

MASON'S MINNESOTA STATUTES

1927

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STATUTE COMPILATION COMMISSION FOR THE PUBLICATION OF
THE GENERAL STATUTES OF 1923

EMBRACING THE ORGANIC LAWS, THE CONSTITUTION, AND THE STAT-
UTES CONTAINED IN THE GENERAL STATUTES OF 1923, EXCEPT
THOSE WHICH HAVE BEEN REPEALED OR SUPERSEDED
BY THE SUBSEQUENT LEGISLATION OF 1925
AND 1927

AND ALSO EMBRACING LAWS OMITTED FROM THE GENERAL STATUTES
1923, AND THE LAWS OF THE 1925 AND 1927 SESSIONS OF THE
LEGISLATURE UNDER APPROPRIATE CLASSIFICATION.

COMPILED AND EDITED BY THE EDITORIAL STAFF OF THE
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1927

whole or in part of any cotton duck or canvas without having marked thereon the true and correct weight of said canvas or cotton duck by ounces per yard, together with a description by name of any filler or other preparation placed in or on said cotton duck or canvas since its manufacture, or to misstate, misrepresent or conceal the true weight of said canvas or cotton duck by ounces per yard, or to misstate, misrepresent or conceal the existence of any filler or other preparation placed in or on said cotton duck or canvas since its manufacture. ('13 c. 167 § 4) [3775]

3970. Concealing or misstating size unlawful—It shall be unlawful for any person or corporation either individually or in representative capacity, selling, carrying for sale or endeavoring to sell any awnings, paulins, wagon covers, tent, grain and hay covers, stable or tent tops, to misstate or misrepresent or conceal the true and correct size and dimensions thereof. ('13 c. 167 § 5) [3776]

3971. Unlawful to deface mark, etc.—It shall be unlawful for any person to deface, mutilate, obscure, conceal, efface, cancel or remove any mark provided for by this act, or cause or permit the same to be done with intent to mislead, deceive or to violate any of the provisions of this act. ('13 c. 167 § 6) [3777]

3972. Penalty for violation—Any person, company or corporation violating any of the provisions of this act shall be deemed guilty of a misdemeanor and on conviction thereof shall for the first offense be punished by a fine of not less than twenty-five dollars (\$25.00) nor more than fifty dollars (\$50.00) and for each subsequent offense by a fine of not less than fifty dollars (\$50.00) nor more than one hundred dollars (\$100.00). ('13 c. 167 § 7) [3778]

3973. Mattresses—Manufacture and sale—Brands and labels—Penalty—Whoever manufactures for sale, offers for sale, sells, delivers, or has in his possession with intent to sell or deliver any mattress which is not properly branded, or labeled or whoever uses, either in whole or in part in the manufacture of mattresses, any cotton, or other material which has been used, or

has formed a part of any mattress, or bedding used in or about public or private hospitals or on or about any person having infectious or contagious diseases or whoever dealing in mattresses, has a mattress in his possession for the purpose of sale, or offers it for sale, without a brand or label as herein provided, or removes, conceals or defaces the brand or label thereon, shall be deemed guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not less than twenty-five dollars nor more than five hundred dollars, or by imprisonment in the county jail not to exceed six months, or by both such fine and imprisonment. ('13 c. 490 § 1) [3779]

By section 5 the act takes effect January 1, 1914.

3974. Contents of brand or label—The brand or label therein required shall contain, in plain print in the English language, a statement of the material used in the manufacture of such mattresses, whether such materials are, in whole or in part, new or second-hand, and the quality of the materials used. Such brand or label shall be in the shape of a cloth tag to be sewed or otherwise securely attached to each such article. ('13 c. 490 § 2) [3780]

3975. What included—Construction of term "mattress"—A mattress within the meaning of this section shall include a quilted pad, stuffed with hair, wool or other soft material, except feathers, to be used on a bed for sleeping or reclining purposes. ('13 c. 490 § 3) [3781]

3976. Duties of commissioner of labor, attorney general, etc.—When the commissioner of labor shall have reason or cause to believe that any of the provisions of this section are being or have been violated, such commissioner shall advise the attorney-general thereof, giving the information in support of such belief, and the attorney-general, or, under his directions, the prosecuting attorney of any county in which the violation occurs, shall forthwith institute the proper legal proceedings for the enforcement of the provisions of this section and for the punishment of the violation thereof. ('13 c. 490 § 4) [3782]

CHAPTER 21B

REGULATION OF [SALE OF] STOCKS, BONDS AND OTHER SECURITIES [AND OIL OR GAS LANDS, INTERESTS THEREIN, OR ROYALTIES THEREFROM].

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3977-96 Repealed 227nw 652
 3977Eseq. Repealed 227nw 652 228nw 757
 3977 to 3980. [Repealed, except as to pending proceedings.]

