

CHAPTER 123.

Senate File No. 55.

SALE OF SECURITIES.

AN ACT to amend and re-enact Sections 5106, 5108, 5109, 5110, 5112, 5113, 5114, 5116 and 5117, Wyoming Compiled Statutes, 1920, relating to the Sale of Securities.

Be It Enacted by the Legislature of the State of Wyoming:

Section 1. That Section 5106, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

Filings To Be Made By Promoter.

Section 5106. It shall be hereafter unlawful for any person, co-partnership, association, or corporation, hereinafter called the promoter, either as principal or through brokers or agents, or as brokers or agents, to sell or offer for sale, or by means of any advertisements, circulars or prospectus, or by any other form of public offering, to attempt to promote the sale of any speculative securities in this State, unless there shall first have been filed with the Secretary of State and with the County Clerk of each county in which such speculative securities shall be sold or offered for sale: (1) A copy of the securities so to be promoted; (2) A statement in substantial detail of the assets and liabilities of the person or company making and issuing such securities and of any person or company guaranteeing the same, including specifically the total amount of such securities and of any securities prior thereto in interest or lien, authorized or issued by any such person or company; (3) If such securities are secured by mortgage or other lien, a copy of such mortgage or of the instrument creating such lien, and a competent appraisal or valuation of the property covered thereby, with a specific statement of all prior liens thereon, if any; (4) A full statement of facts showing the gross and net earnings, actual or estimated, of any company making and issuing or guaranteeing such securities, or of any property covered by any such mortgage or lien; (5) All knowledge or information in the possession of such promoter relative to the character or value of such securities, or of the property or earning power of the person or company making and issuing or guaranteeing the same; (6) A copy of any general or public prospectus or advertising matter which is to be used in connection with such promotion and no such prospectus or advertising matter shall be used unless the same has been filed hereunder; (7) The names, addresses, and selling territory in this state of any agents by or through whom any such securities are to be sold, and no such agents shall be employed unless such statements with respect to them have been filed hereunder; (8) The name and address of such promoter, including the names and addresses of all partners, if the promoter be a partnership, and the names and addresses of the directors or trustees, and of any person owning ten per cent or more of the capital stock, if the promoter be a corporation or association; (9) A statement showing in detail the plan on which the business or enterprise is to be conducted; (10) The articles of co-partnership or association, and all other papers pertaining to its organization, if the securities be made and issued by a co-partnership or unincorporated association; (11) A copy of its charter or articles of incorporation if the securities be made and issued by a corporation; (12) A filing fee of Twenty-five (\$25.00) Dollars to be deposited with the Secretary of State.

Section 2. That Section 5108, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

Examination by Secretary of State—Procedure if Statements are Misleading.

Section 5108. It shall be the duty of the Secretary of State as soon as practical, to examine the statement and documents so filed, and if he shall deem it advisable, he shall make or have made a detailed inspection, examination, audit and investigation of the affairs of the makers or guarantors of such securities. As a part of the aforesaid inspection, examination, audit and investigation, he may cause an appraisal to be made of the maker or guarantor, if from the statements, papers and documents, on file and the investigation of the Secretary of State, or otherwise, the Secretary of State shall find that the promoters' literature or advertising is misleading and calculated to deceive purchasers or investors, or that any of the statements, papers and documents on file are inaccurate or contain any untrue statements of fact, he shall make a written statement of such findings, copies of which shall be filed in the office of the county clerk in each county in which are filed the documents required to be filed by Section 2 hereof, and he shall immediately cause a copy thereof to be sent to the promoter and to all selling agents designated in the statement on file hereunder. If the Secretary of State shall find that the promoter's literature is not misleading, or calculated to deceive purchaser or visitors, he shall, if such promoter is of good moral character, and there is no apparent intent to defraud purchasers, issue a permit for the sale of such securities, such permit shall state that an examination has been made as requested by law, and that permission to sell such securities is granted and must also state in bold type that the issuance of said permit is not a recommendation or endorsement of the securities mentioned thereon. Every promoter offering for sale any securities in this state must produce and show to the prospective purchaser such permit from the Secretary of State.

Section 3. That Section 5109, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

Recourse if Findings are Unsatisfactory.

Section 5109. Any person, co-partnership, association or corporation being dissatisfied with any finding or findings of the Secretary of State made in accordance with the provisions of this Act, may within thirty days from the making thereof commence an action in any court of competent jurisdiction within the state against such Secretary of State as defendant, to vacate and set aside said finding or findings on the ground that the same are unjust or unreasonable. The rules of pleading and procedure in such action shall be same as are provided by law for the trial of equitable actions in the district courts of this State, and on the hearing the judge of said court may set aside, modify or confirm said finding or findings as the evidence may require. Appeals may be taken from the decision of the district court to the supreme court by either party in the same manner as is provided by law in other civil actions. If no action shall be brought to set aside said findings within thirty days, the same shall become final and binding, and it shall be unlawful for the promoter or any broker or agent of said promoter to sell, offer for sale, or by means of any advertisement, circular or prospectus or by any other form of public offering to attempt to promote the sale of any such speculative securities in this State.

Section 4. That Section 5110, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

Amendments To Be Filed—When Operative.

