

1 IN THE SENATE

BY SENATOR COOPER

2 SENATE BILL NO. 45

3 IN THE LEGISLATURE OF THE TERRITORY OF ALASKA

4 TWENTY-THIRD SESSION

5 A BILL

6 For an Act entitled: "An Act relating to securities and
7 issuers of, dealers in, and salesmen of
8 securities, and the regulation thereof
9 by the Alaska Corporation Commission;
10 providing for penalties and remedies."

11 BE IT ENACTED BY THE LEGISLATURE OF THE TERRITORY OF ALASKA;

12 Section 1. SHORT TITLE. This Act shall be known as the
13 Securities Act of Alaska.

14 Sec. 2. DEFINITIONS. When used in this Act, unless the
15 context otherwise requires:

16 (1) "Commission" shall mean the Alaska Securities
17 Commission, whose membership shall be composed of the Governor
18 of Alaska, the Attorney General of Alaska, the Treasurer of
19 Alaska, the Director of Finance and a resident of Alaska who
20 shall represent the public and be appointed by the Governor for
21 a term of three years with the advice and consent of the Legis-
22 lature;

23 (2) "Director" shall mean the Director of Finance who
24 shall serve as the Securities Director;

25 (3) "Person" shall mean an individual, a corporation,
26 a partnership, an association, a joint stock company, a trust or
27 any other unincorporated organization;

28 (4) "Security" or "securities" shall include any
29 note, stock, treasury stock, bond, debenture, evidence of

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1 indebtedness, certificate of interest or participation in any
2 profit-sharing agreement, certificate of interest in any trust
3 or unincorporated association, any preorganization certificate,
4 agreement or subscription, voting trust certificate, investment
5 contract, any fractional interest in an oil, gas or mineral
6 lease, claim, permit or right, any assignment of subdivided por-
7 tions of any oil, gas or mineral lease, permit, claim or right
8 which is subdivided for the purpose of a public offering, any
9 certificate of interest in title to property, earnings or pro-
10 fits, or, in general, any instrument commonly known as a
11 security, including any guarantee of, temporary or interim re-
12 ceipt for, certificate for, or warrant or right to subscribe to
13 any of the foregoing;

14 (5) "Issuer" shall mean any person who issues or
15 proposes to issue any security; except that (a) with respect to
16 certificates of deposit, voting-trust certificates, collateral-
17 trust certificates, certificates of interest or shares in an
18 unincorporated investment trust, whether or not of the fixed,
19 restricted management, or unit type, issuer shall mean the per-
20 son or persons performing the acts and assuming the duties of
21 depositor or manager pursuant to the provisions of the trust or
22 other agreement or instrument under which such securities are
23 issued; (b) with respect to equipment-trust certificates or
24 like securities, issuer shall mean the person by whom the equip-
25 ment or property is or is to be used; and (c) with respect to
26 fractional interests in an oil, gas or other mineral lease, per-
27 mit, claim or right, issuer shall mean the owner thereof or of
28 any interest therein (whether whole or fractional), fractional
29 interests in which are created for the purpose of a public

1 offering;

2 (6) "Dealer" shall mean any person, (other than a
3 bank, savings institution or trust company the business of which
4 is supervised and regulated by an agency of this Territory or
5 of the United States) or a salesman for a registered dealer,
6 who engages in this Territory, either for all or part of his
7 time, (a) directly or indirectly, as agent, broker or principal
8 in the business of offering, buying, selling or otherwise deal-
9 ing or trading in securities issued by another person, or, (b)
10 an issuer who engages either directly or through an officer,
11 director, employee or agent (which officer, director, employee
12 or agent is not registered as a dealer under this Act), in sell-
13 ing securities issued by such issuer; but such definition shall
14 not include a person having no place of business within this
15 Territory who sells or offers to sell securities exclusively
16 to dealers registered under this Act, or a person insofar as he
17 buys or sells securities for his own account, either indivi-
18 dually or in some fiduciary capacity, but not as a part of a
19 regular business;

20 (7) "Registered dealer" shall mean a dealer regis-
21 tered under this Act;

22 (8) "Salesman" shall mean an individual, other than
23 a dealer, employed or appointed or authorized by a dealer to
24 sell securities in this Territory. The partners or executive
25 officers of a registered dealer shall not be deemed to be sales-
26 men within the meaning of this definition;

27 (9) "Registered salesman" shall mean a salesman
28 registered under this Act;

29 (10) "Underwriter" shall mean any person who has

1 acquired from an issuer with a view to, or sells for an issuer
2 in connection with, the distribution of any securities or
3 participates or has a direct or indirect participation in any
4 such undertaking, or participates or has a participation in the
5 direct or indirect underwriting of any such undertaking; but
6 such term shall not include a person whose interest is limited
7 to a commission from an underwriter or dealer not in excess of
8 the usual and customary distributor's or seller's commission;

9 (11) "Sale" or "sell" shall mean any sale or other
10 disposition of a security or interest in a security for value,
11 and every contract to make any such sale or disposition. Any
12 security given or delivered with, or as a bonus on account of,
13 any purchase of securities or any other thing shall be con-
14 clusively presumed to constitute a part of the subject of such
15 purchase and to have been sold for value;

16 (12) "Offer to sell" or "offer for sale" shall mean
17 any attempt or offer to dispose of, or solicitation of an order
18 or offer to buy, a security or interest in a security for value,
19 any sale or offer for sale of a warrant or right to subscribe
20 to another security of the same issuer or of another issuer,
21 and any sale or offer for sale of a security which gives the
22 holder thereof a present or future right or privilege to con-
23 vert such security into another security of the same issuer or
24 of another issuer, shall be deemed an offer to sell the security
25 to be acquired pursuant to such right or privilege, but the
26 existence thereof shall not be construed as affecting the
27 registration or exemption under this Act of the security to
28 which it attaches;

29 (13) "Securities Act of 1933" shall mean the act of

1 the Congress of the United States known as the Securities Act
2 of 1933, as now or hereafter amended;

3 (14) "Securities Exchange Act of 1934" shall mean
4 the act of the Congress of the United States known as the
5 Securities Exchange Act of 1934, as now or hereafter amended.

6 Sec. 3. SALE OF UNREGISTERED SECURITIES PROHIBITED. It
7 shall be unlawful to sell or offer for sale any securities,
8 within or from this Territory, except those exempt under Section
9 4 or those sold in transactions exempt under Section 5 unless
10 such securities shall have been registered under this Act. Any
11 violation of this section shall be a felony subject to penalty
12 as provided for in Section 17.

13 Sec. 4. EXEMPT SECURITIES. Section 3 and Section 8 of
14 this Act shall not apply to any of the following classes of
15 securities:

16 (1) Securities issued or guaranteed by the United
17 States, or by any state, territory or insular possession there-
18 of, or by any political subdivision of any state, territory or
19 insular possession, or by the District of Columbia, or by any
20 agency or instrumentality of one or more of any of the fore-
21 going.

22 (2) Securities issued by a national bank or a bank
23 or credit or loan association organized pursuant to an act of
24 Congress and supervised by the United States or any agency
25 thereof, or issued by a bank, savings institution or trust com-
26 pany the business of which is supervised and regulated by an
27 agency of this Territory or of the United States.

28 (3) Securities issued by a building and loan associa-
29 tion subject to supervision by an agency of Alaska.

1 (4) Insurance or endowment policies, annuity con-
2 tracts or optional annuity contracts, issued by a person subject
3 to the supervision of the insurance commissioner, bank commis-
4 sioner or any agency performing like functions of the United
5 States, any state or the District of Columbia.

6 (5) Securities issued or guaranteed either as to
7 principal, interest or dividend by a railroad or public utility
8 if the issuance of its securities is regulated by an agency of
9 the United States, or of any state, territory or insular posses-
10 sion thereof, or of the District of Columbia, or of the
11 Dominion of Canada or any province thereof; also, equipment
12 trust certificates in respect to equipment conditionally sold
13 or leased to a railroad or public utility, if other securities
14 issued by such railroad or public utility would be exempt under
15 this subsection.

16 (6) Securities issued by a corporation organized and
17 operated exclusively for religious, educational, benevolent,
18 fraternal, charitable, or reformatory purposes and not for
19 pecuniary profit, and no part of the net earnings of which
20 inures to the benefit of any private stockholder or individual,
21 excluding, however, securities made liens upon revenue producing
22 property subject to taxation.

