CS FOR HOUSE BILL NO. 83(JUD)(title am)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE JUDICIARY COMMITTEE

Amended: 4/7/99
Offered: 3/11/99

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to certain securities occupations and investment pools; relating,
2 with regard to the Alaska Securities Act, to federal covered securities, the
3 registration of securities, the general exemptions for securities and transactions,
4 Internet offers of securities and transactions, file confidentiality, petitions to
5 superior court by the administrator to reduce civil penalties to judgment, time
6 limits for bringing court actions for violations, administrator-established fees and
7 administrator-required reimbursements, consent to service, title, sales, purchases,
8 offers to sell, and offers to purchase; exempting certain violations of the Alaska
9 Securities Act from criminal penalties; amending or repealing certain current
10 definitions in the Alaska Securities Act; providing new Alaska Securities Act
11 definitions for certain securities occupations, for certain federal statutes, and for
12 the terms 'advisory client,' 'advisory fee,' 'advisory services,' 'clients who are
natural persons,' 'federal covered security,' 'investment advisory business,' 'investment advisory contract,' 'NASDAQ,' 'notice filing,' 'place of business,' 'principal place of business,' 'securities business,' 'substantial portion of the business,' and 'supervised person'; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 14.43.148(h)(1) is amended to read:

(1) "license"

(A) means, except as provided in (B) of this paragraph, a license, certificate, permit, registration, or other authorization that, at the time of issuance, will be valid for more than 150 days and that may be acquired from a state agency to perform an occupation, including the following:

(i) license relating to boxing or wrestling under AS 05.10;

(ii) authorization to perform an occupation regulated under AS 08;

(iii) teacher certificate under AS 14.20;

(iv) authorization under AS 18.08 to perform emergency medical services;

(v) asbestos worker certification under AS 18.31;

(vi) boiler operator's license under AS 18.60.395;

(vii) certificate of fitness under AS 18.62;

(viii) hazardous painting certification under AS 18.63;

(ix) certification as a municipal correctional, correctional, probation, or parole officer under AS 18.65.245;

(x) security guard license under AS 18.65.400 - 18.65.490;

(xi) license relating to insurance under AS 21.27;

(xii) employment agency permit under AS 23.15.330 - 23.15.520;
(xiii) registration as a broker-dealer, an agent, a state
[OR] investment adviser, or an investment adviser representative
under AS 45.55.030;
(xiv) certification as a pesticide applicator under
AS 46.03.320;
(xv) certification as a storage tank worker or contractor
under AS 46.03.375;
(xvi) certification as a water and wastewater works
operator under AS 46.30; and
(B) does not include
   (i) a commercial fishing license under AS 16.05.480,
      including a crewmember fishing license;
   (ii) a vessel license issued under AS 16.05.490 or
      16.05.530;
   (iii) a license issued under AS 47.35;
   (iv) a business license issued under AS 43.70;
   (v) an entry permit or interim-use permit issued under
      AS 16.43; or
   (vi) a driver's license issued under AS 28.15;
* Sec. 2. AS 25.27.244(s)(2) is amended to read:
   (2) "license"
      (A) means, except as provided in (B) of this paragraph, a
      license, certificate, permit, registration, or other authorization that, at the time
      of issuance, will be valid for more than 150 days and that may be acquired
      from a state agency to perform an occupation, including the following:
      (i) license relating to boxing or wrestling under
      AS 05.10;
      (ii) authorization to perform an occupation regulated
      under AS 08;
      (iii) teacher certificate under AS 14.20;
      (iv) authorization under AS 18.08 to perform emergency
medical services;

(v) asbestos worker certification under AS 18.31;

(vi) boiler operator's license under AS 18.60.395;

(vii) certificate of fitness under AS 18.62;

(viii) hazardous painting certification under AS 18.63;

(ix) security guard license under AS 18.65.400 - 18.65.490;

(x) license relating to insurance under AS 21.27;

(xi) employment agency permit under AS 23.15.330 - 23.15.520;

(xii) registration as a broker-dealer, an agent, a state [OR] investment adviser, or an investment adviser representative under AS 45.55.030;

(xiii) certification as a pesticide applicator under AS 46.03.320;

(xiv) certification as a storage tank worker or contractor under AS 46.03.375;

(xv) certification as a water and wastewater works operator under AS 46.30; and

(xvi) commercial crewmember fishing license under AS 16.05.480 other than an entry permit or interim-use permit under AS 16.43;

(B) does not include

(i) a vessel license issued under AS 16.05.490 or 16.05.530;

(ii) a license issued under AS 47.35;

(iii) a business license issued under AS 43.70;

(iv) an entry permit or interim-use permit issued under AS 16.43; or

(v) a driver's license issued under AS 28.15;

* Sec. 3. AS 25.27.244(s)(2), as repealed and reenacted under sec. 148(c), ch. 87, SLA
1997, as amended by sec. 53, ch. 132, SLA 1998, is amended to read:

(2) "license"

(A) means, except as provided in (B) of this paragraph, a license, certificate, permit, registration, or other authorization that, at the time of issuance, will be valid for more than 150 days and that may be acquired from a state agency to perform an occupation, including the following:

(i) license relating to boxing or wrestling under AS 05.10;

(ii) authorization to perform an occupation regulated under AS 08;

(iii) teacher certificate under AS 14.20;

(iv) authorization under AS 18.08 to perform emergency medical services;

(v) asbestos worker certification under AS 18.31;

(vi) boiler operator’s license under AS 18.60.395;

(vii) certificate of fitness under AS 18.62;

(viii) hazardous painting certification under AS 18.63;

(ix) security guard license under AS 18.65.400 - 18.65.490;

(x) license relating to insurance under AS 21.27;

(xi) employment agency permit under AS 23.15.330 - 23.15.520;

(xii) registration as a broker-dealer, an agent, a state [OR] investment adviser, or an investment adviser representative under AS 45.55.030;

(xiii) certification as a pesticide applicator under AS 46.03.320;

(xiv) certification as a storage tank worker or contractor under AS 46.03.375; and

(xv) certification as a water and wastewater works operator under AS 46.30;
(B) does not include

(i) a commercial fishing license under AS 16.05.480, including a crewmember fishing license;

(ii) a vessel license issued under AS 16.05.490 or 16.05.530;

(iii) a license issued under AS 47.35;

(iv) a business license issued under AS 43.70;

(v) an entry permit or interim-use permit issued under AS 16.43; or

(vi) a driver’s license issued under AS 28.15;

* Sec. 4. AS 37.23.050 is amended to read:

Sec. 37.23.050. Investment management. The public entities participating in an investment pool under this chapter shall provide for management of investments in the pool by contracting for investment management and related services with

(1) a securities broker-dealer registered under AS 45.55.030 and under 15 U.S.C. 78o (Securities Exchange Act of 1934);

(2) a state [AN] investment adviser registered under AS 45.55.030 or a federal covered adviser that has made a notice filing under AS 45.55.040(h) [AND UNDER 15 U.S.C. 80b3 (INVESTMENT ADVISERS ACT OF 1940)];

(3) the Department of Revenue; or

(4) a financial institution that is a state or federally chartered commercial or mutual bank, savings and loan association, or credit union if the institution’s accounts are insured through the appropriate federal insuring agency of the United States [], and if the institution has trust powers under state or federal law.

* Sec. 5. AS 45.55.010 is amended by adding a new subsection to read:

(b) A person may not rely on an exemption from registration under AS 45.55.900 or on a security being a federal covered security to avoid the application of (a) of this section.

* Sec. 6. AS 45.55.020(b) is amended to read:

(b) A state [AN] investment adviser may not enter into, extend, or renew an investment advisory contract unless the contract [IT] provides in writing that
(1) the state investment adviser may not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or a portion of the funds of the client; and

(2) [AN ASSIGNMENT OF THE CONTRACT MAY NOT BE MADE BY THE INVESTMENT ADVISER WITHOUT THE CONSENT OF THE OTHER PARTY TO THE CONTRACT; AND]

(3) the state investment adviser, if a partnership, shall notify the other party to the contract of a change in the membership of the partnership within a reasonable time after the change.

* Sec. 7. AS 45.55.020(c) is amended to read:

(c) The provisions of (b)(1) of this section do not prohibit an investment advisory contract that 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. The administrator, on request, may waive the provisions of (b)(1) of this section for investment advisory contracts that conform to the limitations of 15 U.S.C. 80b-5 (Investment Advisers Act of 1940).

* Sec. 8. AS 45.55.020(e) is amended to read:

(e) A state [AN] investment adviser may not take or have custody of the securities or funds of a client if

(1) the administrator, by regulation, prohibits custody; or

(2) in the absence of regulation, the state investment adviser fails to notify the administrator that the adviser has or may have custody.

* Sec. 9. AS 45.55 is amended by adding new sections to article 1 to read:

Sec. 45.55.023. Unethical business practices of state investment advisers, investment adviser representatives, and federal covered advisers. (a) A person who is a state investment adviser, investment adviser representative, or federal covered adviser is a fiduciary and has a duty to act primarily for the benefit of the client. The provisions of this section apply to federal covered advisers only to the extent that the conduct alleged is fraudulent or deceptive under AS 45.55.010(a) or 45.55.020(a), or to the extent otherwise provided by P.L. 104 - 290, 101 Stat. 3416 - 3440 (National Securities Markets Improvement Act of 1996). While the extent and nature of the duty
to act primarily for the benefit of the client varies according to the nature of the
relationship between an investment adviser and its clients and the circumstances of
each case, a state investment adviser, an investment adviser representative, or a federal
covered adviser may not engage in dishonest or unethical practices or conduct in the
investment advisory business under AS 45.55.060(a)(7), including

(1) recommending to a client to whom investment supervisory,
management, or consulting services are provided the purchase, sale, or exchange of a
security without reasonable grounds to believe that the transaction or recommendation
is suitable for the client on the basis of information furnished by the client after
reasonable inquiry concerning the client’s investment objectives, financial situation and
needs, and other information known by the state investment adviser, investment adviser
representative, or federal covered adviser;

(2) exercising discretionary power in placing an order for the purchase
or sale of securities for a client without obtaining written discretionary authority from
the client within 10 business days after the date of the first transaction placed under
oral discretionary authority unless the discretionary power relates solely to the price
at which or the time when an order involving a definite amount of a specified security
will be executed, or both;

(3) in a client’s account inducing trading that is excessive in size or
frequency in view of the financial resources, investment objectives, and character of
the account if the state investment adviser, investment adviser representative, or federal
covered adviser can directly benefit from the number of securities transactions effected
in a client’s account;

(4) placing an order to purchase or sell a security for the account of a
client without authority to do so;

(5) placing an order to purchase or sell a security for the account of a
client upon the instruction of a third party without first having obtained a written third-
party trading authorization from the client;

(6) borrowing money or securities from a client unless the client is a
financial institution engaged in the business of loaning money or the client is an
affiliate of the state investment adviser or federal covered adviser borrowing the money
or securities;

(7) loaning money to a client unless the state investment adviser or federal covered adviser loaning the money is a financial institution engaged in the business of loaning money or the client is an affiliate of the state investment adviser or federal covered adviser;

(8) misrepresenting to an advisory client or prospective advisory client the qualifications of the state investment adviser, an employee of the state investment adviser, the investment adviser representative, the federal covered adviser, or an employee of the federal covered adviser; misrepresenting the nature of the advisory services being offered or fees to be charged for a service; or omitting to state a material fact necessary to make the statements made regarding qualifications, services, or fees not misleading in light of the circumstances under which the statements are made;

(9) providing a report or recommendation to an advisory client prepared by someone other than the state investment adviser, the investment adviser representative, or the federal covered adviser without disclosing that the report or recommendation was prepared by someone else, except that this prohibition does not apply to a situation where the state investment adviser, investment adviser representative, or federal covered adviser uses published research reports or statistical analyses to render advice or where a state investment adviser, an investment adviser representative, or a federal covered adviser orders the research reports or statistical analyses in the normal course of providing service;

(10) charging a client an unreasonable advisory fee;

(11) failing to disclose to a client in writing before any advice is rendered a material conflict of interest relating to the state investment adviser, federal covered adviser, an employee of the state investment adviser or federal covered adviser, or the investment adviser representative that could reasonably be expected to impair the rendering of unbiased and objective advice, including

(A) compensation arrangements connected with advisory services to a client if the arrangements are in addition to compensation from the client for those services; and
(B) charging a client an advisory fee for rendering advice when a commission for executing securities transactions according to that advice will be received by the adviser or the employees or investment adviser representatives of the adviser;

(12) guaranteeing a client that a specific investment result will be achieved with the advice given;

(13) publishing, circulating, or distributing an advertisement that does not comply with 17 C.F.R. 275.206(4) - 1 adopted under 15 U.S.C. 80b-1 - 80b-21 (Investment Advisers Act of 1940), as that regulation exists on or after the effective date of this Act;

(14) disclosing the identity, affairs, or investments of a client unless required by law or unless consented to by the client;

(15) taking action, directly or indirectly, with respect to securities or funds in which a client has a beneficial interest if the state investment adviser, federal covered adviser, or investment adviser representative has custody or possession of the securities or funds and the adviser’s action does not comply with the requirements of 17 C.F.R. 275.206(4) - 2 adopted under 15 U.S.C. 80b-1 - 80b-2 (Investment Advisers Act of 1940), as that regulation exists on or after the effective date of this Act;