These sections, consisting of Laws 1917, c. 429, as amended by Laws 1919, c. 105, Laws 1919, c. 257, Laws 1921, c. 372, Laws 1921, c. 426, Laws 1923, c. 4, and Laws 1923, c. 271, are repealed by Laws 1925, c. 192, § 28, as amended by Laws 1927, c. 66, § 14. See § 3996-28, herein.
 The revolving fund created by Laws 1917, c. 429, § 5, as amended by Laws 1919, c. 105, § 6, is, however, perpetuated by said Laws 1925, c. 192, § 28, as amended.

Department of Commerce with securities division and commissioner of securities; state securities commission abolished. See §§ 53-28 to 53-32, herein. Administration of this act by Department of Commerce and the commission thereof. See § 53-30, herein.

The title of Laws 1917, c. 429 was amended by Laws 1919, c. 105, § 1, to read as follows: "An act to prevent frauds 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 violations thereof, and creating a state securities commission."

Annotations to § 3977.

160-64, 199+436; 162-351, 202+737.

A contract, termed an "operator's agreement," whereby the operator advanced money and furnished services, for which he was to be paid, and whereby he was to have a share of profits, and eventually stock, in a corporation in process of organization to operate a bus line, was an investment contract. 164-455, 205+370.

The evidence sustains the findings of fact that the money sought to be recovered of defendant was not parted with in consideration of the certificate declared on in the complaint as being sold and issued in violation of Blue Sky Law. 211+961.

Annotations to § 3978.

The purchaser of an investment contract, issued and sold in violation of chapter is not in pari delicto with the seller, and may recover the money paid thereon. 212+806.

Contract issued by a corporation under the Blue Sky Law, held to be an investment contract and illegal. 212+806.

Stockholder in an insolvent corporation is liable to the purchaser for money paid on such illegal contract. 212+806.

Annotations to § 3979.

Investment contracts or securities. 191+426; 193+700.

Annotations to § 3980.

A stockholder cannot defend against an assessment on his constitutional liability, on the ground that his stock was sold to him in violation of the "Blue Sky" Law. 164-305, 204+941.

The district court did not acquire jurisdiction over the defendants by delivery of the summons to the public examiner, where the cause of action arose in a foreign country and bore no relation to the subject-matter of chapter. 165-95, 205+694.

3981. \$1,000 revolving fund created—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. ('17 c. 429 § 5, amended '19 c. 105 § 6)
 See notes to §§ 3977 to 3980, ante.

3982 to 3996. [Repealed, except as to pending proceedings.]
 See notes to §§ 3977 to 3980, ante.

Annotations under § 3983.

152-483, 180+461.
 Following State v. Evans (Minn.) 191 N. W. 425, it is held, that a transaction similar to the one there considered was in contravention of the Blue Sky Law and could not be made the foundation of a valid contract. 157-72, 196+672.

The purchaser of an investment contract issued and sold in violation of the Blue Sky Law is not in pari delicto with the seller and may recover from him all the money he paid under the contract. 157-72, 196+672.

The purchaser of such a contract got nothing of value when he parted with his money, and has nothing to restore as a condition precedent to a recovery. 157-72, 196+672.

Annotations under § 3991.

Blue sky law did not repeal §§ 7436 to 7439, herein.

3996-1. Definitions—When used in this act the following words shall have the following respective meanings, unless the context otherwise requires:

(1) "Person" shall mean and include a natural person, firm, co-partnership, association, syndicate, joint stock company, unincorporated company or organization or association, trust, trustee of a trust, a corporation organized under the laws of any state or of the United States or of any territory or possession thereof or of the District of Columbia or of any foreign government. The term "trust" as herein used shall not include a trust created or appointed under or by virtue of a last will and testament, or by a court of law or equity, or a public charitable trust.

(2) "Sale," "sell" or "sold" shall mean and include any disposition for value, an offer to sell, a solicitation of a subscription or sale, or an attempt to sell in any manner whatsoever, an option of sale, a subscription, a pre-organization subscription or certificate, a re-organization subscription or certificate, an agreement to issue or transfer, an exchange, pledge, hypothecation or any transfer in trust or otherwise by way of mortgage. Any security given or delivered as a bonus with any sale of securities, as such sale is herein defined, or with any other thing, shall be conclusively presumed to constitute a part of the subject of such sale and to have been sold for value. Provided, however, that the sale of a security under conditions which entitle the purchaser or subsequent holder to exchange the same for, or to purchase, some other security shall not be deemed a sale or offer for sale of such other security; but no exchange for or purchase of such other security shall ever be made unless and until the sale thereof shall have been first authorized in Minnesota by registration under this act, or by exemption therefrom, or by other provisions of law.

(3) "Security" shall mean and include any stock, share, bond, note, debenture, commercial paper, evidence of indebtedness, investment contract. Interest in or under a profit sharing or participating agreement or scheme, or beneficial interest in a trust or

3996-1
 19-105 § 7
 228nw 757
 3996-1-28
 178m 492
 227nw 652
 240nw 456
 See
 3007-4000
 33-326R
 33-418
 3990-4000
 249nw 670

3980R
 232nw 523

pretended trust. Any interest in any security shall be deemed a security.