23 (7) Securities fully listed or regularly approved for
24 full listing upon the issuance thereof, upon the New York stock
25 exchange, the New York curb exchange, midwest stock exchange,
26 or any other national securities exchange registered under the
27 securities Exchange Act of 1934 which is designated by the
28 commission as hereinafter provided; and all securities senior
29 or equal in rank to any securities so listed or approved for

1 listing, or represented by subscription rights which have been
2 so listed or approved. The commission may by order designate
3 any registered national securities exchange in addition to those
4 specified in this subsection, if it finds that it would be in
5 the public interest for securities listed thereon to be exempt
6 under this subsection. The commission shall have power at any
7 time by order to withdraw the designation theretofore so granted.

8 (8) Negotiable promissory notes or commercial paper;
9 provided, that such issue of notes or commercial paper matures
10 in not more than ^{thirteen} ~~twelve~~ (12) months from date of issue and
11 shall be issued within three (3) months after the date of sale;
12 and provided further, that such sale of notes or commercial
13 paper arises out of current transactions or the proceeds of
14 which have been or are to be used for current transactions.

15 (9) Securities issued or guaranteed by any foreign
16 government, with which the United States is at the time of the
17 sale thereof maintaining diplomatic relations, or issued or
18 guaranteed by any political subdivision of such foreign govern-
19 ment having the power of taxation, where none of the securities
20 of such foreign government or political subdivision are in de-
21 fault either as to principal or interest, and which securities
22 when offered for sale in this Territory are acknowledged as
23 valid obligations by such foreign government or political sub-
24 division and registered under the Securities Act of 1933.

25 (10) Notes or bonds secured by a mortgage or deed of
26 trust on real estate or chattels, or a contract or an agreement
27 for the sale of real estate or chattels, when the entire mort-
28 gage, contract or agreement, together with all notes or bonds
29 secured thereby is sold or offered for sale to a single purchaser

1 or at a single sale.

2 Sec. 5. EXEMPT TRANSACTIONS. Section 3 and Section 8 of
3 this Act shall not apply to any of the following classes of
4 transactions:

5 (1) The sale of securities by an executor, adminis-
6 trator, guardian or conservator, or by a bank or trust company
7 (the business of which is supervised and regulated by an agency
8 of this Territory or of the United States) as trustee under a
9 will or trust agreement, or by a receiver or trustee in insol-
10 vency or bankruptcy approved by a court of competent jurisdic-
11 tion of this Territory or of the United States.

12 (2) The sale in good faith and not for the purpose
13 of avoiding the provisions of this Act by a pledge of securities
14 pledged for a bona fide debt.

15 (3) The sale in good faith and not for the purpose
16 of avoiding the provisions of this Act of securities by the bona
17 fide owner thereof, other than an issuer or underwriter, in an
18 isolated transaction, in which such securities are sold either
19 directly or through a dealer as agent for the owner but where
20 such sales are not made in the course of repeated or successive
21 transactions of similar character by such owner, and are not
22 made, directly or indirectly, for the benefit of the issuer or
23 an underwriter of such securities.

24 (4) The distribution by a corporation of capital
25 stock or other securities to its stockholders or other security
26 holders as a stock dividend or other distribution out of earned
27 surplus.

28 (5) The issuance and delivery of securities of a
29 corporation to another corporation or to the security holders

1 thereof in exchange for all or substantially all of the assets
2 of such other corporation, or in connection with a consolidation
3 or merger of such corporations.

4 (6) The exchange of securities by an issuer with its
5 existing security holders exclusively, where no commission or
6 remuneration is paid or given directly or indirectly, for
7 soliciting such exchange; provided, that such exchange of
8 securities has been duly authorized and has been approved
9 by the holders of not less than a majority of the outstanding
10 securities of each class affected thereby.

11 (7) The sale of securities to any bank, savings
12 institution, trust company, insurance company, dealer, any
13 agency or instrumentality of the United States or of any state
14 or Territory, or to any person a principal part of whose busi-
15 ness consists of buying securities.

16 (8) The issuance and delivery of any securities in
17 exchange for any other securities of the same issuer pursuant to
18 a right of conversion entitling the holder of the securities
19 surrendered in exchange to make such conversion.

20 (9) The issuance and delivery of securities of a
21 corporation to the original incorporators, not exceeding twenty-
22 five (25) in number, where such securities are not acquired by
23 such incorporators for the purpose of sale to others.

24 (10) The sale by a dealer (including an underwriter
25 no longer acting as an underwriter in respect to the securities
26 involved) of securities theretofore sold and distributed to the
27 public, but not including securities constituting an unsold
28 allotment to or subscription by such dealer as a participant in
29 the distribution of such securities by the issuer or by or

1 through an underwriter, provided information as to the issuer
2 of such securities appears in a recognized manual of securities
3 at the time of sale. The commission may by order revoke or sus-
4 pend the exemption under this subsection with respect to any
5 securities if it finds that the further sale thereof in this
6 Territory would work, or tend to work, a fraud or deceit upon
7 the purchaser.

8 Sec. 6. REGISTRATION BY QUALIFICATION. Securities requir-
9 ed to be registered by qualification under this Act before they
10 may be sold in this Territory shall be registered as provided
11 in this Section.

12 (1) Application for registration. Application for
13 registration of securities by qualification shall be made by
14 the issuer of the securities by the filing with the commission
15 of the following:

16 (a) An application for registration, which
17 shall include the following together with such other in-
18 formation as the commission may prescribe:

19 1. Name and address of issuer, and address
20 of issuer's principal office in this Territory, if any;

21 2. Title of securities to be registered
22 and total amount of each class of such securities to
23 be offered in this Territory and elsewhere;

24 3. Amount of each class of securities to
25 be offered in this Territory, offering price per unit
26 and in the aggregate, and the amount of the registra-
27 tion fee;

28 4. If a registration statement as to the
29 securities has been filed under the Securities Act of

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1933: a. The date on which the registration statement was filed to register the securities under that act; and b. the effective date of the registration statement, if effective.

5. Eligibility of securities for sale in other Territories as of date of application: a. States and Territories in which it is proposed to offer the securities for sale to the public; b. states and territories, if any, in which the securities are eligible for sale to the public; c. states and territories, if any, which have refused by order or otherwise, to authorize sale of securities to the public, or have revoked or suspended the right to sell the securities, or in which an application for qualification has been withdrawn.

(b) There shall be submitted as part of such application for registration a copy of each of the following:

1. Issuer's charter or other instrument of organization and by-laws, together with all amendments thereto;
2. The indenture and all supplements thereto under which the securities are to be issued;
3. The basic underwriting agreement, if any, and any agreement or agreements among underwriters and dealers pertaining to the distribution of the securities within this Territory;
4. Opinion or opinions of counsel as to the validity of issuance of the securities;

1 5. A specimen certificate of each security
2 to be registered.

3 Any of the foregoing documents 1. to 5., inclu-
4 sive, may be submitted in preliminary form in which
5 case a definitive copy of each shall be filed promptly
6 after execution.

7 (c) A prospectus which shall include the follow-
8 ing together with such other information as the commission
9 may prescribe.