(16) entering into, extending, or renewing an investment advisory contract unless the contract is in writing and discloses in substance

(A) the services to be provided;

(B) the term of the contract;

(C) the advisory fee, the formula for computing the fee, whether the fee is negotiable, and the amount of the prepaid fee to be returned in the event of contract termination or nonperformance;

(D) whether the contract grants discretionary power to the adviser; and

(E) that an assignment of the contract may not be made by a state investment adviser without the consent of the other party to the contract; in this subparagraph, "assignment" includes a 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 adviser is a partnership, an assignment of an
investment advisory contract is not considered to result from the death or
withdrawal of a minority of the partners of the adviser having only a minority
interest in the business of the adviser, or from the admission to the adviser of
one or more partners who, after admission, will be only a minority of the
partners and will have only a minority interest in the business;

(17) failing, in violation of 15 U.S.C. 80b-4a (Investment Advisers Act
of 1940), to establish, maintain, and enforce written policies and procedures reasonably
designed to prevent the misuse of material nonpublic information;

(18) entering into, extending, or renewing an advisory contract that
would violate 15 U.S.C. 80b-5 (Investment Advisers Act of 1940); this paragraph
applies to all state investment advisers registered or required to be registered under this
chapter and to all investment adviser representatives registered or required to be
registered under this chapter, notwithstanding whether the adviser or representative
would be exempt from federal registration under 15 U.S.C. 80b-3 (Investment Advisers
Act of 1940);

(19) including in an advisory contract a condition, stipulation, or
provision binding a person to waive compliance with a provision of this chapter or
15 U.S.C. 80b-1 - 80b-21 (Investment Advisers Act of 1940); or engaging in a practice
that would violate 15 U.S.C. 80b-15 (Investment Advisers Act of 1940);

(20) engaging in an act, a practice, or a course of business that is
fraudulent, deceptive, or manipulative in contravention of 15 U.S.C. 80b-6(4)
(Investment Advisers Act of 1940) and the rules adopted under that act,
notwithstanding the fact that the state investment adviser may not be registered or
required to be registered under 15 U.S.C. 80b-3 (Investment Advisers Act of 1940);

(21) engaging in conduct or an act, either indirectly or through or by
another person, that would be unlawful for the person to do directly under this chapter
or a regulation adopted under this chapter;

(22) acting as principal for the person’s own account, knowingly selling
a security to or purchasing a security from a client, acting as broker for a person other
than the client, or knowingly effecting a sale or purchase of a security for the account of the client without disclosing to the client in writing before the completion of the transaction the capacity in which the person is acting and without obtaining the written consent of the client to the transaction; the prohibitions in this paragraph do not apply to a transaction with a customer of a broker-dealer if the broker-dealer is not acting as a state investment adviser or federal covered adviser in relation to the transaction.

(b) The conduct listed in (a) of this section is not the exclusive conduct prohibited by (a) of this section. Engaging in other similar conduct, including nondisclosure, incomplete disclosure, or a deceptive practice, is considered unethical practice or conduct under AS 45.55.060(a)(7). The federal statutory and regulatory provisions referred to in this section apply to a state investment adviser and a registered investment adviser representative of either a state investment adviser or a federal covered adviser, regardless of whether the federal provisions limits their application to state investment advisers or federal covered advisors subject to federal registration. With respect to a federal covered adviser, the provisions of this section apply only to the extent permitted under P.L. 104 - 290, 101 Stat. 3416 - 3440 (National Securities Markets Improvement Act of 1996) and only when the conduct proscribed involves fraud or deceit within the meaning of AS 45.55.010(a) and 45.55.020(a).

Sec. 45.55.025. Fraudulent, dishonest, and unethical business practices of broker-dealers and agents. A broker-dealer and an agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. The acts and practices that are contrary to those standards and principles, that constitute dishonest or unethical practices in the securities business under AS 45.55.060(a), and that are grounds for imposition of administrative fines, censure, denial, suspension, revocation of a registration, or other appropriate disciplinary action include

(1) engaging in a pattern of unreasonable and unjustifiable delays in the delivery of securities purchased by the broker-dealer's customers or in the payment upon request of free credit balances reflecting completed transactions of the broker-dealer's customers;
(2) inducing in a customer’s account trading that is excessive in size or frequency in view of the financial resources and character of the account;

(3) recommending to a customer the purchase, sale, or exchange of a security without reasonable grounds to believe that the transaction or recommendation is suitable for the customer based on reasonable inquiry concerning the customer’s investment objectives, financial situation, and needs, and other relevant information known by the broker-dealer or agent;

(4) executing a transaction on behalf of a customer without authorization to execute the transaction;

(5) exercising discretionary power in effecting a transaction for a customer’s account without first obtaining written discretionary authority from the customer unless the discretionary power relates solely to the time or price for the execution of orders;

(6) executing a transaction in a margin account without securing from the customer a properly executed written margin agreement promptly after the initial transaction in the account;

(7) failing to segregate a customer’s free securities or securities held in safekeeping;

(8) hypothecating a customer’s securities without having a lien on the securities unless the broker-dealer or agent receives from the customer a properly executed written consent promptly after the initial transaction, except as permitted by the rules of the United States Securities and Exchange Commission;

(9) entering into a transaction with or for a customer at a price not reasonably related to the current market price of the securities or receiving an unreasonable commission or profit;

(10) failing to furnish to a customer purchasing securities in a registered offering a final or preliminary prospectus no later than the date of confirmation of the transaction and, if the prospectus is preliminary, failing to furnish a final prospectus within a reasonable time after the effective date of the offering;

(11) charging unreasonable or inequitable fees for services performed, including fees for miscellaneous services, such as the collection of money due for
principal, dividends, or interest, the exchange or transfer of securities, appraisals, safekeeping, the custody of securities, and other services related to the broker-dealer's securities business;

(12) offering to buy from or sell to a person a security at a stated price unless the broker-dealer is prepared to purchase or sell at that price and under the conditions that are stated at the time of the offer to buy or sell;

(13) representing that a security is being offered to a customer at market price or at a price relevant to the market price unless the broker-dealer or agent knows or has reasonable grounds to believe that a market for the security exists other than that made, created, or controlled by

(A) the broker-dealer;

(B) a person for whom the broker-dealer is acting or with whom the broker-dealer is associated in the distribution of the security; or

(C) a person controlled by, controlling, or under common control with the broker-dealer;

(14) effecting a transaction in, or inducing the purchase or sale of, a security by means of a manipulative, deceptive, or fraudulent device, practice, plan, program, design, or contrivance, including

(A) effecting a transaction in a security that does not involve a change in the beneficial ownership;

(B) entering an order for the purchase or sale of a security with the knowledge that another order of substantially the same price for the sale of the same security has been or will be entered by or for the same or different parties for the purpose of creating a false or misleading appearance of active trading in the security or a false or misleading appearance with respect to the market for the security; nothing in this subparagraph prohibits a broker-dealer from entering a bona fide agency cross transaction for its customers as long as the cross transaction is noted on the confirmation and monthly account statements;

(C) effecting alone or with one or more other persons a series of transactions in a security creating actual or apparent active trading in the
security or raising or depressing the price of the security for the purpose of
inducing the purchase or sale of the security by others;

(15) guaranteeing a customer against risk or loss in a securities account
of the customer carried by the broker-dealer or in a securities transaction effected by
the broker-dealer or agent with or for the customer;

(16) publishing or circulating or causing to be published or circulated
a notice, a circular, an advertisement, a newspaper article, an investment service, or
a communication of any kind that purports to

(A) report a transaction as a purchase or sale of a security
unless the broker-dealer or agent believes that the transaction described was a
bona fide purchase or sale of the security; or

(B) quote the bid price or asked price for a security unless the
broker-dealer believes that the quotation represents a bona fide bid for, or offer
of, the security;

(17) making a written or oral advertising or sales presentation that is
in any manner deceptive or misleading, including

(A) distributing nonfactual data or material, or making a
presentation that is based on conjecture or unfounded or unrealistic claims or
assertions, in a brochure, flyer, or other display by words, pictures, graphs, or
other method designed to supplement, detract from, supersede, or defeat the
purpose or effect of a prospectus or disclosure;

(B) using supplementary material in connection with the offer
of a particular security if the information in the material is not consistent with
or adequately supported by the prospectus or is not filed as part of the
registration statement;

(C) using supplementary material not authorized by the issuer
in connection with the offer of a particular security when a prospectus or other
offering document required to be delivered in connection with the offer
specifically states that supplementary material is not authorized;

(18) failing to disclose that the broker-dealer or agent is affiliated with
the issuer of a security before entering into a contract with or for a customer for the
purchase or sale of the security and, if the disclosure is made orally, failing to provide
to the customer written disclosure before the completion of the transaction;

(19) failing to make a bona fide offering of all of the securities allotted
to a broker-dealer for distribution, whether acquired as an underwriter or a selling
group member or from an underwriting or a selling group member participating in the
distribution as an underwriter or selling group member;

(20) failing or refusing to furnish to a customer, upon reasonable
request, information to which the person is entitled or failing or refusing to respond
to a formal written request, demand, or complaint;

(21) being found by a court or an administrative proceeding of
competent jurisdiction to have violated the anti-fraud or registration provisions of
federal securities laws or of the securities law of a state;

(22) marking an order ticket or confirmation as unsolicited when, in
fact, the transaction was solicited;

(23) in connection with the solicitation of a sale or purchase of an over-
the-counter non-NASDAQ security, failing to provide promptly the most current
prospectus or the most recent periodic report filed under 15 U.S.C. 78m (Securities
Exchange Act of 1934), when requested to do so by a customer;

(24) failing to provide to a customer for a month in which activity has
occurred in a customer’s account, but in no event less than every three months, a
statement of account that contains a value for each over-the-counter non-NASDAQ
equity security based on the closing market bid on a certain date; this paragraph
applies only if the broker-dealer has been a market maker in that security at any time
during the month in which the monthly or quarterly statement is issued;

(25) failing to maintain lists of persons who have informed the broker-
dealer that the persons do not want to be solicited;

(26) conducting business by telephone at unreasonable times;

(27) failing to disclose to a person purchasing shares of an investment
company on the premises of an insured depository institution that the investment is not
covered by the Federal Deposit Insurance Corporation; or

(28) failing to comply with an applicable provision of the Conduct
Rules of the National Association of Securities Dealers, Inc., or applicable fair practices or ethical standards adopted by the United States Securities and Exchange Commission or by a self-regulatory organization approved by the United States Securities and Exchange Commission.

Sec. 45.55.027. Additional fraudulent, dishonest, and unethical business practices of agents. In addition to the acts and practices described in AS 45.55.025, the acts and practices of an agent that constitute dishonest or unethical practices in the securities business under AS 45.55.060(a), that are grounds for imposition of administrative fines, censure, denial, suspension, revocation of a registration, or other appropriate disciplinary action, and that are contrary to the high standards of commercial honor and just and equitable principles of trade to be observed by agents, include

(1) engaging in the practice of lending to or borrowing money or securities from a customer or acting as a custodian for money, securities, or an executed stock power of a customer;

(2) effecting securities transactions not recorded on the regular books and records of the broker-dealer that the agent represents unless the transactions are authorized in writing by the broker-dealer before execution of the transactions;

(3) establishing or maintaining an account containing fictitious information in order to execute transactions that would otherwise be prohibited;

(4) sharing directly or indirectly in profits and losses in the account of a customer without the written authorization of the customer and the broker-dealer that the agent represents;

(5) dividing or otherwise splitting the agent’s commissions, profits, or other compensation from the purchase and sale of securities with a person who is not also registered in this state as an agent for the same broker-dealer or as a broker-dealer under direct or indirect common control of the broker-dealer or agent unless the person is not required to be registered in order to engage in the securities business in this state;

(6) failing to disclose to a customer or prospective customer at the time of the first contact with the customer or prospective customer the name of the
registered entity if different from the name under which the agent is doing business;

(7) contacting a person who has requested to be placed on a list of persons who do not want to be contacted by the broker-dealer.

