

(35) Section 5, chapter 279, Laws of 1955, section 4, chapter 62, Laws of 1957 and RCW 79.24.240;

(36) Section 6, chapter 279, Laws of 1955 and RCW 79.24.250;

(37) Section 7, chapter 22, Laws of 1951, section 3, chapter 187, Laws of 1953, section 7, chapter 279, Laws of 1955, section 5, chapter 62, Laws of 1957 and RCW 79.24.260;

(38) Section 8, chapter 279, Laws of 1955, section 6, chapter 62, Laws of 1957 and RCW 79.24.270; and

(39) Section 7, chapter 62, Laws of 1957 and RCW 79.24.280.

NEW SECTION. Sec. 19. The following acts or parts of acts are each repealed:

(1) Section 8, chapter 233, Laws of 1951 and RCW 76.06.100;

(2) Section 10, chapter 233, Laws of 1951 and RCW 76.06.120;

(3) Section 1, chapter 140, Laws of 1953, section 7, chapter 107, Laws of 1979 and RCW 76.40.015;

(4) Section 13, chapter 140, Laws of 1953, section 8, chapter 107, Laws of 1979 and RCW 76.40.016;

(5) Section 5, chapter 136, Laws of 1973 and RCW 76.42.040; and

(6) Section 6, chapter 136, Laws of 1973 and RCW 76.42.050.

NEW SECTION. Sec. 20. Section 4, chapter 299, Laws of 1957, section 38, chapter 278, Laws of 1975 1st ex. sess. and RCW 72.99.200 are each repealed.

This section shall take effect July 1, 1980.

NEW SECTION. Sec. 21. Sections 12, 13, and 19 of this 1979 act shall take effect on July 1, 1981.

NEW SECTION. Sec. 22. If any provision of this 1979 act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

Passed the Senate April 17, 1979.

Passed the House April 10, 1979.

Approved by the Governor April 26, 1979.

Filed in Office of Secretary of State April 26, 1979.

---

CHAPTER 68

[Engrossed Senate Bill No. 2314]

SECURITIES

AN ACT Relating to securities; amending section 60, chapter 282, Laws of 1959 as last amended by section 3, chapter 130, Laws of 1979 and RCW 21.20.005; amending section 4, chapter 282, Laws of 1959 as last amended by section 2, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.040; amending section 5, chapter 282, Laws of 1959 as last amended by section 3, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.050; amending section 7, chapter 282, Laws of 1959 as last amended by section 4, chapter 84,

Laws of 1975 1st ex. sess. and RCW 21.20.070; amending section 8, chapter 282, Laws of 1959 as amended by section 5, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.080; amending section 9, chapter 282, Laws of 1959 as last amended by section 6, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.090; amending section 11, chapter 282, Laws of 1959 as last amended by section 7, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.110; amending section 12, chapter 282, Laws of 1959 as amended by section 8, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.120; amending section 13, chapter 282, Laws of 1959 as amended by section 9, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.130; amending section 10, chapter 37, Laws of 1961 as amended by section 3, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.135; amending section 18, chapter 282, Laws of 1959 as amended by section 4, chapter 37, Laws of 1961 and RCW 21.20.180; amending section 20, chapter 282, Laws of 1959 and RCW 21.20.200; amending section 21, chapter 282, Laws of 1959 as amended by section 1, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.210; amending section 23, chapter 282, Laws of 1959 as last amended by section 11, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.230; amending section 25, chapter 282, Laws of 1959 and RCW 21.20.250; amending section 12, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.275; amending section 28, chapter 282, Laws of 1959 as amended by section 15, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.280; amending section 29, chapter 282, Laws of 1959 and RCW 21.20.290; amending section 30, chapter 282, Laws of 1959 and RCW 21.20.300; amending section 1, chapter 8, Laws of 1979 as amended by section 4, chapter 130, Laws of 1979 and RCW 21.20.310; amending section 32, chapter 282, Laws of 1959 as last amended by section 2, chapter 172, Laws of 1977 ex. sess. and RCW 21.20.320; amending section 3, chapter 199, Laws of 1967 as last amended by section 14, chapter 130, Laws of 1979 and RCW 21.20.325; amending section 33, chapter 282, Laws of 1959 as amended by section 19, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.330; amending section 34, chapter 282, Laws of 1959 as last amended by section 3, chapter 172, Laws of 1977 ex. sess. and by section 4, chapter 188, Laws of 1977 ex. sess. and RCW 21.20.340; amending section 37, chapter 282, Laws of 1959 as amended by section 2, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.370; amending section 38, chapter 282, Laws of 1959 as last amended by section 22, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.380; amending section 39, chapter 282, Laws of 1959 as last amended by section 23, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.390; amending section 40, chapter 282, Laws of 1959 as amended by section 5, chapter 17, Laws of 1965 and RCW 21.20.400; amending section 41, chapter 282, Laws of 1959 and RCW 21.20.410; amending section 43, chapter 282, Laws of 1959 as last amended by section 4, chapter 172, Laws of 1977 ex. sess. and RCW 21.20.430; amending section 13, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.435; amending section 44, chapter 282, Laws of 1959 and RCW 21.20.440; amending section 45, chapter 282, Laws of 1959 as last amended by section 86, chapter 158, Laws of 1979 and RCW 21.20.450; amending section 47, chapter 282, Laws of 1959 as amended by section 64, chapter 34, Laws of 1975-'76 2nd ex. sess. and RCW 21.20.470; amending section 48, chapter 282, Laws of 1959 and RCW 21.20.480; amending section 50, chapter 282, Laws of 1959 and RCW 21.20.500; amending section 52, chapter 282, Laws of 1959 and RCW 21.20.520; amending section 53, chapter 282, Laws of 1959 and RCW 21.20.530; amending section 56, chapter 282, Laws of 1959 as amended by section 4, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.560; amending section 58, chapter 282, Laws of 1959 and RCW 21.20.580; amending section 9, chapter 171, Laws of 1973 1st ex. sess. as amended by section 87, chapter 158, Laws of 1979 and RCW 21.20.720; amending section 11, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.740; amending section 12, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.745; amending section 64, chapter 282, Laws of 1959 and RCW 21.20.915; and repealing section 27, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.235.