Section 5110. No amendments of the charter, articles of incorporation, constitution or by-laws of any such corporation, or the articles of association or by-laws of any unincorporated association subject to this

Act, shall become operative until a copy of the same has been filed with the Secretary of State and County Clerks as provided in regard to the original filing of charters, articles of incorporation, or association constitution and by-laws, and it shall be unlawful for any person, co-partnership, association or corporation to transact business on any other plan than set forth in the statement required to be filed by Section 2 of this Act, or to make, issue or sell or offer for sale any speculative security or securities required to be filed by Section 2 of this Act, until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new security or securities shall have been filed in like manner as provided in regard to the original plan of business and proposed security or securities.

Section 5. That Section 5112, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

Accounts Subject to Examination.

Section 5112. The general accounts of every person, co-partnership, association or corporation, issuing or guaranteeing any speculative securities subject to the provisions of this Act, shall be kept in a businesslike and intelligent manner and in sufficient detail so that the Secretary of State or his authorized representative can ascertain at any time the financial condition of such person, co-partnership, association or corporation, and the books of account and affairs of any such person, co-partnership, association or corporation shall be subject to examination by the said Secretary of State or upon his direction by his authorized assistants or any certified public accountant whom the Secretary of State shall designate, at any time said Secretary of State shall deem it advisable; Provided, that such certified public accountant shall furnish to the Secretary of State an estimate of the expense to be incurred in making such examination, before the examination shall be made, and that the person, co-partnership, association or corporation to be examined shall deposit with the Secretary of State an amount sufficient to cover such estimated expense, prior to the examination, upon request of the Secretary of State; provided further, that if such examination shall be made by the Secretary of State or his assistants, the expense shall be limited to traveling and hotel expense. And every person, co-partnership, association or corporation making or guaranteeing any speculative securities subject to the provisions of this Act, shall file with the Secretary of State and county clerks at the close of business March 31st, and September 30th of each year, and at such other times as may be required by the Secretary of State, a statement certified by the oath of some person having actual knowledge of the facts therein stated, setting forth, in such form as may be prescribed by the Secretary of State, the financial condition, amount of property and liabilities of such person, co-partnership, association or corporation and such other information as said Secretary of State may require. It shall be unlawful for any person, partnership, association, or corporation subject to the provisions of this Act, failing or refusing to comply with the provisions of this Section within ten days after compliance is required, to thereafter sell or offer for sale in this state any speculative stock which said person, partnership, association or corporation is selling or offering for sale in this state.

Section 6. That Section 5113, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

Special Inspection or Investigation.

Section 5113. The Secretary of State shall have power upon reasonable notice either upon his own initiative or upon complaint of any responsible person, to make or cause to be made any special inspection or inves-

tigation that he may deem necessary, in connection with the promotion, sale, disposal, or offering for sale or disposal in this State, of any certificates, shares, stocks, bonds, securities, contracts, or contracts for deeds, to determine whether the same constitute a violation of this Act or any other statute of this State, by any individual, co-partnership, corporation or association, promoting, offering, selling or pledging the same; and the Secretary of State shall have the power to issue subpoenas and process compelling the attendance of any person and the production of any papers or books, for the purpose of such investigation and examination, and shall have power to administer an oath to any person whose testimony may be required on such examination or investigation; and any person who shall refuse to obey any such subpoena or make answer to any competent and material question propounded to him by the Secretary of State shall upon conviction in any court of competent jurisdiction be deemed guilty of a misdemeanor, and fined in any sum not exceeding Five Hundred Dollars (\$500.00) or be punished by confinement in the county jail for not more than ninety days, or by both such fine and imprisonment. Upon the conclusion of any such investigation, the Secretary of State may make findings of fact touching the matter or matters under investigation, and such findings shall be prima facie evidence of the truth of the matters therein found by the Secretary of State in any action, either civil or criminal, instituted under any of the laws or statutes of this State against the person, persons, partnership, corporation or association. The notice herein provided for may be given by registered letter mailed to the last known address of person or persons or corporations to be investigated and the Secretary of State's certificate shall be sufficient evidence of such notice and the mailing thereof.

Section 7. That Section 5114, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

False Statements in Filings—Penalty.

Section 5114. Any person who shall knowingly make or file or cause to be made or filed with the Secretary of State any statement, document, circular, advertisement or prospectus, required to be filed by this Act, which is false in any material respect or matter, or who shall commit in this State any act declared to be unlawful by Sections 2, 5, 6 and 8 of this Act, shall be deemed guilty of a felony, and on conviction in any court of competent jurisdiction punished by a fine of not less than One Hundred Dollars (\$100.00) or more than Five Thousand Dollars (\$5000.00), or by imprisonment in the State penitentiary for not less than one nor more than ten years, or by both such fine and imprisonment.

Section 8. That Section 5116, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

Disposition of Fees.

Section 5116. All fees herein provided for shall be collected by the Secretary of State except where otherwise provided, and shall be turned into the State treasury, in the manner prescribed for other fees collected by the said Secretary of State.

Section 9. That Section 5117, Wyoming Compiled Statutes, 1920, be amended and re-enacted to read as follows:

Investigation of Intangible Assets.

Section 5117. In any case wherein the value of the securities or contracts hereinbefore enumerated is in any way dependent upon the present or proposed development of land or mines, oil or gas wells, the Secretary of State may cause such investigation thereof as he may desire to be made

by experts from the appropriate departments of the State government or the State university, or both, as the case may be, provided that all expense incident to such investigation shall be borne by the applicant.

Section 10. This Act shall take effect and be in force from and after April first, 1921.

Approved February 22, 1921.