Sec. 45.55.028. Practices of broker-dealers and agents considered fraudulent or deceitful. Acts and practices of broker-dealers or agents that are considered fraudulent or deceitful acts, practices, or courses of business under AS 45.55.010(a) include

(1) entering into a transaction with a customer with regard to a security at an unreasonable price or at a price not reasonably related to the current market price of the security, or receiving an unreasonable commission, markup, or profit;

(2) contradicting or negating the importance of information contained in a prospectus or other offering material with the intent to deceive or mislead, or using an advertising or sales presentation in a deceptive or misleading manner, including using supplementary material that does not consistently reflect or is not supported by information presented in prospectus or offering material required to be delivered in connection with the offer;

(3) in connection with the offer, sale, or purchase of a security, falsely misleading a customer to believe that the broker-dealer or agent possesses material, nonpublic information that would affect the value of the security;

(4) in connection with the solicitation of a sale or purchase of a security, engaging in a pattern or practice of making contradictory recommendations to different investors with similar investment objectives for some to sell and others to purchase the same security, at or about the same time, when not justified by the particular circumstances of each investor;

(5) failing to make a bona fide public offering in accordance with an underwriting agreement of all the securities allotted to a broker-dealer for distribution by using methods such as

(A) transferring securities to a customer, another broker-dealer, or a fictitious account with the understanding that the securities will be returned to the broker-dealer or its nominees; or

(B) parking or withholding securities;
(6) with respect to transactions in securities sold in the over-the-counter market other than those securities listed in the NASDAQ National Market System,

(A) conducting sales contests in a particular security;

(B) failing or refusing to promptly execute sell orders after a solicited purchase by a customer;

(C) soliciting a secondary market transaction when there has not been a bona fide distribution in the primary issuer market;

(D) engaging in a pattern of compensating an agent in different amounts for effecting sales and purchases in the same security;

(7) effecting a transaction in or inducing the purchase or sale of a security by means of any manipulative, deceptive, or other fraudulent device or contrivance, including the use of boiler room tactics or the use of fictitious accounts; in this paragraph, "boiler room tactics" includes high-pressure sales tactics that have the effect of creating an artificially short period in which the investor must make a decision or that are designed to overcome a customer’s reluctance to make an investment, including

(A) the use of intensive telephone campaigns or unsolicited calls to persons who are not known by or who do not have an account with the agent or broker-dealer and in which the person is encouraged to make a hasty decision to buy without regard to the person’s investment needs and objectives;

(B) the use of scripts designed to meet the customer’s objections;

(C) repeated phone calls;

(D) phone calls designed to entrap the customer;

(E) threatening tones on the telephone informing the customer that there is little time within which to make a decision;

(8) failing to comply with a prospectus delivery requirement adopted under federal law;

(9) making a false, misleading, deceptive, or exaggerated representation or prediction in the solicitation or sale of a security, including a statement that

(A) the security will be resold or repurchased;
(B) the security will be listed or traded on an exchange or established market;

(C) purchasing the security will result in an assured, immediate, or extensive increase in value, future market price, or return on investment; or

(D) refers to the issuer’s financial condition, anticipated earnings, potential growth, or success;

(10) failing to disclose to a customer that the broker-dealer or agent is acting as an agent for both the customer and another person; or

(11) effecting a transaction on terms and conditions other than those stated by the confirmation.

* Sec. 10. AS 45.55.030(c) is repealed and reenacted to read:

(c) A person may not transact business in this state as a state investment adviser or an investment adviser representative unless

(1) the person is registered as required under this chapter; or

(2) the person does not have a place of business in this state and

(A) the person’s only clients in this state are investment companies as defined in 15 U.S.C. 80a-3 (Investment Company Act of 1940), other state investment advisers, federal covered advisers, broker-dealers, banks, trust companies, savings and loan associations, insurance companies, employee benefit plans with assets of not less than $1,000,000, governmental agencies or instrumentalities whether acting for themselves or as trustees with investment control, or other institutional investors that are designated by regulation or order of the administrator; or

(B) during the preceding 12 months, the person has not had more than five clients who are residents of this state other than those specified in (A) of this paragraph; in this subparagraph, the number of the person’s clients shall be determined under 17 C.F.R. 275.203(b)(3)-1 and 17 C.F.R. 275.222-2, as those regulations exist on or after the effective date of this Act.

* Sec. 11. AS 45.55.030(d) is amended to read:

(d) A [EVERY] registration or notice filing expires one year from its effective date unless renewed earlier.
* Sec. 12. AS 45.55.030 is amended by adding new subsections to read:

(e) Except with respect to a federal covered adviser whose only clients are those described in (c)(2) of this section, a federal covered adviser may not conduct an investment advisory business in this state unless the federal covered adviser complies with AS 45.55.040(h).

(f) A person may not be registered concurrently as an agent of more than one broker-dealer or issuer. The administrator may waive this restriction if the administrator determines that the waiver would not interfere with effective supervision of the agent by the broker-dealer or issuer and the waiver is in the public interest.

(g) A person who is registered or required to be registered as a state investment adviser under this chapter may not employ an investment adviser representative who provides advisory services in or emanating from this state unless the investment adviser representative is registered under this chapter or is exempt from registration, except that the registration of the investment adviser representative is effective only when the representative is employed by a state investment adviser registered under this chapter.

(h) A federal covered adviser who has filed notice under this chapter may not employ, supervise, or associate with an investment adviser representative having a place of business located in this state unless the investment adviser representative is registered under this chapter or is exempt from registration, except that the registration of the investment adviser representative is effective only when the representative is employed by a federal covered adviser.

(i) If an investment adviser representative terminates employment with a state investment adviser or federal covered adviser, the state investment adviser or federal covered adviser shall promptly notify the administrator.

(j) A registered broker-dealer or agent is not considered to be soliciting, offering, or negotiating for the sale of or selling advisory services if the registered broker-dealer or agent refers, as part of a wrap fee, asset allocation, or market-timing program, customers who are residents of this state to a state investment adviser or federal covered adviser that is registered or has made a notice filing in this state.

* Sec. 13. AS 45.55 is amended by adding a new section to read:
Sec. 45.55.035. Limited registration of Canadian broker-dealers and agents. (a) If a broker-dealer is registered under this section and its principal office is located in a province or territory of Canada that provides at least equivalent registration for a broker-dealer that is resident in the United States, a broker-dealer that is resident in Canada and does not have an office or other physical presence in this state may effect transactions in securities with or for or induce or attempt to induce the purchase or sale of a security by a person from Canada who is

(1) temporarily resident in this state and with whom the Canadian broker-dealer had a bona fide broker-dealer-client relationship before the person entered the United States; or

(2) resident in this state and whose transactions are in a self-directed tax-advantaged retirement plan in Canada of which the person is the holder or contributor.

(b) An agent who represents a Canadian broker-dealer registered under this section may, if the agent is registered under this section, effect transactions in securities in this state as permitted for the broker-dealer under (a) of this section.

(c) Subject to the requirements of (a) of this section, a Canadian broker-dealer may register under this section if the broker-dealer

(1) files an application in the form required by the jurisdiction in which the broker-dealer has its principal office;

(2) files a written consent to service of process under AS 45.55.980(g);

(3) is registered as a broker or dealer in good standing in the jurisdiction from which the broker-dealer is effecting transactions into this state and files evidence of the registration; and

(4) is a member of a self-regulating organization or stock exchange in Canada.

(d) An agent may register under this section in order to effect transactions in securities in this state if the agent represents a Canadian broker-dealer that is registered under this section, and the agent

(1) files an application in the form required by the jurisdiction in which the broker-dealer has its principal office;
(2) files a written consent to service of process under AS 45.55.980(g); and

(3) is registered and files evidence of good standing in the jurisdiction from which the agent is effecting transactions into this state.

(e) Registration under this section becomes effective on the 30th day after an application is filed unless it is made effective earlier by the administrator or a denial order is in effect and a proceeding is pending under AS 45.55.060.

(f) A Canadian broker-dealer registered under this section shall

  (1) maintain provincial or territorial registration and membership in good standing in a self-regulating organization or stock exchange;

  (2) provide the administrator on request with books and records relating to its business in the state as a broker-dealer;

  (3) inform the administrator promptly of any criminal action taken against the broker-dealer or of any finding or sanction imposed on the broker-dealer as a result of regulatory action, including that of a self-regulating organization, involving fraud, theft, deceit, misrepresentation, or similar conduct; and

  (4) disclose to its clients in this state that the broker-dealer and its agents are not subject to the full regulatory requirements of this chapter.

(g) An agent of a Canadian broker-dealer registered under this section shall

  (1) maintain provincial or territorial registration in good standing; and

  (2) inform the administrator promptly of any criminal action taken against the agent or of any finding or sanction imposed on the broker-dealer or agent as a result of regulatory action, including that of a self-regulating organization, involving fraud, theft, deceit, misrepresentation, or similar conduct.

(h) Renewal applications for Canadian broker-dealers and agents under this section must be filed before December 1 each year and may be made by filing the most recent renewal application, if any, filed in the jurisdiction in which the broker-dealer has its principal office or, if a renewal application is not required, the most recent application filed under (c)(1) or (d)(1) of this section.

(i) An applicant for registration or renewal registration under this section shall pay the fee for broker-dealers and agents required by this chapter.
(j) A Canadian broker-dealer or agent registered under this section may not effect transactions in this state except

(1) as permitted under (a) or (b) of this section;

(2) with or through

(A) the issuers of the securities involved in the transactions;

(B) other broker-dealers; or

(C) banks, savings institutions, trust companies, insurance companies, investment companies as defined in 15 U.S.C. 80a-3 (Investment Company Act of 1940), pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees;

or

(3) as otherwise permitted by this chapter.

(k) A Canadian broker-dealer or agent registered under this section and acting in accordance with the limitations in (j) of this section is exempt from all of the requirements of this chapter except the anti-fraud provisions under AS 45.55.010 and the requirements of this section. The registration of a Canadian broker-dealer or agent under this section may not be denied, suspended, or revoked except in accordance with the provisions of AS 45.55.060 for a breach of the anti-fraud provisions under AS 45.55.010 or the requirements of this section.

(l) In this section, "Canadian broker-dealer" means a broker-dealer that has its principal office in a province or territory of Canada.

* Sec. 14. AS 45.55.040(a) is amended to read:

(a) A broker-dealer, agent, [OR] investment adviser **representative, or state investment adviser** may obtain an initial or renewal registration by filing with the administrator an application together with a consent to service of process under AS 45.55.980(g). The application **must** [SHALL BE ACCOMPANIED BY THE FINGERPRINTS AND A PHOTOGRAPH OF THE APPLICANT AND MUST] contain whatever information the administrator by regulation **may require** [REQUIRES] concerning such matters as

(1) the applicant's form and place of organization;

(2) the applicant's proposed method of doing business;
(3) the qualifications and business history of the applicant; in the case of a broker-dealer or state investment adviser, the qualifications and business history of a partner, officer, or director, any [A] person occupying a similar status or performing similar functions, or any [A] person directly or indirectly controlling the broker-dealer or state investment adviser; [AND, IN THE CASE OF AN INVESTMENT ADVISER, THE QUALIFICATIONS AND BUSINESS HISTORY OF AN EMPLOYEE;]

(4) an injunction or administrative order or conviction of a misdemeanor involving a security or any aspect of the securities business and any conviction of a felony; [AND]

(5) the applicant's financial condition and history; and

(6) if the applicant is a state investment adviser, any information to be furnished or disseminated to a client or prospective client.

* Sec. 15. AS 45.55.040(b) is amended to read:

(b) The administrator may by regulation or order require an applicant for initial registration to publish an announcement of the application in one or more specified newspapers published in this state. [IF NO DENIAL ORDER IS IN EFFECT AND NO PROCEEDING IS PENDING UNDER AS 45.55.060, REGISTRATION BECOMES EFFECTIVE AT NOON ON THE 30TH DAY AFTER AN APPLICATION IS FILED. THE ADMINISTRATOR MAY BY REGULATION OR ORDER SPECIFY AN EARLIER EFFECTIVE DATE, AND THE ADMINISTRATOR MAY BY ORDER DEFER THE EFFECTIVE DATE UNTIL NOON OF THE 30TH DAY AFTER THE FILING OF AN AMENDMENT.]

* Sec. 16. AS 45.55.040(c) is repealed and reenacted to read:

(c) A broker-dealer, an agent, an investment adviser representative, and a state investment adviser applicant for initial or renewal registration shall pay a registration fee established by the department by regulation. A person acting as a federal covered adviser in this state shall pay a fee for an initial and renewal notice filing under (h) of this section as required by the administrator by regulation.

* Sec. 17. AS 45.55.040(d) is repealed and reenacted to read:

(d) A registered broker-dealer, state investment adviser, or a federal covered
adviser who has filed notice under this chapter may file an application for registration or notice filing, as applicable, of a successor for the unexpired portion of the year regardless of whether the successor is then in existence. A broker-dealer may file a request to transfer from a previous broker-dealer an agent’s unexpired portion of the registration if the provisions of AS 45.55.030(b) have been met. A state investment adviser may file an application to transfer from a predecessor state investment adviser or federal covered adviser the investment adviser representative’s unexpired portion of the registration. The department shall establish by regulation the filing fee for filing applications under this subsection.

* Sec. 18. AS 45.55.040(e) is repealed and reenacted to read:

(e) The administrator may by regulation or order require a minimum level of capitalization for registered broker-dealers, subject to the limitations of 15 U.S.C. 78o (Securities Exchange Act of 1934), and establish minimum financial requirements for state investment advisers, subject to the limitations of 15 U.S.C. 80b-18a (Investment Advisers Act of 1940). The financial requirements may differ for those state investment advisers who have discretionary authority over or maintain custody of clients’ funds or securities and those who do not.

* Sec. 19. AS 45.55.040(f) is repealed and reenacted to read:

(f) The administrator may by regulation or order require registered broker-dealers and agents to post a bond in an amount the administrator may prescribe subject to the limitations provided in 15 U.S.C. 78o (Securities Exchange Act of 1934). The administrator may determine the conditions of the bond. The administrator shall accept any appropriate deposit of cash or securities from a registered broker-dealer or agent in place of a required bond. A bond may not be required of a registrant whose net capital exceeds the amounts required by the administrator. A bond must provide for suit on it by a person who has a cause of action under AS 45.55.930 and, if required by the administrator by regulation, by a person who has a cause of action not arising under this chapter. A bond must provide that a suit may not be maintained to enforce a liability on the bond unless brought within three years after the sale or other act on which it is based.

