

CHAPTER 84

[Engrossed Substitute Senate Bill No. 2480]
SECURITIES REGULATION

AN ACT Relating to securities regulation; amending section 60, chapter 282, Laws of 1959 as last amended by section 1, chapter 199, Laws of 1967 and RCW 21.20.005; amending section 4, chapter 282, Laws of 1959 as amended by section 1, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.040; amending section 5, chapter 282, Laws of 1959 as amended by section 2, chapter 37, Laws of 1961 and RCW 21.20.050; amending section 7, chapter 282, Laws of 1959 as amended by section 2, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.070; amending section 8, chapter 282, Laws of 1959 and RCW 21.20.080; amending section 9, chapter 282, Laws of 1959 as amended by section 3, chapter 37, Laws of 1961 and RCW 21.20.090; amending section 11, chapter 282, Laws of 1959 as amended by section 2, chapter 17, Laws of 1965 and RCW 21.20.110; amending section 12, chapter 282, Laws of 1959 and RCW 21.20.120; amending section 13, chapter 282, Laws of 1959 and RCW 21.20.130; amending section 14, chapter 282, Laws of 1959 and RCW 21.20.140; amending section 23, chapter 282, Laws of 1959 as last amended by section 4, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.230; amending section 24, chapter 282, Laws of 1959 and RCW 21.20.240; amending section 26, chapter 282, Laws of 1959 as amended by section 5, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.260; amending section 27, chapter 282, Laws of 1959 as last amended by section 3, chapter 17, Laws of 1965 and RCW 21.20.270; amending section 28, chapter 282, Laws of 1959 and RCW 21.20.280; amending section 31, chapter 282, Laws of 1959 and RCW 21.20.310; amending section 32, chapter 282, Laws of 1959 as last amended by section 6, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.320; amending section 3, chapter 199, Laws of 1967 as amended by section 7, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.325; amending section 33, chapter 282, Laws of 1959 and RCW 21.20.330; amending section 34, chapter 282, Laws of 1959 as last amended by section 8, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.340; amending section 36, chapter 282, Laws of 1959 and RCW 21.20.360; amending section 38, chapter 282, Laws of 1959 as amended by section 9, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.380; amending section 39, chapter 282, Laws of 1959 as amended by section 10, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.390; amending section 43, chapter 282, Laws of 1959 as last amended by section 11, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.430; amending section 45, chapter 282, Laws of 1959 and RCW 21.20.450; adding new sections to chapter 21.20 RCW; repealing section 15, chapter 282, Laws of 1959 and RCW 21.20.150; repealing section 16, chapter 282, Laws of 1959 and RCW 21.20.160; and repealing section 17, chapter 282, Laws of 1959 and RCW 21.20.170.

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

Section 1. Section 60, chapter 282, Laws of 1959 as last amended by section 1, chapter 199, Laws of 1967 and RCW 21.20.005 are each amended to read as follows:

When used in this chapter, unless the context otherwise requires:

- (1) "Director" means the director of licenses of this state.
- (2) "Salesman" means any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect sales of securities, but "salesman" does not include an individual who represents an issuer in (a) effecting a transaction in a security exempted by RCW 21.20.310(1), (2), (3), (4), (9), or (10), ((or (11))); (b) effecting transactions exempted by RCW 21.20.320, or (c) effecting transactions with existing employees, partners, or directors of the issuer if no commission or other remuneration is paid or given directly or indirectly for soliciting any person in this state.
- (3) "Broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his own account. "Broker-dealer" does not include (a) a salesman, issuer, bank, savings institution, or trust company, (b) a person who has no place of business in this state if he effects transactions in this state exclusively with or through the issuers of the securities involved in the transactions, other broker-dealers, or banks, savings institutions,

trust companies, insurance companies, investment companies as defined in the investment company act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees, or (c) a person who has no place of business in this state if during any period of twelve consecutive months he does not direct more than fifteen offers to sell or to buy into this state in any manner to persons other than those specified in subsection (b) above.

(4) "Guaranteed" means guaranteed as to payment of principal, interest, or dividends.

(5) "Full business day" means all calendar days, excluding therefrom Saturdays, Sundays, and all legal holidays, as defined by statute.

(6) "Investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. "Investment adviser" does not include (a) a bank, savings institution, or trust company, (b) a lawyer, accountant, engineer, or teacher whose performance of these services is solely incidental to the practice of his profession, (c) a broker-dealer, (d) a publisher of any bona fide newspaper, news magazine, or business or financial publication of general, regular, and paid circulation, (e) a person whose advice, analyses, or reports relate only to securities exempted by RCW 21.20.310(1), (f) a person who has no place of business in this state if (i) his only clients in this state are other investment advisers, broker-dealers, banks, savings institutions, trust companies, insurance companies, investment companies as defined in the investment company act of 1940, pension or profit-sharing trust, or other financial institutions or institutional buyers, whether acting for themselves or as trustees, or (ii) during any period of twelve consecutive months he does not direct business communications into this state in any manner to more than five clients other than those specified in clause (i) above, or (g) such other persons not within the intent of this paragraph as the director may by rule or order designate.

(7) "Issuer" means any person who issues or proposes to issue any security, except that with respect to certificates of deposit, voting trust certificates, or collateral-trust certificates, or with respect to certificates of interest or shares in an unincorporated investment trust not having a board of directors (or persons performing similar functions) or of the fixed, restricted management, or unit type; the term "issuer" means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which the security is issued.

(8) "Nonissuer" means not directly or indirectly for the benefit of the issuer.

(9) "Person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust where the interest of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government.

