

## CHAPTER 408—H. F. No. 571

*An act to amend the title of Chapter 66, Laws of 1927, and Mason's Minnesota Statutes of 1927, Section 3996-1, Subdivisions (4) and (6), Section 3996-2, as amended by Laws 1931, Chapter 404, Section 3996-3, Subdivisions (5) and (7), Section 3996-5, Section 3996-6, Section 3996-7, Section 3996-9, Section 3996-10, Section 3996-11, Section 3996-15, Section 3996-17, and Section 3996-19, relating to the regulation of sales and purchases, and attempted sales and purchases, within the State of Minnesota of stocks, bonds, notes and other securities and agreements.*

Be it enacted by the Legislature of the State of Minnesota:

Section 1. **Title amended.**—That the title to Chapter 66, Laws 1927, be and the same hereby is amended so as to read and be as follows:

An Act to Protect Investors (as hereinafter defined) by Regulating Sales and Purchases and Attempted Sales and Purchases within the State of Minnesota, of Stocks, Bonds, Notes, Debentures, Commercial Paper, Evidences of Indebtedness, Investment Contracts, Interests in or under Profit Sharing or Participating Agreements or Schemes, and Interests in Trusts or Pretended Trusts; all hereinafter called Securities: by defining Words, Phrases, and Terms used in this Act; by fixing the Scope of the Regulation in this Act provided and prescribing the Conditions under which Securities may be sold, bartered, or exchanged or offered therefor; by providing for enforcement of this Act through Public Agencies and otherwise; *by providing for Receivership of Assets of Persons selling Securities; by providing for the services of the Bureau of Criminal Apprehension in connection with Enforcement of this Act and prescribing its Duties in relation thereto; by providing for Advancement upon the Court Calendar of certain cases arising under this Act; by defining and prohibiting Schemes or Artifices to Defraud in connection with the Sale of Securities within the State of Minnesota; And by prescribing and imposing Penalties for Violation of or Non-compliance with this Act.*

Sec. 1. **Definitions.**—*A.* That Mason's Minnesota Statutes of 1927, Section 3996-1, Subdivision (4), be amended so as to read as follows:

"(4) 'Broker' shall mean and include every person who engages, or professes to engage, either for all or part of his time, directly or through an agent, in the business of accepting and executing buy and sell orders for securities of which he is not the issuer, or owner.

**Sec. 2. Definitions.**—That Mason's Minnesota Statutes of 1927, Section 3996-1, Subdivision (6), be amended so as to read as follows:

"(6) 'Agent' shall mean and include every person, other than a broker or dealer employed, appointed, or authorized, by an issuer, dealer or broker to sell securities. The term 'agent' shall not include the partners of a partnership or officers of a corporation or association licensed as a broker, or dealer, or for whom securities are registered; provided that the term 'officers' as used in this paragraph shall not include the directors of a corporation."

**Sec. 3. Definitions.**—That Mason's Minnesota Statutes of 1927, Section 3996-1, be amended by adding thereto a new subdivision, to be designated as Subdivision (9);

"(9) 'Dealer' shall mean and include every person who engages or professes to engage in selling directly or through an agent in the course of continued and successive sales any securities of which he is not the issuer for another, or who purchases and acquires for himself or another any securities of which he is not the issuer for the purpose of reselling the same to others, and of buying, selling or otherwise dealing or trading in (such) securities for himself or for another."

**Sec. 4. Securities exempted from operation of certain provisions of law.**—That Mason's Minnesota Statutes of 1927, Section 3996-2, as amended by Laws 1931, Chapter 404, be amended so as to read as follows:

"The provisions of Sections 4, 5, 6, and 7 of this Act, with respect to the registration of securities, shall not apply to the following securities:

(1) Any security issued or guaranteed by the United States or by any state or territory or insular possession thereof, or by the District of Columbia, or by any political sub-division or agency of a state, territory, or insular possession, or by the Dominion of Canada or any province or any political subdivision thereof, having the power of taxation or assessment.

(2) Any security issued by and representing an interest in, or issued by and representing a direct obligation of, a state bank organized and operating under the laws of Minnesota; and any security issued by a national bank or by a corporation or governmental agency created or existing by an Act of the Congress of the United States other than corporations created or existing under the code of laws for the District of Columbia or under the code of laws for any territory or possession of the United States, provided

that such corporation is subject to supervision or regulation by the Government of the United States.