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 3, chapter 130, Laws of 1979 and RCW 21.20.005 are each amended to read as follows:

The definitions set forth in this section shall apply throughout this chapter, unless the context otherwise requires:

(1) "Director" means the director of licensing of this state.

(2) "~~((Salesman))~~ Salesperson" 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))~~ salesperson" 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), (10), (11), (12), or (13), as now or hereafter amended, (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))~~ that person's own account. "Broker-dealer" does not include (a) a ~~((salesman))~~ salesperson, issuer, bank, savings institution, or trust company, (b) a person who has no place of business in this state if ~~((he))~~ the person 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))~~ that person 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 or her 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))~~ that person's 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))~~ that person 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 June 10, 1959.

(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; investment of money or other consideration in the risk capital of a venture with the expectation of some valuable benefit to the investor where the investor does not receive the right to exercise practical and actual control over the managerial decisions of the venture; 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; charitable gift annuity; 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~~) salesperson" 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.

(15) "Relatives", as used in RCW 21.20.310(11) as now or hereafter amended, shall include:

(a) A member's spouse;

(b) Parents of the member or the member's spouse;

(c) Grandparents of the member or the member's spouse;

~~((e))~~ (d) Natural or adopted children of the member or the member's spouse;

~~((d))~~ (e) Aunts and uncles of the member or the member's spouse; and

~~((e))~~ (f) First cousins of the member or the member's spouse.

Sec. 2. Section 4, chapter 282, Laws of 1959 as last amended by section 2, chapter 84, Laws of 1975 1st 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))~~ salesperson, unless he or she is registered under this chapter: PROVIDED, That an exemption from registration as a broker-dealer or ~~((salesman))~~ salesperson 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))~~ salesperson unless the ~~((salesman))~~ salesperson 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))~~ the person is so registered under this chapter, or (2) ~~((he))~~ the person is registered as a broker-dealer under this chapter, or (3) ~~((his))~~ the person's only clients in this state are investment companies as defined in the Investment Company Act of 1940, or insurance companies. It is unlawful for any person to transact business in this state as an investment adviser ~~((salesman))~~ salesperson or for any investment adviser to employ an investment adviser ~~((salesman))~~ salesperson unless such person is registered.

Sec. 3. Section 5, chapter 282, Laws of 1959 as last amended by section 3, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.050 are each amended to read as follows:

A broker-dealer, ~~((salesman))~~ salesperson, investment adviser, or investment adviser ~~((salesman))~~ salesperson 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 last amended by section 4, chapter 84, Laws of 1975 1st 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 or she 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))~~ salesperson for a particular original offering of the issuer's securities without being required to pass such written examination: AND PROVIDED FURTHER, That no such person may again register within five years as such ~~((salesman))~~ salesperson 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))~~ salesperson who has successfully passed, within the preceding five years, a ~~((salesman))~~ salesperson 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, 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 as amended by section 5, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.080 are each amended to read as follows:

Registration of a broker-dealer, ((salesman)) salesperson, investment adviser ((salesman)) salesperson, 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)) salesperson or investment adviser ((salesman)) salesperson is not effective during any period when the ((salesman)) salesperson is not associated with an issuer or a registered broker-dealer or when the investment adviser ((salesman)) salesperson 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)) salesperson begins or terminates an association with an issuer or registered broker-dealer, the ((salesman)) salesperson and the issuer or broker-dealer shall promptly notify the director. When an investment adviser ((salesman)) salesperson begins or terminates an association with a registered investment adviser, the investment adviser ((salesman)) salesperson 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 last amended by section 6, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.090 are each amended to read as follows:

Registration of a broker-dealer, ((salesman)) salesperson, investment adviser ((salesman)) salesperson, 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)) salesperson, investment adviser ((salesman)) salesperson, 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 or her discretion grant or deny the application.

Sec. 7. Section 11, chapter 282, Laws of 1959 as last amended by section 7, chapter 84, Laws of 1975 1st ex. sess. 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))~~ salesperson, investment adviser ~~((salesman))~~ salesperson, or investment adviser if ~~((he))~~ the director 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))~~ salesperson, investment adviser, or investment adviser ~~((salesman))~~ salesperson;

(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))~~ salesperson, 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 or her 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))~~ the director 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 or her liabilities exceed his or her assets or in the sense that he or she cannot meet his or her 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 as amended by section 8, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.120 are each amended to read as follows:

Upon the entry of 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~~)) salesperson or investment adviser ((~~salesman~~)) salesperson, 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~~)) salesperson or an investment adviser ((~~salesman~~)) salesperson), opportunity for hearing, and written findings of fact and conclusions of law.

Sec. 9. Section 13, chapter 282, Laws of 1959 as amended by section 9, chapter 84, Laws of 1975 1st ex. sess. 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~~)) salesperson, or ((~~salesman~~)) salesperson, 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 10, chapter 37, Laws of 1961 as amended by section 3, chapter 77, Laws of 1974 ex sess. and RCW 21.20.135 are each amended to read as follows:

No suit or action shall be brought for the collection of a commission for the sale of a security, as defined within this chapter without alleging and proving that the plaintiff was a duly licensed (~~(salesman)~~) salesperson for an issuer or a broker-dealer, or exempt under the provisions of RCW 21.20.040, or a duly licensed broker-dealer in this state or another state at the time the alleged cause of action arose.