(10) "Sale" or "sell" includes every contract of sale of, contract to sell, or disposition of, a security or interest in a security for value. "Offer" or "offer to sell"

includes every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security for value.

Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing is considered to constitute part of the subject of the purchase and to have been offered and sold for value. A purported gift of assessable stock is considered to involve an offer and sale. Every sale or offer of a warrant or right to purchase or subscribe to another security of the same or another issuer, as well as every sale or offer of a security which gives the holder a present or future right or privilege to convert into another security of the same or another issuer, is considered to include an offer of the other security.

(11) "Securities Act of 1933", "Securities Exchange Act of 1934", "Public Utility Holding Company Act of 1935", and "Investment Company Act of 1940" means the federal statutes of those names as amended before or after the effective date of this chapter.

(12) "Security" means any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting-trust certificate; certificate of deposit for a security; certificate of interest or participation in an oil, gas or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing; or any sale of or indenture, bond or contract for the conveyance of land or any interest therein where such land is situated outside of the state of Washington and such sale or its offering is not conducted by a real estate broker licensed by the state of Washington. "Security" does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay money either in a lump sum or periodically for life or some other specified period.

(13) "State" means any state, territory, or possession of the United States, as well as the District of Columbia and Puerto Rico.

(14) "Investment adviser salesman" means a person retained or employed by an investment adviser to solicit clients or offer the services of the investment adviser or manage the accounts of said clients.

Sec. 2. Section 4, chapter 282, Laws of 1959 as amended by section 1, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.040 are each amended to read as follows:

It is unlawful for any person to transact business in this state as a broker-dealer or salesman, except in transactions exempt under RCW 21.20.320, unless he is registered under this chapter: PROVIDED, That an exemption from registration as a broker-dealer or salesman to sell or resell condominium units sold in conjunction with an investment contract, may be provided by rule or regulation of the director as to persons who are licensed pursuant to the provisions of chapter 18.85 RCW. It is unlawful for any broker-dealer or issuer to employ a salesman unless the salesman is registered or exempted from registration. It is unlawful for any person to transact business in this state as an investment adviser unless (1) he is so registered under this chapter, or (2) he is registered as a broker-dealer under

this chapter, or (3) his only clients in this state are investment companies as defined in the Investment Company Act of 1940, ~~((of for))~~ or insurance companies. It is unlawful for any person to transact business in this state as an investment adviser salesman or for any investment adviser to employ an investment adviser salesman unless such person is registered.

Sec. 3. Section 5, chapter 282, Laws of 1959 as amended by section 2, chapter 37, Laws of 1961 and RCW 21.20.050 are each amended to read as follows:

A broker-dealer, salesman, ~~((or))~~ investment adviser, or investment adviser salesman may apply for registration by filing with the director an application together with a consent to service of process in such form as the director shall prescribe and payment of the fee prescribed in RCW 21.20.340.

Sec. 4. Section 7, chapter 282, Laws of 1959 as amended by section 2, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.070 are each amended to read as follows:

If no denial order is in effect and no proceeding is pending under RCW 21.20.110, registration becomes effective when the applicant has successfully passed the written examination required under this section or satisfactorily demonstrated that he is exempt from the written examination requirements of this section. The director shall require as a condition of registration that the applicant (and, in the case of a corporation or partnership, all officers, directors or partners doing securities business in this state) pass a written examination as evidence of knowledge of the securities business: PROVIDED, That not more than two officers of an issuer or two individual general partners or two officers of a corporate general partner may be registered as a salesman for a particular original offering of the ~~((issuers))~~ issuer's securities without being required to pass such written examination: AND PROVIDED FURTHER, That no such ~~((officer))~~ person may again register within five years as such salesman for this or any other issuer without passing the written examination. Such examination shall be given twice a year or at such more frequent intervals as the advisory committee shall direct.

Any applicant for registration as a salesman who has successfully passed, within the preceding five years, a salesman examination by a national securities association registered under the Securities and Exchange Act of 1934, (15 U.S.C. Sec. 78-a-78jj), and since the passage of such examination, has been employed by broker-dealers, who were at the time of said employment members of such an association or duly licensed in accordance with this chapter, ~~((shall be))~~ are exempt from the written examination requirements of this section, unless otherwise provided by rule or order of the director.

Sec. 5. Section 8, chapter 282, Laws of 1959 and RCW 21.20.080 are each amended to read as follows:

Registration of a broker-dealer, salesman, investment adviser salesman, or investment adviser shall be effective until March 1st of the following year and may be renewed as hereinafter provided. The registration of a salesman or investment adviser salesman is not effective during any period when ~~((he))~~ the salesman is not associated with an issuer or a registered broker-dealer ~~((specified in his application or a notice filed with the director))~~ or when the investment adviser salesman is not associated with a registered investment adviser. To be associated with an

issuer, broker-dealer or investment adviser within the meaning of this section written notice must be given to the director. When a salesman begins or terminates ~~((a connection))~~ an association with an issuer or registered broker-dealer, the salesman and the issuer or broker-dealer shall promptly notify the director. When an investment adviser salesman begins or terminates an association with a registered investment adviser, the investment adviser salesman and registered investment adviser shall promptly notify the director.

Notwithstanding any provision of law to the contrary, the director may, from time to time, extend the duration of a licensing period for the purpose of staggering renewal periods. Such extension of a licensing period shall be by rule or regulation adopted in accordance with the provisions of chapter 34.04 RCW. Such rules and regulations may provide a method for imposing and collecting such additional proportional fee as may be required for the extended period.