(4) "Broker" shall mean and include every person, other than an agent, who sells directly or through an agent, in the course of continued and successive sales, any securities of which he is not the issuer. "Broker" shall also include every person, other than an agent, who engages, or professes to engage, either for all or part of his time, directly or through an agent, in the business of purchasing or otherwise acquiring any securities of which he is not the issuer for another or for the purpose of reselling the same to others, or of accepting and executing buy and sell orders for such securities for a commission, or of buying, selling, or otherwise dealing or trading in such securities.

(5) "Issuer" shall mean and include every person who proposes to issue, has issued, or shall hereafter issue any securities.

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

(7) "Commission" shall mean the commission supervising and controlling the department of commerce of the State of Minnesota under Chapter 426, Laws 1925, but subject to all the provisions thereof relating to the powers and duties of the commissioner of securities as successor of the state securities commission. Wherever necessary to give effect to such provisions, the term "commission" as used in this act may be construed as meaning or including such commissioner of securities under said Chapter 426, Laws 1925. Said commission, for the purposes of this act, shall be known as the commerce commission.

(8) "Investor" as used in this act shall mean and include any person (as above defined) to whom any security (as above defined) is sold or offered for sale (as above defined), or who purchases or acquires or attempts to purchase or acquire any such security. ('25, c. 192, § 1; amended '27, c. 66, § 2)

Explanatory note.—The title of Laws 1925, c. 192, read as follows: "An act to prevent fraud in the sale of securities within the State of Minnesota by regulating the offer of sale and sale thereof, by requiring registration of such securities and licensing of persons selling or offering securities for sale, by perpetuating the state securities commission and empowering and requiring it to administer and enforce this act, by providing penalties for violation thereof, and by repealing other laws and parts of laws relating to the same subject matter or inconsistent with the provisions of this act." This title was amended by Laws 1927, c. 66, § 1, to read 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, evidence 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; and by prescribing and imposing penalties for violation of or non-compliance with this act."

See, also, note to §§ 3977 to 3980, 3981, 3982 to 3996, ante.

3996-2. Securities exempted from operation of certain provisions of law—Co-operative associations included.—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 subdivision or agency of a state, territory, or insular possession, having the power of taxation or assessment.

(2) Any security issued or guaranteed by any foreign government with which the United States is at the time of the sale thereof maintaining diplomatic relations, or by any state, province or political subdivision thereof having the power of taxation or assessment.

(3) 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.

(4) Any security issued or guaranteed either as to principal, interest or dividends, by a railroad or public service utility, which 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 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, based 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 or public service utility, 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 States 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 or public service 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 or insular possession of the United States, or of the District of Columbia.

(5) Securities listed on the New York Stock Exchange, Boston Stock Exchange, and the 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.

(6) Commercial paper or negotiable promissory notes, maturing within six months from the date of issue.

(7) Any security issued by a corporation organized under the laws of this state 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.

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

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

(10) 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. ('25, c. 192, § 2; amended '27, c. 66, § 3)

Explanatory note—For sections 4, 5, 6 and 7 of this act see §§ 3996-4 to 3996-7, herein.

For Laws 1923, c. 326 see §§ 7834 to 7847, herein.

3996-3. Sales excepted from operation of law—The provisions of this act, except as herein expressly provided, shall not apply to sales of the following character:

(1) Any isolated sales of any securities by the issuer or owner thereof, or by a representative for the account of such issuer or owner, such sales not being made in the course of repeated and successive sales of securities of the same issue by such issuer or owner or by such representative for the account of such issuer or owner. This exception shall not be deemed to exempt a broker or a broker's agent from the requirement of obtaining a license as herein provided.

(2) Any sale of notes or bonds secured by a mortgage lien when the entire lien, together with all notes or bonds secured thereby, are sold to a single purchaser at a single sale.

(3) Any judicial sale, or the sale by an executor, administrator, receiver, guardian, or trustee appointed by the decree of any court.

(4) The distribution by a corporation of capital stock, bonds or other securities, to its stockholders or other security holders or their respective assigns, as a stock dividend or other distribution out of earnings or surplus; or an increase of capital stock of a corporation sold only to its stockholders and without payment of any commission or expense to any broker or agents in connection with such distribution.

(5) Any subscription for securities prior to the incorporation of the issuer thereof, 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.

(6) The sale, by a pledge holder or mortgagee selling in the ordinary course of business at public or private sale of a security pledged with him in good faith as a security for a bona fide debt.

(7) The sale to any bank, savings institution, trust company, insurance company or licensed broker. ('25, c. 192, § 3; amended '27, c. 66, § 4)

3996-4. Securities registered before sale—Application or notice—No securities shall be sold within the State of Minnesota unless or until such securities have been registered as herein provided.

