

1 SEC. 4. What account shall show. That section thirteen (13)
2 of chapter two hundred thirty-seven (237), acts of the thirty-eighth
3 general assembly, (C. C. Sec. 2921), be amended by adding thereto
4 the following:

5 "The account of the primary road fund kept by the state auditor
6 and the state treasurer shall show the amount of the primary road
7 fund with all credits thereto and disbursements therefrom, and
8 shall deal with said fund as a single fund."

1 SEC. 5. Publication clause. This act, being deemed of immedi-
2 ate importance, shall take effect and be in force from and after its
3 passage and publication in the Des Moines Register and the Des
4 Moines Capital, newspapers published in Des Moines, Iowa.

Approved April 9, A. D. 1921.

I hereby certify that the foregoing act was published in the Des Moines Register
April 15, 1921, and in the Des Moines Capital April 16, 1921.

W. C. RAMSAY, *Secretary of State.*

CHAPTER 189

"BLUE SKY" LAW

H. F. 279.

AN ACT to amend chapter thirteen-b (13-b) of title IX, supplemental supplement to the code, 1915, relating to the regulation and supervision of stocks, bonds, securities and investment companies.

Be it enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Permits—when required. That the law as it ap-
2 pears in section 1920-u, supplemental supplement to the code, 1915,
3 (C. C. Sec. 5417), be and the same is hereby amended by striking
4 therefrom the last six lines thereof and by substituting in lieu there-
5 of the following:

6 Every person, firm, association, company, or corporation that
7 shall, either directly or through representatives or agents, sell, offer,
8 or negotiate for sale, within this state, any stocks, certificates, bonds,
9 debentures, certificates of participation, certificates of shares or inter-
10 est, preorganization certificates and subscriptions, memberships,
11 profit sharing certificates, investments, contracts, unit interests in
12 property or real estate, oil, gas or mineral leases, provided, however
13 that this shall not apply in whole or in part to mineral leases in Iowa
14 lands; and notes or other evidences of indebtedness, and evidence of,
15 title to, interest in or liens upon any or all of the property or profits
16 of an individual or company, hereinafter referred to as "stocks, bonds,
17 or other securities", shall be subject to the provisions of this act, ex-
18 cept as herein otherwise provided: and shall, before selling or offer-
19 ing for sale any such securities in this state, be required to secure a
20 permit from the secretary of state of the state of Iowa.

1 SEC. 2. Stocks, etc. excepted from act. That the law as it ap-
2 pears in section 1920-u1, supplemental supplement to the code, 1915,

3 (C. C. Sec. 5418) be and the same is hereby amended by striking
4 therefrom subdivision (c), (d), (e), and (f), of said section and by
5 substituting in lieu thereof the following:

6 (c). Conveyance of real estate located in Iowa: also conveyance
7 of real estate located elsewhere when the transaction does not in-
8 volve an agreement to develop on said real estate or in connection
9 therewith mines, oil wells, fruit trees, nut producing trees or other
10 projects of a speculative nature which the parties contemplate as a
11 substantial element of value in the transaction.

12 (d). Evidences of indebtedness executed by a corporation and se-
13 cured by a mortgage on real estate, which mortgage may also cover
14 tangible property connected therewith, when the total amount of
15 such indebtedness does not exceed the fair value of the property
16 pledged; also evidences of indebtedness (not issued by a corporation)
17 secured by bona fide mortgage on personal property in this state;
18 also commercial paper or acceptances or negotiable promissory notes.

19 (e). The stock, obligations and other securities issued by any na-
20 tional bank, or of any bank, trust company or building and loan asso-
21 ciation organized under the laws of any state, subject to examination
22 and supervision of the proper authorities thereof; and the stock and
23 obligations of any insurance company when such insurance is legally
24 authorized to transact business in this state by the insurance depart-
25 ment thereof.

26 (f). Securities of any corporation organized under the laws of
27 this state whose authorized capital stock, when not sold above par,
28 added to its other outstanding securities, shall not exceed fifty thou-
29 sand dollars; but this exemption shall apply only to the securities is-
30 sued by such company.

31 (g). Securities sold or offered for sale, at any judicial, executor's
32 or administrator's sale, or at any sale by a receiver or trustee in in-
33 solvency or bankruptcy, whether at a public or private sale; also the
34 securities of one acting in a judiciary capacity under an order of
35 court or of a trustee of a trust created by or declared in a will or
36 judicial writ, or order, decree or judgment, who lawfully disposes of
37 securities embraced within such trust.

38 (h). Securities issued by any corporation organized not for pe-
39 cuniary profit or organized exclusively for educational, benevolent,
40 fraternal, charitable or reformatory purposes.

41 (i). Securities issued as a stock dividend when such issue has
42 been approved by the executive council; also securities authorized by
43 the executive council under the provisions of title nine (IX), chapter
44 thirteen-A (13-A), supplement to the code, 1913, (C. C. Secs. 5409-
45 5416).