Sec. 6. Section 9, chapter 282, Laws of 1959 as amended by section 3, chapter 37, Laws of 1961 and RCW 21.20.090 are each amended to read as follows:

Registration of a broker-dealer, salesman, investment adviser salesman, or investment adviser may be renewed by filing with the director prior to the expiration thereof an application containing such information as the director may require to indicate any material change in the information contained in the original application or any renewal application for registration as a broker-dealer, salesman, investment adviser salesman, or investment adviser filed with the director by the applicant, payment of the prescribed fee, and, in the case of a broker-dealer, a financial statement showing the financial condition of such broker-dealer as of a date within ninety days. A registered broker-dealer or investment adviser may file an application for registration of a successor, and the administrator may at his discretion grant or deny the application.

Sec. 7. Section 11, chapter 282, Laws of 1959 as amended by section 2, chapter 17, Laws of 1965 and RCW 21.20.110 are each amended to read as follows:

The director may by order deny, suspend, or revoke registration of any broker-dealer, salesman, investment adviser 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, or investment adviser salesman;

(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.

Sec. 8. Section 12, chapter 282, Laws of 1959 and RCW 21.20.120 are each amended to read as follows:

Upon the entry of ~~((the))~~ an order under RCW 21.20.110, the director shall promptly notify the applicant or registrant, as well as the employer or prospective employer if the applicant or registrant is a salesman or investment adviser salesman, that it has been entered and of the reasons therefor and that if requested by the applicant or registrant within fifteen days after the receipt of the director's notification the matter will be promptly set down for hearing. If no hearing is requested and none is ordered by the director, the order will remain in effect until it is modified or vacated by the director. If a hearing is requested or ordered, the director, after notice of and opportunity for hearing, may modify or vacate the order or extend it until final determination. No order may be entered under RCW 21.20.110 denying or revoking registration without appropriate prior notice to the applicant or registrant (as well as the employer or prospective employer if the applicant or registrant is a salesman or an investment adviser salesman), opportunity for hearing, and written findings of fact and conclusions of law.

Sec. 9. Section 13, chapter 282, Laws of 1959 and RCW 21.20.130 are each amended to read as follows:

If the director finds that any registrant or applicant for registration is no longer in existence or has ceased to do business as a broker-dealer, investment adviser, investment adviser salesman, or salesman, or is subject to an adjudication of mental incompetence or to the control of a committee, conservator, or guardian,

or cannot be located after reasonable search, the director may by order cancel the registration or application.

Sec. 10. Section 14, chapter 282, Laws of 1959 and RCW 21.20.140 are each amended to read as follows:

It is unlawful for any person to offer or sell any security in this state, except securities exempt under RCW 21.20.310 or when sold in transactions exempt under RCW 21.20.320, unless such security is registered by ~~((notification;))~~ coordination~~((;))~~ or qualification under this chapter.

Sec. 11. Section 23, chapter 282, Laws of 1959 as last amended by section 4, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.230 are each amended to read as follows:

A registration statement by qualification under RCW 21.20.210 becomes effective if no stop order is in effect and no proceeding is pending under RCW 21.20.280 and 21.20.300, at three o'clock Pacific standard time in the afternoon of the fifteenth full business day after the filing of the registration statement or the last amendment, or at such earlier time as the director determines. The director may require as a condition of registration under this section that a prospectus containing any information necessary for complete disclosure of any material fact relating to the security offering be sent or given to each person to whom an offer is made before or concurrently with (1) the first written offer made to him (other than by means of a public advertisement) by or for the account of the issuer or any other person on whose behalf the offering is being made, or by any underwriter or broker-dealer who is offering part of an unsold allotment or subscription taken by him as a participant in the distribution, (2) the confirmation of any sale made by or for the account of any such person, (3) payment pursuant to any such sale, or (4) delivery of the security pursuant to any such sale, whichever first occurs; but the director ~~((shall))~~ may accept for use under any such requirement a current prospectus or offering circular regarding the same securities filed under the Securities Act of 1933 or regulations thereunder.

Sec. 12. Section 24, chapter 282, Laws of 1959 and RCW 21.20.240 are each amended to read as follows:

A registration statement may be filed by the issuer, any other person on whose behalf the offering is to be made, or a registered broker-dealer. ~~((Any document filed under this chapter or a predecessor act within five years preceding the filing of a registration statement may be incorporated by reference in the registration statement to the extent that the document is currently accurate.))~~ The director may by rule or otherwise permit the omission of any item of information or document from any registration statement.

Sec. 13. Section 26, chapter 282, Laws of 1959 as amended by section 5, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.260 are each amended to read as follows:

When securities are registered by ~~((notification;))~~ coordination~~((;))~~ or qualification, they may be offered and sold by the issuer, any other person on whose behalf they are registered or by any registered broker-dealer or any person acting within the exemption provided in RCW 21.20.040. Every registration shall remain

effective until its expiration date or until revoked by the director or until terminated upon request of the registrant with the consent of the director. All outstanding securities of the same class as a registered security are considered to be registered for the purpose of any nonissuer transaction.

Sec. 14. Section 27, chapter 282, Laws of 1959 as last amended by section 3, chapter 17, Laws of 1965 and RCW 21.20.270 are each amended to read as follows:

(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. A ten dollar fee shall accompany each such report.