* Sec. 20. AS 45.55.040(g) is amended to read:
(g) The administrator may permit initial and renewal registration and notice filings required for state investment advisers, federal covered advisers, investment adviser representatives, broker-dealers, and agents under this chapter to be filed with the United States Securities and Exchange Commission, the National Association of Securities Dealers, or other similar authority [AUTHORITIES]. The administrator may accept uniform securities examinations or other procedures designed to implement a uniform national securities regulatory system or facilitate common practices and procedures among the states, including participation in joint, coordinated securities examinations with other states.

Sec. 21. AS 45.55.040 is amended by adding new subsections to read:

(h) Except with respect to federal covered advisers whose only clients are those described in AS 45.55.030(c)(2), before acting as a federal covered adviser in this state, a federal covered adviser shall file with the administrator those documents that have been filed with the United States Securities and Exchange Commission as the administrator, by regulation, by order, or otherwise, may require.

(i) The administrator shall by regulation or order specify procedures, fees, and an effective date for registrations, notice filings under this section, transfers of agents, and other registrations or notice filings allowed or required under this chapter.

(j) The administrator may by regulation or order require registered state investment advisers who have custody of or discretionary authority over clients’ funds or securities to post a bond in an amount the administrator may establish subject to the limitations provided in 15 U.S.C. 80b-18a (Investment Advisers Act of 1940). The administrator may determine the conditions of the bond. The administrator shall accept any appropriate deposit of cash or securities in place of a required bond. A bond may not be required of a registered state investment adviser whose minimum financial condition, which may be defined by regulation, or net capital exceeds the amounts required by the administrator. A bond must provide for suit on it by a person who has a cause of action under AS 45.55.930 and, if required by the administrator by regulation, by a person who has a cause of action not arising under this chapter. A bond must provide that a suit may not be maintained to enforce a liability on the bond unless brought within three years after the sale or other act on which it is based.
* Sec. 22. AS 45.55.050(a) is amended to read:

(a) **Except as provided under 15 U.S.C. 78o (Securities Exchange Act of 1934), a [EVERY] registered broker-dealer [AND INVESTMENT ADVISER] shall make and keep the accounts, correspondence, memoranda, papers, books, and other records that the administrator requires [PREScribes] by regulation or order. All required records [SO REQUIRED] shall be preserved for three years unless the administrator by regulation prescribes otherwise [FOR PARTICULAR TYPES OF RECORDS].

* Sec. 23. AS 45.55.050(b) is repealed and reenacted to read:

(b) Subject to 15 U.S.C. 78o (Securities Exchange Act of 1934), a registered broker-dealer shall file the financial reports the administrator requires.

* Sec. 24. AS 45.55.050(c) is amended to read:

(c) If the information contained in a document filed with the administrator is or becomes inaccurate or incomplete in a material respect, the federal covered adviser, state investment adviser, broker-dealer, agent, or investment adviser representative who made the filing [REGISTRANT] shall promptly file a correcting amendment unless notification of the correction is given under AS 45.55.030(b). **If the document is filed with respect to a federal covered adviser, the amendment shall be filed when it is required to be filed with the United States Securities and Exchange Commission unless notification of the correction is given under AS 45.55.030(b).**

* Sec. 25. AS 45.55.050(d) is amended to read:

(d) All the records referred to in [(a) OF] this section are subject **at any time** to reasonable periodic, special, or other examinations by representatives of the administrator, inside or outside this state, as the administrator considers necessary or appropriate in the public interest or for the protection of investors. For the purpose of avoiding unnecessary duplication of examinations, the administrator, insofar as the administrator considers it practicable in administering this subsection, may cooperate with the securities administrators of other states, the United States Securities and Exchange Commission, and any national securities exchange or national securities association registered under **15 U.S.C. 78a - 78lll** ([THE] Securities Exchange Act of
Sec. 26. AS 45.55.050 is amended by adding new subsections to read:

(e) Subject to 15 U.S.C. 80b-18a (Investment Advisers Act of 1940), an investment adviser representative or state investment adviser shall make and keep the accounts, correspondence, memoranda, papers, books, and other records that the administrator requires by regulation or order. All required records shall be preserved for three years unless the administrator by regulation prescribes otherwise.

(f) The administrator may by regulation or order require that certain information be furnished or disseminated by persons registered or required to be registered as state investment advisers as necessary or appropriate in the public interest or for the protection of investors and advisory clients. The administrator may determine that certain information may be used in whole or partial satisfaction of this requirement if the information complies with 15 U.S.C. 80b-1 - 80b-21 (Investment Advisers Act of 1940) and the rules adopted under that act.

(g) Subject to 15 U.S.C. 80b-18a (Investment Advisers Act of 1940), a state investment adviser shall file the financial reports the administrator requires by regulation or order.

(h) A state investment adviser that has its principal place of business in a state other than this state and the investment adviser representatives of that state investment adviser are exempt from the requirements of (e) of this section if the state investment adviser is registered as an investment adviser in the state where the state investment adviser has its principal place of business and is in compliance with that state’s requirements relating to accounts and records.

(i) A broker-dealer and an agent of a broker-dealer shall file with the administrator only the financial reports or other information required to be filed with the United States Securities and Exchange Commission under 15 U.S.C. 78a - 78III (Securities Exchange Act of 1934).

(j) A state investment adviser that has its principal place of business in a state other than this state and the investment adviser representatives of that state investment adviser shall file with the administrator only the financial reports or other information required by the state in which the state investment adviser maintains its principal place.
of business if the state investment adviser is licensed in that state and is in compliance
with that state’s reporting requirements.

(k) A broker-dealer shall comply with the supervision requirements set out in
Conduct Rule 3010 of the National Association of Securities Dealers, Inc.

* Sec. 27. AS 45.55.060(a) is amended to read:

(a) The administrator may by order deny, suspend, or revoke a registration if
the administrator finds that the order is in the public interest and that the applicant or
registrant or, in the case of a broker-dealer or state investment adviser, a partner,
officer, or director, a person occupying a similar status or performing similar functions,
or a person directly or indirectly controlling the broker-dealer or state investment
adviser

(1) has filed an application for registration that, as of its effective date,
or as of a date after filing in the case of an order denying effectiveness, was
incomplete in a material respect or contained a statement that was, in light of the
circumstances under which it was made, false or misleading with respect to a material
fact;

(2) has wilfully or repeatedly violated, or [WILFULLY] failed to
comply with, a provision of this chapter or a regulation or order under this chapter;

(3) has been convicted, within the past 10 years, of a misdemeanor
involving a security or an aspect of the securities business [,] or a felony; in this
paragraph, "convicted" includes a finding of guilt based on a verdict, judgment,
plea of guilty, or plea of nolo contendere, if the verdict, judgment, or plea has not
been reversed, set aside, or withdrawn, regardless of whether sentence has been
imposed;

(4) is permanently or temporarily enjoined by a court from engaging
in or continuing [A] conduct or a practice involving an aspect of the securities
business;

(5) is the subject of an order of the administrator denying, suspending,
or revoking registration as a broker-dealer, agent, state [OR] investment adviser, or
investment adviser representative;

(6) is the subject of an order entered within the past five years by the
securities administrator of another state or by the United States Securities and Exchange Commission denying or revoking registration as a broker-dealer, agent, state [OR] investment adviser, investment adviser representative, or the substantial equivalent of those terms as defined in this chapter, or is the subject of an order of the United States Securities and Exchange Commission suspending or expelling the person from a national securities exchange or national securities association registered under 15 U.S.C. 78a - 78lll (THE Securities Exchange Act of 1934), or is the subject of a United States Postal Service [POST OFFICE] fraud order; but the administrator may not

(A) institute a revocation or suspension proceeding under this paragraph more than one year from the date of the order relied on; and

(B) enter an order under this paragraph on the basis of an order under another state act unless that order was based on facts that [WHICH] would currently constitute a ground for an order under this section;

(7) has engaged in dishonest or unethical practices or conduct in the securities or investment advisory business;

(8) is insolvent, [EITHER] in the sense that liabilities exceed assets, [OR IN THE SENSE] that [THE PERSON CANNOT MEET] obligations cannot be met as they mature, or that the business cannot be continued safely for the customers of the applicant or registrant, [;] but the administrator may not enter an order against a broker-dealer or state investment adviser under this paragraph [CLAUSE] without a finding of insolvency as to the broker-dealer or state investment adviser; [OR]

(9) is not qualified on the basis of such factors as training, experience, and knowledge of the securities business, except as otherwise provided in (d) of this section;

(10) has failed to comply with the requirements of AS 45.55.050 to make, keep, or produce records required by the administrator, or to file financial reports or other information the administrator by regulation or order may require; or

(11) is a person whose license renewal is denied under AS 14.43.148
or whose license issuance or renewal is denied under AS 25.27.244.

* Sec. 28. AS 45.55.060(b) is amended to read:

(b) The administrator may by order deny, suspend, or revoke any registration if the administrator finds that the order is in the public interest and that the applicant or registrant

(1) has failed reasonably to supervise agents if the applicant or registrant is a broker-dealer, or has failed reasonably to supervise employees and investment adviser representatives if the applicant or registrant is a state investment adviser; or

(2) has failed to pay the proper filing fee; but the administrator may enter only a denial order under this paragraph, and the administrator shall vacate the order when the deficiency is corrected.

* Sec. 29. AS 45.55.060(d) is amended to read:

(d) The following provisions govern the application of (a)(9) of this section:

(1) the administrator may not enter an order against a broker-dealer on the basis of the lack of qualification of a person other than

(A) the broker-dealer if the broker-dealer is an individual; or

(B) an agent of the broker-dealer;

(2) the administrator may not enter an order against a state investment adviser on the basis of the lack of qualification of a person other than

(A) the state investment adviser if the state investment adviser is an individual; or

(B) an investment adviser representative who represents the state investment adviser in doing any of the acts that make the state investment adviser a state investment adviser;

(3) the administrator may not enter an order solely on the basis of lack of experience if the applicant or registrant is qualified by training or knowledge or both;

(4) the administrator shall consider that an agent who will work under
the supervision of a registered broker-dealer need not have the same qualifications as a broker-dealer;

(5) the administrator shall consider that a state [AN] investment adviser is not necessarily qualified solely on the basis of experience as a broker-dealer or agent; if [WHEN] the administrator finds that an applicant for initial or renewal registration as a broker-dealer is not qualified as a state [AN] investment adviser, the administrator may by order condition the applicant's registration as a broker-dealer upon the applicant's not transacting business in this state as a state [AN] investment adviser;

(6) the administrator may by regulation provide for an examination, which may be written or oral or both, to be taken by any class of or all applicants, including applicants for registration as investment adviser representatives; however, [AS WELL AS PERSONS WHO REPRESENT OR WILL REPRESENT AN INVESTMENT ADVISER IN DOING ANY OF THE ACTS WHICH MAKE THE INVESTMENT ADVISER AN INVESTMENT ADVISER, PROVIDED THAT] examinations required by this paragraph are not required of a registrant under this chapter who was doing business in this state and was a resident of this state on May 9, 1959.

* Sec. 30. AS 45.55.060(f) is amended to read:

(f) If the administrator finds that a registrant or applicant for registration no longer exists or has ceased to do business as a broker-dealer, agent, state investment adviser, or investment adviser representative, or is subject to an adjudication of mental incompetence or to the control of a committee, conservator, or guardian, or cannot be located after reasonable search, the administrator may by order cancel the registration or application.

* Sec. 31. AS 45.55.060(g) is amended to read:

(g) Withdrawal from registration as a broker-dealer, agent, state investment adviser, or investment adviser representative becomes effective 30 days after receipt of an application to withdraw or within a shorter period of time as the administrator may determine, unless a revocation or suspension proceeding is pending when the application is filed or a proceeding to revoke or suspend or to impose conditions upon
the withdrawal is instituted within 30 days after the application is filed. If a proceeding
is pending or instituted, withdrawal becomes effective at the time and upon the
conditions as the administrator by order determines. If a proceeding is not
pending or instituted and withdrawal automatically becomes effective, the administrator
may nevertheless institute a revocation or suspension proceeding under (a)(2) of this
section within one year after withdrawal is effective and enter a revocation or
suspension order as of the last date on which registration was effective.

* Sec. 32. AS 45.55.070 is amended to read:

Sec. 45.55.070. Registration requirement. A person may not offer or sell a
security in this state unless
(1) it is registered under this chapter; [OR]
(2) the security or transaction is exempted under AS 45.55.900; or
(3) it is a federal covered security.

