

Second—When the full amount of every such loan is at all times covered by fire insurance in duly authorized companies, within the limit of their ability to cover such amounts, and the excess, if any, in companies having sufficient paid-up capital to authorize their admission, and payable in case of loss, to the bank or holder of the warehouse receipt, unless accompanied by a certificate of the railroad and warehouse commission declaring the warehouse issuing the same to be fire-proof.

Sec. 2. This act shall take effect and be in force from and after its passage.

Approved March 27, 1919.

#### CHAPTER 104—S. F. No. 295.

*An act to repeal Chapter 385, General Laws of Minnesota for 1913, being an act entitled "An act to provide for the regulation and supervision of insurance and certain other companies."*

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

Section 1. Chapter 385, General Laws 1913, repealed.—That chapter 385, General Laws of Minnesota for 1913, be and the same hereby is repealed.

Sec. 2. This act shall take effect and be in force from and after its passage.

Approved March 27, 1919.

#### CHAPTER 105—S. F. No. 296.

*An act amending the title and Sections 1, 2, 3, 4, 5, 8, 12, 15 and 17 of Chapter 429, General Laws, 1917, being "an act to prevent fraud in the sale and disposition of stocks, bonds or other securities sold or offered for sale within the state of Minnesota, providing for the enforcement thereof, and creating a state securities commission."*

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

Section 1. State securities commission.—That the title of chapter 429, General Laws, 1917, be and the same hereby is amended so as to read as follows:

An act to prevent fraud in the sale and disposition of stocks, bonds or other securities sold or offered for sale within the state of Minnesota, providing for the enforcement thereof and for prosecutions and penalties for the violation thereof, and creating a state securities commission.

Sec. 2. To consist of public examiner, superintendent of banks and attorney general—Selection of executive officer and salary—Reports.—That section 1 of chapter 429 of the General

Laws, 1917 be and the same hereby is amended so as to read as follows:

Sec. 1. There is hereby created a commission to be known as the state securities commission, hereafter referred to as the "commission," whose duty it shall be to administer and provide for the enforcement of all the provisions of this act. Said commission shall consist of the public examiner, *the superintendent of banks*, the attorney general of the state or an assistant attorney general specifically designated by him therefor and the commissioner of insurance, all of whom shall be members of said commission during their terms of office and *any three of whom, or any two of whom and the executive officer hereinafter provided for* shall constitute a quorum. Said commission shall have its offices in the state capitol, in the city of St. Paul, in a room to be furnished and equipped by the state and all its records shall be there kept. It shall hold regular bi-weekly meetings on such dates as may be determined by the commission and may hold special meetings upon the call of the *chairman*; it shall keep a complete record of all its meetings, its accounts and the business it transacts and may prepare all necessary blanks to be used in its proceedings and in the conduct of its business. The commission shall have the power to *elect a chairman and a vice-chairman from among its members and appoint an executive officer* at a salary of three thousand (\$3,000) dollars per annum. The person so appointed shall proceed to qualify by subscribing the usual oath of office and by giving a bond to the state of Minnesota in the sum of ten thousand dollars with such surety as the commission shall approve, conditioned upon the faithful performance of the duties of the office, which bond shall be filed and recorded as now provided by law for state officers. *The executive officer, when acting for the commission, shall have equal power and authority, subject to the approval of the commission, and his acts in exercising such power and authority shall be binding and of full force and effect until disapproved by the commission,* and he shall attend to and perform any and all detailed work relative to the commission, *and shall be entitled to vote in case of a tie.* The commission shall have power to employ such other and further assistance as may be necessary to carry out the provisions of this act. Annually on or before the first day of November, the commission shall prepare and file in the office of the governor a report containing an accurate review of the work of the commission for the fiscal year ending June 30, preceding the date of said report and which shall contain a schedule of all applications for license to sell securities in the state, a schedule of licenses granted, a schedule of *applications denied, a schedule of licenses suspended or revoked,* a statement of the receipts and disbursements of the commission and such other material information as relates to the work of the office.

