably expect to have a joint income in excess of \$300,000 in the current calendar year.⁽¹⁾
3. _____ I have an individual net worth, or my spouse and I have a joint net worth, in excess of \$1,000,000.⁽²⁾

(1) To calculate “income” for purposes herein, please use adjusted gross income as reported on the relevant federal tax return.

(2) For purposes of this question, you may include your spouse’s net worth and may include the fair market value of your home and personal property.

B. Corporations, Partnerships, Employee Benefit Plans, Pension Plans or IRAs

1. Has the subscribing entity been formed for the specific purpose of investing in the Interests?

☐ Yes ☐ No

If your answer to question 1 is “No” CHECK whichever of the following statements (a through e) is applicable to the subscribing entity. If your answer to question 1 is “Yes” the subscribing entity must be able to certify to statement (2) below in order to qualify as an “accredited investor.”

The undersigned entity certifies that it is an “accredited investor” because it is:

- a. _____ a corporation, partnership, limited liability company or employee benefit plan and each of its shareholders, partners or beneficiaries meet at least one of the conditions described above under Individual Accounts above. Please also CHECK the appropriate space in that section, and provide completed and signed Subscription Documents for each such individual; or
- b. _____ a corporation, a Massachusetts or similar business trust, a partnership or similar entity which has total assets in excess of \$5,000,000.

2. If the answer to question 1 above is “Yes,” please certify that the statement below is true and correct:

_____ The undersigned entity certifies that it is an accredited investor because each of its shareholders, partners, members or beneficiaries meets at least one of the conditions described above under Individual Accounts above. Please also CHECK the appropriate space in that section and provide completed and signed Subscription Documents for each such individual.

C. Trust Accounts

1. Has the subscribing entity been formed for the specific purpose of investing in the Interests?

☐ Yes ☐ No

If your answer to question 1 is “No” CHECK whichever of the following statements (a through c) is applicable to the subscribing entity. If your answer to question 1 is “Yes” the subscribing entity must be able to certify to the statement (c) below in order to qualify as an “accredited investor.”

The undersigned trustee certifies that the trust is an “accredited investor” because:

- a. _____ the trust has total assets in excess of \$5,000,000 and the investment decision has been made by a “sophisticated person” (*i.e.*, the person whose investment experience is detailed in Article VI below has such knowledge and experience in financial and business matters that he, she or it is capable of evaluating the merits and risks of an investment in the Interest); or
- b. _____ the trustee making the investment decision on its behalf is a bank (as defined in Section 3(a)(2) of the Securities Act), a savings and loan association or other institution (as defined in Section 3(a)(5)(A) of the Securities Act), acting in its fiduciary capacity; or
- c. _____ the grantor(s) of the trust may revoke the trust at any time and regain title to the trust assets and has (have) retained sole investment control over the assets of the trust and the (each) grantor(s) meets at least one of the conditions described above under INDIVIDUAL ACCOUNTS. Please also CHECK the appropriate space in that section and provide completed and signed subscription agreements for each such individual.

V. QUALIFIED CLIENT STATUS

A. Individual Accounts

I certify that I am a “qualified client” because:

1. _____ I have invested or will invest at least \$750,000 with the Manager of the Fund; or
2. _____ I have an individual net worth, or my spouse and I have a joint net worth, in excess of \$1,500,000.

B. Corporations, Partnerships, Employee Benefit Plans, Trusts, Pension Plans or IRAs

The undersigned entity certifies that it is a “qualified client” because it is:

1. _____ a corporation, partnership, trust, pension plan or employee benefit plan that has invested or will invest at least \$750,000 with the Manager of the Fund; or
2. _____ a corporation, partnership, trust, pension plan or employee benefit plan that has a net worth in excess of \$1,500,000.

VI. BACKGROUND AND INVESTMENT EXPERIENCE

The following information is to be provided by the individual making the investment decision or the person acting on behalf of the corporation, partnership, limited liability company, individual retirement account, employee benefit plan or trust.