* Sec. 33. AS 45.55 is amended by adding a new section to read:

Sec. 45.55.075. Federal covered securities. (a) Unless otherwise exempt
under AS 45.55.900, a security that is a federal covered security under 15 U.S.C.
77r(b)(2), (Securities Act of 1933), may only be offered for sale and sold into, from,
or within the state upon the administrator’s receipt of
(1) a copy of the registration statement filed by the issuer with the
United States Securities and Exchange Commission or, in place of the registration
statement, the Uniform Investment Company Notice Filing Form adopted by North
American Securities Administrators Association, Inc., or a similar notice filing form;
(2) a consent to service of process signed by the issuer; and
(3) a notice filing fee as prescribed by the administrator for a notice
filing under this section and, if necessary to compute the fee, a report of the value of
the federal covered securities offered or sold in this state.

(b) A notice filing under this section may be renewed by filing, before the
expiration of an effective notice filing, a renewal notice and filing fee as prescribed
by the administrator and, if necessary to compute the fee, a report of the value of the
federal covered securities offered or sold in this state. A renewal notice filing is
effective on the expiration date of the previous notice filing.
(c) A notice filing under this section may be amended as provided by the administrator by regulation or order. A notice filing may be terminated by an issuer upon providing the administrator with notice of the termination.

(d) With respect to a security that is a covered security under 15 U.S.C. 77r(b)(4)(D) (Securities Act of 1933), the administrator, by regulation or order, may require the issuer to file a notice on United States Securities and Exchange Commission's Form D and a consent to service of process signed by the issuer no later than 15 days after the first sale of a covered security in this state and a fee established by the administrator for a notice filing under this section.

(e) The administrator, by regulation or order, may require the filing of any document filed with the United States Securities and Exchange Commission under 15 U.S.C. 77a - 77bbbb (Securities Act of 1933), with respect to a covered security under 15 U.S.C. 77r(b)(3) or (4) (Securities Act of 1933).

(f) The administrator may issue a stop order suspending the offer and sale of a federal covered security, except a federal covered security under 15 U.S.C. 77r(b)(1) (Securities Act of 1933), if the administrator finds that

1. the stop order is in the public interest; and
2. there is a failure to comply with a condition established under this section.

(g) The administrator, by regulation or order, may waive any or all of the provisions of this section.

* Sec. 34. AS 45.55.090(b) is amended to read:

(b) A registration statement under this section must contain the following information and be accompanied by the following documents in addition to the information specified in AS 45.55.110(c) and the consent to service of process required by AS 45.55.980(g):

1. one copy of the latest form of prospectus filed under 15 U.S.C. 77a - 77bbbb (THE Securities Act of 1933);
2. if the administrator requires, copies of the articles of incorporation and bylaws, or their substantial equivalent, currently in effect; a copy of an agreement with or among underwriters; a copy of an indenture or other instrument governing the
issuance of the security to be registered; and a specimen or copy of the security;

(3) if the administrator requests, any other information, or copies of any
other documents, filed under 15 U.S.C. 77a - 77bbbb (THE Securities Act of 1933); and

(4) an undertaking to forward all future amendments to the federal
prospectus, other than an amendment which merely delays the effective date of the
registration statement, promptly and in any event not later than the first business day
after the day they are forwarded to or filed with the United States Securities and
Exchange Commission, whichever first occurs.

* Sec. 35. AS 45.55.110(a) is amended to read:

(a) A registration statement or a notice filing under AS 45.55.075 may be
filed by the issuer, another person on whose behalf the offering is to be made, or a
registered broker-dealer.

* Sec. 36. AS 45.55.110(b) is amended to read:

(b) A person filing a registration statement or a notice filing under
AS 45.55.075 shall pay a filing fee and a registration or notice filing fee in amounts
established by the department by regulation. If a registration statement is
withdrawn before the effective date or a pre-effective stop order is entered under
AS 45.55.120, the administrator shall retain the filing fee. If a notice filing is
withdrawn before the effective date, the administrator shall retain the notice filing
fee.

* Sec. 37. AS 45.55.110(c) is amended to read:

(c) A registration statement must specify

(1) the amount of securities to be offered in this state;
(2) the states in which a registration statement or similar document in
connection with the offering has been or is to be filed; and
(3) an adverse order, judgment, or decree entered in connection with
the offering by the regulatory authorities in each state or by any court or the United
States Securities and Exchange Commission.

* Sec. 38. AS 45.55.110(d) is amended to read:

(d) A document filed under this chapter within five years preceding the filing
of a registration statement or a notice filing under AS 45.55.075 may be incorporated by reference in the registration statement or notice filing to the extent that the document is currently accurate.

* Sec. 39. AS 45.55.110(e) is amended to read:

(e) The administrator may by regulation or order [OTHERWISE] permit the omission of an item of information or document from a registration statement or a notice filing under AS 45.55.075.

* Sec. 40. AS 45.55.110(i) is amended to read:

(i) A notice filing under AS 45.55.075 is effective on receipt by the administrator. A registration statement or a notice filing under AS 45.55.075 is effective for one year from its effective date [,] or any longer period during which the security is being offered or distributed in a nonexempted transaction by or for the account of the issuer or other person on whose behalf the offering is being made or by an underwriter or broker-dealer who is still offering part of an unsold allotment or subscription taken by the underwriter or broker-dealer as a participant in the distribution, except during the time a stop order is in effect under AS 45.55.120. The administrator may establish a different expiration date for purposes of coordination with a national registration or notice filing system. The administrator may by regulation provide for an automatic extension for one additional year of the effective date for notice filings under AS 45.55.075 if the extended expiration date is set at the same time the notice filing is made effective and the notice filing fee reflects the extension. All outstanding securities of the same class as a registered security are considered to be registered for the purpose of any nonissuer transaction if the registration statement is effective and between the thirtieth day after the entry of a stop order suspending or revoking the effectiveness of the registration statement under AS 45.55.120, if the registration statement did not relate in whole or in part to a nonissuer distribution, and one year from the effective date of the registration statement. A registration statement may not be [WITH] withdrawn for one year from its effective date if any securities of the same class are outstanding. A registration statement may be withdrawn otherwise only in the discretion of the administrator.
* Sec. 41. AS 45.55.110(k) is amended to read:

(k) A notice filing under AS 45.55.075 [REGISTRATION STATEMENT] relating to a security issued by a face-amount certificate company or a redeemable security issued by an open-end management company or unit investment trust, as those terms are defined in 15 U.S.C. 80a-1 - 80a-64 ([THE] Investment Company Act of 1940), may be amended after its effective date so as to increase the securities specified as proposed to be offered if the notice filing was for a specified dollar amount of securities to be offered in this state and if the total fees were based on the dollar amount of securities to be offered. An amendment becomes effective when the administrator so orders. A person filing such an amendment shall pay a FILING fee, calculated in the manner specified in (b) of this section, with respect to the additional securities proposed to be offered.

* Sec. 42. AS 45.55.150 is amended to read:

Sec. 45.55.150. Sales [FILING OF SALES] and advertising literature. The administrator may by regulation or order establish requirements for or require the filing of a prospectus, a pamphlet, a circular, a form letter, an advertisement, or other sales literature [,] or advertising communication addressed or intended for distribution to prospective investors, [INCLUDING] clients, or prospective clients by an issuer, a state investment adviser, a federal covered adviser, or a broker-dealer, unless

(1) the security or transaction is exempt under AS 45.55.900 and the applicable provision of that section does not place a limitation on sales and advertising literature;

(2) the security is a federal covered security; or

(3) the broker-dealer, state investment adviser, or federal covered adviser is exempt or excluded from the requirements of this section under this chapter or federal law [OF AN INVESTMENT ADVISER].

* Sec. 43. AS 45.55.170(a) is amended to read:

(a) Neither the fact that an application for registration under AS 45.55.030 - 45.55.060, [OR] a registration statement under AS 45.55.070 - 45.55.120, or a notice filing under AS 45.55.040(h) or 45.55.075 is filed nor the fact that a person or security is effectively registered constitutes a finding by the administrator that a
document filed under this chapter is true, complete, and not misleading. Neither the fact of filing nor the fact that an exemption or exception is available for a security or a transaction means that the administrator has passed in any way upon the merits or qualifications of, or recommended or given approval to, a person, security, or transaction.

* Sec. 44. AS 45.55.900(a) is amended to read:

(a) The following securities are exempted from AS 45.55.070 \textbf{and 45.55.075}:

(1) a security, including a revenue obligation, issued or guaranteed by the United States or a territory of the United States, the District of Columbia, a state, a political subdivision of a state or territory, or an agency or corporate or other instrumentality of one or more of the entities described in this paragraph [FOREGOING]; or a certificate of deposit for one or more of the entities described in this paragraph [ANY OF THE FOREGOING];

(2) a security issued or guaranteed by Canada, a Canadian province, a political subdivision of a Canadian province, an agency or corporate or other instrumentality of one or more of the entities described in this paragraph [FOREGOING], or a foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or guarantor;

(3) a security issued [BY AND REPRESENTING AN INTEREST IN] or [A DEBT OF, OR] guaranteed by [,] a bank organized under the laws of the United States, or by a bank, savings institution, savings and loan association, building and loan association, or trust company organized and supervised under the laws of a state or of the United States, or a security issued by or representing an interest in or a direct obligation of a federal reserve bank;

(4) a commercial paper, note, draft, bill of exchange, or banker's acceptance that arises out of a current transaction or the proceeds of which have been or are to be used for current transactions [,] and that evidences an obligation to pay cash within nine months of the date of issuance, exclusive of days of grace, or a [ANY] renewal of the paper that is likewise limited, or a guarantee of the paper or of the renewal, if the commercial paper, note, draft, bill of exchange, or banker's
acceptance is of the type eligible for discount by a federal reserve bank;

(5) a security issued in connection with an employee's stock purchase, savings, pension, profit-sharing, or similar employee's benefit plan, or a security issued by or an interest or participation in a church plan, company, or account that is excluded from the definition of an investment company under 15 U.S.C. 80a-3(c)(14) (Investment Company Act of 1940);

(6) a security issued by and representing an interest in or a debt of, or guaranteed by, a federal savings and loan association, or a building and loan or similar association organized under the laws of a state and authorized to do business in this state;

(7) a security issued by and representing an interest in or a debt of, or guaranteed by, an insurance company organized under the laws of a state and authorized to do business in this state; but this exemption does not apply to an annuity contract, investment contract, or similar security under which the promised payments are not fixed in dollars but are substantially dependent upon the investment results of a segregated fund or account invested in securities; except that policies or annuity contracts of insurance companies admitted to do business in the state are not subject to this chapter;

(8) a security issued or guaranteed by a federal credit union or any credit union, industrial loan association, or similar association organized and supervised under the laws of this state;

(9) a security issued or guaranteed by a railroad, other common carrier, public utility, or holding company that is

(A) subject to the jurisdiction of the Interstate Commerce Commission or its successor;

(B) a registered holding company under 15 U.S.C. 79 - 79z-6 (THE Public Utility Holding Company Act of 1935) or a subsidiary of the company within the meaning of 15 U.S.C. 79 - 79z-6 [THAT ACT];

(C) regulated in respect of its rates and charges by a governmental authority of the United States or a state; or

(D) regulated in respect of the issuance or guarantee of the
security by a governmental authority of the United States, a state, Canada, or
a Canadian province;

(10) a security listed or approved for listing upon notice of issuance on
the New York Stock Exchange, the American Stock Exchange, the Chicago
[MIDWEST] Stock Exchange, the Pacific Coast Stock Exchange, the Philadelphia
Stock Exchange, the Chicago Board of Options Exchange, or another [ANY OTHER]
securities exchange designated by order of the administrator, or any security designated
or approved for designation upon notice of issuance as a national market system
security on the National Association of Securities Dealers Automated Quotation
National Market System or on any other quotation system designated by order of the
administrator, or any other security of the same issuer that is of senior or substantially
equal rank; a security called for by subscription rights or warrants so listed or
approved; or a warrant or right to purchase or subscribe to an entity described in this
paragraph [ANY OF THE FOREGOING];

(11) a security issued by a person organized and operated not for
pecuniary [PRIVATE] profit but exclusively for religious, educational, benevolent,
charitable, fraternal, social, athletic, or reformatory purposes [,] or as a chamber of
commerce or trade or professional association, or a security of a fund that is excluded from the definition of an investment company under 15 U.S.C. 80a-
3(c)(10)(B) (Investment Company Act of 1940):

(12) shares of membership stock in the Alaska Commercial Fishing and
Agriculture Bank, and other securities issued by that bank to members or in connection
with loans to members;

(13) an equity security issued in connection with the acquisition by
a holding company of a bank under 12 U.S.C. 1842(a) (Bank Holding Company
Act of 1956) or a savings association, as defined in 12 U.S.C. 1813(b) (Federal
Deposit Insurance Act) and the deposits of which are insured by the Federal
Deposit Insurance Corporation under 12 U.S.C. 1467(e) (Home Owners’ Loan
Act) if

(A) the acquisition occurs solely as part of a reorganization
in which security holders exchange their shares of a bank or savings
association for shares of a newly formed holding company with no
significant assets other than securities of the bank or savings association
and the existing subsidiaries of the bank or savings association;

(B) the security holders receive after the reorganization
substantially the same proportional interests in the holding company as
they held in the bank or savings association except for nominal changes in
shareholders’ interests resulting from lawful elimination of fractional
interests and the exercise of dissenting shareholders’ rights under state or
federal law;

(C) the rights and interests of security holders in the holding
company are substantially the same as those in the bank or savings
association before the transaction except as may be required by law; and

(D) the holding company has substantially the same assets
and liabilities on a consolidated basis as the bank or savings association
before the transaction.

