sive scheme and after the adoption of the original comprehensive scheme, a scheme providing for additions and betterments to the original comprehensive scheme may be adopted and ratified.

The water district may incur a general indebtedness for the construction of the additions and betterments in the same way the general indebtedness may be incurred for the construction of the original comprehensive scheme after submission to the voters of the entire district in the manner the original proposition to incur indebtedness may be submitted. Upon ratification the additions and betterments may be carried out by the water district commissioners to the extent specified in the proposition to incur such general indebtedness.

Passed the Senate February 20, 1937.
Passed the House March 7, 1937.
Approved by the Governor March 17, 1937.

CHAPTER 178.
[S. S. B. 73.]

METALLIFEROUS MINING SECURITIES ACT.

AN ACT providing for the regulation and supervision of the issuance and sale of original issues of metalliferous mining securities, requiring the filing of statutory statements for the protection of the public, requiring licenses of underwriters, agents and salesmen, defining powers and duties of the director of licenses and prescribing penalties, and declaring an emergency.

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

SECTION 1. This act shall be known as the metalliferous mining securities act, and the duty of administering and enforcing it shall devolve upon the director of licenses.

Sec. 2. Every corporation, foreign or domestic, heretofore or hereafter organized, and engaged or
proposing to engage in the metalliferous mining industry, and desiring to sell or issue any shares of stock, bonds, debentures, or other securities issued by such corporation to more than twenty residents of the State of Washington, shall file in duplicate with the director of licenses, and with the county auditor of the county in which its principal office within the state is situated, a written statement, herein called "statutory statement," signed by its president and secretary and by its directors residing within the state, and by a majority of its board of directors, with its corporate seal attached, and verified under oath, which shall contain the following information:

(a) Date and place of incorporation;
(b) Address of the registered business office within this state;
(c) Names and addresses of its officers and directors, and terms of office;
(d) Amount of its authorized capital stock, par value or number of non-par shares, and a description of each class of stock;
(e) A general list of its assets and liabilities;
(f) A general list of outstanding stock, kind and class of consideration and amount received or to be received, in money, property, or services;
(g) Number of shares or other securities to be issued to the public in the present offering, and an estimate of the approximate amount of the proceeds to be derived therefrom to be used in actual exploration, development and equipment of mining property;
(h) The rate of commission to be paid to agents or members of the corporation or underwriters for selling such shares or securities, whether in money or out of such securities, and the amount of salaries to be paid to the officers for the ensuing year;
(i) Names and addresses of all authorized agents or underwriters.
Sec. 3. If such statutory statement or amended statement is, in the judgment of the director of licenses, sufficiently complete and definite, and found to comply with the provisions of this act, he shall, within fifteen days after receipt thereof, file the same and return to the office of the corporation one of the duplicates endorsed by him on its face as filed. Any such corporation shall be permitted to amend or revise its statutory statement from time to time in the same manner as original statements.

Sec. 4. The issuing company and every authorized agent or underwriter shall maintain at its principal place of business a correct copy of the statutory statement, open to public inspection. If any prospectus is issued by the company or its agents and underwriters in connection with the sale of such securities, the prospectus shall contain the statutory statement in full. A mere offer to sell, or an advertisement of the securities, shall not be regarded as a prospectus, but must designate the places where statutory statements are available.

Sec. 5. Every foreign or domestic corporation whose statutory statement is filed under the provisions of this act shall file with the director of licenses on or before the fifteenth day of February of each year, an annual statement signed by its president and secretary, with its corporate seal attached, and verified under oath. Such statement shall recite briefly the company's financial condition and contain information as to any developments that have taken place on its mining property or properties within the year. Copies of the annual statement shall also be available for public inspection at any point where filing of the statutory statement is required.

Sec. 6. Corporations subject to the provisions of this act shall devote at least sixty-five per cent of the proceeds derived from the issuance and sale of...
securities to the public to the actual exploration, development and equipment of mining property: Provided, That in exceptional cases in which it is demonstrated that the nature of the enterprise requires it, the director of licenses may by his order permit a corporation to devote a lesser proportion of the proceeds to such work of exploration, development and equipment of mining property.

Sec. 7. All promotion stock of a company engaged or proposing to engage in the metalliferous mining industry shall, during the period in which any public offering of its treasury stock is being made, be pooled in such manner as may be prescribed by the director of licenses to prevent its sale to the public; but the director of licenses may in his discretion release such pooled stock at any time: Provided, That private sales of treasury stock, without advertising or general solicitation, by bona fide officers of the company to not to exceed twenty-five persons, in which the entire proceeds inure to the benefit of the company, shall not constitute a public offering.

Sec. 8. No person, firm or corporation shall act as underwriter, agent or salesman of original issues of metalliferous mining securities until such person, firm or corporation shall have applied for and obtained from the director of licenses a certificate authorizing the applicant so to act. Every such certificate shall be issued for a term of one year, but may be revoked for cause as provided in this act: Provided, That this section shall not apply to bona fide officers of the issuing corporation selling treasury stock directly to the public.

Sec. 9. The director of licenses, on satisfactory proof that the holder of an underwriter's, agent's or salesman's certificate is guilty of fraud, or fraudulent misrepresentation in the sale of any security
may revoke such certificate. He may also, for good cause shown, temporarily suspend any rights granted under the certificate: Provided, That before any such certificate is revoked or suspended the director of licenses shall notify the holder that such action is contemplated and such holder shall have ten days, after being advised, within which to submit evidence to show why such action should not be taken.

Sec. 10. The director of licenses shall charge the following fees:

(1) For filing an original statutory statement, $10.00;

(2) For filing any subsequent or amended statement, $10.00;

(3) For filing the annual report, $5.00;

(4) For filing an application for an underwriter's, agent's or salesman's certificate, $5.00, and $2.00 for each and every year thereafter;

(5) Fees for furnishing copies of papers and records shall be 15¢ per folio and $2.00 for the certification thereof.

Sec. 11. Every person who shall violate or knowingly aid and abet the violation of this act, and every person who fails to perform any act which is herein made his duty to perform, shall be guilty of a gross misdemeanor.

Sec. 12. If any provision or section of this act shall be declared unconstitutional, such adjudication shall not affect the remaining portions of the act.

Sec. 13. This act is necessary for the immediate preservation of the public peace, health and safety of the state and shall take effect immediately.

Passed the Senate March 2, 1937.
Passed the House March 9, 1937.
Approved by the Governor March 17, 1937.