

CHAPTER 64.

[H. B. 157.]

SALE OF METALLIFEROUS MINING SECURITIES.

AN ACT relating to the issuance and sale of certain metalliferous mining securities; and amending sections 21.08.040, 21.08-.060, 21.08.070 and 21.08.080, R.C.W.

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

SECTION 1. Section 21.08.040, R.C.W., as derived from section 4, chapter 178, Laws of 1937, is amended to read as follows: Amendment.

The issuing company and every authorized agent or underwriter shall maintain at the principal place of business a copy of the statutory statement, which shall be open to public inspection while the offering is being made. A prospectus issued by the company or its agent or underwriter in connection with the sale of securities shall be filed with the director before public distribution and contain a condensed summary of the material facts contained in the statutory statement on file with the director. A newspaper announcement of the offer or a newspaper advertisement of the issue shall not be regarded as a prospectus, but must designate the place where the statutory statement is available. Copy of statutory statement at principal place of business.

[Am. Rem. Supp. § 5853-34.]

SEC. 2. Section 21.08.060, R.C.W., as derived from section 8, chapter 178, Laws of 1937, is amended to read as follows: Prospectus.

No person, firm, or corporation shall act as underwriter, agent, or salesman of an original issue of metalliferous mining securities until such person, firm, or corporation shall have applied for and obtained from the director a certificate authorizing the applicant to so act. Every such certificate shall be issued for a term of one year, and may be revoked for cause as provided herein. Newspaper announcement.

Any such person, firm, or corporation desiring to sell the original issue of metalliferous mining securities shall file with the director a verified application stating the following:

Application to sell original issue; contents of.

Name.

(1) Full name and address, including those of officers, directors, managing agents or partners;

Business.

(2) The business in which applicant has been engaged for the preceding two years, and the name and address of each employer;

Location of.

(3) The location of the principal place of business within the state; and

Other information.

(4) Such other information as the director may reasonably require to enable him to determine the competence and trustworthiness of the applicant: *Provided*, That the director may in his discretion grant to the officers and directors of issuer residing

Temporary permit.

in the state, and/or any designated agent, a temporary selling permit upon the acceptance of the statutory statement for filing but no such temporary permit shall extend for a period of more than ninety days after its issuance: *Provided further*, That any such temporary permit may be revoked for cause by the director.

Revocation of.

Section non-operative as to certain licensed brokers.

This section shall not apply to a licensed broker or dealer in Washington who may act as underwriter, dealer, or distributor of mining securities authorized to be sold in Washington.

[Am. Rem. Supp. § 5853-38.]

New section.

SEC. 3. There is added a new section to chapter 21.08, R.C.W., to read as follows:

Director may revoke certificate on proof of fraud or misrepresentation.

The director, on proof that the holder of a certificate to sell metalliferous mining securities has concealed material facts, or committed a fraud in selling securities, or made a misrepresentation in furnishing information to the department in support of his application for a certificate, may revoke such certificate, or he may modify, amend, or temporarily suspend selling rights granted under the certificate:

Provided, That before any such action, the director shall notify the holder thereof that such action is contemplated and shall set forth briefly the basis therefor in writing, and the certificate holder shall have fifteen days after receipt of written notice in which to submit evidence to the director or show cause why such action should not be taken, and the director may thereafter, without further notice, suspend, alter, or terminate said selling certificate or dismiss the proceedings.

Notice to holder.

Reply.

SEC. 4. Section 21.08.070, R.C.W., as derived from section 9, chapter 178, Laws of 1937, is amended to read as follows:

Amendment.

Whenever it shall appear to the director, from competent evidence that a mining company authorized to sell securities under this act is being grossly mismanaged or is selling its securities in the state in disregard of the rights of investors or by the use of fraudulent representations at variance with any material facts contained in its statement on file with the department, the director after giving fifteen days' notice of such charges to the company and an opportunity to be heard on the charges against it may suspend its right to sell securities until he is satisfied that the company has made appropriate corrections or he may apply to the superior court of the county where the company has its place of business for an injunction restraining it and/or its officers and directors from any such acts or practices and/or by and with the written consent of the governor may apply to the superior court for the appointment of a receiver to conserve its property pending outcome of the proceedings.

Proof of misconduct of mining company.

Notice of charges.

Director may suspend right to sell.

Instruction.

Appointment of receiver.

[Am. Rem. Supp. § 5853-39.]

SEC. 5. There is added to chapter 21.08, R.C.W., a new section to read as follows:

New section.

Each order, decision, or other official act of the director under this act shall be subject to review, and

Review of director's act.

Appeal
to superior
court.

any aggrieved person may appeal therefrom to the superior court of the county in which he resides by serving upon the director a notice of such appeal, specifying the order, decision or act appealed from and filing the same with the clerk of the superior court of the county of his residence within sixty days after the date of such order, decision or official act. Whereupon the director shall, within ten days after the filing of such notice, make and certify a transcript of all the proceedings, records and papers on file in his office relating to the order, decision or act appealed from and file the same without a filing fee in the office of the clerk of the said superior court.

Director
to certify
transcript.

Burden of
proof.

Upon the hearing of such appeal the burden of proof shall be upon the director and the court shall receive and consider all pertinent evidence, whether oral or documentary, concerning the action of the director from which such appeal is taken. Pursuant to rules of court, either party may appeal the decision to the supreme court. No supersedeas bond on the judgment shall be required except in the discretion of the superior court.

Appeal
to supreme
court.

Amendment.

SEC. 6. Section 21.08.080, R.C.W., as derived from section 6, chapter 178, Laws of 1937, is amended to read as follows:

Use of
proceeds of
offering.

A corporation subject to the provisions of this chapter, shall devote at least sixty-five per cent of the proceeds of the offering sold in the state to the actual exploration, development, and equipment of its mining property: *Provided*, That in exceptional cases in which it is demonstrated that the nature of the enterprise requires it, the director may by order, permit a corporation to devote a lesser proportion of the proceeds to such purposes.

[Am. Rem. Supp. § 5853-36.]

Passed the House February 17, 1951.

Passed the Senate March 5, 1951.

Approved by the Governor March 13, 1951.