* Sec. 45. AS 45.55.900(b) is amended to read:

(b) The following transactions are exempted from AS 45.55.070 and

45.55.075:

(1) a transaction between the issuer or other person on whose behalf
the offering is made and an underwriter, or among underwriters;

(2) a transaction in a bond or other evidence of indebtedness secured
by a real or chattel mortgage or deed of trust, or by an agreement for the sale of real
estate or chattels, if the entire mortgage, deed of trust, or agreement, together with all
the bonds or other evidence of indebtedness, secured under those documents
[THEREBY], is offered and sold as a unit;

(3) a transaction by an executor, administrator, sheriff, marshal,
receiver, trustee in bankruptcy, guardian, or conservator;

(4) an offer or sale to a bank, savings institution, trust company,
insurance company, investment company as defined in 15 U.S.C. 80a-1 - 80a-64 (THE)
Investment Company Act of 1940), pension or profit-sharing trust, or other
financial institution or institutional buyer, or to a broker-dealer, whether the purchaser
is acting for itself or in some fiduciary capacity;

(5) sales by an issuer

(A) to no more than 10 persons in this state other than those
designated in (4) of this subsection during a period of 12 consecutive months, regardless of whether [OR NOT] the seller or any of the buyers is then present in this state, if

(i) a [NO] commission or other remuneration is not paid
or given directly or indirectly for soliciting a prospective buyer in this state;

(ii) [THE TOTAL DOLLAR AMOUNT INVESTED DURING A PERIOD OF 12 CONSECUTIVE MONTHS DOES NOT EXCEED $100,000];

(iii) a legend is placed on the certificate or other document evidencing ownership of the security, stating that the security is not registered under this chapter and cannot be resold without registration under this chapter or exemption from it;

(iii) [(iv)] offers are made without public solicitation or advertisement; and

(iv) the issuer files with the administrator a notice specifying the issuer, the security to be sold, and the terms of the offer at least two days before any sales are made;

(B) to no more than 25 persons in this state other than those designated in (4) of this subsection during a period of 12 consecutive months, regardless of whether [OR NOT] the seller or any of the buyers is then present in this state, if

(i) the sales are made solely in this state;

(ii) before a [ANY] sale, each prospective buyer is furnished [ACCESS TO THE] information that is sufficient to make an informed investment decision [WOULD BE PROVIDED TO A PROSPECTIVE BUYER IN A REGISTRATION UNDER AS 45.55.100], which information shall be furnished to the
administrator upon request; **in this sub-subparagraph, "information**
that is sufficient to make an informed investment decision" includes
a business plan, an income and expense statement, a balance sheet,
a statement of risks, and a disclosure of any significant negative
factors that may affect the outcome of the investment;

(iii) [THE TOTAL DOLLAR AMOUNT INVESTED
DURING A PERIOD OF 12 CONSECUTIVE MONTHS DOES NOT
EXCEED $500,000;

(iv)] commissions or other remuneration meet the
requirements of this chapter and are made only to persons registered
under AS 45.55.040;

**(iv)** [(v)] a legend is placed on the certificate or other
document evidencing ownership of the security, stating that the security
is not registered under this chapter and cannot be resold without
registration under this chapter or exemption from it;

**(v)** [(vi)] the issuer obtains a signed agreement from the
buyer acknowledging that the buyer is buying for investment purposes
and that the securities will not be resold without registration under this
chapter;

**(vi)** [(vii)] offers are made without public solicitation or
advertisement; and

**(vii)** [(viii)] the issuer files with the administrator a
notice specifying the issuer, the security to be sold, and the terms of the
offer at least two days before any sales are made;

**(C)** to no more than 10 persons who are to receive the initial
issue of shares of a nonpublicly traded corporation, limited liability
company, limited partnership, or limited liability partnership if the
requirements of (B)(ii) - (iv) and (vi) of this paragraph are met;

**(D)** to the buyer of an enterprise or a business and the
assets and liabilities of the enterprise or business if

(i) the transfer of stock to the buyer is solely
incidental to the sale of the enterprise or business and its assets and liabilities;

(ii) the seller provides full access to the buyer of the books and records of the enterprise or business; and

(iii) a legend is placed on the certificate or other document evidencing ownership of the security, stating that the security is not registered under this chapter and cannot be resold without registration under this chapter or exemption from it;

(6) an offer or sale of a preorganization certificate or subscription if

(A) a [NO] commission or other remuneration is not paid or given directly or indirectly for soliciting a prospective subscriber; or

(B) the number of subscribers does not exceed 10; and

(C) a [NO] payment is not made by any subscriber;

(7) a transaction under an offer to existing security holders of the issuer, including persons who at the time of the transaction are holders of convertible securities, nontransferable warrants, or transferable warrants exercisable within not more than 90 days of their issuance, if

(A) a [NO] commission or other remuneration, other than a standby commission, is not paid or given directly or indirectly for soliciting a security holder in this state; or

(B) the issuer first files a notice specifying the terms of the offer and the administrator does not by order disallow the exemption within the next five full business days;

(8) an offer, but not a sale, of a security for which registration statements have been filed under both this chapter and [THE] Securities Act of 1933 if a stop order or refusal order is not in effect and a public proceeding or examination looking toward an order is not pending under either this chapter or [THE] Act of 1933;

(9) an isolated nonissuer transaction, regardless of whether effected through a broker-dealer, if the seller is not a promoter or controlling person as the administrator may define by regulation or order if the administrator at
the request of the seller waives the requirement that the seller not be a promoter or controlling person:

(10) [A NONISSUER DISTRIBUTION OF AN OUTSTANDING SECURITY IF

(A) A RECOGNIZED SECURITIES MANUAL CONTAINS THE NAMES OF THE ISSUER'S OFFICERS AND DIRECTORS, A BALANCE SHEET OF THE ISSUER AS OF A DATE WITHIN 18 MONTHS, AND A PROFIT AND LOSS STATEMENT FOR EITHER THE FISCAL YEAR PRECEDING THAT DATE OR THE MOST RECENT YEAR OF OPERATIONS, OR

(B) THE SECURITY HAS A FIXED MATURITY OR A FIXED INTEREST OR DIVIDEND PROVISION AND THERE HAS BEEN NO DEFAULT DURING THE CURRENT FISCAL YEAR OR WITHIN THE THREE PRECEDING FISCAL YEARS, OR DURING THE EXISTENCE OF THE ISSUER AND ANY PREDECESSORS IF LESS THAN THREE YEARS, IN THE PAYMENT OF PRINCIPAL, INTEREST, OR DIVIDENDS ON THE SECURITY;

(11) a nonissuer transaction effected by or through a registered broker-dealer under an unsolicited order or offer to buy; however, the administrator may by regulation require that the customer acknowledge on a specified form that the sale was unsolicited, and that a signed copy of each form be preserved by the broker-dealer for a specified period;

(11) [(12)] a transaction executed by a bona fide pledgee without intending to evade [ANY PURPOSE OF EVADING] this chapter;

(12) [(13)] a transaction incident to a right of conversion or a statutory or judicially approved reclassification, recapitalization, reorganization, quasi-reorganization, stock split, reverse stock split, merger, consolidation, or sale of assets [IF]

(A) [NO COMMISSION OR OTHER REMUNERATION, OTHER THAN A STANDBY COMMISSION IS PAID OR GIVEN DIRECTLY OR INDIRECTLY FOR SOLICITING A SECURITY HOLDER]
IN THIS STATE; AND

(B) THE ISSUER FILES A NOTICE IN THE FORM SPECIFIED BY THE ADMINISTRATOR NOT LESS THAN 30 DAYS BEFORE MAKING THE OFFER;

(13) [(14)] a stock dividend, regardless of whether the corporation distributing the dividend is the issuer of the stock [OR NOT], if nothing of value is given by stockholders for the dividend other than the surrender of a right to a cash or property dividend when each stockholder may elect to take the dividend in cash or property or in stock;

(14) [(15)] an act incident to a statutory [CLASS] vote by security holders [STOCKHOLDERS, UNDER THE CERTIFICATE OF INCORPORATION OR THE APPLICABLE CORPORATION STATUTE,] on a merger, consolidation, reclassification of securities, or sale of assets in consideration of the issuance of securities of another issuer [CORPORATION];

(15) [(16)] the offer or sale by a registered broker-dealer, acting either as principal or agent, of securities previously sold and distributed to the public if the securities

(A) [THE SECURITIES] are sold at prices reasonably related to the current market price at the time of sale, and, if the broker-dealer is acting as agent, the commission collected by the broker-dealer on account of the sale is not in excess of usual and customary commissions collected with respect to securities and transactions having comparable characteristics;

(B) [THE SECURITIES] do not constitute the whole or a part of an unsold allotment to or subscription or participation by the broker-dealer as an underwriter of the securities or as a participant in the distribution of the securities by the issuer, by an underwriter, or by a person or group of persons in substantial control of the issuer or of the outstanding securities of the class being distributed; and

(C) [THE SECURITIES] have been lawfully sold and distributed in this state under this chapter;

(16) [(17)] offers or sales of certificates of interest or participation in
oil, gas, or mining rights, titles, or leases, or in payments out of production under such rights, titles, or leases, if the purchasers

(A) are or have been during the preceding two years engaged primarily in the business of exploring for, mining, producing, or refining oil, gas, or minerals; or

(B) have been found by the administrator upon written application to be substantially engaged in the business of exploring for, mining, producing, or refining oil, gas, or minerals so as not to require the protection provided by AS 45.55.070;

(17) a nonissuer transaction by a registered agent of a registered broker-dealer, and a resale transaction by a sponsor of a unit investment trust registered under 15 U.S.C. 80a-1 - 80a-64 (Investment Company Act of 1940), in a security of a class that has been outstanding in the hands of the public for at least 90 days if, at the time of the transaction,

(A) the issuer of the security is actually engaged in business and not in the organization stage or in bankruptcy or receivership and is not a blank check, blind pool, or shell company whose primary plan of business is to engage in a merger or combination of the business with, or an acquisition of, an unidentified person or persons;

(B) the security is sold at a price reasonably related to the current market price of the security;

(C) the security does not constitute the whole or part of an unsold allotment to, or a subscription or participation by, the broker-dealer as an underwriter of the security;

(D) a nationally recognized securities manual, which may be designated by rule or order of the administrator, or a document filed with the United States Securities and Exchange Commission that is publicly available through the United States Securities and Exchange Commission’s electronic data gathering and retrieval system, contains

(i) a description of the business and operations of the issuer;
(ii) the names of the issuer’s officers and directors, if any, or, in the case of an issuer not domiciled in the United States, the corporate equivalents of the issuer's officers and directors in the issuer’s country of domicile;

(iii) an audited balance sheet of the issuer as of a date within 18 months or, in the case of a reorganization or merger where parties to the reorganization or merger had that audited balance sheet, a pro forma balance sheet; and

(iv) an audited income statement for each of the issuer’s immediately preceding two fiscal years or for the period of existence of the issuer if the issuer has been in existence for less than two years or, in the case of a reorganization or merger where the parties to the reorganization or merger had that audited income statement, a pro forma income statement; and

(E) the issuer of the security has a class of equity securities listed on a national securities exchange registered under 15 U.S.C. 78a - 78lll (Securities Exchange Act of 1934) or designated for trading on the National Association of Securities Dealers Automated Quotation System, unless the issuer of the security

(i) is a unit investment trust registered under 15 U.S.C. 80a-1 - 80a-64 (Investment Company Act of 1940);

(ii) including predecessors, has been engaged in continuous business for at least three years; or

(iii) has total assets of at least $2,000,000 based on an audited balance sheet as of a date within 18 months or, in the case of a reorganization or merger where parties to the reorganization or merger had that balance sheet, a pro forma balance sheet;

(18) an offer or a sale of a security by an issuer that has a specific business plan or purpose, is not in the development stage, and has not indicated that its business plan is to engage in a merger or acquisition with an unidentified company or other entity or person, under the following conditions:
(A) sales of securities are made only to persons who are or
the issuer reasonably believes are accredited investors as defined in
17 C.F.R. 230.501(a), as that regulation exists on or after the effective date
of this Act;

(B) the issuer reasonably believes that all purchasers are
purchasing for investment and not with the view to or for sale in
connection with a distribution of the security; a resale of a security sold in
reliance on this exemption within 12 months of sale is presumed to be with
a view to distribution and not for investment, except a resale under a
registration statement under AS 45.55.070 - 45.55.120 or to an accredited
investor under an exemption available under this chapter;

(C) the exemption in this paragraph is not available to an
issuer if the issuer, a predecessor of the issuer, an affiliated issuer, a
director, an officer, or a general partner of the issuer, a beneficial owner
of 10 percent or more of a class of the issuer's equity securities, a
promoter of the issuer presently connected with the issuer in any capacity,
an underwriter of the securities to be offered, or a partner, a director, or
an officer of the underwriter

(i) within the last five years has filed a registration
statement that is the subject of a currently effective registration
stop order entered by a state securities administrator or the United
States Securities and Exchange Commission;