10 1. The name and address of the issuer,
11 date of incorporation or organization, general charac-
12 ter of business transacted or to be transacted, and a
13 description of the principal assets of the issuer;

14 2. The name and address and business exper-
15 ience of each officer and director of the issuer if a
16 corporation or unincorporated association, of each
17 trustee or other fiduciary if a trust, or of each
18 partner if a partnership;

19 3. The total authorized capital of the
20 issuer, the total amount of each class of securities
21 authorized, the total amount of securities of each
22 class issued and outstanding. The total amount of
23 each class of securities held by each officer or direc-
24 tor if a corporation or unincorporated association, by
25 each trustee or other fiduciary if a trust, by each
26 partner if a partnership, and by each beneficial owner
27 of 10% or more of any class of securities;

28 4. The total amount of securities of each
29 class issued or to be issued for options, contracts,

1 leases, patents, assignments, services or expenses,
2 good will, or other intangible assets, the name and
3 address of each person to whom such securities have
4 been or are to be issued; and the consideration re-
5 ceived or to be received by the issuer therefor;

6 (5) The title and amount of the securities
7 to be offered, the offering price per unit and in the
8 aggregate, the name and address of the principal under-
9 writer and the nature of the underwriting commitment,
10 the amount of underwriting discounts or commissions or
11 other selling expenses per unit and in the aggregate,
12 and the net per unit and in the aggregate to be re-
13 ceived by the issuer. The statement of underwriting
14 discounts or commissions or other selling expense
15 shall include the maximum amount to be paid by the
16 issuer in cash or otherwise, directly or indirectly,
17 in connection with the sale of the securities;

18 6. The specific purposes for which funds
19 to be derived from the sale of the securities are to
20 be used, and the approximate amount to be devoted to
21 each such purpose;

22 7. A description of all material contracts
23 to which the issuer is a party and of all material
24 litigation involving the issuer;

25 (8) A balance sheet as of a date not more
26 than ninety (90) days prior to the date of filing, and,
27 if such balance sheet is not certified, also a certi-
28 fied balance sheet as of a date not more than one
29 year prior to the date of filing unless the fiscal

1 year of the issuer has ended within ninety (90) days
2 prior to the date of filing in which case the certi-
3 fied balance sheet may be as of the end of the preced-
4 ing fiscal year;

5 9. Profit and loss and surplus statements
6 for each of the three (3) fiscal years preceding the
7 date of the most recent balance sheet filed and for
-8 the period, if any, between the close of the most re-
9 cent of such fiscal years and the date of the most
10 recent balance sheet filed; or, if the issuer has been
11 in existence for less than three (3) fiscal years,
12 profit and loss and surplus statements for the period
13 of the issuer's existence.

14 Financial statements required under this sub-
15 section shall be prepared in accordance with generally
16 accepted accounting principles and certified, if
17 certification is necessary, by an independent public
18 or certified public accountant.

19 If the issuer has one or more subsidiaries, the
20 commission or the director may require, in addition to
21 the balance sheet and profit and loss and surplus
22 statements required by items 8. and 9. hereof, a
23 consolidated balance sheet and consolidated profit and
24 loss and surplus statements for the issuer and its
25 subsidiaries as of the same dates as the balance sheet
26 and profit and loss and surplus statements required by
27 items 8, and 9.

28 If the securities being registered have been or
29 are to be registered under the Securities Act of 1933,

1 there may be filed in lieu of the prospectus prescrib-
2 ed in this subsection the definitive prospectus of the
3 issuer filed under the Securities Act of 1933, if
4 dated within ^{thirty} ~~thirty~~ ⁹⁰ (30) days of the application for
5 registration under this Section.

6 If any material change occurs in the matters set
7 forth in the prospectus filed under this subsection,
8 or if any material change occurs in the plan of busi-
9 ness of the issuer as set forth in the prospectus,
10 each such change shall be included in an amended
11 prospectus or in a supplement to the prospectus which
12 shall be promptly filed with the commission.

13 (d) An examination fee of \$25.00 and a registra-
14 tion fee of 1/10 of 1% of the aggregate offering price of
15 securities to be sold in this Territory, but in no case
16 shall such registration fee be less than \$25.00 or more
17 than \$100.00.

18 (e) If the issuer is not domiciled in this Terri-
19 tory and is not a corporation organized under the laws of
20 this Territory, a consent to service of process conforming
21 to the requirements of Section 14 of this Act.

22 (2) Amendment or withdrawal of application. In the
23 absence of proceedings under Section 8 for denial, suspension or
24 revocation of the registration of the securities, or with the
25 consent of the commission after the institution of such proceed-
26 ings, an applicant may at any time amend or withdraw an applica-
27 tion for registration, prospectus, financial statement or other
28 exhibit filed under this Section. If an application for regis-
29 tration is withdrawn with the consent of the commission before

1 the effective date of registration the registration fee shall
2 be returned. Any document withdrawn under this subsection shall
3 be marked as withdrawn but retained among the records of the
4 commission.

5 (3) Signature and verification of application. The
6 application shall be signed and verified under oath by the
7 issuer. If the issuer is a corporation, trust or other unin-
8 corporated association, the application shall be signed by its
9 principal executive officers, and shall be accompanied by a
10 certified copy of a resolution approved by the requisite major-
11 ity of the board of directors or other governing body.

12 (4) Registration of securities. The director shall
13 within a reasonable time examine an application for registra-
14 tion by qualification and all documents and exhibits filed
15 therewith. When an applicant has fully complied with the pro-
16 visions of this Section and the rules and regulations of the
17 commission thereunder, the director shall register the securi-
18 ties in a register of securities, subject to such limitations
19 and conditions as may be imposed by the commission in accordance
20 with this Act, unless the commission finds cause for denial as
21 provided in Section 7. After such registration the securities
22 may be sold by any registered dealer or by any registered sales-
23 man employed by such dealer. The director shall give notice to
24 the issuer by registered mail of the effective date of registra-
25 tion.

26 (5) Registration of additional securities. Additional
27 amounts of securities registered under this Section may, with
28 the consent of the commission, be registered by payment of an
29 additional registration fee, which shall be computed as provided

Page 16, Lines 12 through 25.

Delete entire material and in lieu thereof substitute the following:

"(4) Registration of securities. The application for registration by qualification and all documents and exhibits filed therewith shall be examined by the director and the securities registered in a register of securities subject to such limitations and conditions as may be imposed by the Commission in accordance with this Act, within 60 days after receipt of said application by the director, unless the Commission finds cause for denial as provided in Section _____. If cause for denial is found, the director shall notify the applicant within 60 days after receipt of said application. If such securities are registered, the securities may be sold by any registered dealer or by any registered salesman from and after the date of registration."

1 in subsection (1) (d) as a separate fee for each additional
2 amount registered.

3 (6) Renewal of Registration. Registration under this
4 Section shall be effective for a period of one (1) year and
5 may be renewed for additional periods of one (1) year by filing
6 by a date not later than fifteen (15) days prior to expiration
7 of registration, of a prospectus meeting the requirements of
8 subsection (1) (c) and containing information as of a date not
9 more than ninety (90) days before the date of filing, together
10 with the payment of a renewal fee of \$25.00.

11 (7) Delivery of prospectus to purchasers. There
12 shall be delivered to each purchaser of securities registered
13 by qualification, before the conclusion of any contract of sale
14 of such securities, a copy of the prospectus meeting the re-
15 quirements of subsection (1) (c), or of subsection (6) if the
16 prospectus is used more than one year from the effective date
17 of registration of the securities.

18 Sec. 7. DENIAL, SUSPENSION OR REVOCATION OF REGISTRATION
19 OF SECURITIES.

20 (1) Denial of registration by qualification. The
21 commission may enter an order denying the registration of any
22 securities to be registered by qualification, if, after a hear-
23 ing or notice and opportunity for hearing as provided in Section
24 11, it finds that:

25 (a) The application for registration, prospectus,
26 any financial statement, or any document or exhibit filed
27 with the application, or any amendment or supplement there-
28 to is incomplete, inaccurate or misleading, or the informa-
29 tion contained therein is insufficient for a true appraisal

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of the securities; or

(b) The issuer or any dealer or salesman designated to engage in the sale of the securities has violated any provision of this Act or any rule, regulation or order of the commission thereunder; or

(c) The sale of the securities works or would tend to work a fraud or deceit upon the purchasers thereof, or is or would be unfair or inequitable to the purchasers; or

(d) The issuer is insolvent, or is in an unsound financial condition; or

(e) The issuer has refused to permit the commission to examine into its affairs, or has failed or refused to furnish information required by the Act or any rule, regulation or order of the commission thereunder; or

(f) The issuer, any officer or director of the issuer if a corporation or unincorporated association, any trustee or other fiduciary of the issuer if a trust, any partner of the issuer if a partnership, or any person controlling, controlled by or under common control with the issuer, 1. has been convicted within five (5) years preceding the filing of the application for registration of securities, or at any time thereafter, of any felony or misdemeanor involving any transactions in securities, or of which fraud is an essential element; or 2. is subject to any order, judgment or decree of any court of competent jurisdiction entered within three (3) years of the date of filing of such application enjoining or restraining it or him from engaging in or continuing any conduct or practice

1 in connection with the sale or purchase of securities.