Sec. 11. Section 18, chapter 282, Laws of 1959 as amended by section 4, chapter 37, Laws of 1961 and RCW 21.20.180 are each amended to read as follows:

Any security for which a registration statement has been filed under the securities act of 1933 or any securities for which filings have been made pursuant to rules and regulations A and A-M pursuant to subsection (b) of Sec. 3 of said securities act in connection with the same offering may be registered by coordination. A registration statement under this section shall contain the following information and be accompanied by the following documents, in addition to payment of the registration fee prescribed in RCW 21.20.340 and, if required under RCW 21.20.330, a consent to service of process meeting the requirements of that section:

(1) One copy of the prospectus, offering circular and/or letters of notification, filed under the securities act of 1933 together with all amendments thereto;

(2) The amount of securities to be offered in this state;

(3) The states in which a registration statement or similar document in connection with the offering has been or is expected to be filed;

(4) Any adverse order, judgment or decree previously entered in connection with the offering by any court or the securities and exchange commission;

(5) If the director, by rule or otherwise, requires a copy of the articles of incorporation and bylaws (or their substantial equivalents) currently in effect, a copy of any agreements with or among underwriters, a copy of any indenture or other instrument governing the issuance of the security to be registered, and a specimen or copy of the security;

(6) If the director requests, any other information, or copies of any other documents, filed under the securities act of 1933; (~~and~~)

(7) An undertaking to forward promptly all amendments to the federal registration statement, offering circular and/or letters of notification, other than an amendment which merely delays the effective date; and

(8) If the aggregate sales price of the offering exceeds five hundred thousand dollars, audited financial statements and other financial information prepared as to form and content under rules adopted by the director.

Sec. 12. Section 20, chapter 282, Laws of 1959 and RCW 21.20.200 are each amended to read as follows:

Upon failure to receive the required notification and post-effective amendment with respect to the price amendment referred to in RCW 21.20.190, the director may enter a stop order, without notice of hearing, retroactively denying effectiveness to the registration statement or suspending its effectiveness until compliance with RCW 21.20.190, if ~~((he))~~ the director promptly notified the registrant by telephone or telegram (and promptly confirms by letter or telegram when ~~((he))~~ the director notifies by telephone) of the issuance of the order. If the registrant proves compliance with the requirements as to notice and post-effective amendment, the stop order is void as of the time of its entry. The director may by rule or otherwise waive either or both of the conditions specified in RCW 21.20.190(2) and (3). If the federal registration statement or other filing becomes effective before all these conditions are satisfied and they are not waived, the registration statement automatically becomes effective as soon as all the conditions are satisfied. If the registrant advises the director of the date when the federal registration statement or other filing is expected to become effective the director shall promptly advise the registrant by telephone or telegram, at the registrant's expense, whether all the conditions are satisfied and whether ~~((he))~~ the director then contemplates the institution of a proceeding under RCW 21.20.280 and 21.20.300; but this advice by the director does not preclude the institution of such a proceeding at any time.

Sec. 13. Section 21, chapter 282, Laws of 1959 as amended by section 1, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.210 are each amended to read as follows:

Any security may be registered by qualification. A registration statement under this section shall contain the following information and be accompanied by the following documents, in addition to payment of the registration fee prescribed in RCW 21.20.340, and, if required under RCW 21.20.330, a consent to service of process meeting the requirements of that section:

(1) With respect to the issuer and any significant subsidiary: Its name, address, and form of organization; the state or foreign jurisdiction and date of its organization; the general character and location of its business; and a description of its physical properties and equipment.

(2) With respect to every director and officer of the issuer, or person occupying a similar status or performing similar functions: His or her name, address, and principal occupation for the past five years; the amount of securities of the issuer held by him or her as of a specified date within ninety days of the filing of the registration statement; the remuneration paid to all such persons in the aggregate during the past twelve months, and estimated to be paid during the next twelve months, directly or indirectly, by the issuer (together with all predecessors, parents and subsidiaries).

(3) With respect to any person not named in RCW 21.20.210(2), owning of record, or beneficially if known, ten percent or more of the outstanding shares of any class of equity security of the issuer: The information specified in RCW 21.20.210(2) other than his or her occupation.

(4) With respect to every promoter, not named in RCW 21.20.210(2), if the issuer was organized within the past three years: The information specified in RCW 21.20.210(2), any amount paid to ~~((him))~~ that person by the issuer within that period or intended to be paid to ~~((him))~~ that person, and the consideration for any such payment.

(5) The capitalization and long-term debt (on both a current and a pro forma basis) of the issuer and any significant subsidiary, including a description of each security outstanding or being registered or otherwise offered, and a statement of the amount and kind of consideration (whether in the form of cash, physical assets, services, patents, goodwill, or anything else) for which the issuer or any subsidiary has issued any of its securities within the past two years or is obligated to issue any of its securities.

(6) The kind and amount of securities to be offered; the amount to be offered in this state; the proposed offering price and any variation therefrom at which any portion of the offering is to be made to any persons except as underwriting and selling discounts and commissions; the estimated aggregate underwriting and selling discounts or commissions and finders' fees (including separately cash, securities, or anything else of value to accrue to the underwriters in connection with the offering); the estimated amounts of other selling expenses, and legal, engineering, and accounting expenses to be incurred by the issuer in connection with the offering; the name and address of every underwriter and every recipient of a finders' fee; a copy of any underwriting or selling group agreement pursuant to which the distribution is to be made, or the proposed form of any such agreement whose terms have not yet been determined; and a description of the plan of distribution of any securities which are to be offered otherwise than through an underwriter.

(7) The estimated cash proceeds to be received by the issuer from the offering; the purposes for which the proceeds are to be used by the issuer; the amount to be used for each purpose; the order or priority in which the proceeds will be used for the purposes stated; the amounts of any funds to be raised from other sources to achieve the purposes stated, and the sources of any such funds; and, if any part of the proceeds is to be used to acquire any property (including goodwill) otherwise than in the ordinary course of business, the names and addresses of the vendors and the purchase price.

(8) A description of any stock options or other security options outstanding, or to be created in connection with the offering, together with the amount of any such options held or to be held by every person required to be named in RCW 21.20.210(2), (3), (4), (5) or (7) and by any person who holds or will hold ten percent or more in the aggregate of any such options.

(9) The states in which a registration statement or similar document in connection with the offering has been or is expected to be filed.

(10) Any adverse order, judgment, or decree previously entered in connection with the offering by any court or the securities and exchange commission; a description of any pending litigation or proceeding to which the issuer is a party and which materially affects its business or assets (including any such litigation or proceeding known to be contemplated by governmental authorities).