(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~~) one hundred twenty 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 independent 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. 15. Section 28, chapter 282, Laws of 1959 and RCW 21.20.280 are each amended to read as follows:

The director may issue a stop order denying effectiveness to, or suspending or revoking the effectiveness of, any registration statement if he finds that the order is in the public interest and that:

(1) The registration statement as of its effective date or as of any earlier date in the case of an order denying effectiveness, is incomplete in any material respect or contains 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) Any provision of this chapter or any rule, order, or condition lawfully imposed under this chapter has been wilfully violated, in connection with the offering by (a) the person filing the registration statement, (b) the issuer, any partner,

officer, or director of the issuer, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling or controlled by the issuer, but only if the person filing the registration statement is directly or indirectly controlled by or acting for the issuer, or (c) any underwriter;

(3) The security registered or sought to be registered is the subject of a permanent or temporary injunction of any court of competent jurisdiction entered under any other federal or state act applicable to the offering; but (a) the director may not institute a proceeding against an effective registration statement under this clause more than one year from the date of the injunction relief on, and (b) he may not enter an order under this clause on the basis of an injunction entered under any other state act unless that order or injunction was based on facts which would currently constitute a ground for a stop order under this section;

(4) The issuer's enterprise or method of business includes or would include activities which are illegal where performed;

(5) The offering has worked or tended to work a fraud upon purchasers or would so operate;

~~(6) ((When a security is sought to be registered by notification, it is not eligible for such registration;~~

~~(7))~~ When a security is sought to be registered by coordination, there has been a failure to comply with the undertaking required by RCW 21.20.180(7), or

~~((8))~~ (7) The applicant or registrant has failed to pay the proper registration fee; but the director may enter only a denial order under this subsection and he shall vacate any such order when the deficiency has been corrected;

~~((9))~~ (8) The offering has been or would be made with unreasonable amounts of underwriters' and sellers' discounts, commissions, or compensation or promoters' profits or participation, or unreasonable amounts or kinds of options.

Sec. 16. Section 31, chapter 282, Laws of 1959 and RCW 21.20.310 are each amended to read as follows:

RCW 21.20.140 through 21.20.300, inclusive, shall not apply to any of the following securities:

(1) Any security (including a revenue obligation) issued or guaranteed by the United States, any state, any political subdivision of a state, or any agency or corporate or other instrumentality of one or more of the foregoing; or any certificate of deposit for any of the foregoing.

(2) Any security issued or guaranteed by Canada, any Canadian province, any political subdivision of any such province, any agency or corporate or other instrumentality of one or more of the foregoing, or any other foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or guarantor.

(3) Any security issued by and representing an interest in or a debt of, or guaranteed by, any bank organized under the laws of the United States, or any bank or trust company organized or supervised under the laws of any state.

(4) Any security issued by and representing an interest in or a debt of, or guaranteed by, any federal savings and loan association, or any building and loan or similar association organized under the laws of any state and authorized to do business in this state.

(5) Any security issued by and representing an interest in or a debt of, or guaranteed by, any insurance company organized under the laws of this state and authorized to do and actually doing business in this state.

(6) Any security issued or guaranteed by any federal credit union or any credit union, industrial loan association, or similar association organized and supervised under the laws of this state.

(7) Any security issued or guaranteed by any railroad, other common carrier, public utility, or holding company which is (a) subject to the jurisdiction of the interstate commerce commission; (b) a registered holding company under the public utility holding company act of 1935 or a subsidiary of such a company within the meaning of that act; (c) regulated in respect of its rates and charges by a governmental authority of the United States or any state or municipality; or (d) regulated in respect of the issuance or guarantee of the security by a governmental authority of the United States, any state, Canada, or any Canadian province; also equipment trust certificates in respect of equipment conditionally sold or leased to a railroad or public utility, if other securities issued by such railroad or public utility would be exempt under this subsection.

(8) Any security listed or approved for listing upon notice of issuance on the New York stock exchange, the American stock exchange, the Midwest stock exchange, the Spokane stock exchange or any other stock exchange registered with the federal securities and exchange commission and approved by the director; any other security of the same issuer which is of senior or substantially equal rank; any security called for by subscription rights or warrants so listed or approved; or any warrant or right to purchase or subscribe to any of the foregoing. The director shall have power at any time by written order to withdraw the exemption so granted as to any particular security.

~~(9) ((Any security issued by any person organized and operated not for private profit but exclusively for religious, educational, benevolent, charitable, fraternal, social, athletic, or reformatory purposes, or as a chamber of commerce or professional association.~~

~~(10))~~ Any commercial paper which arises out of a current transaction or the proceeds of which have been or are to be used for current transaction, and which evidences an obligation to pay cash within nine months of the date of issuance, exclusive of days of grace, or any renewal of such paper which is likewise limited, or any guarantee of such paper or of any such renewal, when such commercial paper is sold to the banks or insurance companies.

~~((11))~~ (10) Any investment contract issued in connection with an employee's stock purchase, savings, pension, profit-sharing, or similar benefit plan if the director is notified in writing thirty days before the inception of the plan or, with respect to plans which are in effect on the effective date of this chapter, within sixty days thereafter (or within thirty days before they are reopened if they are closed on the effective date of this chapter).

Sec. 17. Section 32, chapter 282, Laws of 1959 as last amended by section 6, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.320 are each amended to read as follows:

Except as hereinafter in this section expressly provided, RCW 21.20.040, 21.20.050, 21.20.060, 21.20.070, 21.20.080, 21.20.090, 21.20.100, 21.20.110, 21.20.120,

21.20.130, 21.20.135, 21.20.140, ~~((21.20.150, 21.20.160, 21.20.170;))~~ 21.20.180, 21.20.190, 21.20.200, 21.20.210, 21.20.220, 21.20.230, 21.20.240, 21.20.250, 21.20.260, 21.20.270, 21.20.280, 21.20.290 and 21.20.300, shall not apply to any of the following transactions:

(1) Any isolated transaction, or sales not involving a public offering, whether effected through a broker-dealer or not.