Sec. 3. Application.—That section 2 of chapter 429, General Laws, 1917, be and hereby is amended so as to read as follows:

Sec. 2. The provisions of this act, except section 10 thereof, shall not apply to (a) securities of the United States or any foreign government; or of any state or territory thereof; or of any county, city, township, district or other public taxing subdivision of any state or territory of the United States or any foreign government; (b) commercial paper, or unsecured negotiable promissory notes, due in not more than eighteen months from their date; (c) securities of public or quasi public corporations, the issue of which securities is regulated by a public service commission of this state or of any state or territory of the United States, or securities senior thereto; (d) securities of federal reserve banks, federal farm loan banks, building and loan associations of this state, or foreign building and loan associations that have now fully complied with the laws of this state pertaining to such corporations, and are now permitted to do business by the superintendent of banks, national banks, or of co-operative associations organized under sections 6479 to 6490 inclusive, general statutes, 1913, for operating creameries, cheese factories, or rural telephone lines, where the authorized capital stock does not exceed twenty-five thousand dollars; (e) securities of any domestic corporation organized without capital stock and not for pecuniary gain, or exclusively for educational, religious, benevolent, charitable or reformatory purposes; (f) authorized securities as specified and defined by section 6393 of the General Statutes of 1913 and any amendment thereof, or securities of the classes specified and defined in section 3313, General Statutes 1913; (g) mortgages and notes or bonds secured by mortgage upon real or personal property where the entire mortgage is sold and transferred with the note or notes or bonds secured by such mortgage, or where the indebtedness secured is not more than seventy per cent of the fair value of the property mortgaged; (h) increase of stock sold and issued to stockholders or stock dividends; (i) securities sold pursuant to the order of any court; (j) isolated or single transactions, (k) policy contracts of insurance companies licensed to do business in this state.

Sec. 4. To be deemed investment companies.—That section 3 of Chapter 429, General Laws 1917, be and hereby is amended so as to read as follows:

Section 3. Every person, firm, co-partnership, corporation, company or association whether unincorporated or incorporated, under the laws of this or any other state, territory or government, which shall either himself, themselves or itself, or by or through others engage in the business within the state of Minnesota of selling, *offering* or negotiating for the sale of any stocks, bonds, investment contracts or other securities, herein called securities,

(*except those exempt under the provisions of this act*) issued by him, them or it, except to a bank or trust company, shall be known, for the purpose of this act, as an investment company.

Every person, firm, co-partnership, company, corporation or association, whether unincorporated or incorporated under the laws of this or any other state, territory or government, not the issuer, who shall within the state of Minnesota sell or offer for sale any of the stocks, bonds, investment contracts, or other securities, herein called securities, issued by an investment company, except the securities specifically exempt under the provisions of this act, or who shall by advertisement or otherwise profess to engage in the business of selling or offering for sale such securities within the state of Minnesota, shall be known for the purpose of this act as a dealer. The term dealer shall not include an owner, not issuer, of such securities so owned by him when such sale is not made in the course of continued and successive transactions of a similar nature, nor one who in a trust capacity created by law lawfully sells any securities embraced within such trust.

Sec. 5. Investment companies to secure license from commission.—That section 4 of chapter 429, General Laws 1917, be and hereby is amended so as to read as follows:

Section 4. No such investment company and no such dealer shall sell or offer for sale any such securities or profess the business of selling or offering for sale such securities, unless and until he or it shall *have been licensed by the commission as herein provided*. To secure such license said investment company or dealer shall file application therefor with the commission and shall furnish said commission, upon oath, in such form as the commission shall prescribe, the following information, to-wit: The investment company's or dealer's name, residence and business address, the general character of the securities to be sold or dealt in, the place or places where the business is to be conducted within this state, and where the business in this state is not to be conducted by the investment company or by the dealer in person, then the names and addresses of all the persons in charge thereof. Said investment company shall pay to the commission a filing fee of one-tenth of one per cent upon the face value of the securities for the sale of which application is made; provided that such filing fee shall not be less than *twenty-five* dollars provided, further, that an investment company, as defined in section 6445, General Statutes 1913, which is under the supervision of the superintendent of banks and which is engaged in the business of soliciting payments to be made to itself on the installment, single payment or full paid plan, issuing therefor saving certificates, agreeing to return to the holders or owners thereof money at some future date, shall for the issuance of such certificates, in lieu of other fees and payments herein pro-