(11) A copy of any prospectus or circular intended as of the effective date to be used in connection with the offering.

(12) A specimen or copy of the security being registered; a copy of the issuer's articles of incorporation and bylaws, as currently in effect; and a copy of any indenture or other instrument covering the security to be registered.

(13) A signed or conformed copy of an opinion of counsel, if available, as to the legality of the security being registered.

(14) (a) If the issuer is a commercial, industrial or extractive company in the promotional, exploratory or development stage, the following statements:

(i) Separate statements of (A) assets, (B) liabilities, and (C) capital shares, as of a date within one hundred twenty days prior to the filing of the registration statement.

(ii) A statement of cash receipts and disbursements for each of at least three full fiscal years prior to the date of the statements furnished pursuant to paragraph (i) above, and for the period, if any, between the close of the last full fiscal year and the date of such statements, or for the period of the issuer's existence if less than the period specified above.

(iii) In such statements, dollar amounts shall be extended only for cash transactions and transactions involving amounts receivable or payable in cash.

(b) If paragraph (a) does not apply to the issuer, there shall be furnished:

(i) Financial statements consisting of a balance sheet of the issuer as of a date within four months prior to the filing of the registration statement, and as of the date of the end of the last fiscal year if more than four months prior to such filing.

(ii) Statements of income, shareholders' equity, and changes in financial position for each of the three fiscal years preceding the date of the latest balance sheet and for any period between the close of the last fiscal year and the date of the latest balance sheet, or for the period of the issuer's and any predecessor's existence if less than three years.

(iii) If any part of the proceeds of the offering is to be applied to the purchase of any business whose annual sales or revenues are in excess of fifteen percent of the registrant's sales or revenues or involves acquisition of

assets in excess of fifteen percent of the registrant's assets, except as specifically exempted by the director, financial statements shall be filed which would be required if that business were the registrant.

(c) If the estimated proceeds to be received from the offering, together with the proceeds from securities registered under this section during the year preceding the date of the filing of this registration statement, exceed one hundred thousand dollars, the statements described in subsection (14)(a)(i) or ~~((14))~~(b)(i) of this section as of the date of the close of the last fiscal year and the related financial statements specified in subsections (14)(a)(ii) and ~~((14))~~(b)(ii) of this section for the last fiscal year shall be audited. For registration statements filed after December 31, 1975, and if such proceeds exceed five hundred thousand dollars, the financial statements specified in subsections (14)(a)(ii) and ~~((14))~~(b)(ii) of this section for the last two fiscal years shall be audited. For registration statements filed after December 31, 1979, and if such proceeds exceed five hundred thousand dollars, the statements described in subsection (14)(a)(i) or (b)(i) of this section as of the date of the close of the last fiscal year and the related financial statements specified in subsection (14)(a)(ii) and (b)(ii) of this section for the last fiscal year shall be audited. If such proceeds exceed seven hundred fifty thousand dollars, the financial statements specified in subsection (14)(a)(ii) and (b)(ii) of this section for the last two fiscal years shall be audited.

(d) ~~((Such))~~ The financial statements of this subsection and such other financial information as may be prescribed by the director shall be prepared as to form and content in accordance with the rules and regulations prescribed by the director, and ~~((shall be audited,))~~ as provided in paragraph (c) above, shall be audited by an independent certified public accountant who is authorized to practice under the laws of the state of Washington and who is not an employee, officer, or member of the board of directors of the issuer or a holder of the securities of the issuer. The report of such independent certified public accountant shall be based upon an audit made in accordance with generally accepted auditing standards with no limitations on its scope. The director may also verify such statements by examining the issuer's books and records.

(15) The written consent of any accountant, engineer, appraiser, attorney, or any person whose profession gives authority to a statement made by him or her, who is named as having prepared or audited any part of the registration statement or is named as having prepared or audited a report or valuation for use in connection with the registration statement.

Sec. 14. Section 23, chapter 282, Laws of 1959 as last amended by section 11, chapter 84, Laws of 1975 1st 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 or her (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 or her 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 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. 15. Section 25, chapter 282, Laws of 1959 and RCW 21.20.250 are each amended to read as follows:

The director may by rule or order require as a condition of registration by qualification or coordination (1) that any security issued within the past three years or to be issued to a promoter for a consideration substantially different from the public offering price, or to any person for a consideration other than cash, be deposited in escrow (~~((for a period not to exceed one year after termination of the offering))~~); and (2) that the proceeds from the sale of the registered security in this state be impounded until the issuer receives a specified amount from the sale of the security either in this state or elsewhere. The director may by rule or order determine the conditions of any escrow or impounding required hereunder but ~~((he))~~ the director may not reject a depository solely because of location in another state.

Sec. 16. Section 12, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.275 are each amended to read as follows:

The director may in his or her discretion mail notice to the registrant in any pending registration in which no action has been taken for nine months immediately prior to the mailing of such notice, advising such registrant that the pending registration will be terminated thirty days from the date of mailing unless on or before said termination date the registrant makes application in writing to the director showing good cause why it should be continued as a pending registration. If such application is not made or good cause shown, the director shall terminate the pending registration.

Sec. 17. Section 28, chapter 282, Laws of 1959 as amended by section 15, chapter 84, Laws of 1975 1st ex. sess. 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))~~ the director 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))~~ relied on, and (b) ~~((he))~~ the director 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 coordination, there has been a failure to comply with the undertaking required by RCW 21.20.180(7), or

(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;

(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. 18. Section 29, chapter 282, Laws of 1959 and RCW 21.20.290 are each amended to read as follows:



The director may not enter a stop order against an effective registration statement on the basis of a fact or transaction known to ~~((him))~~ the director when the registration statement became effective.

Sec. 19. Section 30, chapter 282, Laws of 1959 and RCW 21.20.300 are each amended to read as follows:

Upon the entry of a stop order under any part of RCW 21.20.280, the director shall promptly notify the issuer of the securities and the applicant or registrant that the order has been entered and of the reasons therefor and that within fifteen days after the receipt of a written request the matter will be set down for hearing. If no hearing is requested within fifteen days and none is ordered by the director, the director shall enter ~~((his))~~ written findings of fact and conclusions of law and 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 hearings to the issuer and to the applicant or registrant, shall enter ~~((his))~~ written findings of fact and conclusions of law and may modify or vacate the order. The director may modify or vacate a stop order if ~~((he))~~ the director finds that the conditions which prompted its entry have changed or that it is otherwise in the public interest to do so.