(2) Any nonissuer distribution of an outstanding security by a registered broker-dealer if (a) a recognized securities manual contains the names of the issuer's officers and directors, a balance sheet of the issuer as of a date within eighteen months, and a profit and loss statement for either the fiscal year preceding that date or the most recent year of operations, or (b) the security has a fixed maturity or a fixed interest or dividend provision and there has been no default during the current fiscal year or within the three preceding fiscal years, or during the existence of the issuer and any predecessors if less than three years, in the payment of principal, interest, or dividends on the security.

(3) Any nonissuer transaction effected by or through a registered broker-dealer pursuant to an unsolicited order or offer to buy; but the director may by rule require that the customer acknowledge upon a specified form that the sale was unsolicited, and that a signed copy of each such form be preserved by the broker-dealer for a specified period.

(4) Any transaction between the issuer or other person on whose behalf the offering is made and an underwriter, or among underwriters.

(5) Any transaction in a bond or other evidence of indebtedness secured by a real or chattel mortgage or deed of trust, or by an agreement for the sale of real estate or chattels, if the entire mortgage, deed of trust, or agreement, together with all the bonds or other evidences of indebtedness secured thereby, is offered and sold as a unit.

(6) Any transaction by an executor, administrator, sheriff, marshal, receiver, trustee in bankruptcy, guardian, or conservator.

(7) Any transaction executed by a bona fide pledgee without any purpose of evading this chapter.

(8) Any offer or sale to a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

(9) Any transaction pursuant to ~~((an))~~ offers directed by the ~~((offerer to not more than twenty persons (other than those designated in subsection (8) of this section)))~~ issuer or the issuer's representative to offerees in this state ~~((during any period of twelve consecutive months, whether or not the offerer or any of the offerees is then present in this state, if))~~: PROVIDED, That:

(a) The seller reasonably believes that all the buyers are purchasing for investments and for their respective accounts, and

(b) No public or general solicitation is utilized in said offers or sales, and

(c) No commission or other remuneration is paid or given directly or indirectly for soliciting any prospective buyer, and

(d) The number of sales by any issuer does not exceed ten individuals in twelve consecutive months and does not exceed an aggregate amount of one hundred thousand dollars, and

(e) The issuer first files a notice specifying the terms of the offer as the director may prescribe by rules and regulations and the director does not by order disallow the exemption within the next ten full business days, and

(f) For the purpose of this exemption, if a limited partnership form of business is used, the general partner and not the partnership is deemed to be the issuer, and

(g) The issuer submits a list of security holders within thirty days after the end of each fiscal year it has operated under this exemption. Failure to file such report will not subject the issuer to retroactive loss of this exemption but will result in loss of this exemption during the period the list of security holders is due and not filed.

(10) Any offer or sale of a preorganization certificate or subscription if (a) no commission or other remuneration is paid or given directly or indirectly for soliciting any prospective subscriber, (b) the number of subscribers does not exceed ten, and (c) no payment is made by any subscriber.

(11) Any transaction pursuant to an offer to existing security holders of the issuer, including persons who at the time of the transaction are holders of convertible securities, nontransferable warrants, or transferable warrants exercisable within not more than ninety days of their issuance, if (a) no commission or other remuneration (other than a standby commission) is paid or given directly or indirectly for soliciting any security holder in this state, or (b) the issuer first files a notice specifying the terms of the offer and the director does not by order disallow the exemption within the next five full business days.

(12) Any offer (but not a sale) of a security for which registration statements have been filed under both this chapter and the Securities Act of 1933 if no stop order or refusal order is in effect and no public proceeding or examination looking toward such an order is pending under either act.

(13) The issuance of any stock dividend, whether the corporation distributing the dividend is the issuer of the stock or not, if nothing of value is given by stockholders for the distribution other than the surrender of a right to a cash dividend where the stockholder can elect to take a dividend in cash or stock.

(14) Any transaction incident to a right of conversion or a statutory or judicially approved reclassification, recapitalization, reorganization, quasi reorganization, stock split, reverse stock split, merger, consolidation or sale of assets.

(15) The offer or sale by a registered broker-dealer, or a person exempted from the registration requirements pursuant to RCW 21.20.040, acting either as principal or agent, of securities previously sold and distributed to the public: PROVIDED, That:

(a) Such securities are sold at prices reasonably related to the current market price thereof at the time of sale, and, if such broker-dealer is acting as agent, the commission collected by such broker-dealer on account of the sale thereof is not in excess of usual and customary commissions collected with respect to securities and transactions having comparable characteristics;

(b) Such securities do not constitute the whole or a part of an unsold allotment to or subscription or participation by such broker-dealer as an underwriter of such securities or as a participant in the distribution of such securities by the issuer, by an underwriter or by a person or group of persons in substantial control of the issuer or of the outstanding securities of the class being distributed; and

(c) The security has been lawfully sold and distributed in this state or any other state of the United States under this or any act regulating the sale of such securities.

(16) Any transactions by a mutual or cooperative association issuing to its patrons any receipt, written notice, certificate of indebtedness or stock for a patronage dividend, or for contributions to capital by such patrons in the association provided that any such receipt, written notice or certificate made pursuant to this paragraph shall be nontransferable except in the case of death or by operation of law and shall so state conspicuously on its face.