A. Business or professional education (school, dates of attendance, degrees):

B. Details of any training or experience in financial, business or tax matters not disclosed in Item A immediately above:

C. Please indicate the frequency of your investment in restricted (non-traded) securities:

☐ Often ☐ Occasionally ☐ Seldom ☐ Never

D. Please state the appropriate number and total dollar amount of the following types of investments in which you have participated:

1. Restricted (non-traded) stock or notes:

Number: _____ Amount Invested: _____

2. Private placements of securities sold in reliance upon non-public offering exemption from registration under the Securities Act:

Number: _____ Amount Invested: _____

E. Please **INITIAL** (*i.e.*, DO NOT CHECK) the appropriate alternative:

_____ ALTERNATIVE ONE: I have such knowledge and experience in financial and business matters and in private placement investments in particular that I am capable of protecting my interests in connection with the purchase of the Interests and evaluating the merits and risks of an investment in the Interests and do not desire to use a professional advisor in connection with protecting my interests and

evaluating such merits and risks. I understand, however, that the Fund may request that I use a professional advisor.

____ ALTERNATIVE TWO: I intend to use the services of a professional advisor(s) in connection with protecting my interests in connection with the purchase of the Interests and evaluating the merits and risks of an investment in the Interests and hereby appoint such person(s) to act as my Purchaser Representative(s) in connection with my proposed purchase of the Interests. **(Your NASD registered representative cannot act as your Purchaser Representative. Please contact your registered representative for further instructions.)**

Name of Professional Advisor if Alternative Two chosen: _____

Telephone Number: _____

VII. COMPLIANCE WITH THE USA PATRIOT ACT

A. Investor of Interests in the Fund (“Investor”) represents and warrants that the amounts contributed by Investor in connection with the purchase of the Interests were not and are not directly or indirectly derived from activities that may contravene federal, state or international laws and regulations, including anti-money laundering laws and regulations.

B. Investor understands and agrees that the Fund prohibits the investment of funds by any persons or entities that are acting, directly or indirectly:

1. on behalf of terrorists or terrorist organizations, including those persons or entities that are included on the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Treasury Department’s Office of Foreign Assets Control¹ (“OFAC”), as such list may be amended from time to time, or any Executive Order administered by OFAC;
2. for a senior foreign political figure², any member of a senior foreign political figure’s immediate family or any close associate of a senior foreign political figure, unless the Manager, after being specifically notified by the Investor in writing that Investor is such a person, conducts further due diligence, and determines that such investment shall be permitted; or
3. for a foreign shell bank³.

¹ The OFAC list may be accessed online at <http://www.treas.gov/ofac>.

² Senior foreign political figure means a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a senior foreign political figure includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure. The immediate family of a senior foreign political figure typically includes the political figure’s parents, siblings, spouse, children and in-laws. A close associate of a senior foreign political figure is a person who is widely and publicly known internationally to maintain an unusually close relationship with the senior political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior political figure.

³ Foreign shell bank means a foreign bank without a physical presence in any country, but does not include a regulated affiliate. A post office box or electronic address would not be considered a physical presence. A “regulated affiliate” means a foreign shell bank that: (1) is an affiliate of a depository institution, credit union, or foreign bank that maintains a physical presence in the United States or a foreign country, as applicable; and (2) is subject to the supervision by a banking authority in the country regulating such affiliated depository institution, credit union, or foreign bank.

Persons or entities in (1) through (3) above are collectively referred to as “Prohibited Persons.”

C. Investor represents and warrants that:

1. Investor is not, nor is any person or entity controlling, controlled by or under common control with Investor, a Prohibited Person; and

2. to the extent Investor is acting as an agent or nominee in connection with an investment in the Fund, or otherwise has any beneficial owners⁴ that are not disclosed to the Fund, (a) Investor has carried out due diligence to establish the identities of such beneficial owners, (b) based on such due diligence, Investor reasonably believes that no such beneficial owners are Prohibited Persons, and (c) Investor will make such information and any additional information that the Fund or the Manager may require upon request.⁵

D. If any of the foregoing representations and warranties in this Article VII ceases to be true, or if the Fund no longer reasonably believes that it has satisfactory evidence as to their truth, notwithstanding any other agreement to the contrary, the Fund may be obligated to freeze Investor’s investment, either by prohibiting additional investments, declining or suspending any withdrawal requests and/or segregating the assets constituting Investor’s investment in accordance with applicable regulations, or Investor’s investment may immediately be involuntarily withdrawn by the Fund, and the Fund may also be required to report such action and to disclose Investor’s identity to the OFAC or other authority. If the Fund is required to take any of the foregoing actions, Investor understands and agrees that Investor shall have no claim against the Fund, the Manager or any of their respective affiliates, directors, members, partners, shareholders, officers, employees and agents for any form of damages as a result of any of the aforementioned actions.