vided for, pay to the commission an annual fee of one hundred dollars (\$100.00), and said dealer shall pay to the commission an annual fee of twenty-five dollars and shall furnish said commission with such other information in addition to that above specified as said commission shall deem necessary in order to thoroughly acquaint such commission with the honesty and good faith of such dealer or investment company, and the character of the business of said investment company or dealer. All authorized agents of any dealer or investment company shall be registered with the commission and the name of any agent shall be stricken from the register by the commission upon the written request of the dealer or investment company, and additional agents may be registered by the commission upon like request of the dealer or investment company; provided, that no agent shall act as such until he shall have filed with the commission a signed and acknowledged certificate of registration and acceptance of agency upon forms to be furnished by the commission *and until he shall have been licensed by the commission*; provided, also, that the commission shall have authority to reject or cancel the registration and appointment of any person as agent for such cause as may to the commission appear sufficient. If an investment company or dealer shall be a non-resident of the state or a corporation other than a domestic corporation, he or it shall at the time he or it registers with the commission also file with the commission a written, duly authorized, executed and acknowledged appointment of the public examiner of this state as his or its agent in Minnesota, upon whom process or pleadings may be served for or on behalf of the dealer or investment company, which appointment shall be irrevocable. Upon compliance by such investment company or dealer with the provisions of this act, the said commission shall *either make an order denying said application or shall make findings as provided in section 9 hereof or shall* issue to such investment company or dealer a license under the seal of said commission and signed by the *executive officer* thereof, in such form or forms as the commission shall adopt, which said license shall be good until revoked by said commission for good cause upon notice to such investment company or dealer and a hearing duly had; provided, however, said license may be suspended as to the selling of specific securities as provided in section 8 of this act. In addition to the filing and examination fees herein provided for to be paid by said investment companies and dealer, there shall be charged and collected by said commission a fee of three dollars for the registration and authorization of each agent of such investment company or dealer, which fee and registration shall entitle each agent to act as such until the first day of July following, unless said authority is sooner revoked by the commission or the dealer or investment company. Each of

such agents shall make a new registration on July 1 of each year for the renewal of his agency, and the commission shall charge and collect for each such renewal registration a fee of three dollars.

Sec. 6. \$1,000 revolving fund created.—That section 5 of said act be and the same hereby is amended to read as follows:

Sec. 5. All fees and charges collected by the commission shall be covered into the state treasury and credited to the state securities commission fund.

*Provided that there is hereby created a revolving fund of \$1,000.00 to be advanced from the state treasury on auditor's warrant, any part or all of which fund may be used for the purpose of defraying the expense of travel on business of the commission and the expenses which may be incurred under section 7 of this act.*

Sec. 7. Powers of commission.—That section 8, chapter 429, General Laws, 1917, be and the same hereby is amended so as to read as follows:

Sec. 8. *The commission shall have power: To limit the price at which securities shall be sold by an investment company or dealers or the agents of either; to fix the maximum amount which may be paid for promotion services or be expended for commissions and other expense incidental to the sale of securities; to require licensed investment companies and dealers to furnish to it from time to time upon oath in such form as the commission shall prescribe such information as may be necessary to enable the commission to determine whether the further sale of the securities authorized to be sold under the license of such investment company or dealer would be in violation of this act; to fix such other conditions for granting a license and to make such other orders and alter, suspend or revoke the same as may be necessary for carrying out and enforcing the provisions of this act; to suspend the license of any investment company or of any dealer with respect to the sale or promotion of any security or securities said dealer or investment company may propose to sell, upon original notification of his or its purpose to sell, or at any future time when information in the possession of the commission may cause it to believe that such investment company or dealer has violated any lawful order of the commission or any of the provisions of this act or any of the conditions upon which he, they or it was licensed or that the further sale of said securities would be a violation of this act and shall also have power to suspend any and all licenses issued by it pending the furnishing of any proof or information which the commission has asked or may ask for under the terms of this act. The investment company or dealer, however, may within 30 days demand a hearing upon such suspension or upon a denial under Section 4 of this act at any subsequent meeting of the commission, or the commission upon notice duly given may set a time for*

hearing, at which the commission shall grant a full hearing to all parties concerned, and upon such hearing duly had may make such order as the facts justify, removing, continuing or making permanent the suspension, or revoking the license of said dealer or investment company as to the sale of such securities or of all securities in the state.