Registration may be secured by application for registration as provided in Section 5 hereof, or by notification as provided in Section 6 hereof. Such applications or notifications may be made by the issuer or any licensed broker and may pray that the registration be made for the applicant only, or for the applicant and any designated licensed brokers. ('25, c. 192, § 4; amended '27, c. 66, § 5)

Explanatory note—For sections 5 and 6 see §§ 3996-5, 3996-6, herein.

3996-5. Registration by application—Grant or denial—Entry on Register of Securities—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 or 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, 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, canceled 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. ('25, c. 192, § 5)

3996-6. Registration by notification—Form and contents of notice—Securities registerable by notification—Whenever any securities required to be registered

3996-4
Et seq
250nw 563
252nw 217
3996-22

3996-1
174m 200
219nw 81

3996-3
227nw 652
3996-3
178m 492

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, if any, on whose behalf the notification is given.

The commission shall, for a period of twenty-four (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 notifications 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 twenty-four (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 Canada.

(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. ('25, c. 192, § 6; amended as to subs. 2 by '27, c. 66, § 6)

Explanatory note—For sections 5 and 17 see §§ 3996-5, 3996-17, herein.

3996-7. Additional registrations—Any issuer of registered securities for whom such registration was not made, and any licensed broker 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. ('25, c. 192, § 7)

3996-8. Information to commission by registrants—Powers as to investigations, examinations, etc.—Cancellation or revocation of registrations—The commission shall have power in connection with any registration of any securities, which is not canceled or revoked, to require the person for whom such registration was made to furnish to the commission in such form as it may designate any information deemed necessary to assist the commission in determining whether such registration should remain in force, whether such securities are fraudulent, whether the sale thereof has worked or will work a fraud on purchasers, or whether such person has violated or is about to violate such registration or any lawful order of the commission or any of the provisions of this act. 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 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 a registration has been made for a broker acting under a fiscal agency contract or other authority from the issuer, the commission shall have the same powers as against such issuer.

Whenever the commission is in possession of information indicating that any registered security is fraudulent or that the further sale thereof would work a fraud on purchasers, or that the person for whom a registration was made has violated or is about to violate the registration or any lawful order of the commission or any of the provisions of this act or for good cause appearing to the commission, it may issue its order requiring such person to show cause before the commission why such registration should not be revoked. In any such order the commission shall fix the time and place for hearing thereon not less than ten nor more than thirty days from the date of such order, and at which time and place a full hearing shall be had. A registration may be suspended pending the final determination of any order to show cause, during which suspension it shall be unlawful to sell such securities. After such hearing the commission shall enter its order either vacating the order to show cause and suspension, or modifying the terms of the registration, or permanently revoking the registration or

making such other disposition of the matter as the facts require.

A registration may be canceled by the commission in its discretion at any time at the request of the person for whom such registration was made. All suspensions, revocations and cancellations, shall be entered on the Register of Securities. ('25, c. 192, § 8; amended '27, c. 66, § 6½)

3996-9. Brokers — Licenses — Applications — Issuance or denial—Duration—Information; examinations, etc.—Cancellation, suspension or revocation of licenses—No broker shall sell or profess the business of selling, any securities unless or until he shall have been licensed as a broker as hereinafter provided.

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

The commission shall have power in connection with any broker's license which is not revoked or canceled 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. 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 license may be canceled by the commission at any time at the request of the licensee. ('25, c. 192, § 9; amended '27, c. 66, § 7)

3996-10. Agents — Licenses — Applications — Issuance or denial—Information furnished—Duration—Revocation, suspension or cancellation—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.

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

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 for whom such applicant is agent stating that such issuer or broker 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 or broker 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 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 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 or broker 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 or broker and the agent.

An agent's license may be canceled by the commission at any time at the request of either the issuer or broker for whom such agent was licensed, or the agent. ('25, c. 192, § 10; amended '27, c. 66, § 8)

Explanatory note—For section 2 see § 3996-2, herein.

3996-11. Agents for service of process — Appointment by non-resident registrants or licensees—Every non-resident person shall, before having any securities registered or being licensed as a broker or agent, appoint the chairman of the commission, 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. ('25, c. 192, § 11)

3996-12. Hearings by commission—On all lawful orders of the commission, made without a hearing having been had on the matter thereby determined, or opportunity therefor afforded, the interested person shall have the right within thirty days from the date thereof to demand a hearing on such matter. On any such demand it shall be the duty of the commission to fix a date for a hearing not more than thirty days from

the date of such demand. At the time set a hearing shall be had, after which the commission shall make such further order as the facts require and may either vacate, modify or adhere to, the order theretofore made. ('25, c. 192, § 12; amended '27, c. 66, § 9)

3996-13. Orders of commission—Service—All lawful orders of the commission may be served by mailing a true and correct copy thereof by registered mail addressed to the interested person at the address on file with the commission. Any person may, by notice to the commission in writing, change his address on file, after which notice service shall be to the address last furnished. Service made as herein provided shall be deemed sufficient for the purposes of this act. ('25, c. 192, § 13)