E. The Investor understands and agrees that any withdrawal proceeds paid to it will be paid to the same account from which the Investor’s investment in the Fund was originally remitted, unless the Fund, in its sole discretion, agrees otherwise.

F. The Investor agrees to indemnify and hold harmless the Fund, the Manager and their respective affiliates, managers, members, partners, limited partners, officers, employees, advisors and agents from and against any and all losses, liabilities, damages, penalties, costs, fees and expenses (including legal fees and disbursements) which may result, directly or indirectly, from any inaccuracy in or breach of any representation, warranty, covenant or agreement set forth in this Article.

VIII. COVENANTS AND CERTIFICATIONS

A. I certify that the information contained herein is complete, true and correct and may be relied on by the Fund. I will notify the Fund promptly of any material change in any of such information.

B. I have carefully reviewed the Memorandum, including any supplement(s) and/or exhibits attached thereto, in connection with the offering of Interests by the Fund (the “Offering”). I understand

⁴ Beneficial owners will include, but not be limited to: (i) shareholders of a corporation; (ii) partners of a partnership; (iii) members of a limited liability company; (iv) investors in a fund-of-funds; (v) the grantor and beneficiaries of an irrevocable trust; (vi) the individual who established and IRA; (vii) the participant in a self-directed pension plan; (viii) the sponsor of any other pension plan; and (ix) any person being represented by the Investor in an agent, representative, intermediary, nominee or similar capacity. If the beneficial owner is itself an entity, the information and representations set forth herein must also be given with respect to its beneficial owners. If the Investor is a publicly-traded company, it need not conduct due diligence as to its beneficial owners.

⁵ If you are signing on behalf of an undisclosed principal, you may be required to complete an Eligible Introducer/Financial Intermediary Form.

that the minimum investment, unless otherwise agreed by the Fund, is \$1 million for qualified investors, to be paid by check or wire transfer in an amount equal to the purchase price of the Interests subscribed for.

C. Under penalties of perjury, I certify that (i) my taxpayer identification number shown in this Subscription Agreement is correct and (ii) I am not subject to backup withholding because (1) I have not been notified that I am subject to backup withholding as a result of a failure to report all interest and dividends or (2) the Internal Revenue Service has notified me that I am no longer subject to backup withholding. (If you have been notified that you are subject to backup withholding and the Internal Revenue Service has not advised you that backup withholding has been terminated, strike out item (ii)).

D. I certify that I am purchasing the Interests solely for my own account, not as a nominee or agent, and not for the beneficial interest of any other person or with a view to or for resale in connection with any distribution of the Interests or any grant of participation therein.

E. I certify that this subscription is not transferable or assignable by me without the written consent of the Fund.

F. I certify that I understand that the investment in the Interests is an illiquid investment. In particular, I recognize that:

1. I must bear the economic risk of investment in the Interests for an indefinite period of time, since the Interests have not been registered for sale under the Securities Act and, therefore, cannot be sold unless either they are subsequently registered under the Securities Act or an exemption from such registration is available and a favorable opinion of counsel for the Fund to that effect is obtained (if requested by the Fund).