(3) Any security issued or guaranteed either as to principal, interest or dividends, by a railroad which is subject to regulation or supervision either as to its rates and charges or as to the issue of its own securities by any *regulatory* board, body or official of the United States or of any state or territory or insular possession of the United States, or of the District of Columbia, and all securities senior thereto; also equipment notes, bonds or trust certificates, bases on chattel mortgages, leases, or agreements for conditional sale, of cars, motive power or other rolling stock mortgaged, leased or sold, to or furnished for the use of any railroad, and equipment notes, bonds or trust certificates where the ownership of title of such equipment is pledged or retained in accordance with the provisions of the laws of the United State or of any state, or of the Dominion of Canada, to secure the payment of such equipment notes, bonds or trust certificates; provided that such railroad is subject to regulation or supervision either as to its rates and charges or as to the issue of its own securities by a *regulatory* board, body or official having like powers, of the United States or of any state or territory or insular possession of the United States, or of the District of Columbia, and also any *interest bearing securities issued by a public service utility which utility is subject to regulation or supervision either as to its rates and charges or as to the issue of its own securities by a public service commission, or any board, body, or official having like powers, of the United States or of any state or territory, which security would, at the time of sale, qualify for registration under section 3996-6, sub-section 2a, Chapter 21 B, Mason's Minnesota Statutes of 1927.*

*"(3a) Securities listed on the New York Stock Exchange, New York Curb Exchange and Chicago Stock Exchange, which securities have been so listed pursuant to official authorization by such exchange, and all securities senior to any securities so listed, subscription rights so listed, or evidences of indebtedness guaranteed by companies any stock of which is so listed, such securities to be exempt only so long as such listing shall remain in effect."*

(4) *Any interest bearing securities listed on the New York Stock Exchange or New York Curb Exchange, which securities have been so listed pursuant to official authorization by either of said exchanges and all interest bearing securities senior to any interest bearing securities so listed, providing said securities are issued by any person owning a property, business, or industry which has been in continuous operation not less than five years, and which has shown during a period of not less than 3 years next prior to the*

*close of its last fiscal year preceding the offering of such securities, average annual net earnings, after deducting all prior charges, not including the charges upon securities to be retired out of the proceeds of sale, and assets (not including patents, copyrights, secret processés, formulas, goodwill, trade marks, trade brands, franchises, and other like intangible property), as of the date of the close of its last fiscal year preceding the offering of such securities together with the proceeds of the sale of such securities accruing to the issuer, of not less than one and one-half times the annual interest charge thereon and upon all other outstanding interest bearing obligations of equal rank, and assets at least equal to one hundred twenty-five percentum of the face value of such interest bearing securities, and all other obligations of equal or prior rank outstanding and not to be retired out of the proceeds of the sale of such securities.*

(5) Commercial paper or negotiable promissory notes, maturing not more than within six months from the date of issue.

(6) Any security issued by a corporation organized exclusively for social, religious, educational, benevolent, fraternal, charitable or reformatory purposes and not for pecuniary gain, and no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(7) Policy contracts of insurance companies licensed to do business in this state.

(8) Any security issued by a building and loan association organized under the laws of this state.

(9) Securities of any co-operative association organized in good faith under the laws of this state exclusively for the purpose of conducting upon the co-operative plan among its members, stockholders and patrons any or all of the following businesses: Any agricultural, dairy, livestock or produce business; the business of selling, marketing or otherwise handling, any agricultural, dairy, or livestock products, or other produce, raised or produced by the members, stockholders and patrons of such association, or by any co-operative association; the manufacture of anything from any agricultural, dairy or livestock products, or other produce, produced by the members, stockholders and patrons of such association; any business incidental to any of the above purposes; the operation of a rural telephone among its stockholders. Except as last hereinabove provided otherwise, all co-operative associations organized or existing under Chapter 326, Session Laws of Minnesota for 1923, shall be deemed within the purview of this Act; and any provision to the contrary in said Chapter 326, Laws 1923, is hereby repealed.

(10) *The commission may, by written order, temporarily suspend or wholly revoke the exempt status of any security exempted by this section.*

Sec. 5. **Sales excepted from operation of law.**—That Mason's Minnesota Statutes of 1927, Section 3996-3, Subdivision (5), be amended so as to read as follows:

(5) Any subscription for securities, when no cash or other consideration is paid by, or agreed to be paid by, the purchaser prior to the registration of the securities; provided, that all such subscriptions are expressly conditioned upon the registration of such securities within one year from the date of such subscription and otherwise to be null and void.

