

# AN ACT

TO BE SUBMITTED TO THE LEGAL VOTERS OF THE STATE OF WASHINGTON FOR THEIR APPROVAL OR REJECTION

AT THE

GENERAL ELECTION

TO BE HELD

On Tuesday, the Third day of November, 1914,

Proposed by Initiative Petition No. 6, filed in the office of Secretary of State, July 3, 1914, commonly known as the Blue Sky Incorporation Measure.

(Will appear on the official ballot in the following form)

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## PROPOSED BY INITIATIVE PETITION

INITIATIVE MEASURE NO. 6, entitled "An act relating to corporations, copartnerships, associations and persons engaged in the business of dealing in lands, stocks, bonds and other securities, to prevent fraud and imposition in the sale of the same, and transferring to the public service commission all authority vested in the secretary of state in respect to corporations."

FOR Initiative Measure No. 6.....

AGAINST Initiative Measure No. 6.....

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## Initiative Measure No. 6.

### BALLOT TITLE

"An act relating to corporations, copartnerships, associations and persons engaged in the business of dealing in lands, stocks, bonds and other securities, to prevent fraud and imposition in the sale of the same, and transferring to the public service commission all authority vested in the secretary of state in respect to corporations."

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AN ACT Concerning the Formation of Corporations, and to Prevent Fraud and Imposition in the Sale of Stocks, Bonds, and Other Securities, and in the Sale of Lands and Interests therein, and Regulating Corporations Engaged in the Business of Selling Such Properties; Fixing a Penalty, and Making an Appropriation.

*Be it enacted by the People of the State of Washington:*

SECTION 1. In this act the term "Investment Company" shall mean any copartnership, association, corporation or other dealer (except state banks, trust companies, building and loan associations and national banks) which

shall offer any securities to any person or persons in this state or elsewhere, other than those specifically exempt herein. An individual engaged in dealing in securities shall be included within the meaning of the term "Investment Company," but this act shall not be construed to include individuals, copartnerships, associations or corporations who in the usual course of business are not engaged in the occupation of offering securities.

Every such investment company organized in or under the laws of any other state, territory or government, shall be known for the purposes of this act as a "Foreign Investment Company."

The term to "offer" shall mean to invite inquiries about or bids for securities, through advertising, circularizing, letter writing, personal solicitation or agents; or by any other means sell or seek to effect sale.

The term "securities" shall mean stocks, bonds, debentures, units of ownership, real estate mortgages, certificates of participation or other evidences of indebtedness other than the following: commercial paper, bonds, warrants or other securities of the federal, state or territorial governments; or of any county, municipality, legally constituted assessment or improvement district, or subdivision in this state; the bonds, warrants, or other securities of any county or municipality of any state or territory of the United States of America; or of any nation, province, city or legally constituted subdivision of any foreign country, the government of which is officially recognized by the United States; or securities offered by any corporation, the bonds of which are a legal investment for savings banks in Massachusetts, Connecticut or New York; securities issued by any interstate railroad, or other interstate common carrier, or by any public service corporation in this state, or public service corporation actually in operation for three years in any other state, territory or foreign country, where such public service corporations are subject to control by the authorities of such state, territory or country, in a manner similar to that exercised by the public service commission of the State of Washington over similar corporations within this state.

The term "Commission" shall mean the public service commission of the State of Washington.

SEC. 2. Articles of incorporation required to be filed with the secretary of state and fees paid to that official under existing laws shall, upon the taking effect of this act, be filed with and paid to the commission. All authority now invested in the secretary of state over corporations shall, upon taking effect of this act, be vested in the commission.

SEC. 3. Upon the filing of articles of incorporation as required by law, and payment of the prescribed fees, it shall be the duty of the commission to immediately investigate the proposed company and its proposed plan of busi-

ness, and determine whether it provide for a fair, just and equitable plan for the transaction of business.

SEC. 4. If after due investigation the commission find the proposed plan of business is fair, just and equitable, it shall issue a license to said company to transact business as a corporation, and to sell the stocks and bonds of such corporation. If the commission find that the proposed plan of business is unfair, unjust and inequitable, or that the company does not intend to do a fair and honest business, the commission shall notify the company in writing of its findings, and shall thereupon refuse to issue a license to such company. Such decision shall be final unless set aside by a court of competent jurisdiction, which may direct the commission to issue such license.

SEC. 5. Upon complaint in writing that any corporation in this state engaged in the business of offering securities or promoting, platting or selling townsites or other subdivisions of real property in this state, or elsewhere, is conducting its business dishonestly, unjustly or unfairly to its members, stockholders, contributors or purchasers of securities or real property, or upon its own motion the commission may make an investigation. Upon sufficient evidence the commission may suspend or revoke the license of such corporation, which action shall be final unless set aside by a court of competent jurisdiction.

SEC. 6. Any dealer, company or corporation affected by any finding or order of the commission may apply to the superior court of the county in which its principal place of business is located, or its authorized agent resides, for a writ of review for the purpose of having the reasonableness of the finding or order inquired into and determined. The further proceedings thereon shall be under the provisions of chapter 117 of the Laws of 1911, governing the public service commission.