2. No established market will exist and it is probable that no public market for the Interests will develop.

G. I hereby represent and warrant to the Fund that:

- a. The financial information provided in the Subscription Agreement is complete, true and correct;
- b. I and my Purchaser Representative(s), if any, have carefully reviewed and understand the risks of, and other considerations relating to, a purchase of Interests, including, but not limited to, the risks set forth under "Risk Factors" in the Memorandum.
- c. I and my Purchaser Representative(s), if any, have been afforded the opportunity to obtain any information necessary to verify the accuracy of any representations or information set forth in the Memorandum and have had all inquiries as to the Fund answered, and have been furnished all requested materials, relating to the Fund and the offering and sale of the Interests and anything else set forth in the Memorandum;
- d. Neither I nor my Purchaser Representative(s), if any, have been furnished any offering literature by the Fund or any of its affiliates, associates or agents other than the Memorandum, and the documents referenced therein;
- e. I am acquiring the Interests for which I am subscribing for my own account, as principal, for investment only and not with a view to the resale or distribution of all or any part of the Interests or underlying securities;

- f. The undersigned, if a corporation, partnership, trust or other form of business entity, (i) is authorized and otherwise duly qualified to purchase and hold the Interests, (ii) has obtained such additional tax and other advice that it has deemed necessary in connection with this purchase, (iii) has its principal place of business at its residence address set forth in this Subscription Agreement, and (iv) has not been formed for the specific purpose of acquiring the Interests (although this may not necessarily disqualify the subscriber as a purchaser). The persons executing this Subscription Agreement, as well as all other documents related to the offering, represent that they are duly authorized to execute all such documents on behalf of the entity. (If the undersigned is one of the aforementioned entities, it agrees to supply any additional written information requested by the Manager that may be required.);
- g. All of the information which I have furnished to the Fund or which is set forth in this Subscription Agreement is complete, true and correct as of the date hereof. If any material change in this information should occur prior to my subscription being accepted, I will immediately furnish the revised or corrected information;
- h. I further agree to be bound by all of the terms, provisions and conditions of the Offering described in the Memorandum; and
- i. I am the only person with a direct or indirect interest in the Interests subscribed for by this Subscription Agreement.

H. I agree to indemnify and hold harmless the Fund, the Manager, and their officers, directors, members, managers, administrator and agents against any and all loss, liability, costs and expenses (including reasonable attorneys' fees) arising as a result of any misrepresentation made by me in this Subscription Agreement or in any document provided by the undersigned to the Fund, my failure to fulfill any of the terms, provisions or conditions of this Subscription Agreement, or my transfer of the Interests in violation of federal and/or state securities laws.

I. I agree that the representations, warranties, certifications and/or agreements set forth in this Subscription Agreement and the limited liability company agreement of the Fund (the "LLC Agreement") shall survive the purchase and delivery of the Interests.

J. I agree that this subscription is and shall be irrevocable, but my obligations hereunder will terminate if this subscription is not accepted by the Fund.

K. I certify that I am investing, or am investing the assets of, or my underlying assets include the assets of: (check all that apply)

- _____ 1. an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I, Part 4 of ERISA;
- _____ 2. a "plan" within the meaning of Section 4975(e)(1) of the Code; and/or
- _____ 3. none of the above.

L. I certify that if more than one person is executing this Subscription Agreement, the obligations of each shall be joint and several and the representations and warranties contained in this Subscription Agreement shall be deemed to be made by, and be binding upon, each of these persons and his or her heirs, executors, administrators, successors and assigns.

M. This subscription, upon acceptance by the Fund, shall be binding upon my heirs, executors, administrators, successors and assigns.

N. This Subscription Agreement shall be construed in accordance with and governed in all respects by the internal laws of the State of New Jersey, without giving effect to the principles of conflicts of laws that would defer to or result in the application of the substantive law of another jurisdiction.

O. Any notices to be given hereunder may be given and shall be effective as follows:

1. Ms. Radha K Grandhi, 15 Armand court, Holmdel, NJ 07733
2. to a holder of Interests, at its address appearing in the Contract's transfer records;
3. notices by personal delivery shall be effective upon such delivery;
4. notices may be sent by a nationally-recognized overnight courier, such notice to be effective at time of delivery or attempted delivery upon production of proof of same; and
5. notices may be sent by facsimile and shall be effective on the date sent by telecopy, if sent on a business day by 6:00 p.m. at the location of the recipient with automatic confirmation by the transmitting machine showing the proper number of pages were transmitted without error; or if sent after that time, on the next succeeding business day;

P. notices may also be sent by registered or certified mail, return receipt requested, and shall be effective three days after mailing, upon production of proof of receipt or of attempted delivery.