Sec. 6. **Same.**—That Mason's Minnesota Statutes of 1927, Section 3996-3, Subdivision (7), be amended so as to read as follows:

(7) The sale to any bank, savings institution, trust company, insurance company or licensed broker or dealer.

Sec. 7. **Registration by application.**—That Mason's Minnesota Statutes of 1927, Section 3996-5, be amended so as to read as follows:

Applications for registration of any securities subject to the provisions of this Act shall be made to the commission on forms prescribed by the commission, which application shall be signed, and sworn to by the applicant and shall contain such information relative to the securities covered by such applications as the commission may deem necessary to enable it to determine whether such securities shall be registered.

The commission shall have power, in connection with pending applications for registration, to require the applicant to furnish in such form as it shall designate any additional information necessary to enable it to properly pass on the application before it; to order an appraisal, audit or such other expert technical examination and report as may seem necessary; and, where the applicant is the issuer of the securities, or is selling same for the issuer as broker or dealer, to make an investigation of the books, records, property, business and affairs of such issuer.

Upon compliance with all the provisions of this Act applicable to such application and the requirements of the commission, the commission shall either register such securities or deny the application. The commission shall have power to place such conditions, limitations and restrictions on any registration as may be necessary

to carry out the purposes of this Act. Registration shall be by entry in a book called "Register of Securities," which entry shall show the securities registered and for whom registered, and the conditions, limitations and restrictions, if any, or shall make proper reference to a formal order of the commission on file showing such conditions, limitations and restrictions. A registration shall be made only for those on whose behalf application therefor was made, and shall authorize each of those for whom such registration was made to sell all or any portion of the securities so registered. A registration or registrations shall be good until exhausted by the sale of the securities so registered, or until suspended, cancelled or revoked, as hereinafter provided. The commission shall have power to deny an application for registration if the securities are fraudulent or if it appears to the commission that the sale thereof would work a fraud on purchasers thereof, or if the applicant has violated any of the provisions of this Act, or any registration or lawful order of the commission, or for good cause appearing to the commission. Denial shall be by written order."

**Sec. 8. Registration by notification.**—That Mason's Minnesota Statutes of 1927, Section 3996-6, be amended so as to read as follows:

"Whenever any securities required to be registered by the provisions of this Act fall within any of the following subsections of this section, any person entitled to have same registered may, in lieu of making application for registration as provided in Section 5 hereof, notify the commission of his intention to sell such securities, which notification shall be on forms prescribed by the commission, shall be signed and sworn to by the person giving the notice, and shall contain the following information:

- (a) Name of issuer.
- (b) Amount of issue and amount covered by the notification.
- (c) Statement that the securities fall within a designated subsection of this section.
- (d) A descriptive circular or statement briefly describing the securities.
- (e) The price at which the securities are to be sold.
- (f) Names of the issuer or licensed brokers or dealers, if any, on whose behalf the notification is given.

The commission shall, for a period of 24 hours only from and after the receipt of any such notification accompanied by the proper fee as provided in Section 17, have the same powers on such notifi-

cations as it has on applications for registrations, and the same powers to deny the registration or to register the securities. Failure of the commission to take any formal action on a notification within said 24 hour period shall constitute a registration, subject to the terms of the notification, for those on whose behalf the notification was given.

The securities which may be submitted by notification of intention to sell are as follows:

Subsection 1. Any notes or bonds secured by a first mortgage or deed of trust upon real estate or leaseholds on real estate (not including oil, gas or mining property) situated in any state or territory of the United States or in the District of Columbia or in the Dominion of C  nada.

(a) When the mortgage is upon agricultural lands used and valuable principally for agricultural purposes and the aggregate face value of the notes or bonds covered by such notification together with all notes or bonds already outstanding and equally secured by such mortgage does not exceed 70 per centum of the then fair market value of said lands, including any improvements appurtenant thereto.

(b) When the mortgage is upon city or village real estate or leaseholds and the aggregate face value of the notes or bonds covered by such notification together with all notes or bonds outstanding and equally secured by such mortgage does not exceed 70 per centum of the then fair market value of said real estate or leaseholds, including any improvements appurtenant thereto, and when said mortgaged property is used principally to produce through rental a net annual income, after deducting operating expenses and taxes, or has a fair rental value after deducting operating expenses and taxes, at least equal to the annual interest on such aggregate face value of notes or bonds plus not less than 3 per centum of the principal of said mortgage indebtedness.