Sec. 20. Section 1, chapter 8, Laws of 1979 as amended by section 4, chapter 130, Laws of 1979 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; but this exemption shall not include any security payable solely from revenues to be received from a nongovernmental industrial or commercial enterprise unless such payments shall be made or unconditionally guaranteed by a person whose securities are exempt from registration by subsections (7) or (8) of this section.

(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; but this exemption shall not include any security payable solely from revenues to be received from a nongovernmental industrial or commercial enterprise unless such payments shall be made or unconditionally guaranteed by a person whose securities are exempt from registration by subsections (7) or (8) of this section.

(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~~) which meets the criteria for investment grade securities that the director may adopt by rule.

(9) 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.

(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 June 10, 1959, within sixty days thereafter (or within thirty days before they are reopened if they are closed on June 10, 1959).

(11) Any security issued by any person organized and operated as a nonprofit organization as defined in RCW 84.36.800(4) exclusively for religious, educational, ~~((and))~~ or charitable purposes and which nonprofit organization also possesses a current tax exempt status under the laws of the United States, which security is offered or sold only to persons who, prior to their solicitation for the purchase of said securities, were members of, contributors to, or listed as participants in, the organization, or their relatives, if such nonprofit organization first files a notice specifying the terms of the offering and the director does not by order disallow the exemption within the next ten full business days: PROVIDED, That no offerings shall be made until expiration of the ten full business days. Every such nonprofit organization which files a notice of exemption of such securities shall pay a filing fee as set forth in RCW 21.20.340(12) as now or hereafter amended.

The notice shall consist of the following:

- (a) The name and address of the issuer;
- (b) The names, addresses, and telephone numbers of the current officers and directors of the issuer;
- (c) A short description of the security, price per security, and the number of securities to be offered;
- (d) A statement of the nature and purposes of the organization as a basis for the exemption under this section;
- (e) A statement of the proposed use of the proceeds of the sale of the security; and
- (f) A statement that the issuer shall provide to a prospective purchaser written information regarding the securities offered prior to consummation of any sale, which information shall include the following statements: (i) "ANY PROSPECTIVE PURCHASER IS ENTITLED TO REVIEW FINANCIAL STATEMENTS OF THE ISSUER WHICH SHALL BE FURNISHED UPON REQUEST."; (ii) "RECEIPT OF NOTICE OF EXEMPTION BY THE WASHINGTON ADMINISTRATOR OF SECURITIES DOES NOT SIGNIFY THAT THE ADMINISTRATOR HAS APPROVED OR RECOMMENDED THESE SECURITIES, NOR HAS THE ADMINISTRATOR PASSED UPON THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE."; and (iii) "THE RETURN OF THE FUNDS OF THE PURCHASER IS DEPENDENT UPON THE FINANCIAL CONDITION OF THE ORGANIZATION."

(12) Any charitable gift annuities issued by a board of a state university, regional university, or of the state college.

(13) Any charitable gift annuity issued by an insurer or institution holding a certificate of exemption under (~~section 6 of this 1979 act~~) RCW 48.—.— (section 6, chapter 130, Laws of 1979).

Sec. 21. Section 32, chapter 282, Laws of 1959 as last amended by section 2, chapter 172, Laws of 1977 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, 21.20.180, 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; or any transaction effected in accordance with any rule by the director establishing a nonpublic offering exemption pursuant to this subsection where registration is not necessary or appropriate in the public interest or for the protection of investors. Every person filing notification of claim of this exemption in accordance with any rule by the director shall pay a filing fee as set forth in RCW 21.20.340(11).

(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 limited offers and sales by closely-held issuers effected in accordance with any rule by the director establishing a limited offering exemption pursuant to this subsection where there is no general or public advertising or solicitation and no commission or other remuneration is paid or given directly or indirectly in connection with sales of securities. Every person filing notification of claim of this exemption in accordance with any rule by the director shall pay a filing fee as set forth in RCW 21.20.340(11).

(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. 22. Section 3, chapter 199, Laws of 1967 as last amended by section 14, chapter 130, Laws of 1979 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 subsections (10), (11), (12) or (13) of RCW 21.20.310 or in RCW 21.20.320, as now or hereafter amended, 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 or she sustains the burden of proof that he or she did not know, and in the exercise of reasonable care could not have known, of the order.

Sec. 23. Section 33, chapter 282, Laws of 1959 as amended by section 19, chapter 84, Laws of 1975 1st ex. sess. 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))~~ salesperson, or (~~((salesman))~~ salesperson 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))~~ the director by rule prescribes, an irrevocable consent appointing the director or (~~((his))~~ the director's 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))~~ the applicant's 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 or her, forthwith sends notice of the service and a copy of the process by registered mail to

the defendant or respondent at ~~((it or his))~~ the last address of the respondent or defendant 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. 24. Section 34, chapter 282, Laws of 1959 as last amended by section 3, chapter 172, Laws of 1977 ex. sess. and by section 4, chapter 188, Laws of 1977 ex. sess. and RCW 21.20.340 are each amended and reenacted 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 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 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 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 initial filing fee shall be one hundred dollars for ~~((initial filing fee))~~ the first one hundred thousand dollars of initial issue, or portion thereof in this state, based on offering price, plus one-fortieth of one percent for any excess over one hundred thousand dollars for the first twelve month period plus one hundred dollars for each additional twelve months in which the same offering is continued.

(4) For filing annual financial statements, the fee shall be 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))~~ seventy-five dollars for each annual renewal. When an application is denied or withdrawn the director shall retain one-half of the fee.