3996-14. Deposits for examinations, etc.—Fund—Disbursements from—Refunds—Field examinations—Whenever it is necessary for the commission to incur any expense in connection with any application, notification, registration or license, it shall have the power by written order to require the interested person to make an advance deposit with the commission in an amount estimated as sufficient to cover such expense. All such deposits shall be covered into the state treasury and credited to the "State Securities Commission Investigation Fund," from which fund the commission shall have power to make disbursements to pay such expenses. Any unexpended portion shall be refunded. On field examinations made by a commissioner or employe away from the seat of government a per diem pro rated upon the salary of such commissioner or employe may be charged in addition to the actual expenses. ('25, c. 192, § 14)

3996-15. Advertising matter—Regulations—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, containing 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 forty-eight (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 or broker circulating, publishing or distributing same, and shall make no refer-

ence 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. ('25, c. 192, § 15; amended '27, c. 66, § 10)

Explanatory note—For sections 2, 3, 5, 6 see §§ 3996-2, 3996-3, 3996-5, 3996-6, herein.

3996-16. False statements or misleading acts—No person shall knowingly subscribe to, make or file, or cause to be subscribed to, made or filed, any statement, information or proof required by this act or by the commission, which is in whole or in part materially false, nor shall any person knowingly make or cause to be made any false entry in any book or record of any person making application for registration or license or for whom securities have been registered or who has been licensed, nor exhibit any paper, document, book or record to any person authorized to examine same for the purpose of deceiving or misleading such person or the commission. ('25, c. 192, § 16)

3996-17. Fees—The following fees shall be paid to the commission:

(1) On application for registration, \$1.00 per \$1,000 on the total proposed sale price of the securities covered by such application; provided, that the minimum fee shall be \$25.00, and the maximum fee \$500.00.

(2) On notification of intention to sell, 50c per \$1,000 on the total proposed sale price of the securities covered by such notification; provided, that the minimum fee shall be \$10.00 and the maximum fee \$100.00.

(3) On application for brokers' licenses, \$50.00.

(4) On application for agents' licenses, \$5.00.

No application or notification of intention to sell shall be given any effect until the proper fee is paid. All fees and charges collected by the commission shall be covered into the state treasury. ('25, c. 192, § 17)

3996-18. Certificates and certified copies—Fees—Prima facie evidence—Orders or licenses in duplicates—The commission is hereby vested with power to prepare and issue the following:

(1) Certified copies of any order of registration, or of any license, or of any lawful order of the commission. Any such certificate may recite that such registration, license, or lawful order has not been suspended, revoked, cancelled, or amended except as therein stated.

(2) Any certificate to the effect that the records of the commission show that a specified security was or was not registered, or that a specified person was or was not licensed, on a specified date or between specified dates.

(3) Certified copies of any application, document, exhibit, report, or other paper on file with the commission.

All certificates issued pursuant to the above specified clauses (1), (2), and (3) shall be signed by a commissioner and identified by an impression of the seal of the commission. The commission shall charge fifty cents for each such certificate and ten cents per folio for all copies so certified. All such certificates shall be prima facie evidence of the facts therein stated; and all copies so certified shall be received in evidence in all courts with the same force and effect as the originals thereof.

The commission may issue any order or license in duplicate, both of which shall have the force and effect of originals. ('25, c. 192, § 18)

3996-19. Investigations—Powers of commission— Searches and seizures—Arrests and prosecutions—

Duties of county attorneys—Witnesses, books, papers, etc.—Privilege of witnesses—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 Sections 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 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 man-

ner 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. ('25, c. 192, § 19; amended '27, c. 66, § 11)

Explanatory note—For section 2 see § 3996-2, herein.

3996-20. Information acquired—Inspection and publicity—Reports—All information received by the commission from applicants under this act shall be open to inspection whenever it appears to the commission that such inspection may assist in carrying out or furthering the purposes of this act. The commission shall supply at cost copies of any such information. Provided, that the commission shall have the power to withhold any information which it deems, in justice to the person filing the same, should not be made public.

The commission shall have power to publish in pamphlet form, by newspaper advertisement, or otherwise, any information regarding securities which it considers fraudulent or which are being sold in violation of this act, or any other information it deems necessary or helpful in connection with the enforcement of this act.

It shall be the duty of the commission annually on or before November first of each year to prepare and file in the office of the governor a report for the fiscal year ending June 30th preceding the report, which report shall contain a schedule of all applications received, a schedule of all applications granted, a schedule of all applications denied, a schedule of all registrations and licenses suspended, revoked or cancelled, a schedule of receipts and disbursements of the commission, and such other information as the commission considers material. Copies of such report shall be furnished to anyone requesting same. ('25, c. 192, § 20)

3996-21. Injunctions—Searches and seizures—Whenever it shall appear from evidence satisfactory to the commission that any securities are being sold, or are about to be sold, in violation of any of the provisions of this act, or that in the issuance, sale, promotion, negotiation, advertisement, or distribution of any securities, including any securities exempted by Section 2, or in any transaction exempted by Section 3, 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, or that any

person shall have made, makes or attempts to make, fictitious or pretended purchases or sales of securities, including any securities exempted by Section 2, or in any transactions exempted by Section 3, the commission 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.

