

CHAPTER 10

IOWA SECURITIES ACT

AN ACT to protect investors, by regulating sales and purchases and attempted sales and purchases within the state of Iowa, of stocks, bonds, notes, debentures, evidences of indebtedness, investment contracts, interests in or under profit sharing or participating agreements or schemes, and interests in trusts, all hereinafter called securities; by defining words, phrases, and terms used in this account; by fixing the scope of the regulation in this act provided and prescribing the conditions under which securities may be sold, bartered, or exchanged or offered therefor; by providing for enforcement of this act through public agencies and otherwise; and by prescribing and imposing penalties for violation of or non-compliance with this act, and repealing chapter three hundred ninety-three (393) of the code, 1927, relating to investment companies.

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

1 SECTION 1. Title: This act shall be known as the "Iowa Securities
2 Law".

1 SEC. 2. Administration. The administration of the provisions of
2 this act shall be vested in the secretary of state of the state of Iowa.
3 The secretary of state shall appoint a superintendent in charge of
4 the securities department and may appoint one or more assistants.
5 The superintendent appointed under this act shall perform such duties
6 as the secretary of state shall generally or specifically direct. In
7 case of vacancy in the office of secretary of state, by reason of ab-
8 sence, physical disability or other cause, to administer properly the
9 provisions of this act, the superintendent appointed under this chap-
10 ter shall act for and in the stead of the secretary of state, and
11 thereupon the superintendent shall have generally, for the time
12 being, all the power and authority of this act conferred upon the sec-
13 retary of state.

14 The secretary of state shall also employ from time to time, such
15 other officers, attorneys, clerks and employees as are necessary for
16 the administration of this act. They shall perform such duties as
17 the secretary of state shall assign to them. The amount hereafter
18 expended in any one year to carry out the provisions of this chapter,
19 shall not exceed the revenues derived from the provisions of this
20 chapter during such year.

21 The superintendent and each of the employees shall subscribe to
22 the oath of office prescribed by law.

23 The secretary of state, superintendent, or any other person ap-
24 pointed or employed by the secretary of state under the provisions
25 of this act shall be paid, in addition to their salary or compensation
26 when required to travel on official duties, transportation, board,
27 lodging and other traveling expenses necessary and actually incurred
28 by each of them in the performance of the duties required by this act
29 or performed by the direction of the secretary of state.

30 The executive council shall cause the secretary of state to be fur-
31 nished with such quarters, stationery, furniture, office equipment,
32 and other supplies as may be necessary for the efficient execution of
33 the functions vested in him by this chapter.

1 SEC. 3. Definitions. When used in this act the following terms
2 shall, unless the text otherwise indicates, have the following respec-
3 tive meanings:

4 1. "Security" shall include any note, stock, treasury stock, bond,
5 debenture, evidence of indebtedness, certificate of interest in an oil,
6 gas, or mining lease, collateral trust certificate, pre-organization cer-
7 tificate, pre-organization subscription, any transferable share, invest-
8 ment contract, or beneficial interest in title to property, interest in
9 or under a profit-sharing or participating agreement or scheme, or
10 any other instrument commonly known as a security.

11 2. "Person" shall include a natural person, a corporation created
12 under the laws of this or any other state, county, sovereignty, or
13 political subdivision thereof, a partnership, an association, a joint
14 stock company, a trust and any unincorporated organization. As
15 used herein the term "trust" shall be deemed to include a common
16 law trust, but shall not include a trust created or appointed under
17 or by virtue of a last will and testament, or by a court of law or
18 equity, or any public charitable trust.

19 3. "Sale" or "sell" shall include every disposition, or attempt to
20 dispose, of a security or interest in a security for value. Any secur-
21 ity given or delivered with, or as a bonus on account of, any pur-
22 chase of securities or any other thing, shall be conclusively presumed
23 to constitute a part of the subject of such purchase and to have been
24 sold for value. "Sale" or "sell" shall also include an exchange, an
25 attempt to sell, an option of sale, a solicitation of a sale, a subscription
26 or an offer to sell, directly or by an agent, or a circular, letter adver-
27 tisement or otherwise: provided, that a privilege pertaining to a
28 security giving the holder the privilege to convert such security into
29 another security of the same issuer shall not be deemed a sale, or
30 offer to sell, or option of sale of such other security within the mean-
31 ing of this definition and such privilege shall not be construed as
32 affecting the status of the security to which such privilege pertains
33 with respect to exemption or registration under the provisions of
34 this act, but when such privilege of conversion shall be exercised
35 such conversion shall be subject to the limitations hereinafter pro-
36 vided in subsection (h) of section 5; and provided further, that the
37 issue or transfer of a right pertaining to a security and entitling the
38 holder of such right to subscribe to another security of the same
39 issuer, when such right is issued or transferred with the security to
40 which it pertains, shall not be deemed a sale or offer to sell or option
41 of sale of such other security within the meaning of this definition,
42 and such right shall not be construed as affecting the status of the
43 security to which such right pertains with respect to exemption or
44 registration under the provisions of this act; but the sale of such
45 other security upon the exercise of such right shall be subject to the
46 provisions of this act.