(c) When the mortgage is upon city or village real estate or leaseholds upon which real estate or leaseholds a building or buildings is or are about in good faith forthwith to be erected according to the expressed terms of the mortgage and when reasonably adequate provision has been made for financing the full completion of said building free and clear of any lien superior to said mortgage, and the aggregate face value of the notes or bonds covered by such notification together with all notes or bonds outstanding and equally secured by such mortgage does not exceed 70 per centum of the fair market value of such mortgaged property, including the building or buildings to be erected thereon as aforesaid, and when said

mortgaged property is to be used principally to produce through rental a net annual income, after deducting operating expenses and taxes, or will have a fair rental value after deducting operating expenses and taxes, at least equal to the annual interest on such aggregate face value of notes or bonds plus not less than 3 per centum of the principal of said mortgage indebtedness.

Subsection 2. Securities issued by any person owning a property, business, or industry which has been in continuous operation not less than five years, and which has shown during a period of not less than three years or more than ten years next prior to the close of its last fiscal year preceding the offering of such securities, average annual net earnings, after deducting all prior charges, not including the charges upon securities to be retired out of the proceeds of sale, and assets (not including patents, copyrights, secret processes, formulas, good will, trade marks, trade brands, franchises, and other like intangible property), as of the date of the close of its last fiscal year preceding the offering of such securities together with the proceeds of the sale of such securities accruing to the issuer as follows:

(a) In the case of interest-bearing securities, not less than one and one-half times the annual interest charge thereon and upon all other outstanding interest-bearing obligations of equal rank, and assets at least equal to 125 per centum of the face value of such interest-bearing securities, and all other obligations of equal or prior rank outstanding and not to be retired out of the proceeds of the sale of such securities.

(b) In the case of preferred stock, not less than one and one-half times the annual dividend on such preferred stock and on all other outstanding stock of equal rank, and assets at least equal to 125 per centum of the par value of the aggregate amount of such preferred stock and all other outstanding preferred stock of equal rank, after the deduction from such assets of all indebtedness, which will be existing and all stock of senior rank which will be outstanding after the application of the proceeds of the preferred stock offered for sale.

(c) In the case of common stock, not less than 6 per centum upon all outstanding common stock of equal rank together with the amount of common stock then offered for sale, all reckoned upon the price at which said stock is then offered for sale or sold.

For the purpose of registering under this subsection securities of any issuer owning more than 50% of the outstanding voting stock of a subsidiary company, such issuer shall be deemed to be the owner of the business of the subsidiary company, and the earnings



of the subsidiary company applicable to the payment of dividends upon all stock of the subsidiary company owned by such issuer shall be considered as earnings of such issuer."

Sec. 9. **Additional registrations.**—That Mason's Minnesota Statutes of 1927, Section 3996-7, be amended so as to read as follows:

"Any issuer of registered securities for whom such registration was not made, and any licensed broker *or dealer* for whom any registration was not made, may, provided such registration is still in effect, serve notice on the commission of his intention to sell such registered securities or a portion thereof. Such notice must be in writing or by telegram, and when actually received by the commission shall constitute a registration of the securities for the person giving the notice. Such notice may be served as to securities to be registered and shall constitute a registration for the person giving the notice only upon the actual registration of the securities as in this Act otherwise provided. No fees shall be paid on such notices. The notice herein provided for shall not be construed to apply to an intention to sell a block of securities of the same issue as those covered by a registration, which block is not a part of such registered securities but in addition thereto. Where a block of securities is registered for more than one person each and every registration shall be exhausted when the total amount so registered has been sold under one or more of the registrations."

Sec. 10. **Brokers—licenses—applications.** — That Mason's Minnesota Statutes of 1927, Section 3996-9, be amended so as to read as follows:

"No broker *or dealer* shall sell or profess the business of selling, any securities unless or until he shall have been licensed as a broker *or dealer* as hereinafter provided.

To secure a broker's *or dealer's* license application shall be made to the commission on forms prescribed by said commission, which application shall be signed and sworn to by such applicant and shall contain, in addition to other information which the commission may require, applicant's name and address or addresses at which the business is to be conducted, the names and addresses of all officers of the applicant, if a corporation, and of all persons interested in said business, if a partnership or unincorporated association, and a statement of the business to be transacted. The commission shall have power, in connection with applications for brokers' *or dealers'* licenses, to require applicant to furnish in such form as it shall designate any additional information deemed necessary to enable it to properly pass on the application before it; to order an appraisal,

audit, or such other expert or technical examination and report as may seem necessary; and to make an investigation of the books, records, property, business and affairs of such applicant.