Sec. 8. When witnesses are in contempt.—That section 12 of chapter 429, General Laws, 1917, be and the same hereby is amended to read as follows:

Sec. 12. *Any witness who refuses to be sworn or refuses to testify or disobeys any subpoena or lawful order of the commission or fails or refuses to produce any paper, book, or document touching any matter under examination or investigation or is guilty of contemptuous conduct after being summoned to appear to give testimony in relation to any such matter, or any investment company or dealer or the officers or agents of either who shall violate any lawful order of the commission or any of the conditions upon which said investment company, dealer or agent was licensed shall be guilty of contempt, and any district court may in any such case punish for contempt as if the proceedings were pending in such court, whenever the commission shall certify to such district court a statement of the facts constituting the contempt.*

*Provided also that contempt proceedings under this section shall not be a bar to any prosecution for a violation of any of the provisions of this act.*

Sec. 9. Commission to adopt a seal.—That section 15 of chapter 429, General Laws, 1917, be and the same hereby is amended to read as follows:

Sec. 15. The commission shall adopt a seal with the words, "State Securities Commission, Minnesota," and such design as the commission may prescribe, engraved thereon, by which it shall authenticate its proceedings. Copies of all records and papers in the office of the commission certified by the *executive officer* thereof, and authenticated by the seal of said state securities commission shall be received in evidence in all courts equally and with like effects as the originals.

Sec. 10. Violation a gross misdemeanor.—That section 17 of chapter 429 of the General Laws, 1917, be and the same hereby is amended so as to read as follows:

Sec. 17. Any person or persons, *investment company, dealer or agent* who shall violate any of the provisions of this act, *or any lawful order of the commission or any of the conditions upon which he, they or it was licensed* shall be deemed guilty of a gross misdemeanor, and upon conviction thereof shall be fined not more than one thousand dollars or shall be imprisoned for not more than one

year, or both such fine and imprisonment, in the discretion of the court.

*Provided that in prosecutions under this act for unlawfully selling, offering for sale, taking subscriptions for or negotiating for the sale of any securities, or for unlawfully professing the business of selling or offering for sale such securities, any of the exceptions specified in sections 2, 3 and 6 of this act shall constitute a matter of defense to be proved as such upon the trial, and it shall not be incumbent upon the state to allege or prove that such securities, or the acts complained of, do not come within any of such exceptions.*

Sec. 11. This act shall take effect and be in force from and after its passage.

Approved March 27, 1919.

#### CHAPTER 106—S. F. No. 354.

*An act providing for the imprisonment in the state reformatory for women of females convicted of any crime, punishable, under the provisions of the statutes prescribing the punishment for such crime, by imprisonment in the state prison and also providing for the transfer from the state prison to the state reformatory for women of females committed to the state prison prior to the time this act takes effect and providing for the imprisonment of such prisoners so transferred in said state reformatory for women during the balance of the unexpired term for which they were originally committed to said state prison.*

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

Section 1. To be transferred to state reformatory for women.—Any female who shall, after this act takes effect, be convicted of a crime committed subsequent to the taking effect of this act, which crime, under the statutes prescribing the punishment for such crime and in force at the time the crime was committed, is punishable by imprisonment in the state prison, shall not be sentenced to imprisonment in the state prison, but shall be sentenced to imprisonment in the state reformatory for women and shall be imprisoned therein for the same term and upon the same conditions as is provided by the statutes in force at the time the crime was committed with reference to imprisonment in the state prison.

Sec. 2. Sentences hereafter to be to state reformatory for women.—Whenever any female shall, after this act takes effect, be convicted of any crime committed prior to the taking effect of this act, which crime is, under the statutes in force at the time the crime was committed, punishable by imprisonment in the state prison, the court, in which such conviction is had, instead of sentencing such female to imprisonment in the state prison, shall sentence her to imprisonment in the state reformatory for women,