

hereunder. The petition shall be presented to the board twenty days before a general election, and the result thereof shall be determined and declared as other elections.

Passed the House March 5, 1965.

Passed the Senate March 9, 1965.

Approved by the Governor March 20, 1965.

CHAPTER 17.

[House Bill No. 56.]

SECURITIES ACT.

AN ACT relating to securities; defining powers and duties; establishing fees; providing penalties and providing for effective date; amending section 6, chapter 282, Laws of 1959; amending section 11, chapter 282, Laws of 1959; amending section 27, chapter 282, Laws of 1959 as amended by section 7, chapter 37, Laws of 1961; amending section 34, chapter 282, Laws of 1959 as amended by section 9, chapter 37, Laws of 1961; amending section 40, chapter 282, Laws of 1959 and RCW 21.20.060, 21.20.110, 21.20.270, 21.20.340, 21.20.400.

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

SECTION 1. Section 6, chapter 282, Laws of 1959 and RCW 21.20.060 are each amended to read as follows:

RCW 21.20.060 amended.

The application shall contain whatever information the director requires concerning such matters as:

Securities act. Contents of application for registration—Financial requirements.

- (1) The applicant's form and place of organization;
- (2) The applicant's proposed method of doing business;
- (3) The qualifications and business history of the applicant and in the case of a broker-dealer or investment adviser, any partner, officer, or director;
- (4) Any injunction or administrative order or

Securities act. conviction of a misdemeanor involving a security or any aspect of the securities business and any conviction of a felony; and

(5) The applicant's financial condition and history.

The director of licenses or the duly appointed administrator may by rule require a minimum capital for registered broker-dealers and investment advisers or prescribe a ratio between net capital and aggregate indebtedness by type or classification.

RCW 21.20.110 amended.

SEC. 2. Section 11, chapter 282, Laws of 1959 and RCW 21.20.110 are each amended to read as follows:

Denial, suspension, revocation of registration—
Grounds.

The director may by order deny, suspend, or revoke registration of any broker-dealer, salesman, or investment adviser if he finds that the order is in the public interest and that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director:

(1) Has filed an application for registration under this section which, as of its effective date, or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained any statement which was, in the light of the circumstances under which it was made, false, or misleading with respect to any material fact;

(2) Has wilfully violated or wilfully failed to comply with any provision of this chapter or a predecessor act or any rule or order under this chapter or a predecessor act;

(3) Has been convicted, within the past five years, of any misdemeanor involving a security or any aspect of the securities business, or any felony involving moral turpitude;

(4) Is permanently or temporarily enjoined by any court of competent jurisdiction from engaging in or continuing any conduct or practice involving any aspect of the securities business;

(5) Is the subject of an order of the director denying, suspending, or revoking registration as a broker-dealer, salesman, or investment adviser;

(6) Is the subject of an order entered within the past five years by the securities administrator of any other state or by the federal securities and exchange commission denying or revoking registration as a broker-dealer or salesman, or the substantial equivalent of those terms as defined in this chapter, or is the subject of an order of the federal securities and exchange commission suspending or expelling him from a national securities exchange or national securities association registered under the securities exchange act of 1934, or is the subject of a United States post office fraud order; but (a) the director may not institute a revocation or suspension proceeding under this clause more than one year from the date of the order relied on, and (b) he may not enter any order under this clause on the basis of an order unless that order was based on facts which would currently constitute a ground for an order under this section;

(7) Has engaged in dishonest or unethical practices in the securities business;

(8) Is insolvent, either in the sense that his liabilities exceed his assets or in the sense that he cannot meet his obligations as they mature; but the director may not enter an order against a broker-dealer or investment adviser under this clause without a finding of insolvency as to the broker-dealer or investment adviser; or

(9) Has not complied with a condition imposed by the director under RCW 21.20.100, or is not qualified on the basis of such factors as training, experience, or knowledge of the securities business; or

(10) The director may by order summarily postpone or suspend registration pending final determination of any proceeding under this section.

RCW 21.20.270
amended.

SEC. 3. Section 27, chapter 282, Laws of 1959 as amended by section 7, chapter 37, Laws of 1961 and RCW 21.20.270 are each amended to read as follows:

Securities Act.
General
provisions,
registration.
Reports by
filer of state-
ment—Annual
financial
statement.

(1) The director may require the person who filed the registration statement to file reports, not more often than quarterly to keep reasonably current the information contained in the registration statement and to disclose the progress of the offering with respect to registered securities which (a) are issued by a face-amount certificate company or a redeemable security issued by an open-end management company or unit investment trust as those terms are defined in the investment company act of 1940, or (b) are being offered and sold directly by or for the account of the issuer.