Upon compliance by an applicant for a broker's or dealer's license with the provisions of this act and the requirements of the commission, the commission shall either issue a license as prayed, or deny the application. The commission shall have power to deny if the applicant is not solvent, is of bad business repute, has violated any of the provisions of this Act, or any registration, license or lawful order of the commission, or has engaged in or is about to engage in any fraudulent transaction, or if it appears to the commission that the sale of securities by such applicant would work a fraud on purchasers thereof, or for good cause to the commission appearing. Denial shall be by written order.

Brokers' or dealers' licenses shall be good for one year from date of issuance, unless sooner suspended, cancelled or revoked, as hereinafter provided, and shall authorize the licensee therein named to transact business as a broker or dealer as herein defined and subject to provisions of this Act.

The commission shall have power in connection with any broker's or dealer's license which is not revoked or cancelled to require the licensee to furnish to the commission in such form as it may designate any information deemed necessary to assist the commission in determining whether such license should remain in force, whether such licensee is solvent, whether such licensee has violated or is about to violate any of the provisions of this Act or any registration, license or lawful order of the commission, has sold or is about to sell any fraudulent securities, has engaged in or is about to engage in any fraudulent transaction, or whether the sale of securities by such licensee will work a fraud on purchasers.

In such case the commission shall also have power to make an examination and investigation of the books, records, papers, accounts, property, business and affairs of such licensee, and to make or cause to be made on its behalf an audit of the accounts, books and records of such licensee, and by its order to require such licensee to permit such examination, investigation and audit to be made, and to require such licensee to submit to the commission his books, papers, records and accounts for the purpose of such examination, investigation and audit. Whenever the commission is in possession of information indicating that the licensee is not solvent, is of bad business repute, has violated or is about to violate any of the provisions of this act, or any registration, license or lawful order of the commission, has engaged in or is about to engage in any fraudulent transaction, or that the sale of securities by such licensee would

work a fraud on purchasers thereof, or for good cause appearing to the commission, it may issue its order requiring such licensee to show cause why his license should not be revoked. In any such order the commission shall fix the time and place for hearing thereon, at which time a hearing shall be had. Any license may be suspended pending the final determination of any order to show cause, during which suspension it shall be unlawful for such licensee to transact any business as a broker or dealer. After the hearing the commission shall enter its order vacating such order to show cause and suspension, or permanently revoking the license, or making such other disposition of the matter as the facts require.

A broker's or dealer's license may be cancelled by the commission at any time at the request of the licensee.

*Whenever it shall appear from evidence satisfactory to the Commissioner of Securities that any securities are being sold, have been sold, or are about to be sold, and with fraudulent intent, in violation of any of the provisions of this Act, or that in the issuance, sale, promotion, negotiation, advertisement, or disposition of any securities including any securities exempted by Section 3996-2 of Mason's Minnesota Statutes for 1927, or in any transaction exempted by Section 3996-3 of Mason's Minnesota Statutes for 1927, any person shall have employed, or employs, or is about to employ any device, scheme or artifice to defraud or for obtaining any money or property by means of any false pretense, representation or promise, whether the same be a representation or promise of a present existing fact or otherwise, or that any person shall have made, makes or attempts to make, fictitious or pretended sale of securities, including any securities exempted by Section 3996-2 of Mason's Minnesota Statutes for 1927, or in any transaction exempted by Section 3996-3 of Mason's Minnesota Statutes for 1927, the commissioner shall have power to apply for an injunction in any court of competent jurisdiction to restrain such unlawful acts or fraudulent practices, or such proposed unlawful acts or fraudulent practices, without abridging the penalties and other remedies by this Act provided;*

*And in addition thereto, whenever any of said facts in this Section referred to are made to appear, from evidence satisfactory to the commissioner, or whenever it shall be made to appear by satisfactory evidence to the commissioner that any of said companies licensed under this Act are operating or conducting their business, or have operated or conducted their business, contrary to the laws of this state, or with disregard to the rights of investors therein who have purchased securities or investment contracts, the Department of Commerce by and with the consent of the Governor of this state may apply to any court of competent jurisdiction for a receiver*

*to be appointed for the property, assets, business and affairs, of said person, firm, co-partnership, association or corporation, whose securities have been so sold, or who have sold or are selling such securities; and upon such showing made to such court, the court shall appoint a receiver therefor to liquidate, wind up, conserve the assets of said person, firm, co-partnership, association or corporation, or to conduct or carry on such business, or otherwise dispose of the same with due regard to the rights of creditors and the holders and purchasers of said securities or investment contracts.*