Q. The undersigned does hereby certify that the following individuals are authorized to sign and authorize requests on behalf of the undersigned as of the date hereof and the signatures set forth opposite the respective names and titles of said individuals are their true and authentic signatures.

BY SIGNING, I ACKNOWLEDGE THAT I HAVE RECEIVED PRIVATE PLACEMENT MEMORANDUM NO. _____, I HAVE CAREFULLY REVIEWED THE OFFERING MEMORANDUM REFERRED TO ABOVE AND AM BOUND BY THE TERMS OF THIS SUBSCRIPTION AGREEMENT.

IX. SIGNATURES

This Subscription Agreement contains various agreements, certifications and representations by subscribers and should be carefully reviewed in its entirety before executing this signature page.

By signing below, I agree to become a Member of Hagin Investors, LLC under the terms and conditions of the Fund's LLC Agreement, dated as of August __, 2007, which agreement is incorporated fully herein by this reference. I have received and read the LLC Agreement and the Memorandum.

I certify that I have reviewed and I am familiar with the terms of the Memorandum. I agree to be bound by all of the terms and conditions of this Subscription Agreement, the terms and provisions of which are incorporated herein by this reference.

Dated: __, 200X

Print name of individual subscriber, custodian, corporation, trustee:

Signature of individual subscriber, authorized person, trustee:

Print name of co-subscriber, authorized person, co-trustee if required by trust instrument:

Signature of co-subscriber, authorized person, co-trustee if required by trust instrument:

Investment Authorization. The undersigned corporation, partnership, benefit plan or IRA has all requisite authority to acquire the Interests hereby subscribed for and to enter into this Subscription Agreement and further, the undersigned officer, partner or fiduciary of the subscribing entity has been duly authorized by all requisite action on the part of such entity to execute these documents on its behalf. Such authorization has not been revoked and is still in force and effect.

Check Box: ☐ Yes ☐ No ☐ Not Applicable

PART II : NJSA LAWS

NJSA 49:3-53 Prohibited practices relative to investment adviser.

6. (a) It shall be unlawful for any person who receives, directly or indirectly, any compensation from another person for advising the other person as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise,

(1) to employ any device, scheme or artifice to defraud the other person;

(2) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the other person; or

(3) to engage in dishonest or unethical practices as the bureau chief may by rule define in a manner consistent with and compatible with the laws and regulations of the Securities and Exchange Commission, the self-regulatory organizations, and uniformity with the other states, the remedies for which shall be civil or administrative only;

(b) It shall be unlawful for any person acting as an investment adviser, whether required to be registered or not, to enter into, extend, or renew any investment advisory contract unless it provides in writing

(1) that no assignment of the contract may be made by the investment adviser without the consent of the other party to the contract; and

(2) that the investment adviser shall notify the other party to the contract of any change in control of the investment adviser within a reasonable time after the change;

(c) It shall be unlawful for any investment adviser required to be registered or any registered broker-dealer acting as an investment adviser to enter into, extend, or renew any investment advisory contract, unless it provides in writing that the investment adviser shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds, of the client, except as may be authorized by rules issued by the bureau chief;

(d) The bureau chief may by rule or order prohibit any investment adviser, except an investment adviser that is registered or not required to be registered under the "Investment Advisers Act of 1940," from being compensated on the basis of a share of capital gains upon, or capital appreciation of the funds, or any portion of the funds, of the client;

(e) Subsection (c) of this section does not prohibit an investment advisory contract which provides for compensation based upon the total value of a fund averaged over a definite period, or as of definite dates or taken as of a definite date. "Assignment," as used in paragraph (1) of subsection (b) of this section, includes any direct or indirect transfer or hypothecation of an investment advisory contract by the assignor or of a controlling block of the assignor's outstanding voting securities by a security holder of the assignor; but, if the investment adviser is a partnership, no assignment of an investment advisory contract is considered to result from the death or withdrawal of a minority of the members of the investment adviser having only a minority interest in the business of the investment adviser, or from the admission to the investment adviser of one or more members who, after admission, will be only a minority of the members and will have only a minority interest in the business;

(f) It shall be unlawful for any person soliciting advisory clients to make any untrue statement of a material fact, or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

L.1967,c.93,s.6; amended 1987, c.424; 1997, c.276, s.6.