The director may by order deny or revoke the exemption specified in subsection (2) of this section with respect to a specific security. Upon the entry of such an order, the director shall promptly notify all registered broker-dealers that it has been entered and of the reasons therefor and that within fifteen days of the receipt of a written request the matter will be set down for hearing. If no hearing is requested and none is ordered by the director, the order will remain in effect until it is modified or vacated by the director. If a hearing is requested or ordered, the director, after notice of an opportunity for hearing to all interested persons, may modify or vacate the order or extend it until final determination. No order under this subsection may operate retroactively. No person may be considered to have violated this chapter by reason of any offer or sale effected after the entry of an order under this subsection if he sustains the burden of proof that he did not know, and in the exercise of reasonable care could not have known of the order. In any proceeding under this chapter, the burden of proving an exemption from a definition is upon the person claiming it.

Sec. 18. Section 3, chapter 199, Laws of 1967 as amended by section 7, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.325 are each amended to read as follows:

The director or administrator may by order deny, revoke, or condition any exemption specified in subsection ~~((s (9) or (11)))~~ (10) of RCW 21.20.310 or in RCW 21.20.320 with respect to a specific security or transaction. No such order may be entered without appropriate prior notice to all interested parties, opportunity for hearing, and written findings of fact and conclusions of law, except that the director or administrator may by order summarily deny, revoke, or condition any of the specified exemptions pending final determination of any proceeding under this section. Upon the entry of a summary order, the director or administrator shall promptly notify all interested parties that it has been entered and of the reasons therefor and that within fifteen days of the receipt of a written request the matter will be set down for hearing. If no hearing is requested and none is ordered by the director or administrator, the order will remain in effect until it is modified or vacated by the director or administrator. If a hearing is requested or ordered, the director or administrator, after notice of and opportunity for hearing to all interested persons, may modify or vacate the order or extend it until final

determination. No order under this section may operate retroactively. No person may be considered to have violated RCW 21.20.140 as now or hereafter amended by reason of any offer or sale effected after the entry of an order under this section if he sustains the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of the order.

Sec. 19. Section 33, chapter 282, Laws of 1959 and RCW 21.20.330 are each amended to read as follows:

Every applicant for registration as a broker-dealer, investment adviser, investment adviser salesman, or salesman under this chapter and every issuer which proposes to offer a security in this state through any person acting on an agency basis in the common law sense shall file with the director, in such form as he by rule prescribes, an irrevocable consent appointing the director or his successor in office to be the attorney of the applicant to receive service of any lawful process in any noncriminal suit, action, or proceeding against the applicant or it or his successor, executor or administrator which arises under this chapter or any rule or order hereunder after the consent has been filed, with the same force and validity as if served personally on the person filing the consent. A person who has filed such a consent in connection with a previous registration need not file another. Service may be made by leaving a copy of the process in the office of the director, but it is not effective unless (1) the plaintiff, who may be the director in a suit, action, or proceeding instituted by him, forthwith sends notice of the service and a copy of the process by registered mail to the defendant or respondent at it or his last address on file with the director, and (2) the plaintiff's affidavit of compliance with this section is filed in the case on or before the return day of the process, if any, or within such further time as the court allows.

Sec. 20. Section 34, chapter 282, Laws of 1959 as last amended by section 8, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.340 are each amended to read as follows:

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

(1) For registration of all securities other than investment trusts and securities registered by coordination the fee shall be ~~((fifty))~~ one hundred 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 during that year: PROVIDED, HOWEVER, That an issuer may upon the payment of a fifty dollar fee renew for one additional twelve month period only the unsold portion for which the registration fee has been paid.

(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))~~ one hundred 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))~~ fifty 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 ~~((fifty))~~ one hundred dollars for initial filing fee for the first twelve month period plus ~~((fifty))~~ one hundred dollars for each additional twelve months in which the same offering is continued.

(4) For filing ~~((an))~~ annual financial statements, the fee shall be ~~((ten))~~ twenty-five dollars.

(5) For filing an amended offering circular after the initial registration permit has been granted the fee shall be ten dollars.

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

~~((7))~~ (8) For written examination for registration as a salesman or investment adviser 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))~~ (9) 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))~~ one hundred dollars and for a salesman or investment adviser salesman shall be ~~((fifteen))~~ twenty-five dollars. Acceptance by the director of an application for renewal after March 5 shall not be a waiver of delinquency.

~~((9))~~ (10) (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.

(c) For the transfer of an investment adviser salesman from an investment adviser to another investment adviser, the transfer fee shall be fifteen dollars.

~~((10))~~ (11) For certified copies of any documents filed with the director, the fee shall be the cost to the department.

~~((11))~~ (12) All fees collected under this chapter shall be turned in to the state treasury and shall not be refundable, except as herein provided.

Sec. 21. Section 36, chapter 282, Laws of 1959 and RCW 21.20.360 are each amended to read as follows:

Neither the fact that an application for registration under RCW 21.20.050, a registration statement under RCW ~~((21.20.150))~~ 21.20.180 or 21.20.210 has been filed, nor the fact that a person or security is effectively registered, constitutes a finding by the director that any document filed under this chapter is true, complete, and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the director has passed in any way upon the merits of qualifications of, or recommended or given

approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with this section.

Sec. 22. Section 38, chapter 282, Laws of 1959 as amended by section 9, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.380 are each amended to read as follows:

For the purpose of any investigation or proceeding under this chapter, the director or any officer designated by him may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records which the director deems relevant or material to the inquiry.

In case of disobedience on the part of any person to comply with any subpoena lawfully issued by the director, or on the refusal of any witness to testify to any matters regarding which he may be lawfully interrogated, the superior court of any county or the judge thereof, on application of the director, and after satisfactory evidence of wilful disobedience, may compel obedience by proceedings for contempt, as in the case of disobedience of the requirements of a subpoena issued from such a court on a refusal to testify therein.