(2) During the period of public offering of securities registered under the provisions of this chapter by notification or qualification financial data or statements corresponding to those required under the provisions of RCW 21.20.160 and 21.20.210 and to the issuer's fiscal year shall be filed with the director annually, not more than ninety days after the end of each such year. Such statements at the discretion of the director or administrator shall be certified by a certified public accountant who is not an employee of the issuer, and the director may verify them by examining the issuer's books and records. The certificate of such independent certified public accountant shall be based upon an audit of not less in scope or procedures followed than that which independent public accountants would ordinarily make for the purpose of presenting comprehensive and dependable financial statements, and shall contain such information as the director may prescribe, by rules and regulations in the public interest or for the protection of investors, as to the nature and scope of the audit and the findings and opinions of the accountants. Each such report shall state that such inde-

pendent certified public accountant has verified securities owned, either by actual examination, or by receipt of a certificate from the custodian, as the director may prescribe by rules and regulations.

SEC. 4. Section 34, chapter 282, Laws of 1959 as amended by section 9, chapter 37, Laws of 1961 and RCW 21.20.340 are each amended to read as follows:

RCW 21.20.340
amended.

The following fees shall be paid in advance under the provisions of this chapter:

Fees—
Disposition.

(1) For registration of all securities other than investment trusts and securities registered by coordination the fee shall be fifty dollars for the first one hundred thousand dollars of initial issue, or portion thereof in this state, based on offering price, plus one-twentieth of one percent for any excess over one hundred thousand dollars.

(2) For registration of securities issued by a face-amount certificate company or redeemable security issued by an open-end management company or unit investment trust, as those terms are defined in the investment company act of 1940, the fee shall be fifty dollars for the first one hundred thousand dollars of initial issue, or portion thereof in this state, based on offering price, plus one-twentieth of one percent for any excess over one hundred thousand dollars which are to be offered in this state during that year: *Provided, however,* That an issuer may upon the payment of a twenty-five dollar fee renew for an additional twelve month period the unsold portion for which the registration fee has been paid.

(3) For registration by coordination, other than investment trusts, the fee shall be twenty-five dollars for initial filing fee for the first twelve month period plus twenty-five dollars for each additional twelve months in which the same offering is continued.

(4) For filing an annual statement, the fee shall be ten dollars.

Securities Act.
Fees—Dis-
position.

(5) For registration of a broker-dealer or investment adviser, the fee shall be one hundred fifty dollars for original registration and fifty dollars for each annual renewal. When an application is denied or withdrawn the director shall retain one-half of the fee.

(6) For registration of a salesman, the fee shall be twenty-five dollars for original registration with each employer and ten dollars for each annual renewal. When an application is denied or withdrawn the director shall retain one-half of the fee.

(7) For written examination for registration as a salesman, the fee shall be fifteen dollars. For examinations for registration as a broker-dealer or investment adviser, the fee shall be fifty dollars.

(8) If the application for a renewal license is not received by the department on or before March 5 of each year the renewal license fee for a late license for a broker-dealer or an investment adviser shall be seventy-five dollars and for a salesman shall be fifteen dollars. Acceptance by the director of an application for renewal after March 5 shall not be a waiver of delinquency.

(9) (a) For the transfer of a broker-dealer license to a successor, the fee shall be twenty-five dollars.

(b) For the transfer of a salesman from a broker-dealer or issuer to another broker-dealer or issuer, the transfer fee shall be fifteen dollars.

(10) For certified copies of any documents filed with the director, the fee shall be the cost to the department.

(11) All fees collected under this chapter shall be turned in to the state treasury and shall not be refundable, except as herein provided.

RCW 21.20.400
amended.

SEC. 5. Section 40, chapter 282, Laws of 1959 and RCW 21.20.400 are each amended to read as follows:

Any person who wilfully violates any provision of this chapter except RCW 21.20.350, or who wilfully violates any rule or order under this chapter, or who wilfully violates RCW 21.20.350 knowing the statement made to be false or misleading in any material respect, shall upon conviction be fined not more than five thousand dollars or imprisoned not more than ten years, or both; but no person may be imprisoned for the violation of any rule or order if he proves that he had no knowledge of the rule or order. No indictment or information may be returned under this chapter more than five years after the alleged violation.

Penalty for violation of chapter—Limitation of actions.

SEC. 6. Section 4 of this amendatory act shall take effect July 1, 1965.

Fees, effective date.

Passed the House March 4, 1965.

Passed the Senate March 9, 1965.

Approved by the Governor March 20, 1965.

CHAPTER 18.

[House Bill No. 58.]

SCHOOL DISTRICTS—LUNCH PERIODS.

AN ACT relating to employment conditions in school districts.

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

SECTION 1. All certificated employees of school districts shall be allowed a reasonable lunch period of not less than thirty continuous minutes per day during the regular school lunch periods and during which they shall have no assigned duties.

Lunch period for certificated employees.

Any school district may employ noncertificated personnel to supervise school children in noninstructional activities during regular school lunch periods.

Passed the House March 4, 1965.

Passed the Senate March 9, 1965.

Approved by the Governor March 20, 1965.