(ii) within the last five years has been convicted of a
criminal offense in connection with the offer, purchase, or sale of
a security, of a criminal offense involving fraud or deceit, or of a
felony;

(iii) is currently subject to a state or federal
administrative enforcement order or judgment entered within the
last five years finding fraud or deceit in connection with the
purchase or sale of a security; or

(iv) is currently subject to an order, judgment, or
decree of a court of competent jurisdiction entered within the last
five years, temporarily, preliminarily, or permanently restraining
or enjoining the person from engaging in or continuing to engage
in conduct or a practice involving fraud or deceit in connection
with the purchase or sale of a security;

(D) the nonavailability of the exemption under (C) of this
paragraph does not apply if

(i) the person subject to the disqualification is
licensed or registered to conduct securities related business in the
state in which the order, judgment, or decree creating the
disqualification was entered against the person;

(ii) before the first offer under this exemption, the
state securities administrator or the court or regulatory authority
that entered the order, judgment, or decree waives the
disqualification; or

(iii) the issuer establishes that it did not know and,
in the exercise of reasonable care, based on a factual inquiry, could
not have known that a disqualification existed under this
paragraph;

(E) a general announcement of the proposed offering may
be made by any means and may include only the following information
unless the administrator specifically permits additional information:

(i) the name, address, and telephone number of the
issuer of the security;

(ii) the name, a brief description, and the price, if
known, of the security to be issued;

(iii) a brief description in 25 words or less of the
business of the issuer;

(iv) the type, number, and aggregate amount of
securities being offered;

(v) the name, address, and telephone number of the
person to contact for additional information;

(vi) a statement that sales will be made only to accredited investors;

(vii) a statement that money or other consideration is not being solicited or will not be accepted by way of this general announcement; and

(viii) a statement that the securities have not been registered with or approved by a state securities agency or the United States Securities and Exchange Commission and are being offered and sold under an exemption from registration;

(F) the issuer in connection with any offer may provide information in addition to the general announcement under (E) of this paragraph if the information is delivered

(i) through an electronic database that is restricted to persons who have been prequalified as accredited investors; or

(ii) to a prospective purchaser that the issuer reasonably believes is an accredited investor;

(G) a telephone solicitation is not permitted unless, before placing the call, the issuer reasonably believes that the prospective purchaser being solicited is an accredited investor;

(H) dissemination of the general announcement of the proposed offering to persons who are not accredited investors does not disqualify the issuer from claiming this exemption;

(I) the issuer shall file a notice of the transaction with the administrator, a copy of the general announcement, and the fee for exemption filings established by regulation within 15 days after the first sale in this state;

(19) an offer to repay, under AS 45.55.930, the buyer of a security if the offeror first files with the administrator a notice specifying the terms of the offer at least two days before the offer is made;

(20) a transaction involving only family members who are related,
including related by adoption, within the fourth degree of affinity or consanguinity, or involving only those family members and the corporations, partnerships, limited liability companies, limited partnerships, limited liability partnerships, associations, joint-stock companies, or trusts that are organized, formed, or created by those family members or at the direction of those family members.

* Sec. 46. AS 45.55.900 is amended by adding new subsections to read:

(g) An offer on the Internet by an issuer is exempt from the registration provisions of AS 45.55.070 and the advertising regulations adopted under this chapter and does not preclude the issuer from relying on other available exemptions for offers provided under this chapter if

1. the offer directly discloses, in a format and at a prominent place in the offer and in an advertisement of the offer on the Internet, that the securities are not being offered to persons in this state;
2. the offer is not otherwise specifically directed to a person in this state by or on behalf of the issuer; and
3. a sale of the issuer’s securities is not made in this state as a result of the offer.

(h) For any security or transaction or any type of security or transaction, the administrator may by order, waive, withdraw, or modify any of the requirements or conditions of (b)(5) of this section.

* Sec. 47. AS 45.55.910 is amended by adding a new subsection to read:

(e) Notwithstanding AS 45.55.905(b), all investigative files are confidential, except that they must be disclosed by the administrator as required for discovery in an administrative or a judicial proceeding.

* Sec. 48. AS 45.55.915 is amended to read:

Sec. 45.55.915. Reimbursement of expenses incident to examination or investigation. (a) The administrator may require an [AN] issuer, broker-dealer, agent, investment adviser representative, federal covered adviser, or state investment adviser to [SHALL] reimburse the administrator for actual travel expenses and per diem incurred in connection with an examination or investigation [INCIDENT
TO A REGISTRATION] under this chapter.

(b) The administrator may by regulation or order adopt a schedule of charges for annual examination and investigation [FEES] of issuers, broker-dealers, agents, investment adviser representatives, federal covered advisers, and state investment advisers.

(c) If an issuer, broker-dealer, agent, investment adviser representative, federal covered adviser, or state investment adviser fails to pay the fees and expenses provided for in this section, the fees and expenses shall be paid out of the funds of the administrator in the same manner as other disbursements made by the administrator. The amounts paid from the funds of the administrator are a lien on all of the assets and property in this state of the issuer, broker-dealer, agent, investment adviser representative, federal covered adviser, or state investment adviser, and the amount may be recovered by the attorney general on behalf of the state.

(d) Failure of the issuer, broker-dealer, agent, investment adviser representative, or state investment adviser to pay fees and expenses under this section is a willful violation of this chapter, and the violation falls within the provisions of AS 45.55.060, 45.55.120, 45.55.920, and 45.55.925.

* Sec. 49. AS 45.55.920 is amended by adding a new subsection to read:

(e) After an order issued by the administrator under (b) or (c) of this section becomes final and all rights of appeal are exhausted, the administrator may petition the superior court to enter a judgment against a person who is a respondent in the order for the amount of the civil penalty levied against the person. Subject to AS 44.62.570, the filing of the petition for a judgment does not reopen the final order to further substantive review unless the court orders otherwise. A judgment entered under this subsection may be executed on and levied under in the manner provided in AS 09.35.

* Sec. 50. AS 45.55.925(a) is amended to read:

(a) In addition to the civil penalties assessed under AS 45.55.920, a person who willfully violates a provision of this chapter except AS 45.55.030(e), 45.55.040(h), 45.55.075, or 45.55.160 [AS 45.55.160], or who willfully violates a regulation or order under this chapter, or who willfully violates AS 45.55.160 knowing the statement made to be false or misleading in a material respect or the omission to be misleading by any
material respect, upon conviction, is punishable by a fine of not more than $5,000, or
by imprisonment for not less than one year nor more than five years, or both. Upon
conviction of an individual for a felony under this chapter, imprisonment for not less
than one year is mandatory. However, an individual may not be imprisoned for the
violation of a regulation or order if the individual proves that the individual had no
knowledge of the regulation or order. An indictment or information may not be
returned under this chapter more than five years after the alleged violation.

* Sec. 51. AS 45.55.930(a) is amended to read:

(a) A person is liable to the person buying the security from the person for the
consideration paid for the security, together with interest at **eight percent** [SIX PER
CENT] a year **or the stated rate of the security if the security has a stated, fixed
rate less than eight percent**, from the date of payment, costs, and reasonable **attorney**
[ATTORNEYS’] fees, less the amount of income received on the security, **on [UPON]**
the tender of the security, or for damages if the **buyer** [SELLER] no longer owns the
security, if the seller **offers or sells a security**

(1) **other than a federal covered security,** [OFFERS OR SELLS A SECURITY] in violation of AS 45.55.030(a), 45.55.070, or 45.55.170(b) or of a
regulation or order under AS 45.55.150 that requires the filing of sales literature before
it is used, or of a condition imposed under AS 45.55.100(d) or 45.55.110(g) or (h) [,.]
or

(2) [OFFERS OR SELLS A SECURITY] by means of an untrue
statement of a material fact, or omits to state a material fact, the omission of which
makes a statement misleading.

* Sec. 52. AS 44.55.930(b) is amended to read:

(b) Damages are the amount that would be recoverable **on [UPON]** a tender
less the value of the security when the buyer disposed of it and interest at **eight
percent** [SIX PER CENT] a year, **or the stated rate of the security if the security**
**had a stated, fixed rate less than eight percent**, from the date of disposition.

* Sec. 53. AS 45.55.930(f) is amended to read:

(f) A person may not sue under this section more than three years after the
contract of sale, **except as otherwise provided in this subsection.** For a violation
of (a)(2) of this section or AS 45.55.010, an action under this section may be brought within three years after the sale or two years after the person bringing the action discovered or should have discovered the facts on which the action is based, whichever is later. Failure to bring an action on a timely basis is an affirmative defense. A person may not sue under this section if the buyer received

(1) [IF THE BUYER RECEIVED] a written offer, before suit and at a time when the buyer owned the security, to refund the consideration paid together with interest at eight percent [SIX PER CENT] a year, or the stated rate of the security if the security has a stated, fixed rate less than eight percent, from the date of payment, less the amount of income received on the security, and the buyer failed to accept the offer within 30 days of its receipt; [.] or

(2) [IF THE BUYER RECEIVED] the offer before suit and at a time when the buyer did not own the security [.] unless the buyer rejected the offer in writing within 30 days of its receipt.

* Sec. 54. AS 45.55.930 is amended by adding new subsections to read:

(j) Notwithstanding the time limitation in (f) of this section, an action under this section may be started after receipt of a written offer described in (a) of this section if the buyer accepted the payment offer within 30 days after receipt of the offer and has not been paid the full amount offered.

(k) An offer to pay the buyer under this section involves the offer or sale of a security, and the transaction must be registered under this chapter or exempt from registration under AS 45.55.900.

* Sec. 55. AS 45.55.935(a) is amended to read:

(a) The administrator shall adopt regulations, consistent with the provisions of this chapter, governing administrative hearings conducted by the administrator or a designee of the administrator for the following:

(1) orders issued under AS 45.55.120, 45.55.900(d), or 45.55.920; in these instances, the administrator shall promptly send a notice of opportunity for hearing to the issuer of the securities and to all persons who have filed with the department a notice of intention to sell the securities; and

(2) orders issued under AS 45.55.060; before the administrator enters
an order under AS 45.55.060, the administrator shall send to the person involved a notice of opportunity for hearing; if the person involved is an agent or investment adviser representative, then the administrator shall, in addition, notify the employing broker-dealer, state investment adviser, federal covered adviser [ADVISOR], or issuer.

* Sec. 56. AS 45.55.970(b) is amended to read:

(b) The administrator shall keep a register of all applications for registration and registration statements that [WHICH] are or have ever been effective under this chapter, all notice filings under this chapter, and all denial, suspension, or revocation orders that [WHICH] have been entered under this chapter. The register must [SHALL] be open for public inspection.

* Sec. 57. AS 45.55.970(c) is amended to read:

(c) The information contained in or filed with a registration statement, application, notice filing, or report may be made available to the public under the regulations adopted by the administrator.

* Sec. 58. AS 45.55.970(e) is amended to read:

(e) The administrator may honor requests from interested persons for interpretative opinions and may establish appropriate fees by regulation.

* Sec. 59. AS 45.55.980(a) is amended to read:

(a) Unless the persons are exempt elsewhere in this chapter, AS 45.55.010, 45.55.025, 45.55.027, 45.55.028, 45.55.030(a), 45.55.035, 45.55.070, 45.55.075, 45.55.170, and 45.55.930 apply to persons who sell or offer to sell when an offer to sell is made in this state; or

1. [AN OFFER TO] sell is made in this state; or
2. [AN OFFER TO] buy is made and accepted in this state.

* Sec. 60. AS 45.55.980(b) is amended to read:

(b) Unless the persons are exempt elsewhere in this chapter, AS 45.55.010, 45.55.025, 45.55.027, 45.55.028, 45.55.030(a), 45.55.035, and 45.55.170 apply to persons who buy or offer to buy when an offer to buy is made and accepted in this state.

1. [AN OFFER TO] buy is made in this state; or
2. [AN OFFER TO] sell is made and accepted in this state.

* Sec. 61. AS 45.55.980(c) is amended to read:
(c) For the purpose of this section, an offer to sell or to buy is made in this state, whether or not either party is then present in this state, when the offer

(1) originates from this state;

(2) is directed by the offeror to this state and received at the place to which it is directed, or at a post office in this state in the case of a mailed offer;

(3) is for an interest or participation in an oil, gas, or mining right, title, or lease on land in the state, including submerged land, regardless of where the offer is made;

(4) is for an interest or participation in payments out of production under an oil, gas, or mining right, title, or lease on land in the state, including submerged land, regardless of where the offer is made; or

(5) is for an interest or participation in real property located in the state, or in a domestic corporation, a domestic limited liability company, [OR] a domestic limited partnership, or a domestic limited liability partnership; jurisdiction under this paragraph may be exercised only when the exercise is not inconsistent with the constitution of this state or of the United States.

* Sec. 62. AS 45.55.980(f) is amended to read:

(f) AS 45.55.020, 45.55.023, 45.55.030(c), 45.55.030(e), 45.55.040(h), and 45.55.170, so far as state investment advisers, federal covered advisers, and investment adviser representatives are concerned, apply when any act instrumental in effecting prohibited conduct is done in this state, regardless of whether [OR NOT] either party is then present in this state.