~~((No person is excused from attending and testifying or from producing any document or record before the director or in obedience to the subpoena of the director or any officer designated by him, or in any proceeding instituted by the director, on the ground that the testimony or evidence (documentary or otherwise) required of him may tend to incriminate him or subject him to a penalty or forfeiture, but no individual may be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after claiming his privilege against self-incrimination, to testify or produce evidence (documentary or otherwise), except that the individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.))~~

Sec. 23. Section 39, chapter 282, Laws of 1959 as amended by section 10, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.390 are each amended to read as follows:

Whenever it appears to the director that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order hereunder, he may in his discretion:

(1) Issue an order directing the person to cease and desist from continuing the act or practice: PROVIDED, That reasonable notice of and opportunity for a hearing shall be given: PROVIDED, FURTHER, That the director may issue a temporary order pending the hearing which shall remain in effect until ten days after the hearing is held and which shall become final if the person to whom notice is addressed does not request a hearing within fifteen days after the receipt of notice; or

(2) The director may without issuing a cease and desist order, bring an action in any court of competent jurisdiction to enjoin any such acts or practices and to enforce compliance with this chapter or any rule or order hereunder. Upon a proper showing a permanent or temporary injunction, restraining order, or writ of

mandamus shall be granted and a receiver or conservator may be appointed for the defendant or the defendant's assets. The director may not be required to post a bond. If the director prevails, he shall be entitled to a reasonable attorney's fee to be fixed by the court.

(3) Whenever it appears to the director that any person who has received a permit to issue, sell or otherwise dispose of securities under this chapter, whether current or otherwise, has become insolvent, the director may petition a court of competent jurisdiction to appoint a receiver or conservator for the defendant or the defendant's assets. The director may not be required to post a bond.

(4) The director may include in any action authorized by subsection (2) of this section a claim for restitution or damages on behalf of the persons injured by the act or practice constituting the subject matter of the action. The court shall have the power to award appropriate relief to such persons, if the court finds that enforcement of the rights of such persons by private civil action, whether by class action or otherwise, would be so burdensome or expensive as to be impractical.

Sec. 24. Section 43, chapter 282, Laws of 1959 as last amended by section 11, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.430 are each amended to read as follows:

(1) Any person, who offers or sells a security in violation of any provisions of RCW 21.20.140 through 21.20.220 and 21.20.230, or offers or sells a security by means of fraud or misrepresentation is liable to the person buying the security from him, who may sue either at law or in equity to recover the consideration paid for the security, together with interest at ~~((six))~~ eight percent per annum from the date of payment, costs, and reasonable attorneys' fees, less the amount of any income received on the security, upon the tender of the security, or for damages if he no longer owns the security. Damages are the amount that would be recoverable upon a tender less (a) the value of the security when the buyer disposed of it and (b) interest at ~~((six))~~ eight percent per annum from the date of disposition.

(2) Any person who buys a security by means of fraud or misrepresentation is liable to the person selling the security to him, who may sue either at law or in equity to recover the security, together with any income received on the security, costs, and reasonable attorneys' fees or if the security cannot be recovered, the value of the security, any profits arising from the security, costs, and reasonable attorneys' fees.

(3) Every person who directly or indirectly controls a seller or buyer liable under subsection (1) or (2) above, every partner, officer, or director (or person occupying a similar status or performing similar functions) or employee of such a seller or buyer who materially aids in the ~~((safe))~~ transaction, and every broker-dealer, salesman or person exempt under the provisions of RCW 21.20.040 who materially aids in the ~~((safe))~~ transaction is also liable jointly and severally with and to the same extent as the seller or buyer, unless ~~((the nonseller who is so liable))~~ he sustains the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of the existence of the facts by reason of which the liability is alleged to exist. There is contribution as in cases of contract among the several persons so liable.

~~(((3)) Any tender specified in this section may be made at any time before entry of judgment.))~~ (4) (a) Every cause of action under this statute survives the death of any person who might have been a plaintiff or defendant.

(b) No person may sue under this section more than three years after the contract of sale. No person may sue under this section ~~(((a)))~~ if the buyer ~~(((received)))~~ or seller receives a written rescission offer, which has been passed upon by the director before suit and at a time when he owned the security, to refund the consideration paid together with interest at ~~(((six)))~~ eight percent per annum from the date of payment, less the amount of any income received on the security~~(((and he failed to accept the offer within thirty days of its receipt, or (b) if the buyer received such an offer before suit and at a time when he did not own the security, unless he rejected the offer in writing within thirty days of its receipt))~~ in the case of a buyer, or plus the amount of income received on the security in the case of a seller.

~~(((4)))~~ (5) No person who has made or engaged in the performance of any contract in violation of any provision of this chapter or any rule or order hereunder, or who has acquired any purported right under any such contract with knowledge of the facts by reason of which its making or performance was in violation, may base any suit on the contract. Any condition, stipulation, or provision binding any person acquiring any security to waive compliance with any provision of this chapter or any rule or order hereunder is void.

Sec. 25. Section 45, chapter 282, Laws of 1959 and RCW 21.20.450 are each amended to read as follows:

The administration of the provisions of this chapter shall be under the department of licenses. The director may from time to time make, amend, and rescind such rules and forms as are necessary to carry out the provisions of this chapter, including rules defining any term, whether or not such term is used in the Washington securities law. The director may classify securities, persons, and matters within his jurisdiction, and prescribe different requirements for different classes. No rule or form, may be made unless the director finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this chapter. In prescribing rules and forms the director may cooperate with the securities administrators of the other states and the securities and exchange commission with a view to effectuating the policy of this statute to achieve maximum uniformity in the form and content of registration statements, applications, and reports wherever practicable. All rules and forms of the director shall be published.