2 (2) Revocation of registration of securities. The
3 commission may revoke the registration of any securities regis-
4 tered under this Act if, after a hearing or notice and oppor-
5 tunity for hearing as provided in Section 11, it finds that any
6 of the grounds for denial specified in subsection (1) exists.

7 (3) Entry of Denial or revocation order. If, after
8 a hearing or notice and opportunity for hearing as provided in
9 Section 11, the commission finds grounds for denying or revok-
10 ing registration of securities, it may enter an order denying
11 or revoking the registration of such securities. Such order
12 shall state specifically the grounds for its issuance. Upon the
13 entry of an order denying or revoking the registration of securi-
14 ties, the director shall send notice of such order by registered
15 mail to the issuer of such securities and to all registered
16 dealers engaged in the sale thereof.

17 (4) Suspension of registration of securities. If the
18 commission has reasonable grounds to believe that the registra-
19 tion of any securities under this Act should be revoked on any
20 ground specified in this Section, it may enter an order suspend-
21 ing the registration of such securities pending an examination
22 into the affairs of the issuer of such securities or pending a
23 hearing or opportunity for hearing as provided in Section 11.
24 Such suspension order shall state specifically the grounds upon
25 which it is issued. Upon the entry of an order suspending the
26 registration of any securities, or of an order withdrawing a
27 suspension order previously issued, the director shall send
28 notice of such order to the issuer of such securities and to all
29 registered dealers engaged in the sale thereof.

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1 Sec. 8. TRANSACTIONS BY UNREGISTERED DEALERS AND SALESMEN
2 PROHIBITED. It shall be unlawful for any dealer to sell or
3 purchase or offer to sell or offer to buy any securities, or
4 for any salesman to sell or offer for sale any securities within
5 or from this Territory unless such dealer or salesman is regis-
6 tered as such pursuant to the provisions of Section 9. Any
7 violation of this Section shall be a felony subject to penalty
8 as provided in Section 17.

9 Sec. 9. REGISTRATION OF DEALERS AND SALESMEN.

10 (1) Application of registration of dealers. Applica-
11 tion for registration as a dealer may be made by any person.
12 Such application for registration shall be signed by the appli-
13 cant and duly verified by oath. The application shall be filed
14 with the commission, and shall contain the following together
15 with such other information as the commission may prescribe:

16 (a) The name of the applicant.

17 (b) The address of the principal place of busi-
18 ness of the applicant and the addresses of all branch
19 offices, if any, of the applicant in this Territory.

20 (c) The form of business organization and the
21 date of organization of the applicant.

22 (d) The names and business addresses of all
23 members, partners, officers, directors, trustees or mana-
24 gers of the applicant; a statement of the limitations, if
25 any, of the liability of any partner, member manager, or
26 trustee; and a statement setting forth in chronological
27 order the business history of each such partner, member,
28 officer, director, trustee or manager during the preceding
29 ten (10) years.

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1 (e) A brief description of the general character
2 of the business conducted or to be conducted by the appli-
3 cant.

4 (f) A list of each state or territory in which
5 the applicant is registered as a dealer, and, if registra-
6 tion of the applicant as a dealer has been refused, cancel-
7 led, suspended or withdrawn in any state or territory, a
8 complete statement of the facts with respect thereto.

9 (g) A statement showing whether the applicant is
10 registered as a broker or dealer under the Securities Ex-
11 change Act of 1934, and whether any such registration of
12 the applicant has been denied, revoked or suspended, or
13 made the subject of proceedings for denial, revocation or
14 suspension by the Securities and Exchange Commission.

15 (h) The name of each organization of dealers or
16 brokers of which the applicant is a member, or before which
17 any application for membership on the part of the applicant
18 is pending, and whether any such membership of the appli-
19 cant has been denied, revoked or suspended, or made the
20 subject of proceedings for denial, revocation or suspension.

21 (i) The name of each securities exchange of
22 which the applicant or any of its partners, officers, di-
23 rectors, trustees, members, managers, or employees is a
24 member, and whether any such membership has been denied,
25 revoked or suspended, or made the subject of proceedings
26 for denial, revocation or suspension.

27 (j) A balance sheet, profit and loss and surplus
28 statements, prepared in accordance with generally accepted
29 accounting principles and certified by an independent

1 public or certified public accountant, showing the finan-
2 cial condition of the applicant as of the most recent
3 practicable date prior to the date of such application.

4 (k) A statement showing whether applicant or
5 any officer, director, partner, member, trustee, or manager
6 of the applicant has within the past ten (10) years been
7 convicted of or charged with a felony or misdemeanor of
8 which fraud is an essential element, or a felony or mis-
9 demeanor involving the purchase or sale of securities, or
10 arising out of the conduct of the business of the applicant
11 as a dealer in securities, and, if so, a complete state-
12 ment of the facts with respect thereto.

13 (1) A statement showing whether the applicant,
14 or any officer, director, partner, member, trustee or mana-
15 ger of the applicant, has been enjoined or restrained by a
16 court of competent jurisdiction in connection with any
17 transaction involving the purchase or sale of securities,
18 and, if so, a complete statement of the facts with respect
19 thereto.

20 (2) Consent to service and payment of fees. An appli-
21 cation for registration as a dealer shall be accompanied by (a)
22 a written consent to the service of process upon the commission
23 in actions against such dealer, conforming to the requirements
24 of Section 14, and (b) payment of the registration fee prescrib-
25 ed by subsection (8).

26 (3) Registration of dealers. When an applicant has
27 fully complied with the provisions of this Section and the rules
28 and regulations of the commission thereunder the director shall
29 register such applicant as a dealer in a register of dealers

1 and salesmen, unless the commission finds cause for denial as
2 provided for in Section 10. When the director has registered
3 an applicant as a dealer he shall immediately notify the appli-
4 cant of such registration by registered mail.

5 (4) Application for registration of salesmen. Appli-
6 cation for registration as a salesman may be made by any indivi-
7 dual. Such application for registration shall be signed by the
8 applicant and by the registered dealer employing or intending
9 to employ such applicant, and shall be duly verified by oath.
10 The application accompanied by the registration fee prescribed
11 in subsection (3) shall be filed with the commission, and shall
12 include the following together with such other information as
13 the commission may prescribe:

14 (a) Name and residence and business address of
15 the applicant.

16 (b) Name of the dealer employing or intending
17 to employ the applicant.

18 (c) Names and addresses of five (5) persons of
19 whom the director may inquire as to the character and busi-
20 ness reputation of the applicant.

21 (d) Age and education of applicant.

22 (e) The nature of employment and name and
23 address of each employer of the applicant for the ten (10)
24 years immediately preceding the date of application.

25 (f) A statement showing whether the applicant
26 has been registered as a dealer in or salesman of securities
27 under laws of other states or territories or as a broker or
28 dealer under the Securities Exchange Act of 1934, and if
29 any such registration has been denied, cancelled, suspended

Page 24, Line 17. Delete Lines 17 through 21 and add the following:
"within 60 days of filing the application and all other documents
required of the applicant shall register such applicant as a
salesman in a register of dealers and salesmen, unless the Commis-
sion finds cause for denial as provided for in Section _____.
When the director has registered an applicant as a salesman he
shall immediately notify the applicant of such registration by
registered or certified mail."

1 or revoked, a complete statement of the facts with respect
2 thereto.

3 (g) A statement showing whether the applicant
4 has, within the past ten (10) years, been convicted of or
5 charged with a felony or misdemeanor of which fraud is an
6 essential element, or a felony or misdemeanor involving
7 the purchase or sale of securities, and, if so, a complete
8 statement of the facts with respect thereto.

9 (h) A statement showing whether the applicant
10 has been enjoined or restrained by a court of competent
11 jurisdiction in connection with the purchase or sale of
12 securities, and, if so, a complete statement of the facts
13 with respect thereto.

14 (5) Registration of salesmen. When an applicant has
15 fully complied with the provisions of this Section and of the
16 rules and regulations of the commission thereunder the director
17 shall register such applicant as a salesman in a register of
18 dealers and salesmen, unless the commission finds cause for
19 denial as provided for in Section 11. When the director has
20 registered an applicant as a salesman he shall immediately noti-
21 fy the applicant of such registration by registered mail.