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

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

(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 one hundred fifty dollars and for a ~~((salesman))~~ salesperson or investment adviser ~~((salesman))~~ salesperson shall be ~~((twenty-five))~~ thirty dollars. Acceptance by the director of an application for renewal after March 5 shall not be a waiver of delinquency. If a late license renewal has not been filed by May 31, the license will be automatically considered canceled. For reinstatement of a salesperson or investment adviser salesperson's license after cancellation, the fee shall be fifty dollars. For reinstatement of a broker-dealer or investment adviser's license after cancellation, the fee shall be two hundred dollars.

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

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

(c) For the transfer of an investment adviser ~~((salesman))~~ salesperson license from an investment adviser to another investment adviser, the transfer fee shall be ~~((fifteen))~~ twenty-five dollars.

(d) For the transfer of an investment adviser license to a successor, the fee shall be ~~((twenty-five))~~ fifty dollars.

(11) For the filing of notification of claim of exemption from registration pursuant to RCW 21.20.320(1), the fee shall be three hundred dollars for each filing. For the filing of notification of claim of exemption pursuant to RCW 21.20.320(9), the fee shall be fifty dollars for each filing.

(12) For filing of notification of claim of exemption from registration pursuant to RCW 21.20.310(11), as now or hereafter amended, the fee shall be fifty dollars for each filing.

~~((+2))~~ (13) For rendering interpretative opinions, the fee shall be thirty-five dollars.

~~((+3))~~ (14) For certified copies of any documents filed with the director, the fee shall be the cost to the department.

(15) For a duplicate license the fee shall be five dollars.

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

Sec. 25. Section 37, chapter 282, Laws of 1959 as amended by section 2, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.370 are each amended to read as follows:

The director in his or her discretion (1) may annually, or more frequently, make such public or private investigations within or without this state as ~~((he))~~ the director deems necessary to determine whether any registration should be granted, denied or revoked or whether any person has violated or is about to violate any provision of this chapter or any rule or order hereunder, or to aid in the enforcement of this chapter or in the prescribing of rules and forms hereunder, (2) may require or permit any person to file a statement in writing, under oath or otherwise as the director may determine, as to all the facts and circumstances concerning the matter to be investigated, and (3) shall publish information concerning any violation of this chapter or any rule or order hereunder.

Sec. 26. Section 38, chapter 282, Laws of 1959 as last amended by section 22, chapter 84, Laws of 1975 1st 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))~~ the director 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))~~ the witness 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.

Sec. 27. Section 39, chapter 282, Laws of 1959 as last amended by section 23, chapter 84, Laws of 1975 1st 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))~~ the director may in his or her 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))~~ the director 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. 28. Section 40, chapter 282, Laws of 1959 as amended by section 5, chapter 17, Laws of 1965 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))~~ that person proves that he or she 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.

Sec. 29. Section 41, chapter 282, Laws of 1959 and RCW 21.20.410 are each amended to read as follows:

The director may refer such evidence as may be available concerning violations of this chapter or of any rule or order hereunder to the attorney general or the proper prosecuting attorney, who may in his or her discretion,

with or without such a reference, institute the appropriate criminal proceedings under this chapter.

Sec. 30. Section 43, chapter 282, Laws of 1959 as last amended by section 4, chapter 172, Laws of 1977 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 21.20.010 or 21.20.140 through 21.20.230, is liable to the person buying the security from him or her, who may sue either at law or in equity to recover the consideration paid for the security, together with interest at 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 or she 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 eight percent per annum from the date of disposition.

(2) Any person who buys a security in violation of the provisions of RCW 21.20.010 is liable to the person selling the security to him or her, who may sue either at law or in equity to recover the security, together with any income received on the security, upon tender of the consideration received, costs, and reasonable attorneys' fees, or if the security cannot be recovered, for damages. Damages are the value of the security when the buyer disposed of it, and any income received on the security, less the consideration received for the security, plus interest at eight percent per annum from the date of disposition, 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, director or person who occupies a similar status or performs a similar function of such seller or buyer, every employee of such a seller or buyer who materially aids in the transaction, and every broker-dealer, (~~salesman~~) salesperson, or person exempt under the provisions of RCW 21.20.040 who materially aids in the transaction is also liable jointly and severally with and to the same extent as the seller or buyer, unless such person sustains the burden of proof that he or she 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.

(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 for any violation of the provisions of RCW 21.20.140 through 21.20.230, or more than three years after a violation of the provisions of RCW 21.20.010, either was discovered by such person or would have been discovered by him or her in the exercise of reasonable care. No

person may sue under this section if the buyer or seller receives a written rescission offer, which has been passed upon by the director before suit and at a time when he or she owned the security, to refund the consideration paid together with interest at eight percent per annum from the date of payment, less the amount of any income received on the security in the case of a buyer, or plus the amount of income received on the security in the case of a seller.

(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.

(6) Any tender specified in this section may be made at any time before entry of judgment.

Sec. 31. Section 13, chapter 77, Laws of 1974 ex. sess. and RCW 21.20.435 are each amended to read as follows:

In the enforcement of this chapter, the director may accept an assurance of discontinuance of violations of the provisions of this chapter from any person deemed by the director to be in violation hereof. Any such assurance shall be in writing, may state that the person giving such assurance does not admit to any violation of this chapter, and shall be filed with and subject to the approval of the superior court of the county in which the alleged violator resides or has his or her principal place of business, or in Thurston county. Proof of failure to comply with the assurance of discontinuance shall be prima facie evidence of a violation of this chapter.