* Sec. 63. AS 45.55.980(g) is amended to read:

(g) An [EVERY] applicant for registration under this chapter, an [AND EVERY] issuer that proposes to offer a security in this state through a person acting on an agency basis in the common law sense, and a person making a notice filing under this chapter shall file with the administrator, in the form that the administrator prescribes by regulation, an irrevocable consent appointing the administrator or a successor in office to be the applicant's or issuer's attorney to receive service of lawful process in a civil suit, an action, or a proceeding against the applicant or issuer or a successor executor or administrator that [WHICH] arises under this chapter or a
regulation or order under this chapter after the consent has been filed [,] with the same
force and validity as if served personally on the person filing the consent. A person
who has filed a [FILES THE] consent in connection with a previous registration or
notice filing need not file another. Service may be made by leaving a copy of the
process in the office of the administrator, but it is not effective unless

   (1) the plaintiff, who may be the administrator in a suit, action, or
proceeding instituted by the administrator, immediately sends notice of the service and
a copy of the process by registered mail to the defendant or respondent at the last
address on file with the administrator; and

   (2) the plaintiff's affidavit of mailing is filed in the case on or before
the return day of the process, if any, or within the further time that [WHICH] the
court allows.

* Sec. 64. AS 45.55.990(2) is amended to read:

   (2) "agent" means an individual other than a broker-dealer who
represents a broker-dealer or an issuer in effecting or attempting to effect purchase or
sale of securities; a partner, an officer, or a director of a broker-dealer or issuer, or a
person occupying a similar status or performing similar functions, is an agent only if
the person otherwise comes within this definition; "agent" does not include an
individual who represents

   (A) an issuer in effecting transactions
      (i) [(A)] in a security exempted by AS 45.55.900(a)
      [AS 45.55.900(a)(1) - (5)];
      (ii) [(B)] exempted by AS 45.55.900(b);
      (iii) in a covered security as described in 15 U.S.C.
           77r(b)(3) and (4)(D) (Securities Act of 1933); or
      (iv) [(C)] with existing employees, partners, or directors
           of the issuer if a [NO] commission or other remuneration is not paid
           or given directly or indirectly for soliciting any person in this state; or
   (B) a broker-dealer in effecting transactions in this state
      described in 15 U.S.C. 78o(h)(2) and (3) (Securities Exchange Act of 1934);

* Sec. 65. AS 45.55.990(3) is amended to read:
(3) "broker-dealer" means a person engaged in the business of effecting transactions in securities for the account of others or for the person's own account; "broker-dealer" does not include

(A) an agent;
(B) an issuer;
(C) a bank, savings institution, or trust company;
(D) a person who has no place of business in this state if the person effects transactions in this state exclusively with or through

(i) the issuers of the securities involved in the transactions;
(ii) other broker-dealers; or
(iii) banks, savings institutions, trust companies, insurance companies, investment companies as defined in 15 U.S.C. 80a-1 - 80a-64 (THE Investment Company Act of 1940), pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees; or

(E) a person who has no place of business in this state if during a period of 12 consecutive months, the person does not effect more than 15 transactions at the initiation and direction of the customer and on behalf of residents of this state regardless of whether the residents are then present in this state and does not direct any [MORE THAN 15] offers initiated by the person to sell or buy into this state in any manner to persons other than those specified in (D) of this paragraph, regardless of whether [OR NOT] the offeror or any offeree is then present in this state;

* Sec. 66. AS 45.55.990(9) is amended to read:

(9) "person" means an individual, a corporation, a partnership, a limited liability company, a limited partnership, a limited liability partnership, an association, a joint-stock company, a trust in which [WHERE] the interests of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government;

* Sec. 67. AS 45.55.990(11) is repealed and reenacted to read:
(11) "Securities Act of 1933" means 15 U.S.C. 77a - 77bbbb, as that act exists on or after the effective date of this Act;

* Sec. 68. AS 45.55.990(12) is amended to read:

(12) "security" means a note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; [A] limited liability company interest under AS 10.50, notwithstanding the limitations of AS 45.08.103(c); collateral-trust certificate [CERTIFICATES]; preorganization certificate or subscription; transferable share; investment contract; voting-trust certificate; certificate of deposit for a security; [A] certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under the title or lease or in any sale of or indenture or bond or contract for the conveyance of land or any interest in land; an option on a contract for the future delivery of agricultural or mineral commodities or any other commodity offered or sold to the public and not regulated by the Commodity Futures Trading Commission; however, the contract or option is not subject to the provisions of AS 45.55.070 if it is sold or purchased on the floor of a bona fide exchange or board of trade and offered or sold to the public by a broker-dealer or agent registered under this chapter; investment of money or money's worth including goods furnished or services performed in the risk capital of a venture with the expectation of some benefit to the investor where the investor has no direct control over the investment or policy decision of the venture; or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing; "security" does not include an insurance or endowment policy or annuity contract under which an insurance company promises to pay a fixed or variable sum of money either in a lump sum or periodically for life or for some other specified period;

* Sec. 69. AS 45.55.990 is amended by adding new paragraphs to read:

(14) "advisory client" means a person to whom services are provided under an investment advisory contract;

(15) "advisory fee" means the fee for providing services under an
investment advisory contract;

(16) "advisory services" means advising a person as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise;

(17) "Bank Holding Company Act of 1956" means 12 U.S.C. 1841 - 1850, as that act exists on or after the effective date of this Act;

(18) "clients who are natural persons" means natural persons who are clients of a state investment adviser or federal covered adviser, except that natural persons with at least $750,000 under management with the state investment adviser or federal covered adviser or with a net worth of at least $1,500,000 at the time they initially contract for services described in (23)(A)(i) of this section, and other natural persons who may be designated by regulation or order of the administrator, are not considered natural persons for the purpose of determining under (23)(A)(ii) of this section if a supervised person provides the services described under (23)(A)(i) of this section to natural persons;

(19) "federal covered adviser" means a person who is registered with the United States Securities and Exchange Commission under 15 U.S.C. 80b-3 (Investment Advisers Act of 1940); "federal covered adviser" does not include a person that is excluded from the definition of "state investment adviser" under (35)(B) of this section;

(20) "federal covered security" means a security that is a covered security under 15 U.S.C. 77r(b) (Securities Act of 1933), or regulations adopted under that Act;

(21) "Federal Deposit Insurance Act" means 12 U.S.C. 1811 - 1835a, as that act exists on or after the effective date of this Act;

(22) "Home Owners' Loan Act" means 12 U.S.C. 1461 - 1470, as that act exists on or after the effective date of this Act;

(23) "investment adviser representative"

(A) means a natural person who

(i) makes a recommendation or otherwise renders advice regarding securities; manages accounts or portfolios of clients;
determines which recommendation or advice regarding securities should be given; solicits, offers, or negotiates for the sale of or sells advisory services; or supervises employees who perform an activity described in this sub-subparagraph; and

(ii) is a supervised person of a state investment adviser that is registered or required to be registered under this chapter if a substantial portion of the business of the supervised person is providing to clients who are natural persons the services described in (i) of this subparagraph, or who is a supervised person of a federal covered adviser, has a place of business located in this state, and has six or more clients who are natural persons, if a substantial portion of the business of the supervised person is providing to clients who are natural persons the services described in (i) of this subparagraph;

(B) means other persons who are not otherwise covered by this paragraph but who are designated by regulation or order of the administrator;

(C) except persons covered by (37)(A)(ii) of this section, does not include a person that would not be defined as an investment adviser representative under 17 C.F.R. 275.203A-3 adopted under 15 U.S.C. 80b-3a (Investment Advisers Act of 1940), as that regulation exists on or after the effective date of this Act;

(24) "Investment Advisers Act of 1940" means 15 U.S.C. 80b-1 - 80b-21, as that act exists on or after the effective date of this Act;

(25) "investment advisory business" means a business in which a person receives compensation primarily for providing advisory services;

(26) "investment advisory contract" means a contract in which one person receives consideration from another person primarily for providing advisory services;

(27) "Investment Company Act of 1940" means 15 U.S.C. 80a-1 - 80a-64, as that act exists on or after the effective date of this Act;

(28) "NASDAQ" means National Association of Securities Dealers Automatic Quotation System;
(29) "National Securities Markets Improvement Act of 1996" means P.L. 104 - 290, 101 Stat. 3416 - 3440, as that act exists on or after the effective date of this Act; 

(30) "notice filing" means a filing made under AS 45.55.040(h) or 45.55.075 unless the context indicates otherwise; 

(31) "place of business" of a state investment adviser, investment adviser representative, or federal covered adviser means 

(A) an office at which the state investment adviser, federal covered adviser, or investment adviser representative regularly provides advisory services, solicits, meets with, or otherwise communicates with clients; 

and 

(B) another location that is held out to the general public as a location at which the state investment adviser, federal covered adviser, or investment adviser representative provides advisory services, solicits, meets with, or otherwise communicates with clients; 

(32) "principal place of business" of a state investment adviser, investment adviser representative, or federal covered adviser means the executive office of the state investment adviser, investment adviser representative, or federal covered adviser from which the officers, partners, or managers of the state investment adviser, investment adviser representative, or federal covered adviser direct, control, and coordinate the activities of the state investment adviser, investment adviser representative, or federal covered adviser; 

(33) "Securities Exchange Act of 1934" means 15 U.S.C. 78a - 78lll, as that act exists on or after the effective date of this Act; 

(34) "securities business" means a business that provides the services provided by 

(A) state investment advisers, federal covered advisers, or investment adviser representatives; or 

(B) broker-dealers, issuers, or agents of broker-dealers or issuers; 

(35) "state investment adviser"
(A) means

(i) a person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities, or who, for compensation, engages in this state in the business of managing an investment or trading account in securities for other persons;

(ii) a financial planner or other person who, as an integral component of other financially related services, provides the services described in (i) of this subparagraph to others for compensation and as part of a business or who holds out to provide the services described in (i) of this subparagraph to others for compensation;

(B) does not include

(i) an investment adviser representative;

(ii) a savings institution, a trust company, a bank holding company as defined in 12 U.S.C. 1841 (Bank Holding Company Act of 1956), or a bank that is not an investment company;

(iii) a lawyer, an accountant, an engineer, or a teacher whose performance of the services described in (A)(i) of this paragraph is incidental to the practice of the person's profession;

(iv) a broker-dealer or its agent whose performance of the services described in (A)(i) of this paragraph is incidental to the conduct of business as a broker-dealer or an agent and who does not receive special compensation for the services;

(v) a publisher of a bona fide newspaper, news column, newsletter, news magazine, or business or financial publication or service, whether communicated in hard copy form, by electronic means, or otherwise, that does not consist of the rendering of advice on the basis of the specific investment situation of each client;
(vi) a person that is a federal covered adviser;

(vii) a person whose sole clients are the person's spouse, parents, children, or siblings by blood or adoption, and who does not hold out to provide the services described in (A)(i) of this paragraph to the general public;

(viii) other persons not within the intent of this paragraph whom the administrator may designate by regulation or order;

(36) "substantial portion of the business" means that more than 10 percent of the clients of a supervised person during the preceding 12 months are clients who are natural persons to whom the supervised person is providing the services described in (23)(A)(i) of this section;

(37) "supervised person"

(A) means

(i) a partner, an officer, a director, or another person occupying a similar status or performing similar functions, an employee of a state investment adviser or federal covered adviser, or another person who provides services described in (23)(A)(i) of this section to clients on behalf of the state investment adviser or federal covered adviser if the person is subject to the supervision and control of the state investment adviser or federal covered adviser;

(ii) a third-party natural person employed primarily to solicit, offer, or negotiate for the sale of or to sell the services described in (23)(A)(i) of this section for a state investment adviser or federal covered adviser, even if the person is not subject to the supervision or control of the state investment adviser or federal covered adviser;

(B) does not include a person who

(i) does not on a regular basis solicit, meet with, or otherwise communicate with clients of a state investment adviser or federal covered adviser as a normal and ordinary part of the duties of the person; or

(ii) provides the services described in (23)(A)(i) of this
section only by means of written material or oral statements that do not claim to meet the objectives or needs of specific individuals or accounts.

* Sec. 70. AS 45.55.995 is amended to read:

Sec. 45.55.995. Short title. This chapter may be cited as the Alaska Securities Act [OF 1959].

* Sec. 71. AS 45.55.020(d) and 45.55.990(6) are repealed.

* Sec. 72. TRANSITION: REGULATIONS. Notwithstanding sec. 76 of this Act, the Department of Commerce and Economic Development may immediately proceed to adopt regulations necessary to implement the changes made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of secs. 1 - 2 and 4 - 71 of this Act.

* Sec. 73. Section 3 of this Act takes effect only if AS 25.27.244(s)(2) is repealed and reenacted under sec. 148(c), ch. 87, SLA 1997, as amended by sec. 53, ch. 132, SLA 1998.

* Sec. 74. Section 72 of this Act takes effect immediately under AS 01.10.070(c).

* Sec. 75. If sec. 3 of this Act takes effect, it takes effect on the effective date of the repeal and reenactment of AS 25.27.244(s)(2) under sec. 148(c), ch. 87, SLA 1997, as amended by sec. 53, ch. 132, SLA 1998.

* Sec. 76. Except as provided in secs. 74 and 75 of this Act, this Act takes effect October 1, 1999.