NEW SECTION. Sec. 26. There is added to chapter 21.20 RCW a new section to read as follows:

The interest charged by any broker-dealer registered under this chapter and under the Federal Securities Exchange Act of 1934, as amended, with respect to a margin account debit balance which is subject to Regulation T of the Board of Governors of the Federal Reserve System and which account may be paid in full at the will of the customer, shall not, regardless of whether the customer is a resident or a nonresident of, or the written agreement providing for such interest charge is entered into within or without, the state of Washington, be subject to the

limitations imposed by chapter 19.52 RCW relating to the maximum rate of interest which may be agreed to in writing and taken and received; PROVIDED, HOWEVER, That the interest rate charged by such broker-dealer shall not be more than one and one-half percent higher than the effective rate of interest paid by such broker dealer for funds borrowed to make margin account purchases for his customers on the date of the customer borrowing, or such lesser rate as may be set by rules or regulations of the securities division of the department of motor vehicles.

NEW SECTION. Sec. 27. There is added to chapter 21.20 RCW a new section to read as follows:

(1) The following restricted real estate securities may be registered under this section even though they are eligible for registration under other provisions of this chapter. The rules and regulations of the securities division shall be applicable to offerings registered under this section.

(2) Restricted real estate securities are hereby defined and limited as follows:

(a) An offering of a security involving any interest in a limited partnership, general partnership, joint venture, or unincorporated association (but not a corporation) which invests in specific real property known to the investor at the time of the investment.

(b) The person selling such securities is a licensed real estate broker, associate real estate broker, or real estate salesman duly licensed with the Washington real estate division, or a securities salesman or securities broker-dealer duly licensed with the Washington securities division, and has demonstrated a knowledge of the field of real estate securities by passing an examination as required by the director.

(c) Such securities are purchased by not more than thirty-five persons. An interest purchased by husband and wife shall be considered purchased by one person.

(d) In connection with the offering of such securities, public advertisements, meetings, seminars, or other means of public solicitation may not be employed unless such advertising contains a reference to the fact that these are restricted real estate securities and are filed with the securities division and are not disallowed in accordance with the rules and regulations of the securities division. The conducting of lectures or classes in any established public or private school shall not be deemed to constitute a means of public solicitation.

(3) Offerings of restricted real estate securities shall be registered on a form prescribed by the director. Said form shall be filed with the securities division by the selling real estate broker prior to any offer of solicitation to purchase such securities, and a copy of such completed form as filed shall be given by the registrant to each person to whom an offer is made before or concurrently with (a) the first written offer made to him (other than by means of a public advertisement), (b) the confirmation of any sale made, (c) payment pursuant to any such sale, or (d) delivery of the security pursuant to any such sale, whichever occurs first.

(4) The selling real estate broker under subsection (3) must, at the completion of the offering, file a report with the securities division which contains a list of the security holders, their addresses, and the dollar amounts purchased.

(5) A registration under subsections (1) to (3) of this section becomes effective if no stop order is in effect and no proceeding is pending under RCW 21.20.280 and 21.20.300 at three o'clock Pacific standard time in the afternoon of the fifteenth full business day after the filing of the registration statement or the last amendment, or at such earlier time as the director determines.

NEW SECTION. Sec. 28. The following acts or parts of acts are each hereby repealed:

- (1) Section 15, chapter 282, Laws of 1959 and RCW 21.20.150;
- (2) Section 16, chapter 282, Laws of 1959 and RCW 21.20.160; and
- (3) Section 17, chapter 282, Laws of 1959 and RCW 21.20.170.

Passed the Senate April 22, 1975.

Passed the House May 16, 1975.

Approved by the Governor May 26, 1975.

Filed in Office of Secretary of State May 26, 1975.

CHAPTER 85

[Engrossed Senate Bill No. 2509]

NOTARIES PUBLIC—OFFICIAL SEAL OR STAMP

AN ACT Relating to notaries public; amending section 3, page 473, Laws of 1890 and RCW 42.28.030; amending section 5, page 474, Laws of 1890 and RCW 42.28.060; amending section 6, page 474, Laws of 1890 and RCW 42.28.070; amending section 1, chapter 56, Laws of 1907 as amended by section 7, chapter 51, Laws of 1951 and RCW 42.28.090; and adding a new section to chapter 42.28 RCW.

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

Section 1. Section 3, page 473, Laws of 1890 and RCW 42.28.030 are each amended to read as follows:

Before a commission shall issue to the person appointed he shall—(1) execute a bond, payable to the state of Washington, in the sum of one thousand dollars, with sureties to be approved by the county clerk of the county in which the applicant resides, conditioned for the faithful discharge of the duties of his office; (2) pay into the state treasury the sum of ten dollars for special state library fund [state general fund], taking the treasurer's receipt therefor; (3) procure a seal or stamp, on which shall be engraved or impressed the words "Notary Public" and "State of Washington", and date of expiration of his commission, with surname in full, and at least the initials of his Christian name; (4) to take and subscribe the oath of office required of state officers; (5) file the said oath of office, bond and treasurer's receipt in the office of the secretary of state, and before performing any official acts, shall file in the office of the secretary of state a clear impression of his official seal or stamp, which seal or stamp shall be approved by the governor: PROVIDED, That if a stamp is used the following requirements shall apply:

- (1) The type shall be a minimum of 8 point type.
- (2) The stamp shall be two inches minimal in diameter.
- (3) The imprint shall be affixed with indelible ink only.
- (4) The face of any notary stamp shall contain permanently affixed letters and numerals and shall not be preprinted.