Sec. 32. Section 44, chapter 282, Laws of 1959 and RCW 21.20.440 are each amended to read as follows:

Any person aggrieved by a final order of the director may obtain a review of the order in the county in which ~~((he))~~ that person resides or in any other court of competent jurisdiction by filing in court, within sixty days after the entry of the order, a written petition praying that the order be modified or set aside in whole or in part. A copy of the petition shall be forthwith served upon the director, and thereupon the director shall certify and file in court a copy of the filing, testimony, and other evidence upon which the order was entered. When these have been filed, the court has exclusive jurisdiction to affirm, modify, enforce, or set aside the order, in whole or in part. No objection to the order may be considered by the court unless it was urged before the director or there were reasonable grounds for failure to do so. The findings of the director as to the facts, if supported by substantial evidence, are conclusive. If either party applies to the court for leave to adduce additional evidence, and shows to the satisfaction of the

court that the additional evidence is material and that there were reasonable grounds for failure to adduce the evidence in the hearing before the director, the court may order the additional evidence to be taken before the director and to be adduced upon the hearing in such manner and upon such conditions as the court may consider proper. The director may modify his or her findings (~~as the facts;~~) by reason of the additional evidence so taken; and (~~he~~) the director shall file any modified or new findings, which if supported by substantial evidence shall be conclusive, and any recommendation for the modification or setting aside of the original order. The commencement of proceedings under this (~~action [section]~~) section does not, unless specifically ordered by the court, operate as a stay of the director's order.

Sec. 33. Section 45, chapter 282, Laws of 1959 as last amended by section 86, chapter 158, Laws of 1979 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 licensing. 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~~) the director's 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.

Sec. 34. Section 47, chapter 282, Laws of 1959 as amended by section 64, chapter 34, Laws of 1975-'76 2nd ex. sess. and RCW 21.20.470 are each amended to read as follows:

The administrator, and any person employed by (~~him~~) the administrator, shall be paid, in addition to regular compensation, travel expenses incurred by each of them in the performance of their duties under this chapter in accordance with RCW 43.03.050 and 43.03.060 as now existing or hereafter amended.

Sec. 35. Section 48, chapter 282, Laws of 1959 and RCW 21.20.480 are each amended to read as follows:

It is unlawful for the director or any of (~~his~~) the director's officers or employees to use for personal benefit any information which is filed with or obtained by the director and which is not made public. The director or any

of ~~((his))~~ the director's officers or employees shall not disclose any such information or the fact that any investigation is being made except among themselves or when necessary or appropriate in a proceeding or investigation under this chapter. No provision of this chapter either creates or derogates from any privilege which exists at common law or otherwise when documentary or other evidence is sought under a subpoena directed to the director or any of ~~((his))~~ the director's officers or employees.

Sec. 36. Section 50, chapter 282, Laws of 1959 and RCW 21.20.500 are each amended to read as follows:

Every hearing in an administrative proceeding shall be public unless the director in his or her discretion grants a request joined in by all the respondents that the hearing be conducted privately.

Sec. 37. Section 52, chapter 282, Laws of 1959 and RCW 21.20.520 are each amended to read as follows:

Upon request and at such reasonable charges as ~~((he))~~ the director prescribes, the director shall furnish to any person photostatic or other copies (certified under his seal of office if requested) of any entry in the register or any document which is a matter of public record. In any proceeding or prosecution under this chapter, any copy so certified is prima facie evidence of the contents of the entry or document certified.

Sec. 38. Section 53, chapter 282, Laws of 1959 and RCW 21.20.530 are each amended to read as follows:

The director in his or her discretion may honor requests from interested persons for interpretative opinions.

Sec. 39. Section 56, chapter 282, Laws of 1959 as amended by section 4, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.560 are each amended to read as follows:

(1) The committee shall select a ~~((chairman))~~ chairperson and a secretary from their group.

(2) Regular meetings may be held quarterly, or semiannually, and special meetings may be called by the ~~((chairman))~~ chairperson upon at least seven days' written notice to each committee member sent by regular mail.

Sec. 40. Section 58, chapter 282, Laws of 1959 and RCW 21.20.580 are each amended to read as follows:

The advisory committee shall:

(1) Serve in an advisory capacity to the director on all matters pertaining to this chapter.

(2) Acquaint themselves fully with the operations of the director's office as to the administration of securities, broker-dealers, ~~((salesmen))~~ salespersons, and investment advisers, and periodically recommend to the director such changes in the rules and regulations of the department in connection therewith as they deem advisable.

(3) Prepare and publish a mimeographed report on their recommendations.

(4) Appoint three of their members to act as an examining committee. All examinations required by this chapter shall be conducted in the manner provided in chapter 43.24 RCW. The examining committee shall be subject to the provisions of chapter 43.24 RCW unless otherwise provided by this chapter.

Sec. 41. Section 9, chapter 171, Laws of 1973 1st ex. sess. as amended by section 87, chapter 158, Laws of 1979 and RCW 21.20.720 are each amended to read as follows:

(1) A director or officer of a debenture company shall not:

(a) Have any interest, direct or indirect, in the gains or profits of the debenture company, except to receive dividends upon the amounts contributed by him or her, the same as any other depositor or shareholder and under the same regulations and conditions: PROVIDED, That nothing in this subsection shall be construed to prohibit salaries as may be approved by the debenture company's board of directors;

(b) Become a member of the board of directors or a controlling shareholder of another debenture company or a bank, trust company, or national banking association, of which board enough other directors or officers of the debenture company are members so as to constitute with him or her a majority of the board of directors.

(2) Neither a director nor an officer shall:

(a) For himself or herself or as agent or partner of another, directly or indirectly use any of the funds held by the debenture company, except to make such current and necessary payments as are authorized by the board of directors;

(b) Receive directly or indirectly and retain for his or her own use any commission on or benefit from any loan made by the debenture company, or any pay or emolument for services rendered to any borrower from the debenture company in connection with such loan;

(c) Become an indorser, surety, or guarantor, or in any manner an obligor, for any loan made from the debenture company and except when approval has been given by the director of licensing or ~~((his))~~ the director's administrator of securities upon recommendation by the company's board of directors.

(d) For himself or herself or as agent or partner of another, directly or indirectly borrow any of the funds held by the debenture company, or become the owner of real property upon which the debenture company holds a mortgage. A loan to or a purchase by a corporation in which he or she is a stockholder to the amount of fifteen percent of the total outstanding stock, or in which he or she and other directors or officers of the debenture company hold stock to the amount of twenty-five percent of the total outstanding stock, shall be deemed a loan to or a purchase by such director or officer



within the meaning of this section, except when the loan to or purchase by such corporation occurred without his or her knowledge or against his or her protest.