47 4. "Dealer" shall include every person other than a salesman who
48 in this state engages either for all or part of his time directly or
49 through an agent in the business of selling any securities issued by
50 another person or purchasing or otherwise acquiring such securities
51 from another for the purpose of reselling them or of offering them
52 for sale to the public, or offering, buying, selling or otherwise dealing
53 or trading in securities as agent or principal for a commission or at
54 a profit, or who deals in futures or differences in market quotations
55 of prices or values of any securities or accepts margins on purchases
56 or sales or pretended purchases or sales of such securities; provided

57 that the word "dealer" shall not include a person having no place of
58 business in this state who sells or offers to sell securities exclusively
59 to brokers or dealers actually engaged in buying and selling securities
60 as a business.

61 5. "Issuer" shall mean and include every person who proposes to
62 issue, has issued, or shall hereafter issue any security. Any natural
63 person who acts as a promoter for and on behalf of a corporation,
64 trust or unincorporated association or partnership of any kind to be
65 formed shall be deemed to be an issuer.

66 6. "Salesman" shall include every natural person, other than a
67 dealer, employed or appointed or authorized by a dealer or issuer, to
68 sell securities in any manner in this state. The partners of a partner-
69 ship and the executive officers of a corporation or other association
70 registered as a dealer shall not be salesmen within the meaning of
71 this definition.

72 7. "Broker" shall mean dealer as herein defined.

73 8. "Agent" shall mean salesman as hereinabove defined.

74 9. "Secretary of state" shall mean the secretary of state of the
75 state of Iowa.

76 10. "Superintendent" shall mean the superintendent in charge of
77 securities department.

78 11. "Mortgage" shall be deemed to include a deed of trust to
79 secure a debt.

1 SEC. 4. **Exempt securities.** Except as hereinafter otherwise pro-
2 vided, the provisions of this act shall not apply to any of the follow-
3 ing classes of securities:

4 a. Any security issued or guaranteed by the United States or any
5 territory or insular possession thereof, or by the District of Colum-
6 bia or by any state or political subdivision or agency thereof.

7 b. Any security issued or guaranteed by any foreign government
8 with which the United States is at the time of the sale or offer of sale
9 thereof maintaining diplomatic relations, or by any state, province
10 or political subdivision thereof having the power of taxation or
11 assessment, which security is recognized at the time it is offered for
12 sale in this state as a valid obligation by such foreign government
13 or by such state, province or political subdivision thereof issuing
14 the same.

15 c. Any security issued by and representing an interest in or a
16 direct obligation of a national bank or by any federal land bank or
17 joint-stock land bank or national farm loan association under the
18 provisions of the Federal Farm Loan Act of July 17, 1916, or by any
19 corporation created and acting as an instrumentality of the govern-
20 ment of the United States pursuant to authority granted by the con-
21 gress of the United States.

22 d. Any security issued or guaranteed either as to principal, in-
23 terest or dividend by a corporation owning or operating a railroad
24 or any other public service utility; provided, that such corporation
25 is subject to regulation or supervision either as to its rates and
26 charges or as to the issue of its own securities by a public commis-
27 sion, board or officer of the government of the United States, or of
28 any state, territory or insular possession thereof, or of any munic-
29 ipality located therein, or of the District of Columbia, or of the

30 Dominion of Canada or any province thereof, and securities of all
31 other corporations operating public utilities in this state; also equip-
32 ment securities based on chattel mortgages, leases or agreements for
33 conditional sale of cars, motive power or other rolling stock mort-
34 gaged, leased or sold to or furnished for the use of or upon a rail-
35 road or other public service utility corporation, or equipment secur-
36 ities where the ownership or title of such equipment is pledged or
37 retained in accordance with the provisions of the laws of the United
38 States or of any state, or of the Dominion of Canada, to secure the
39 payment of such equipment trust certificates, bonds or notes; also
40 bonds, notes or other evidences of indebtedness issued by a holding
41 corporation and secured by collateral consisting of any securities
42 hereinabove in this clause (d) described; provided, that the collat-
43 eral securities equal in fair value at least one hundred twenty-five
44 per centum (125%) of the par value of the bonds, notes or other
45 evidences of indebtedness so secured.