*In any proceeding brought under the provisions of this Act in relation to injunction or receivership, the same may be brought on for hearing and disposition upon an order to show cause returnable upon not more than eight (8) days notice to the defendant therein; and such cases shall have precedence over other cases upon the court calendar, and shall not be continued without the consent of the State of Minnesota, except upon good cause shown to the court, and then only for such reasonable length of time as may be necessary in the opinion of the court to protect the rights of the defendant party.*

**Sec. 11. Agents—licenses—applications.**—That Mäson's Minnesota Statutes of 1927, Section 3996-10, be amended so as to read as follows:

*"No agent shall sell any securities unless or until he shall have been licensed as hereinafter required; provided that this section shall not apply to an agent of an issuer selling securities exempted under Section 2 of this Act, or selling securities in a manner exempted under Section 3 of this Act. No agent shall be issued a license under this Act until he shall have resided in this state for one year prior to making his application. Before any license shall be issued to an agent, other than an agent of a registered broker, he shall file a surety bond of such an amount as may be approved by the Commission for the benefit of the public."*

Agents' licenses shall be issued only to agents of issuers for whom securities are registered or to agents of licensed brokers or dealers.

To secure such license applications shall be made to the commission on forms prescribed by the commission, which application shall be signed and sworn to by the person desiring such license, shall contain the applicant's address, and such other information as the commission may require, and shall be accompanied by a statement signed by the issuer or broker or dealer for whom such applicant is agent stating that such issuer, broker, or dealer has appointed the person therein named as his agent. The commission

shall have power to require the applicant or his principal to furnish such additional information regarding the agent as may seem necessary. Such application shall either be granted and license issued, or denied. The commission shall have power to deny an agent's application if the applicant is not of good business repute or has violated any of the provisions of this Act, or any registration, license or lawful order of the commission, or has engaged in any fraudulent transactions, or if it appears to the commission that the sale of securities by such applicant would work a fraud on purchasers thereof, or for good cause appearing to the commission. Denial shall be by written order. Agents' licenses shall be good for one year from date of issuance, unless sooner canceled, suspended or revoked, and shall authorize the licensee therein named to do anything his principal is authorized to do.

The commission shall have power, in connection with any agent's license outstanding, to require the agent or the issuer, broker, *or dealer* for whom such agent was licensed, to furnish to the commission in such form as it may designate, any information deemed necessary to assist the commission in determining whether such license should remain in force. Whenever the commission is in possession of information indicating that any licensed agent is not of good business repute, has violated or is about to violate any of the provisions of this Act, or any regulation, license or lawful order of the commission, or has engaged or is about to engage in any fraudulent transaction, or that the sale of securities by such licensee would work a fraud on purchasers thereof, or for good cause appear to the commission, it may issue its order requiring such licensee to show cause why his license should not be revoked. In any such order the commission shall fix the time and place for hearing thereon, at which time a hearing shall be had.

Any agent's license may be suspended pending the final determination of any order to show cause, during which suspension it shall be unlawful for such licensee to act as such agent. After the hearing the commission shall enter its order vacating such order to show cause and suspension, or permanently revoking the license, or making such other disposition of the matter as the facts require.

On any matter pertaining to an agent's license, the issuer, broker, *or dealer* for whom such agent was appointed shall be deemed an interested party. Failure to secure an agent's license shall be deemed a violation of this Act by both the issuer, broker, *or dealer* and the agent.

An agent's license may be canceled by the commission at any time at the request of either the issuer, broker, *or dealer* for whom such agent was licensed, or the agent."

**Sec. 12. Agents for service of process.**—That Mason's Minnesota Statutes of 1927, Section 3996-11, be amended so as to read as follows:

"Every non-resident person shall, before having any securities registered or being licensed as a broker, *dealer*, or agent, appoint the '*Commissioner of Securities*,' and his successor in office, his attorney upon whom process may be served in any action or proceeding against such person or in which such person may be a party, in relation to or involving any transaction covered by this Act, which appointment shall be irrevocable. Service upon such attorney shall be as valid and binding as if due and personal service had been made upon such person. Such service shall be by duplicate copies, one of which shall be filed in the office of the commission and the other immediately forwarded by registered mail to the person so served at the address on file with the commission. Provided, that any such appointment shall become effective upon the registration of the securities or the issuance of the license in connection with which such appointment was filed."