46 (j). Securities of corporations operating railroads, public or
47 quasi-public utilities, the issue of whose securities, is regulated by
48 the interstate commerce commission or by a railroad or public serv-
49 ice commission, board or similar body of any state or territory of the
50 United States or of any province of the Dominion of Canada, and se-
51 curities of all other corporations operating public utilities in this
52 state.

53 (k). Bonds, debentures, collateral trust certificates or other simi-
54 lar instruments evidencing title to, interest in or lien upon property,
55 issued or executed in good faith by any company where the debt se-

56 cured does not exceed sixty per cent of the value of the property
57 pledged as security.

58 (1). Securities of an issuer, organized under the laws of this
59 state, where the disposal, in good faith and not for the purpose of
60 avoiding the provisions of this act, is made for the sole account of
61 the issuer, without commission and at a total organization therefrom,
62 plus five hundred dollars; provided, that the president and secretary,
63 or the incorporators if done before organization, of the issuer shall,
64 prior to such disposal, file with the secretary a written statement set-
65 ting forth the existence of all facts and that such issuer is formed
66 for the purpose of transacting business within the state. The "sec-
67 retary", however, shall be given the right at any time to inquire into
68 the affairs of companies claiming such exemption, and to examine
69 their books to ascertain whether the securities named have been dis-
70 posed of in the manner stated. Also the securities of a syndicate un-
71 incorporated, formed by residents of this state, whose members shall
72 not exceed twenty-five (25) in number, and whose interest or units
73 are not divided into greater number than twenty-five (25); provided
74 no solicitation is made to the public for the disposal of said interest
75 or units.

1 SEC. 3. **Examination fee.** That the law as it appears in section
2 1920-u10, supplemental supplement to the code, 1915, (C. C. Sec.
3 5427), be and the same is hereby amended by striking the word "six"
4 in the twentieth line thereof, and by substituting in lieu thereof the
5 word "ten".

1 SEC. 4. **False representations—penalty.** That the law as it ap-
2 pears in section 1920-u21, supplemental supplement to the code, 1915,
3 (C. C. Sec. 5438), be and the same is hereby amended by striking
4 therefrom the last five lines thereof and by substituting for the lines
5 so stricken the following:

6 "Security for the purpose of defrauding the purchaser, or know-
7 ingly violates any of the provisions of this chapter with intent to de-
8 fraud, shall be deemed guilty of a felony and upon conviction thereof
9 shall be punished by a fine of not less than five hundred dollars (\$500)
10 or more than five thousand dollars (\$5000) or by imprisonment in
11 the penitentiary or reformatory for not more than five years or by
12 both such fine and imprisonment."

1 SEC. 5. **Additional sections provided.** That the law as it ap-
2 pears in chapter 13-B, title IX, supplemental supplement to the code,
3 1915 (C. C. Chap. 5, title XVII), be and the same is hereby amended
4 by adding five sections thereto at the end thereof and as sections
5 1920-u23, 1920-u24, 1920-u25, 1920-u26 and 1920-u27, respectively,
6 as follows:

7 "Section 1920-u23. *Promotion expense—agent's commission.* No
8 person, firm, association, company or corporation shall offer for sale,
9 sell or otherwise dispose of, within this state, any securities coming
10 within the provisions of this chapter on which the total promotion
11 expense, including all commissions, discount on paper or other ex-
12 pense in marketing such securities exceeds ten per cent (10%) of
13 the selling price thereof; provided, however, that any such company
14 organized for the purpose of carrying on an industrial business with-
15 in this state may expend for such purposes not to exceed fifteen per

16 cent (15%) of such selling price; and provided further that in addi-
 17 tion there may be paid all charter fees, franchise taxes, permit and
 18 certificate fees, attorney fees, and necessary expenditures for station-
 19 ery and supplies. The agent's commission shall be paid to the agent
 20 only out of the purchase price of the stock and then only when and
 21 as such purchase price is paid by the purchaser.

22 "Section 1920-u24. *Secret agents—failure to disclose interest.*
 23 Any individual, not licensed as an agent, who, with intent to secure
 24 financial gain for himself, advises and procures or assists in procur-
 25 ing any person to purchase any securities contemplated by this chap-
 26 ter and who received for such service any commission or reward,
 27 without disclosing to the purchaser the fact of his interest shall, in
 28 addition to any other penalty, be guilty of a misdemeanor.

29 "Section 1920-u25. *Re-sale contracts.* No resale contract shall be
 30 entered into in the state of Iowa in connection with the sale of any
 31 stock, bonds or other security contemplated by title IX, chapter 13-B,
 32 supplemental supplement to the code, 1915, unless such resale con-
 33 tract is in writing signed by the parties and is accompanied by a per-
 34 formance bond in the penal sum of at least twice the amount in such
 35 resale contract, which bond shall be signed by himself and a respon-
 36 sible surety company authorized to do business in Iowa.