22 (6) Record and renewal of registration. The names
23 and addresses of all persons who have been registered as dealers
24 or salesmen, and all orders with respect thereto, shall be re-
25 corded in a register of dealers and salesmen in the office of
26 the director. Each registration under this Section shall expire
27 one year from the effective date of registration. Registration
28 of dealers and salesmen may be renewed each year, at any time
29 not less than fifteen (15) and not more than sixty (60) days.

Page 24, Line 17. Delete Lines 17 through 21 and add the following:
"within 60 days of filing the application and all other documents
required of the applicant shall register such applicant as a
salesman in a register of dealers and salesmen, unless the Commis-
sion finds cause for denial as provided for in Section _____.
When the director has registered an applicant as a salesman he
shall immediately notify the applicant of such registration by
registered or certified mail."

1 before the expiration thereof, by:

2 (a) The payment of the required registration
3 fee;

4 (b) The filing of a supplemental statement show-
5 ing any changes in the facts set forth in the original
6 application for registration as thereafter supplemented or
7 amended; and

8 (c) In the case of a dealer, the filing of a
9 balance sheet, profit and loss and surplus statements, pre-
10 pared in accordance with generally accepted accounting
11 principles certified by an independent public or certified
12 public accountant, showing the financial condition of such
13 dealer as of the most recent practicable date.

14 (7) Notification of change of dealer personnel.

15 Upon any change in the proprietors, partner, officers or direct-
16 ors of a registered dealer, such registered dealer shall prompt-
17 ly notify the director in writing of such changes. The director
18 shall record such changes, without fee, in the register of
19 dealers and salesmen.

20 (8) Fees. The fee for registration and for each
21 annual renewal thereof shall be:

22 (a) For each dealer employing not more than 3
23 salesmen in this Territory, \$50.00.

24 (b) For each dealer employing more than 3, but
25 not more than 5, salesmen in this Territory, \$75.00.

26 (c) For each dealer employing more than 5 sales-
27 men in this Territory, \$100.00.

28 (d) For each salesman, \$5.00.

29 The registration fee for any dealer who deals

1 exclusively in securities of which such dealer is the
2 issuer shall equal 10% of the fees scheduled in (a), (b)
3 and (c) of this subsection.

4 (9) Notification of termination of employment of
5 salesman. Each registered dealer shall promptly notify the
6 director of the termination of the employment of a registered
7 salesman; and the registration of such salesman shall automati-
8 cally be suspended from the time of termination of such employ-
9 ment until such time as he is again employed by a registered
10 dealer, and the director is so notified by such dealer in writ-
11 ing.

12 (10) Filing of additional information. The commis-
13 sion or the director may also require the submission of such
14 additional information as to applicant's previous history, re-
15 cord or business experience as may be deemed necessary to deter-
16 mine whether the applicant should be registered as a dealer or
17 salesman under this Section.

18 Sec. 10. DENIAL, SUSPENSION OR REVOCATION OF REGISTRATION
19 OF DEALERS AND SALESMEN.

20 (1) Denial, revocation or suspension of registration
21 of dealers. The commission may, after a hearing or notice and
22 opportunity for hearing as provided in Section 11, enter an
23 order denying or revoking, or suspending such suspension not to
24 exceed a period of one year, the registration of a dealer if the
25 commission finds that the application for registration of such
26 dealer, or any financial statement, or other document or exhibit
27 filed therewith, or any supplement or amendment thereto is in-
28 complete, inaccurate or misleading, or if it finds that such
29 dealer:

- 1 (a) Is insolvent or is in an unsound financial
- 2 condition; or
- 3 (b) Has violated any provision of the Act or any
- 4 rule, regulation or order of the commission thereunder; or
- 5 (c) Purchases or sells securities at such
- 6 variations from current market prices as, in the light of
- 7 all the circumstances, are unconscionable; or
- 8 (d) Has failed to file with the commission any
- 9 record, report, financial statement or other information
- 10 required under this Act or any rule, regulation or order
- 11 of the commission thereunder, or has refused to permit an
- 12 examination into his affairs; or
- 13 (e) Is lacking in integrity, or is not of good
- 14 business reputation, or is not qualified by training or
- 15 experience; or
- 16 (f) Has knowingly retained a salesman after
- 17 notice that such salesman has committed an offense under
- 18 the Act; or
- 19 (g) Has been convicted within ten (10) years pre-
- 20 ceding the date of filing of such application for registra-
- 21 tion as a dealer, or at anytime thereafter, of any felony
- 22 or misdemeanor involving any transaction in securities, or
- 23 of which fraud is an essential element, or arising out of
- 24 the conduct of any business in securities; or
- 25 (h) Is permanently or temporarily enjoined by
- 26 order, judgment or decree of any court of competent juris-
- 27 diction from engaging in or continuing any conduct or
- 28 practice in connection with the sale or purchase of securi-
- 29 ties; or

1 (1) Is subject to an order of the Securities
2 and Exchange Commission denying or revoking registration
3 as a broker or dealer in securities under the Securities
4 Exchange Act of 1934, or is subject to an order denying
5 or revoking membership in a national securities association
6 registered under the Securities Exchange Act of 1934, or
7 has been suspended for a period exceeding six (6) months
8 or expelled from membership in a national securities
9 exchange registered under the Securities Exchange Act of
10 1934; or

11 (j) Has been guilty of any fraudulent act or
12 practice in connection with the purchase or sale of securi-
13 ties.

14 It shall be sufficient cause for denial, revocation
15 or suspension of registration of a dealer as provided in
16 this Section, if such dealer is a partnership, corporation,
17 unincorporated association or trust, if any member of such
18 partnership or any officer or director of such corporation
19 or unincorporated association or any trustee or other fi-
20 duciary of such trust or any person controlling, controlled
21 by, or under common control with such dealer, has been
22 guilty of any act or omission which would be sufficient
23 ground for denying or revoking the registration of an
24 individual dealer.

25 (2) Denial, revocation or suspension of registration
26 of salesmen. The commission may, after a hearing or notice and
27 opportunity for hearing as provided in Section 12, enter an
28 order denying or revoking, or suspending, such suspension not
29 to exceed a period of one year, the registration of a salesman

1 if the commission finds that the application for registration
2 of such salesman, or any statement, document or other exhibit
3 filed therewith, or any supplement or amendment thereto, is
4 incomplete, inaccurate or misleading, or if it finds that such
5 salesman:

6 (a) Has violated any provision of this Act or
7 any rule, regulation or order of the commission thereunder;
8 or

9 (b) Has failed to file with the commission any
10 record, report or other information required under this
11 Act or any rule, regulation, or order of the commission
12 thereunder, or has refused to permit an examination into
13 his affairs; or

14 (c) Is lacking in integrity or is not of good
15 business reputation; or

16 (d) Is not employed by a registered dealer; or

17 (e) Has been convicted within ten (10) years
18 preceding the date of filing of such application for regis-
19 tration as a salesman, or at anytime thereafter, of any
20 felony or misdemeanor involving any transaction in securi-
21 ties, or of which fraud is an essential element, or arising
22 out of the conduct of any business in securities; or

23 (f) Is permanently or temporarily enjoined by
24 order, judgment or decree of any court of competent juris-
25 diction from engaging in or continuing any conduct or
26 practice in connection with the sale or purchase of
27 securities; or

28 (g) Is subject to an order of the Securities
29 and Exchange Commission denying or revoking registration

1 as a broker or dealer in securities under the Securities
2 Exchange Act of 1934, or is subject to an order denying or
3 revoking membership in a national securities association
4 registered under the Securities Exchange Act of 1934, or
5 has been suspended for a period exceeding six (6) months
6 or expelled from membership in a national securities ex-
7 change registered under the Securities Exchange Act of
8 1934; or

9 (h) Has been guilty of any fraudulent act or
10 practice in connection with the purchase or sale of
11 securities.