**Sec. 13. Advertising matter—regulations.**—That Mason's Minnesota Statutes of 1927, Section 3996-15, be amended so as to read as follows:

"No person shall himself, or by or through others, or as agent or otherwise, publish, circulate, distribute, or cause to be published, circulated, or distributed, in any manner, any circular, prospectus, advertisement, printed matter, document, pamphlet, leaflet or other matter, pertaining or constituting an offer to sell any securities which have not been registered as herein provided.

No circular, prospectus, advertisement, printed matter, document, pamphlet, leaflet or other matter (hereinafter referred to as advertising matter) containing or constituting an offer to sell any securities which have been registered in compliance with the provisions of Section 5 hereof, shall be published, circulated, distributed, or caused to be published, circulated or distributed, in any manner, unless and until such advertising matter shall have been submitted in duplicate to the commission and approved by it. The commission shall have power to disapprove any such advertising matter which it deems in conflict with the purposes of this Act.

All such advertising matter containing or constituting an offer to sell any securities which have been registered in compliance with the provisions of Section 6 hereof shall be filed within 48 hours after the initial publication, circulation, or distribution thereof. Provided, that the commission shall have power by order to prohibit the publication, circulation, or distribution, of any such advertising matter

which it deems in conflict with the purposes of this Act, after the service of which order it shall be unlawful for such advertising matter to be published, circulated or distributed.

All such advertising matter shall carry the name and address of the issuer, broker, *or dealer*, circulating, publishing or distributing same, and shall make no reference to the registration of the securities or the issuance of a license by the commission.

The provisions of this section shall not apply to securities exempted under Section 2 of this Act, nor to sales of securities made in a manner exempted under Section 3 of this Act."

**Sec. 14. Fees.**—That Mason's Minnesota Statutes of 1927, Section 3996-17, be amended by adding thereto a new subdivision to be designated as Subdivision (5), to read as follows:

*"(5) On application for dealers' licenses, \$100.00."*

**Sec. 15. Investigations and powers of commission.**—That Mason's Minnesota Statutes of 1927, Section 3996-19, be amended so as to read as follows:

Whenever the commission from information in its possession has reasonable ground to believe that any person within three years has sold, or is about to sell, any securities, including securities exempted by Section 2 hereof, and that such securities are or were fraudulent or are about to be or were sold in a fraudulent manner, or that such person in such sale or attempted sale of such securities has worked or will work a fraud on purchasers thereof, or that such person in such sale or attempted sale has violated or is about to violate any of the provisions of this Act, the commission shall have power to investigate said matters. In any such case the commission shall have power to make an examination and investigation of the books, records, papers, accounts, property, business and affairs of such person, and to make or cause to be made on its behalf an audit of the accounts, books and records of such person, and by its order to require such person to permit such examination, investigation and audit to be made and to require such person to submit to the commission his books, papers, records and accounts for the purpose of such examination, investigation and audit. If such securities were or are about to be sold for or on behalf of the issuer thereof the Commission shall have like powers as against such issuer.

If any person or issuer shall fail or refuse to obey any order of the commission, which it is authorized under this Act to make, requiring such person to permit an examination, investigation or

audit of his books, records, papers or accounts by or on behalf of the commission and to submit the same to the commission for such purpose, the District Court, upon petition of the commission, subject to the limitations in Sections 7 and 10 of Article 1 of the State Constitution and in Articles 4 and 5 of the amendments to the Constitution of the United States, shall forthwith and without notice cause a search warrant to be issued directed to the sheriff commanding the sheriff forthwith to search for and seize the books, records, papers and accounts of such person or issuer and deliver them to the commission for the purpose of such examination: The petition of the commission filed with the District Court, if duly verified and sufficiently specific, or and any affidavit filed in such proceedings may be taken by the court as authority for the issuance of such search warrant; and all proceedings thereunder shall be substantially the same as like proceedings under Section 10537 to 10540, both inclusive, General Statutes 1923. Any books, papers, records or accounts so seized shall be held by the commission for a reasonable length of time for the purpose of making such examination, investigation or audit and shall be then returned to the person from whose possession they were taken, unless otherwise ordered by the Court.

It shall have power to take such steps as are necessary to cause the arrest and prosecution of all persons guilty of any such violations. It shall be the duty of each county attorney to prosecute any violation of this Act in his county and upon his request or the request of the commission, the Attorney General shall assist in such prosecution.