37 "Section 1920-u26. *Promotion by state officials and employees.*
 38 No state official or employe of the state of Iowa shall use his name in
 39 his official capacity in connection with the endorsement or recom-
 40 mendation of the organization or the promotion of any company or
 41 in the disposal to the public of its securities, nor shall anyone use the
 42 stationery of the state of Iowa or of any official thereof in connection
 43 with any such transaction. Whoever violates the aforesaid provi-
 44 sion shall, upon conviction, by any court of competent jurisdiction,
 45 be deemed guilty of a misdemeanor and fined in any sum not to ex-
 46 ceed five hundred dollars (\$500) or be punished by confinement in a
 47 county jail for not more than ninety days, or by both such fine and
 48 imprisonment.

49 "Section 1920-u27. *Contingent fund.* For the purpose of carrying
 50 the provisions of this chapter into effect, and providing for the pay-
 51 ment of necessary expenses not otherwise provided for, there is
 52 hereby appropriated as a contingent fund for the use of the secretary
 53 of state during each biennial period the sum of twenty-five hundred
 54 dollars (\$2500). Payments from said fund shall be made on order
 55 of such secretary by warrant drawn by the auditor of state against
 56 such fund upon the state treasurer, an itemized statement of expense
 57 so incurred to be filed with the state board of audit."

1 SEC. 6. Cancellation of permits. That the secretary of state
 2 under sections 1920-u7, 1920-u16, 1920-u6 and 1920-u11, supplement-
 3 al supplement to the code, 1915, shall have the right to refuse or can-
 4 cel a permit where he finds from his examination that the applicant is
 5 not of good business repute, or that the proposed plan of business, or
 6 of selling the security is unfair, unjust, or inequitable, or finds that
 7 the securities the dealer, issuer, agent or broker proposes to sell are
 8 likely to work a fraud upon the purchaser thereof, such refusal, or
 9 cancellation, to be subject to the same right of appeal as herein pro-
 10 vided in other cases.

1 SEC. 7. Repeal. That paragraph (b), section nineteen hundred
2 twenty-u one (1920-u1), be and the same is hereby repealed.

1 SEC. 8. Information required of agents. That section nine-
2 teen hundred twenty-u fifteen (1920-u15), be and the same is hereby
3 amended by inserting after the word "state" in the seventh (7) line
4 of section nineteen hundred twenty-u fifteen (1920-u15), supple-
5 mental supplement to the code, 1915, the words "and such further
6 information as the secretary may require".

1 SEC. 9. Certificate fee. That section nineteen hundred twenty-u
2 fifteen (1920-u15), supplemental supplement to the code, 1915, be and
3 the same is hereby amended by striking out the words "one dollar"
4 in the next to the last line of said section and inserting in lieu thereof
5 the words "three dollars".

Approved April 11, A. D. 1921.

CHAPTER 190

INSURANCE

S. F. 383.

AN ACT relating to insurance; repealing and re-enacting section seventeen hundred and two (1702) of the code, (C. C. Sec. 5625, Par. 1), and amending section seventeen hundred and fourteen (1714) of the code, (C. C. Sec. 5632, subdivision 6, item 8),

Be it enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Dividends—policy liability—reserve. That section
2 seventeen hundred and two (1702) of the code, (compiled code Sec.
3 5625, Par. 1), be, and the same is hereby repealed and the following
4 enacted in lieu thereof: "The directors or managers of a stock com-
5 pany incorporated under the laws of this state shall make no dividends,
6 except from the profits arising from their business, and in estimating
7 the profits, a reserve for unearned premiums as set out in this sec-
8 tion, also a reserve for unpaid losses, expenses and taxes which have
9 been incurred shall be set up; and there shall also be held as non-
10 admitted assets all sums due the corporation on bonds and mortgages,
11 bonds, stocks and book account, of which no part of the principal or
12 interest thereon has been paid during the year preceding such esti-
13 mate of profits, and upon which suit for foreclosure or collection has
14 not been commenced, or which, after judgment has been obtained
15 thereon, shall have remained more than two years unsatisfied, and
16 on which interest has not been paid; and such judgment with the in-
17 terest due or accrued thereon and remaining unpaid, shall also be so
18 held. Any dividend made contrary to these provisions shall subject
19 the company making it to forfeiture of its franchise.

20 The policy liability of any company or association, transacting
21 business under the provisions of this chapter, and the amount such
22 company or association shall hold as a reserve for unearned pre-
23 miums, shall be computed in the following manner:

24 On all policies written or renewed prior to January 1, 1922, there
25 shall be held as such unearned premium reserve an amount equal to