12 (3) Entry of denial, revocation or suspension order.
13 If, after hearing or notice and opportunity for hearing as pro-
14 vided in Section 12, the commission finds grounds to deny, re-
15 voke or suspend the registration of any dealer or salesman, the
16 director shall enter an order in the register of dealers and
17 salesmen denying, revoking or suspending the registration of
18 such dealer or salesman. Such order shall state specifically
19 the grounds for its issuance. A copy of such order shall be
20 sent by registered mail to the dealer or salesman whose registra-
21 tion is denied, revoked or suspended thereby and, if the denial,
22 revocation or suspension of the registration is that of a sales-
23 man, to the registered dealer who employs such salesman. Denial,
24 suspension or revocation of the registration of a dealer shall
25 also suspend or revoke the registration of all his salesmen; but
26 suspension or revocation of the registration of a salesman sole-
27 ly because he was employed by a dealer whose registration was
28 denied, suspended or revoked shall not prejudice subsequent
29 applications for registration by such salesman.

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1 (4) Temporary suspension orders. If the commission
2 has reasonable grounds to believe that a registered dealer or
3 salesman has been guilty of any act or omission which would be
4 sufficient ground for denying or revoking the registration of
5 such dealer or salesman, it may enter an order temporarily sus-
6 pending the registration of such dealer or salesman pending an
7 examination into his affairs, or pending a hearing or notice
8 and opportunity for hearing as provided in Section 12. Such
9 suspension order shall state specifically the grounds for its
10 issuance. Upon the entry of such temporary suspension order,
11 or of an order withdrawing a temporary suspension order pre-
12 viously entered, the director shall send a copy of such order,
13 by registered mail, to the dealer or salesman whose registra-
14 tion is affected thereby at his business address, and, if such
15 order affects the registration of a salesman, to the registered
16 dealer who employs such salesman.

17 Sec. 11. HEARINGS.

18 (1) Initiation of hearings. Hearings may be ordered
19 by the commission upon its own initiative or at the written re-
20 quest of any interested person, either before or after registra-
21 tion of securities, dealers, or salesmen:

22 (a) For the purpose of administering or obtain-
23 ing information necessary in the enforcement of this Act or
24 the rules, regulations or orders of the commission there-
25 under; or

26 (b) To enable the commission to take appropriate
27 action in connection with any pending application for regis-
28 tration of any securities, or any dealer or salesman; or

29 (c) To modify the terms and conditions of any

1 registration; or

2 (d) To determine whether the registration of any
3 securities or of any dealer or salesman should be denied,
4 suspended or revoked.

5 (2) Notice of hearing or opportunity for hearing.

6 Before entering an order denying or revoking the registration
7 of any securities as provided in Section 7, the commission shall
8 send to the issuer of such securities, (and if the application
9 for registration of such securities was filed by a registered
10 dealer, to such registered dealer), a notice of hearing or
11 notice of opportunity for hearing. Before entering an order
12 denying or revoking or suspending except temporarily the regis-
13 tration of a dealer or salesman as provided in Section 10, the
14 commission shall send to such dealer or salesman, (and if a
15 salesman to the registered dealer who employs or intends to
16 employ such salesman), a notice of hearing or notice of oppor-
17 tunity for hearing. Notices of hearing or notices of oppor-
18 tunity for hearing shall be sent by registered mail, return re-
19 ceipt requested, to the addressee's business address or to the
20 statutory agent of record. Such notice shall contain a state-
21 ment of the matters to be considered and, if a notice of oppor-
22 tunity for hearing, shall set forth that the person to whom such
23 notice is sent will be afforded a hearing upon request to the
24 commission if such request is made in writing within ten days
25 after receipt of the notice. Whenever a person requests a hear-
26 ing in accordance with the provisions of this Section, the com-
27 mission shall set a date, time and place for such hearing and
28 shall forthwith notify the person requesting such hearing there-
29 of. The date set for such hearing shall be within fifteen (15)

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1 days, but not earlier than five (5) days, after the request for
2 hearing has been made, unless otherwise agreed to by both the
3 commission and the person requesting such hearing. If the hear-
4 ing is initiated by the commission the notice of hearing shall
5 specify the date, time and place thereof. The date of such
6 hearing shall be within fifteen (15) days of the date of the
7 notice of hearing.

8 (3) Rules governing conduct of hearings. Any hear-
9 ing under this Section may be held before the commission, a
10 member thereof, the director, or other authorized officer of
11 the commission as the commission may direct, and conduct of such
12 hearing shall be governed by this Section, and by the rules of
13 practice and procedure which may be adopted by the commission.
14 Neither the commission nor any member thereof, nor the director,
15 nor other authorized officer of the commission shall be bound
16 by the technical rules of evidence in the conduct of hearings
17 under this Section, and no informality in any proceeding, as in
18 the manner of taking testimony, shall invalidate any order,
19 decision, rule or regulation made, approved or confirmed by
20 the commission. A record fairly scrutinizing all proceedings
21 and testimony shall be made of each hearing by the commission,
22 and such record shall be reduced to writing and filed with the
23 commission.

24 (4) Rehearings may be instituted or granted by the
25 commission and shall be subject to the provisions of this Section.

26 Sec. 12. APPEALS.

27 (1) Notice of appeal. An appeal may be taken from
28 any final order of the commission under this Act by any person
29 adversely affected thereby to the United States District Court

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1 or a court of competent jurisdiction by serving on the commis-
2 sion within twenty (20) days after the date of entry of such
3 order a written notice of appeal, signed by the appellant, stat-
4 ing:

5 (a) The order from which the appeal is taken;

6 and

7 (b) The grounds upon which a reversal or modifi-
8 cation of such order is sought; and

9 (c) A demand for a certified transcript of the
10 record of such proceeding.

11 (2) Certification of record. Upon receipt of such
12 notice of appeal, the commission shall, within twenty (20) days
13 thereafter, make, certify and deliver to the appellant a copy
14 of the record of the proceeding from which the appeal is taken;
15 provided, that the appellant shall pay the costs of such record.
16 The appellant shall, within five (5) days after receipt of such
17 record, file such record and a copy of the notice of appeal with
18 the clerk of the court. Said notice of appeal and transcript
19 shall constitute the record on appeal. The court shall sit as
20 an appellate court, without a jury.

21 (3) Mandate of court. If the order of the commission
22 shall be reversed or modified, the court shall specifically
23 direct the commission as to its further action in the matter,
24 including the making and entering of any order or orders in
25 connection therewith, and the conditions, limitations, or
26 restrictions to be therein contained.

27 Sec. 13. CONSENT TO SERVICE. Where a consent to service
28 of process is required under this Act, such consent to service
29 of process shall be in the form prescribed by the commission,

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1 shall be irrevocable, and shall provide that actions arising out
2 of or involving the sale or purchase of any securities in viola-
3 tion of this Act may be commenced against the person executing
4 such consent in any court of competent jurisdiction and proper
5 venue within this Territory, by the service of process or plead-
6 ings upon the commission. Service of any such process or plead-
7 ing in any such action against a person who has filed a consent
8 to service with the commission shall, if made on the commission,
9 be made by service of duplicate copies, one of which shall be
10 filed in the office of the director, and the other immediately
11 forwarded by the director by registered mail to the person
12 against whom such process or pleading is directed at his latest
13 address on file in the office of the director.

14 Sec. 14. FRAUDULENT PRACTICES PROHIBITED.

15 (1) Fraud in sale or purchase of securities. It
16 shall be a fraudulent practice and it shall be unlawful for any
17 person, in connection with any transaction or transactions
18 within or from this Territory involving any offer to sell or
19 to buy securities, or any sale or purchase of securities, includ-
20 ing any securities exempted under Section 4 and including any
21 transactions exempted under Section 5, directly or indirectly:

22 (a) To employ any device, scheme or artifice to
23 defraud; or

24 (b) To make any untrue statement of material
25 fact, or to omit to state any material fact necessary in
26 order to make the statements made in the light of the
27 circumstances under which they were made, not misleading;

28 or

29 (c) To engage in any transaction, practice, or

1 course of business which operates or would operate as a
2 fraud or deceit.

3 (2) Filing of misleading information with commission.
4 It shall be a fraudulent practice and it shall be unlawful:

5 (a) For any person to subscribe to or make or
6 cause to be made any untrue statement of a material fact in
7 any application, registration statement, prospectus,
8 financial statement or document required to be filed under
9 any provision of this Act or any rule, regulation or order
10 of the commission thereunder; or

11 (b) To omit or cause to be omitted from any
12 such application, registration statement, prospectus,
13 financial statement, or other statement or document, any
14 material fact or statement necessary in order to make the
15 statements made therein, in the light of the circumstances
16 under which they were made, not misleading.