Subject to the limitations in Sections 7 and 10 of Article 1 of the State Constitution and in Articles IV and V of the amendments to the Constitution of the United States a search warrant may be issued at any time and without notice in any proceeding, civil or criminal, under this act wherein a complaint, information or indictment has been filed; which search warrant may be used for the purpose of obtaining and holding until after trial and decision of the case any books, records, documents, writings, or papers deemed pertinent or material in such proceeding. Any complaint so filed, if duly verified and sufficiently specific, or any affidavit filed in such proceeding, 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 Sections 10537 to 10540, both inclusive, General Statutes 1923. The court, by order made at or subsequent to the issuance of any such search warrant, may provide for the custody, care and control of anything seized pursuant thereto; but if no such order be made, anything so seized shall be delivered by the officer executing the warrant to the court, (or the clerk thereof) from which such warrant issued and shall be there retained until after trial and decision of the case. ('25, c. 192, § 21; amended '27, c. 66, § 12)

Explanatory note—For sections 2 and 3 see §§ 3996-2, 3996-3, herein.

3996-22. Violations of law—Penalties—Any person who violates any of the provisions of this act, or any registration or license or any lawful order of the commission, shall be guilty of a gross misdemeanor, and shall be fined not more than five thousand dollars, or shall be imprisoned for not more than three years, or both such fine and imprisonment in the discretion of the court. ('25, c. 192, § 22)

3996-23. Civil or criminal proceedings—Exemptions or exceptions need not be negated—Burden of proof—In any suit, complaint, information, indictment, or other writ of proceeding, civil or criminal, brought under this act, it shall not be necessary to negative any of the exemptions or exceptions provided by this act; and the burden of proof of any such exemption or exception claimed shall be upon the party claiming the existence of benefit thereof. ('25, c. 192, § 23)

3996-24. Other actions or prosecutions not limited—Nothing in this act shall limit statutory or common law right of any person to bring action in any court for any act involved in the sale of securities, or the right of the state to punish any person for any violation of any law. ('25, c. 192, § 24)

3996-25. Partial invalidity of law—If any provision of this act, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby. ('25, c. 192, § 25)

3996-26. Seal of commission—The commission shall adopt a seal with the words "Department of Commerce of Minnesota" and such design as the commission shall prescribe engraved thereon, by which seal the commission shall authenticate its signature and proceedings. ('25, c. 192, § 26; amended '27, c. 66, § 13)

3996-27. Certiorari from Supreme Court—The supreme court, upon petition of any person aggrieved, may review by certiorari any final order or determination of the commission. The issuance of the writ shall not, however, operate as a stay of proceedings unless specifically so ordered. ('25, c. 192, § 27)

3996-28. Laws repealed and continued in effect—Pending proceedings—When this act becomes effective, all proceedings then pending before said state securities commission under and by virtue of any law previously in force may be continued by the successors in authority of said commission; all applications for investment company licenses pending on the effective date of this act shall be deemed applications for registration hereunder; all applications for dealers' licenses pending on the effective date of this act shall be deemed applications for brokers' licenses hereunder; all investment company licenses outstanding and all securities on which proper notification of intention to sell has been given as provided by said Chapter 429, General Laws of Minnesota for 1917, and acts amendatory thereof, shall be deemed registrations under this act and said securities shall be legally salable, subject to the provisions of this act unless otherwise ordered by the commission; provided, that all investment company licenses which were issued to investment companies who paid therefor an annual fee of one hundred dollars shall terminate 30 days from and after the time this act becomes effective. All dealers' licenses outstanding shall be deemed brokers' licenses hereunder and be subject to the provisions thereof. All actions, civil and criminal, pending or which may arise under said Chapter 429, General Laws of Minnesota for 1917, and acts amendatory thereof, shall be continued thereunder. Otherwise Chapter 429, General Laws of Minnesota for 1917; Chapter 105, General Laws of Minnesota for 1919; Chapter 257, General Laws of Minnesota for 1919; Chapter 372, General Laws of Minnesota for 1921; Chapter 426, General Laws of Minnesota for 1921; Chapter 4, General Laws of Minnesota for 1923, and Chapter 271, General Laws of Minnesota for 1923 and all other acts or parts of acts inconsistent herewith, are hereby repealed. But the revolving fund created by Section 5, Chapter 429, General Laws of Minnesota for 1917, as amended by Section 6, Chapter 105, General Laws of Minnesota for 1919, is hereby perpetuated. ('25, c. 192, § 28; amended '27, c. 66, § 14)

Explanatory note—See notes to §§ 3977 to 3980, 3981, 3982 to 3996, herein.