Sec. 42. Section 11, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.740 are each amended to read as follows:

(1) Every issuer which has registered securities under Washington state securities law shall file with the director reports described in subsection (2) of this section. Such reports shall be filed with the director not more than one hundred twenty days (unless extension of time is granted by the director) after the end of the issuer's fiscal year.

(2) The reports required by subsection (1) of this section shall contain such information, statements and documents regarding the financial and business conditions of the issuer and the number and description of securities of the issuer held by its officers, directors and controlling shareholders and shall be in such form and filed at such annual times as the director may require by rule or order. For the purposes of RCW 21.20.720, 21.20.740 and 21.20.745, a "controlling shareholder" shall mean a person who is directly or indirectly the beneficial holder of more than ten percent of the outstanding voting securities of an issuer.

(3) (a) The reports described in subsection (2) of this section shall include financial statements corresponding to those required under the provisions of RCW 21.20.210 and to the issuer's fiscal year setting forth in comparative form the corresponding information for the preceding year and such financial statements shall be furnished to all shareholders within one hundred twenty days (unless extension of time is granted by the director) after the end of such year, but at least twenty days prior to the date of the annual meeting of shareholders.

(b) Such financial statements shall be prepared as to form and content in accordance with rules and regulations prescribed by the director and shall be audited (except that financial statements filed prior to July 1, 1976 need be audited only as to the most recent fiscal year) by an independent certified public accountant who is not an employee, officer or member of the board of directors of the issuer or a holder of securities of the issuer. The report of such independent certified public accountant shall be based upon an audit made in accordance with generally accepted auditing standards with no limitations on its scope.

(4) The director may by rule or order exempt any issuer or class of issuers from this section for a period of up to one year if ~~((he))~~ the director finds that the filing of any such report by a specific issuer or class of issuers is not necessary for the protection of investors and the public interest.

(5) For the purposes of RCW 21.20.740 and 21.20.745, "issuer" does not include issuers of:

(a) Securities registered by the issuer pursuant to section 12 of the securities and exchange act of 1934 as now or hereafter amended or exempted

from registration under that act on a basis other than the number of shareholders and total assets.

(b) Securities which are held of record by less than two hundred persons or whose total assets are less than \$500,000 at the close of the issuer's fiscal year.

(6) Any issuer who has been required to file under RCW 21.20.740 and who subsequently becomes excluded from the definition of "issuer" by virtue of RCW 21.20.740(5) must file a certification setting forth the basis on which they claim to no longer be an issuer within the meaning of this act.

(7) The reports filed under this section shall be filed and maintained by the director for public inspection. Any person is entitled to receive copies thereof from the director upon payment of the reasonable costs of duplication.

(8) Filing of reports pursuant to this section shall not constitute an approval thereof by the director or a finding by the director that the report is true, complete and not misleading. It shall be unlawful to make, or cause to be made, to any prospective purchaser, seller, customer or client, any representation inconsistent with this subsection.

Sec. 43. Section 12, chapter 171, Laws of 1973 1st ex. sess. and RCW 21.20.745 are each amended to read as follows:

(1) It is unlawful for any person, including the officers and directors of any issuer, to fail to file a report required by RCW 21.20.740 or to file any such report which contains an untrue statement of a material fact or an omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading unless such person did not know, and in the exercise of reasonable care could not have known, of the failure, untruth or omission. In addition to any other penalties or remedies provided by chapter 21.20 RCW, each officer and director of an issuer which violates this subsection shall be personally liable for damages as provided in subsection (2) of this section if such officer or director:

- (a) Had actual notice of the issuer's duty to file reports;
- (b) Knew, or in the exercise of reasonable care could have known of the violation; and
- (c) Could have prevented the violation.

(2) Any issuer and other person who violate subsection (1) of this section shall be liable jointly and severally for the damages occasioned by such violation, together with reasonable attorney fees and costs to any person who, during the continuation of the violation and without actual notice of the violation, purchases or sells any securities of the issuer within six months following the date the violation commenced.

(3) No suit or action may be commenced under subsection (2) of this section more than one year after the purchase or sale.

(4) Any person held liable under this section shall be entitled to contribution from those jointly and severally liable with ((him)) that person.

Sec. 44. Section 64, chapter 282, Laws of 1959 and RCW 21.20.915 are each amended to read as follows:

All effective registrations under prior law and all conditions imposed upon such registrations remain in effect so long as they would have remained in effect if they had become effective under this chapter. They are considered to have been filed, entered, or imposed under this chapter. All dealers who are duly registered as brokers and all ((salesmen)) salespersons and issuers' agents who are duly registered as agents under said securities act, mining act or oil and mining leases act, on the effective date of this chapter shall be deemed to be duly registered under and subject to the provisions of this chapter, such registration to expire on the 30th day of June of the year in which this chapter becomes effective and to be subject to renewal as provided in this chapter.

NEW SECTION. Sec. 45. Section 27, chapter 84, Laws of 1975 1st ex. sess. and RCW 21.20.235 are each repealed.

Passed the Senate April 17, 1979.

Passed the House April 11, 1979.

Approved by the Governor April 26, 1979.

Filed in Office of Secretary of State April 26, 1979.

## CHAPTER 69

[Senate Bill No. 2354]

### HIGHWAY CONSTRUCTION CONTRACTS—BID NOTICE

AN ACT Relating to highway construction contracts; and amending section 47.28.050, chapter 13, Laws of 1961 as last amended by section 1, chapter 65, Laws of 1977 and RCW 47.28.050.

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

Section 1. Section 47.28.050, chapter 13, Laws of 1961 as last amended by section 1, chapter 65, Laws of 1977 and RCW 47.28.050 are each amended to read as follows:

Except as may be provided by rules and regulations adopted under RCW 47.28.030 as now or hereafter amended the ((~~Washington state highway commission~~)) department of transportation shall publish a call for bids for the construction of the highway according to the maps, plans, and specifications, once a week for at least two consecutive weeks, next preceding the day set for receiving and opening the bids, in not less than one trade paper of general circulation in the state. The call shall state the time, place, and date for receiving and opening the bids, give a brief description of the location and extent of the work, and contain such special provisions or