17 (3) Misrepresentation of effect of registration of
18 securities. Neither the fact that securities are registered
19 under this Act nor the fact that registration of such securities
20 has not been denied, suspended or revoked shall be deemed a
21 finding by the commission or by the director that the registra-
22 tion statement, application for registration, prospectus, or
23 any financial statement, or other document or exhibit filed
24 therewith is true or accurate, or does not contain untrue state-
25 ments of material facts, or omit material facts, or to mean that
26 the commission or the director has passed upon the merits of or
27 otherwise approved the securities so registered, and it shall
28 be a fraudulent practice and it shall be unlawful for any person
29 to make or cause to be made any prospective purchaser of such

1 securities any statement or other representation contrary to
2 the foregoing.

3 (4) Misrepresentation of effect of registration of
4 dealers or salesmen. Neither the fact that a dealer or sales-
5 man is registered under this Act nor the fact that the regis-
6 tration of such dealer or salesman has not been denied, sus-
7 pended or revoked shall be deemed a finding by the commission
8 or by the director that such dealer or salesman is of good
9 business reputation or is not lacking in integrity, or is not
10 insolvent, or that the application for registration of such
11 dealer or salesman, or any financial statement, document or
12 exhibit filed therewith is true or accurate, or does not con-
13 tain untrue statements of material facts or omit material facts,
14 and it shall be a fraudulent practice and it shall be unlawful
15 for any dealer or salesman in connection with any transaction
16 involving the purchase or sale of securities to make any state-
17 ment or other representation contrary to the foregoing.

18 (5) Violation made felony. Any violation of this
19 Section shall be a felony subject to penalty as provided in
20 Section 17.

21 Sec. 15. CEASE AND DESIST ORDERS; INJUNCTIONS AND PROSECU-
22 TIONS FOR VIOLATIONS. Whenever it shall appear to the commis-
23 sion either upon complaint or otherwise, that any person has
24 engaged in, or is engaging in, or is about to engage in any act,
25 practice or transaction which constitutes a violation of this
26 Act or of any rule, regulation or order of the commission there-
27 under, the commission may in its discretion:

28 (1) Issue an order directing such person to cease and
29 desist from engaging in such act, practice or transaction, or

1 doing any act in furtherance thereof.

2 (2) Apply to the United States District Court or a
3 court of competent jurisdiction for an injunction restraining
4 such person from engaging in such act, practice or transaction,
5 or doing any act in furtherance thereof, and upon a proper show-
6 ing a permanent or temporary injunction or restraining order
7 shall be granted without bond. Process in such actions may be
8 served upon the defendant in any district of Alaska where such
9 defendant transacts business or where he may be found.

10 (3) Transmit such evidence as may be available con-
11 cerning such act, practice or transaction to the Attorney Gener-
12 al whereupon he may petition the United States District Court or
13 a court of competent jurisdiction for the appointment of a con-
14 servator to reorganize the affairs of, or a receiver to wind up,
15 the affairs of, the violator under this Act. Process in such
16 actions may be served upon the defendant in any district of
17 Alaska where the defendant transacts business or where he may be
18 found.

19 (4) Transmit such evidence as may be avail-
20 able concerning such act, practice or transaction to the
21 United States or prosecuting attorney who may, in his dis-
22 cretion, cause to be instituted the necessary criminal pro-
23 ceedings in a United States District Court or a court of
24 competent jurisdiction of Alaska where the sale or trans-
25 action occurred.

26 Sec. 16. CIVIL REMEDIES.

27 (1) Remedy for voidable sales. The sale or contract for
28 sale of any securities to any purchaser in violation of any pro-
29 vision of Secs. 3, 8 or 14 of this Act shall be voidable at the

1 election of the purchaser, who may sue either at law or in
2 equity in any court of competent jurisdiction to recover the
3 consideration paid for such securities with interest thereon,
4 taxable court costs and reasonable attorneys' fees, less the
5 amount of any income received by dividend or otherwise from
6 ownership of such securities upon tender of the securities pur-
7 chased or the contract made, or for damages if he no longer owns
8 the securities.

9 (2) Remedy for voidable purchases. The purchase or
10 contract for purchase from a seller of securities made in viola-
11 tion of Section 8 or Section 14 (1) or (4) of this Act shall be
12 voidable at the election of the seller of such securities who
13 may sue either ^{at} law or in equity in any court of competent juris-
14 diction to recover the amount of his damages, with interest
15 thereon, taxable court costs and reasonable attorneys' fees.

16 (3) Liability of offending sellers and purchasers.
17 Any action brought under subsection (1) or (2) may be brought
18 against any person, including any dealer, salesman or agent,
19 who made, participated in or induced the unlawful sale or pur-
20 chase, and such persons shall be jointly and severally liable to
21 the purchaser or seller entitled to maintain such action.

22 (4) Limitation of civil actions. No civil action
23 under this Section shall be maintained to enforce any liability
24 based upon a violation of Section 3 or 8 of this Act unless
25 brought within two years after the violation upon which it is
26 based. No civil action under this Section shall be brought to
27 enforce any liability based upon a violation of Section 14 of
28 this Act unless brought within one year after discovery of the
29 fraudulent practice upon which such liability is based, or after

1 such discovery should have been made by the exercise of reason-
2 able diligence, and in no event shall any such action be brought
3 more than three years after the fraudulent practice occurred.

4 (5) Remedy not exclusive. Nothing in this Section
5 shall otherwise limit any statutory or common law right of any
6 person in any court for any act involved in the sale of securi-
7 ties.

8 Sec. 17. PENALTIES.

9 (1) Felonies. Any person who shall wilfully violate
10 any provision of Section 3, Section 8, or Section 14 of this
11 Act shall be deemed guilty of a felony and upon conviction
12 thereof shall be punished by a fine of not less than \$500.00
13 and not more than \$5,000.00, or by imprisonment for not less
14 than one (1) year, or by both such fine and imprisonment.

15 (2) Misdemeanors. Any person who shall wilfully
16 violate any provision of this Act or any rule, regulation or
17 order of the commission thereunder, for which penalty is not
18 provided in subsection (1), shall be deemed guilty of a mis-
19 demeanor and upon conviction thereof shall be punished by a fine
20 of not less than \$100.00 and not more than \$500.00 or by impris-
21 sonment for not more than one (1) year, or by both such fine
22 and imprisonment.

23 Sec. 18. EVIDENTIARY MATTERS.

24 (1) Burden of proof of exemptions. In any action,
25 civil or criminal, where a defense is based upon any exemption
26 provided for in this Act, the burden of proving the existence of
27 such exemption shall be upon the party raising such defense, and
28 it shall not be necessary to negative any such exemption in any
29 petition, complaint, information or indictment, laid or brought

1 in any proceeding under this Act.

2 (2) Evidence of registration or lack of registration,
3 A certificate signed by the chairman or member of the commission
4 or by the director and under seal of the commission showing that
5 securities have or have not been registered under this Act or
6 that a dealer or salesman has or has not been registered as pro-
7 vided in Section 9 shall constitute evidence of the facts so
8 certified and shall be admissible in evidence in any action or
9 proceeding, civil or criminal, in which the question of such
10 registration may be at issue.

11 (3) Evidence of record of proceedings. A certificate
12 signed by the chairman or any member of the commission or by
13 the director, and under seal of the commission, in regard to
14 the record of any proceeding under this Act for denial, revoca-
15 tion or suspension of the registration of securities or the
16 registration of any dealer or salesman shall constitute evidence
17 of such record and shall be admissible in any proceeding, civil
18 or criminal, in which such record may be at issue.

19 Sec. 19. INTENT AND CONSTRUCTION. The intent and purpose
20 of this Act is for the protection of the public, the preserva-
21 tion of fair and equitable business practices, the suppression
22 of fraudulent or deceptive practices in the sale or purchase of
23 securities, and the prosecution of persons engaged in fraudulent
24 or deceptive practices in the sale or purchase of securities.
25 This Act shall not be given a narrow or restricted interpretation
26 or construction, but shall be liberally construed as a remedial
27 measure in order not to defeat the purpose thereof.