3997. Bank applications must be approved by state securities commission—The incorporators of any bank proposed to be organized under the laws of this state shall execute and acknowledge an application in writing in the form prescribed by the State Securities Commission, and shall file the same in its office, which application shall be signed by two or more of the incorporators, requesting a certificate authorizing the proposed bank to transact business at the place, and in the name stated in said application. At the time of filing said application the applicant shall pay to the commission a filing fee of \$25.00, which shall be paid into the state treasury and credited to the State Securities Commission fund. Thereupon the State Securities

3996-27
178m 023
228nw 102

250nw 503
252nw 217
3996 4

3997
20 — 140

3997-00
31 — 382

3997-4000
178m 492
227nw 652
240nw 450

Commission shall fix a time within thirty (30) days after the filing of said application, for a hearing at its office at the state capitol, at which hearing it shall decide whether or not such application shall be granted. A notice of such hearing shall be published in the form prescribed by the State Securities Commission in some newspaper published in the municipality in which said proposed bank is to be located, and if there is no such newspaper, then at the county seat of the county in which such bank is proposed to be located. Such notice shall be published once, at the expense of the applicants, not less than ten (10), nor more than twenty (20) days, prior to the date of such hearing. At such hearing the State Securities Commission shall consider the application, and shall hear the applicants and such witnesses as may appear in favor of or against the granting of the application of such proposed bank.

If upon such hearing it shall appear to the State Securities Commission that said application should be granted, it shall, not later than thirty (30) days after such hearing, and after said applicants have otherwise complied with the provisions of law applicable to the organization of a bank, including the provisions herein contained make and file in the office of the Superintendent of Banks its order, in writing, directing said Superintendent of Banks to issue the certificate of authorization as provided by law. If, however, said State Securities Commission shall decide that said application should not be granted, it shall deny such application and make its order, in writing, to that effect, and file the same in the office of the Superintendent of Banks, and forthwith give notice thereof by registered mail to one of the incorporators named in the application for such proposed bank, addressed to such incorporator at the address stated in such application and thereupon said Superintendent of Banks shall refuse to issue the certificate of authorization, which is prescribed by law, to such proposed bank. ('19 c. 86 § 1, amended '21 c. 498 § 1)

See 145-125, 176+346; 145-221, 176+759.

3998. Provision for expenses—The expenses of organization and incorporation of any such banks shall not exceed the necessary legal expenses incurred in drawing articles of incorporation, publication and recording thereof, and such incorporators shall, prior to the issuance of the certificate of authorization provided for by law, file with the Superintendent of Banks, a verified statement, showing the amount of such expense incurred in the organization of such bank. ('19 c. 86 § 2)

3999. Condition under which charters may be issued—If the applicants are of good moral character and financial integrity, and if there is a reasonable public demand for such bank in such location, and if the organization expenses being paid by the subscribing shareholders does not exceed the necessary legal expenses incurred in drawing incorporation papers and publication and recording thereof, as required by law, and if the probable volume of business in such location is sufficient to insure and maintain the solvency of the new bank, and the solvency of the then existing bank or banks in such locality, without endangering the safety of any bank in said locality as a place of deposit of public and private money, and if the State Securities Commission is satisfied that the proposed bank will be properly and safely managed, such application shall be granted, otherwise it shall be denied. In case of the denial of such application, the State Securities Commission shall specify the grounds for such denial and the supreme court, upon petition of any person

aggrieved, may review by certiorari any such order or determination of the commission. ('19 c. 86 § 3)

4000. Inconsistent act repealed—Bank defined—Any and all parts of acts, inconsistent herewith, are hereby repealed. The word bank, as used herein, shall mean any savings bank or bank of discount and deposit or trust company organized under the Laws of this State. ('19, c. 86, § 4; amended '25, c. 261)

SALE OF OIL AND GAS LANDS OR INTERESTS THEREIN.

4000-1. Registration of lands or interests before sale by Department of Commerce—That no person shall sell to any person in this state any oil or gas lands, or any lands represented to contain or to be a prospect for oil or gas, or any interest therein or thereunder or royalties therefrom, unless and until such lands, interests or royalties shall have been first registered for sale by the department of commerce (commerce commission) of this state created and existing under Chapter 426, Laws 1925, or its successors in authority. ('27, c. 68, § 1)

Explanatory note—For Laws 1925, c. 426-see §§ 53-1 to 53-52, herein.

The statute is not unconstitutional within the provisions of the state or federal Constitutions as class legislation or as interfering with the right of contract. 210+1001.

Whether the "Blue Sky Law," prohibits the sale of interests in oil, gas, or mineral lands, and whether, if it does, it is unconstitutional because the subject is not expressed in the title, or for other constitutional reasons, is not determined. 210+1001.