SEC. 7. Before offering any securities to any one other than banks, investment bankers, investment companies, or its own members, shareholders, stockholders, or employees, or transacting any business whatever in this state, except preparing the docu-

ments herein required, an investment company shall file in the office of the commission, together with a filing fee of twenty-five dollars, the following:

(a) A statement under oath showing the company's name and principal place of business, the names, residences and business addresses of all persons interested as principals, officers, directors, or trustees and agents, if any, residing within this state.

(b) A statement under oath showing in full detail the plan upon which it proposes to transact business, together with a description of the class or classes of securities which it proposes to offer.

(c) Such other information under oath touching its affairs or the character, standing and business history of its principals, officers, directors or trustees as the commission may require.

(d) A foreign investment company shall also file a duly executed and acknowledged appointment, or power of attorney, authorizing a resident agent to accept service of process in behalf of said company, and agreeing that actions may be commenced in the proper court of any county of this state in which a cause of action under the provisions of this act may arise: *Provided*, That where service cannot be made upon said agent, or where no agent has been appointed, then service may be made by the service of process on the secretary of state.

SEC. 8. To enable the commission to determine the character of securities offered by an investment company, it may require such company to file a complete list of securities, including those exempted in section 1 of this act, sold or offered during the preceding year and which it is then offering, such list to be under oath, if so ordered. The commission may also order the company to mail to it, as soon as any copies are mailed or shown to any prospective purchaser, in this state or elsewhere, a copy of all circulars and advertisements describing or relating to any security the company is offering.

SEC. 9. The commission shall examine the statements and documents so filed, and if it shall deem advisable, then, or at any subsequent period it may make, or have made by its employes, a detailed examination of such

company's affairs, the expense of such examination to be paid by the company examined.

SEC. 10. If the commission find the plan provides for a fair, just and equitable method for the transaction of business, it shall issue to the investment company a permit to do business upon the specified plan, and offer securities of the specified class or classes, but no other except with the approval of the commission. But if the commission find that such plan of business is unfair, unjust or inequitable to any class of investors, it shall refuse to issue such permit. If the commission decide from an examination of an investment company's affairs at any time subsequent to the issuance of a permit that the company is not solvent or is not doing a fair and honest business, it may require such investment company to so change its plan of business as to satisfy the commission that it is solvent and that its business will thereafter be conducted fairly, justly and equitably, and the permit to do business issued to such company may be suspended until the plan of business is changed as hereid provided.

SEC. 11. Every investment company shall file at the close of business on December 31st of each year and at such other times as required by the commission, a statement, which may be required to be under oath, setting forth in form prescribed by the commission such information concerning its affairs as may be required. Each annual statement shall be accompanied by a fee of ten dollars. Any company failing to file its annual report, or any other report required by the commission, within thirty days after requirement or requisition therefor, shall forfeit its right to do business in this state in the discretion of the commission.

SEC. 12. An investment company engaged in buying securities for its own account to resell, who may be known as an "Investment Banker," may obtain a special permit to do business, without further compliance with this act except as specifically required by the commission. The application for such permit shall be accompanied by a sworn statement showing the company's name and principal

place of business, also the name, residence and business addresses of all persons interested as principals, officers, directors or trustees, together with satisfactory evidence that the character, financial standing and business history of the company, are such that it is entitled to the confidence of the investing public, and a fee of fifty dollars which shall be paid annually thereafter. Such special permit may be suspended or revoked by the commission at any time upon sufficient showing.

SEC. 13. All statements and information furnished to, or obtained by, the commission under the provisions of this act, shall be considered a confidential record of its office, and shall not be used for any purpose other than herein contemplated.

SEC. 14. All fees and expenses herein provided shall be collected by the commission and by it turned into the state treasury. The commission is hereby authorized to appoint as many employes as may be necessary to carry this act into full force and effect. All salaries and expenses incurred hereunder shall be paid as are other salaries and expenses of the commission.

SEC. 15. Any person, dealer, company, corporation or officer thereof violating any of the provisions of this act, or who shall knowingly subscribe to, make, or cause to be made, any false statement or entry in any record of such dealer or company, or exhibit any false paper with intent to deceive any person authorized to ex-

amine into its affairs, or knowingly make or publish any false statement of the financial condition of such company, or concerning the securities by it offered for sale, shall be deemed guilty of a gross misdemeanor.

SEC. 16. The commission shall make such rules and regulations not inconsistent with this act as may be necessary to carry it into full force and effect.

SEC. 17. Should the courts declare any section of this act unconstitutional or unauthorized by law, or in conflict with any other section or provision of this act, then such decision shall affect only the section or provision so declared to be unconstitutional and shall not affect any other section or part of this act.

SEC. 18. All acts and parts of acts in conflict herewith are hereby repealed.

SEC. 19. For the purpose of carrying out the provisions of this act, there is hereby appropriated out of any moneys in the state treasury not otherwise appropriated the sum of fifty thousand dollars, or so much thereof as may be required, but not to exceed the total amount of fees paid into the state treasury under the operations of this act.

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STATE OF WASHINGTON—ss.

Filed in the office of the Secretary of State, January 30, 1914.

I. M. HOWELL, Secretary of State.