28 Sec. 20. SPECIAL POWERS OF COMMISSION.

29 (1) General rule making power. The commission shall

1 have authority from time to time to make, amend, and rescind
2 such rules and regulations as may be reasonably necessary to
3 carry out the provisions of this Act.

4 (2) Power to exempt certain securities and trans-
5 actions. The Commission may from time to time by its rules
6 and regulations, and subject to such terms and conditions as may
7 be prescribed therein, add any class of securities or trans-
8 actions to the securities or transactions exempted as provided
9 in Sections 4 and 5, if it finds that registration of such
10 securities under this Act is not necessary in the public inter-
11 est and for the protection of investors by reason of the
12 special characteristics of the securities or transactions, the
13 small amount involved, or the limited character of the offering;
14 but no issue of securities shall be exempted under this sub-
15 section where the aggregate amount of the issue exceeds
16 \$100,000.00

17 (3) Investigations. The commission, or the director
18 or other agent or agents designated by the commission may at any
19 time either prior to or subsequent to the registration of any
20 securities or of any dealer or salesman investigate and examine
21 into the affairs of any person issuing or dealing in or selling
22 or intending to issue, deal in or sell securities, or into the
23 affairs of any person when the commission has grounds to believe
24 that such person is or may be issuing or dealing in or selling
25 securities.

26 (4) Power to require testimony and production of re-
27 cords. For the purpose of all investigations or hearings which,
28 in the opinion of the commission, are necessary and proper for
29 the enforcement of this Act, any member of the commission, the

1 director, or any officer or officers designated by the commis-
2 sion are empowered to administer oaths and affirmations, sub-
3 poena witnesses, take evidence, and require by subpoena duces
4 tecum or by citation the production of any books, papers, or
5 other documents which the commission deems relevant or material
6 to the inquiry.

7 (5) Privilege against self-incrimination. No person
8 shall be excused from attending and testifying or from produc-
9 ing books, papers, contracts, agreements, and other documents
10 before the commission, or obedience to the subpoena of the
11 commission, any member thereof, the director, or any officer
12 designated by the commission, or in any cause or proceeding
13 instituted by the commission, on the ground that the testimony
14 or evidence, documentary or otherwise, required of him, may tend
15 to incriminate him or subject him to a penalty or forfeiture;
16 but no individual shall be subjected to criminal prosecution
17 for or on account of any transaction, matter, or thing concern-
18 ing which he is compelled, after having claimed his privilege
19 against self-incrimination, to testify or produce evidence,
20 documentary or otherwise, except that such individual so testi-
21 fying shall not be exempt from prosecution and punishment for
22 perjury committed in so testifying.

23 (6) Definition of contempt and punishment therefor.
24 Contumacy or refusal to obey a subpoena or citation issued by
25 the commission, any member thereof, the director, or any officer
26 designated by the commission shall be a contempt of the commis-
27 sion and the commission may, after notice by citation and after
28 a hearing, punish the person committing such contempt by a fine
29 of not less than one hundred dollars (\$100.00) nor more than

1 fifteen hundred dollars (\$1,500.00), to be recovered as a penal-
2 ty by an action brought by the Attorney General in the name of
3 Alaska in the United States District Court or court of competent
4 jurisdiction. Process in any action brought by the Attorney
5 General under this subsection may be served upon the defendant
6 in any district of Alaska in which the defendant transacts
7 business or where he may be found.

8 (7) Escrow of certain securities. As a condition to
9 registration of securities under this Act, the commission may
10 in its discretion by order require that any securities issued
11 for or which are intended to be issued for any patent right,
12 copyright, trade mark, process, formula, good will, option,
13 lease, assignment, service, or other intangible asset, or for
14 fees or expenses in connection with the promotion or organiza-
15 tion of the issuer, shall be deposited in escrow agreement sub-
16 ject to the orders of the commission as to withdrawal or termi-
17 nation, and whereby the owners of such securities shall not be
18 entitled to sell or transfer such securities without the consent
19 of the commission. In case of dissolution or insolvency of the
20 issuer during the time such securities are held in escrow, the
21 owners of such securities shall not participate in any distri-
22 bution of assets until after the owners of all other securities
23 shall have been paid in full.

24 (8) Escrow of treasury stock. The commission may in
25 its discretion by order require as a condition to registration
26 of securities under this Act that all treasury stock of the
27 issuer or other securities issued and thereafter acquired by the
28 issuer, be deposited in escrow in a suitable depository, subject
29 to such terms and conditions as to release from escrow as the

1 commission.

2 (9) Impoundment of funds. As a condition to regis-
3 tration under this Act of securities of a speculative nature the
4 commission may by order impose reasonable restrictions and
5 conditions upon the use and disbursement of funds to be derived
6 from the sale of such securities, including the impoundment of
7 such funds in a depository satisfactory to the commission, sub-
8 ject to the orders of the commission and to such terms and
9 conditions as to release from impound as the commission may deem
10 necessary. For the purpose of this subsection an issue of a
11 speculative nature means one in which the business or earnings
12 of the issuer is based upon future developments and potentials
13 rather than on current tangible assets.

14 Sec. 21. JURISDICTION AND VENUE OF OFFENSES AND SUITS.

15 The United States District Courts or any courts of competent
16 jurisdiction shall have jurisdiction of offenses and violations
17 of this Act and the rules, regulations and orders of the commis-
18 sion thereunder, and of all suits at law or in equity brought
19 to enforce any liability or duty created under this Act. Any
20 such suit may be brought in the division or borough wherein the
21 defendant is found, or is an inhabitant or transacts business,
22 or in the division or borough where the transaction took place,
23 and in such cases, process may be served in any other division
24 or borough of which the defendant is an inhabitant or wherever
25 the defendant may be found.

26 Sec. 22. ADMINISTRATION OF ACT.

27 (1) Power to investigate. The securities commission,
28 and the several members thereof, shall have power to inspect and
29 investigate the property, books, papers, business, methods, and

1 affairs of any corporation whose stock shall be offered for sale
2 to the public and of any public service corporation doing busi-
3 ness within ^{Alaska} and for the purpose of the ~~commission~~, and of the
4 several members thereof, shall have the power of a court of
5 general jurisdiction to enforce the attendance of witnesses and
6 the production of evidence by subpoena, attachment, and punish-
7 ment, which said power shall extend throughout. Said commission
8 shall have power to take testimony under commission or deposi-
9 tion either within or without.

10 (2) Employment of additional personnel. The direc-
11 tor with the approval of the commission, may employ from time
12 to time such examiners, investigators, and clerical employees
13 as are necessary for the administration of this Act, and they
14 shall perform such duties as the director shall assign.

15 (3) Compensation of employees for expenses. The
16 director, and any person under his supervision shall be paid,
17 in addition to their regular compensation, the railroad fare,
18 board, lodging and other necessary traveling expenses actually
19 incurred by them in the performance of their duties under this
20 Act.

21 (4) Cooperation with other agencies. The director
22 shall cooperate with the administrators of the securities laws
23 of states and of the United States with a view to achieving maxi-
24 mum uniformity in the interpretation and enforcement of like
25 provisions of the laws administered by them.

26 (5) All fees collected under this Act shall be turned
27 into the general fund of the treasury of Alaska.

28 Sec. 23. SEPARABILITY OF PROVISIONS. If any provision or
29 provisions of this Act shall be held invalid, the remainder of

1 this Act shall not be affected thereby.

2 Sec. 24. SAVING OF CERTAIN RIGHTS AND LIABILITIES THERE-
3 UNDER.

4 (1) The provisions of all laws impliedly or otherwise
5 repealed by this Act shall remain in force for the prosecution
6 and punishment of any person who, before the effective date of
7 this Act, shall have committed any act contrary to the provi-
8 sions of any law in force at the time such offense was commit-
9 ted, and such person may be prosecuted and punished under the
10 law as it existed when such violation occurred.

11 (2) In case of sales, contracts, or agreements made
12 prior to the effective date of this Act, all rights and liabili-
13 ties of the parties thereto shall remain as provided by the law
14 as it existed at the time such sales, contracts, or agreements
15 were made.

16 *Sec. 25. Apprs. Clause*
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