4000-2. Registration — Procedure — Registration of such lands, interests or royalties shall be made or denied upon application to the said commerce commission in substantially the same manner, under substantially the same procedure, and upon substantially the same grounds or conditions as are prescribed for the registration of securities by Section 5 of Chapter 192, Laws 1925, commonly known as the blue sky law. But the commerce commission shall have power to make such changes in the forms of application, details of procedure, and record of registration as are reasonably necessary or convenient for the effective registration of such oil or gas lands or interests therein. A separate "Register" may be kept under this act, if deemed advisable. ('27, c. 68, § 2)

Explanatory note—For Laws 1925, c. 192, § 5 see § 3996-5, herein.

4000-3. Fees for registration—Fees shall be paid to the commission in the sum of one dollar for each one thousand dollars of the total proposed sale price of the lands, interests or royalties covered by the application for registration, or any amendment thereof; provided that the minimum fee shall be twenty-five dollars and the maximum fee shall be five hundred dollars. Such fees shall accompany the application.

Section 17 of Chapter 192, Laws of 1925, as now existing or hereafter amended, shall apply to and govern fees to be paid by applicants for brokers' licenses or agents' licenses under this act.

All fees and charges collected by the commerce commission under this act shall be covered into the state treasury. ('27, c. 68, § 3)

Explanatory note—For Laws 1925, c. 192, § 17 see § 3996-17, herein.

4000-4. Information to commission — Brokers — Agents—Agents for service of process—Hearings by and orders of commission—Deposits for examinations, etc.—Advertising matter—False statements, etc.—Cer-

tificates, etc. — Investigations — Inspections, etc. — Reports — Injunctions — Searches and seizures — Civil or criminal proceedings—Certiorari from supreme court —The provisions of sections eight (8), nine (9), ten (10), eleven (11), twelve (12), thirteen (13), fourteen (14), fifteen (15), sixteen (16), eighteen (18), nineteen (19), twenty (20), twenty-one (21), twenty-three (23), twenty-four (24), and twenty-seven (27) of Chapter 192, Laws 1925, as now existing or hereafter amended, are hereby incorporated into and made a part of this act and shall have full force and effect herein. But for the purposes of this act the word "security" and the word "securities," wherever the same appear in said sections incorporated from said other law, shall be deemed stricken therefrom and the words "oil or gas lands, and lands represented to contain or be a prospect for oil or gas, and interests in or under such lands and royalties therefrom," shall be deemed substituted therefor; the term "issuer of securities" or any term of like import in said sections incorporated from said other law shall be here construed to mean and include the maker or grantor of any deed or conveyance or like instrument coming within the purview of this act; and the phraseology of said sections incorporated from said other law shall be so construed generally in this act as to make the same most effective here. ('27, c. 68, § 4)

Explanatory note—For Laws 1925, c. 192, §§ 8 to 16, 18 to 21, 23, 24, 27 see §§ 3996-8 to 3996-16, 3996-18 to 3996-21, 3996-23, 3996-24, 3996-27 herein.

4000-5. Licensed brokers—Brokers and agents licensed under Chapter 192, Laws 1925, as now existing or hereafter amended, shall be deemed licensed under this act. ('27, c. 68, § 5)

Explanatory note—For Laws 1925, c. 192, see §§ 3996-1 to 3996-28, herein.

4000-6. Violations of law or orders—Penalty—Any person who violates any of the provisions of this act, or any registration or license or any lawful order of

the commerce commission, shall be guilty of a gross misdemeanor and shall be fined not more than five thousand dollars, or imprisoned for not more than three years, or both fined and imprisoned in the discretion of the court. ('27, c. 68, § 6)

4000-7. Sales excepted from operation of law—This act shall not apply to any isolated sale not made or occurring in the course of repeated or successive sales; nor to any judicial sale, or any transaction lawfully ordered, authorized, or approved by any court in the due course of its proceedings; nor to any sale to any bank, savings institution, trust company, insurance company, or licensed broker. ('27, c. 68, § 7)

4000-8. Definitions—As used in this act the words "person," "sale," "sell," "sold," "broker," "agent," and any other word or words requiring a definition thereof, shall mean the same as in Chapter 192, Laws 1925, commonly known as the blue sky law. ('27, c. 68, § 8)

Explanatory note—For Laws 1925, c. 192 see §§ 3996-1 to 3996-28, herein.

4000-9. Laws applicable to regulated transactions—Any transaction involving or relating to oil or gas lands, or lands represented to contain or be a prospect for oil or gas, or any interest in or under such lands, or royalties therefrom, which comes within the purview of the blue sky law, being Chapter 192, Laws 1925, as now existing or hereafter amended, shall be controlled by said blue sky law; but any transaction or offense fairly coming within the provisions of both said blue sky law and this act may be dealt with by the commerce commission, or prosecuted by the proper public officers, under either of said laws. ('27, c. 68, § 9)

Explanatory note—For Laws 1925, c. 192 see §§ 3996-1 to 3996-28, herein.

4000-10. Laws repealed—All acts and parts of acts inconsistent with the provisions of this act are hereby repealed so far as necessary to give full force and effect to this act. ('27, c. 68, § 10)

CHAPTER 22

FORESTRY AND FOREST [AND PRAIRIE] FIRES.

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