*The Attorney General shall assign from his staff an assistant attorney general who shall be attorney and counsel for the Division of Securities and the Department of Commerce, and shall have charge of and may conduct all prosecutions for the violation or prosecutions involving the violation of this Act and all other proceedings for the enforcement thereof.*

*The Bureau of Criminal Apprehension shall be at the service of the Division of Securities and the Department of Commerce and at the service of the assistant attorney general assigned thereto, for the purpose of detecting and apprehending any violators of this law and gathering evidence and otherwise aiding in the prosecution of such violators.*

The commission may by summons or subpoena require the attendance and testimony of witnesses and the production of books or papers before it relating to any matter as to which it has jurisdiction under this Act. Such a summons or subpoena may be issued by any commissioner. It shall be served in the same manner as a



summons or subpoena for witnesses in criminal cases issued on behalf of the state, and all provisions of law relative to a summons or subpoena issued in such cases shall apply to a summons or subpoena issued under this Act so far as applicable. Any commissioner may require any witnesses to be sworn before testifying. Any judge of the district court may, upon application by the Attorney General on behalf of the commission, compel the attendance of witnesses and the giving of testimony before the commission in the same manner and to the same extent as before said court.

A natural person who shall claim the privilege of refusing to testify on the ground that his testimony or evidence, documentary or otherwise, might tend to criminate or subject him to a penalty or forfeiture, shall not be excused on said ground from attending and testifying before the commission acting under the provisions of this Act; but such natural person, having claimed said privilege and having been required nevertheless to testify, shall not be prosecuted or subjected to a penalty or forfeiture for, or on account of, any action, matter or thing, concerning which he may be required so to testify or produce evidence, except for perjury committed in such testimony.

*Section 3996-29. Whoever shall with fraudulent intent sell, or cause to be sold, or in any manner participate, directly or indirectly, in the sale of any stocks, bonds, investment contracts or other securities, as in this Act defined, pursuant to any scheme or artifice to defraud, or by means of false or fraudulent pretenses, representations or promises, including fraudulent promises as to the worth or earnings of such stock in the future, or by means of any false or fictitious financial statement or representation as to the worth thereof, or otherwise, shall be guilty of a felony, and upon conviction thereof shall be punished in the same manner as upon conviction for obtaining money under false pretenses.*

*Section 3996-30; to cure any constitutional defects in Chapter 382, Laws of 1931; reading as follows:*

*Every circular, prospectus, advertisement, printed matter, document, pamphlet, leaflet or other matter containing or constituting an offer to sell securities registered by application shall have either printed or stamped on the face thereof in not less than ten-point, red boldfaced type the following (except that in case of newspaper and other advertising in publications of general circulation other coloring may be used):*

*NOTICE: While the laws of the State of Minnesota permit the sale of the securities herein described such legal permission does*

*not mean that the State of Minnesota guarantees the success of the enterprise covered by such securities.*

*Each and every stock certificate, bond or other investment instrument, licensed and issued under the provisions of this Act, shall, upon delivery and sale, be accompanied by a certificate on the face of which the following shall appear:*

*NOTICE: While the laws of the State of Minnesota permit the sale of the attached securities such legal permission does not mean that the State of Minnesota guarantees the success of the enterprise covered by such certificate.*

*The failure on the part of any vendor of such stock certificate, bond or other investment instrument, licensed and issued under the provisions of this Act to attach to such certificate, bond or investment instrument the notice herein prescribed shall constitute a misdemeanor and be punished accordingly.*

Approved April 22, 1933.

---

## CHAPTER 409—H. F. No. 622

*An act providing for the appointment of a Board of Appeal or Referees, the filing of charges of inefficiency, breach of duty, misconduct or demotion against regularly employed civil service employees in cities of the first class, the hearing of said charges by said Board of Appeal or Referees, and their power and duties. Be it enacted by the Legislature of the State of Minnesota:*

**Section 1. Notice of discharge of employees.**—No regularly employed person having a classification under civil service regulation in cities of the first class operating under Article 4, Section 36 of the Constitution of the State of Minnesota, shall be discharged, suspended or demoted, because of inefficiency, breach of duty or misconduct, unless written notice specifically and fully stating the reasons for such discharge, suspension or demotion is served upon such employe by the officer, board or person whose duty it is or may be to appoint or employ such employee.

**Sec. 2. Hearing.**—Within ten days after the service of such notice such employees may demand a hearing before a board to be known as a Board of Appeals or Referees, said Board to consist