46 e. Any security issued by a corporation organized exclusively for
47 educational, benevolent, fraternal, charitable or reformatory purposes
48 and not for pecuniary profit, and no part of the net earnings of which
49 inures to the benefit of any private stockholder or individual.

50 f. Securities appearing in any list of securities dealt in on the
51 New York, Boston or Chicago stock exchange or on any other recog-
52 nized and responsible stock exchange which has been previously ap-
53 proved by the secretary of state and which securities have been so
54 listed pursuant to official authorization by such exchange, and also
55 all securities senior to or on a parity with any securities so listed,
56 or represented by subscription rights which have been so listed, or
57 evidences of indebtedness guaranteed by companies any stock of
58 which is so listed, such securities to be exempt only so long as such
59 listing shall remain in effect. The secretary of state shall have power
60 at any time to withdraw approval theretofore granted by him to any
61 exchange, and thereupon no security listed on such exchange shall
62 be longer entitled to the benefit of such exemption.

63 g. Any security issued by and representing an interest in or a
64 direct obligation of a state bank, trust company or savings institu-
65 tion incorporated under the laws of and subject to the examination,
66 supervision, and control of any state or territory of the United States
67 or of any insular possession thereof; or issued by any building and
68 loan association of this state or by any insurance company under the
69 insurance department of this state.

70 h. Negotiable promissory notes or commercial paper issued in
71 good faith in the usual course of carrying on and conducting the
72 business of the issuer: provided, that such issue of notes or commer-
73 cial paper mature in not more than twelve months from date of issue
74 and shall be issued within three months after the date of sale.

75 i. Any security other than common stock outstanding and in the
76 hands of the public for a period of not less than five years upon
77 which no default in payment of principal, interest or dividend exists
78 and upon which no such default has occurred for a continuous imme-
79 diately preceding period of five years.

80 j. Securities evidencing indebtedness due under any contract
81 made in pursuance to the provisions of any statute of any state of

82 the United States providing for the acquisition of personal property
83 under conditional sales contracts.

84 k. *Cooperative associations.* Securities of any co-operative asso-
85 ciation organized in good faith under the laws of this state
86 exclusively for the purpose of conducting upon the co-operative plan
87 among its stockholders any or all of the following businesses: Any
88 agricultural, dairy, livestock or produce business; the business of
89 selling, marketing or otherwise handling, any agricultural, dairy or
90 livestock products, or other produce, by any co-operative association;
91 the manufacture of any products from any agricultural, dairy, or
92 livestock products, or other produce; any business incidental to any
93 of the above purposes; the operation of a rural telephone among
94 its stockholders.

1 SEC. 5. *Exempt transactions.* Except as hereinafter expressly
2 provided, the provisions of this act shall not apply to the sale of any
3 security in any of the following transactions:

4 a. At any judicial, executor's, administrator's, guardian's, or con-
5 servator's sale, or at any sale by a receiver or trustee in insolvency
6 or bankruptcy.

7 b. By or for the account of a pledge holder or mortgagee selling
8 or offering for sale or delivery in the ordinary course of business and
9 not for the purpose of avoiding the provisions of this act, to liquidate
10 a bona fide debt, a security pledged in good faith as security for such
11 debt.

12 c. An isolated transaction in which any security is sold, offered
13 for sale, subscription or delivery by the owner thereof, or by his
14 representative for the owner's account, such sale or offer for sale,
15 subscription or delivery not being made in the course of repeated and
16 successive transactions of a like character by such owner, or on his
17 account by such representative, and such owner or representative
18 not being the underwriter of such security.

19 d. The distribution by a corporation actively engaged in the
20 business authorized by its charter of capital stock, bonds or other
21 securities to its stockholders or other security holders as a stock
22 dividend or other distribution out of earnings or surplus; or the
23 issuance of securities to the security holders or other creditors of a
24 corporation in the process of a bona fide reorganization of such cor-
25 poration made in good faith and not for the purpose of avoiding the
26 provisions of this act, either in exchange for the securities of such
27 security holders or claims of such creditors or partly for cash and
28 partly in exchange for the securities or claims of such security hold-
29 ers or creditors; or the issuance of additional capital stock of a cor-
30 poration sold or distributed by it among its own stockholders ex-
31 clusively, where no commission or other remuneration is paid or
32 given directly or indirectly in connection with the sale or distribution
33 of such increased capital stock.

34 e. The sale, transfer or delivery to any bank, savings institution,
35 trust company, insurance company or to any corporation or to any
36 broker or dealer; provided that such broker or dealer is actually en-
37 gaged in buying and selling securities as a business.

38 f. The transfer or exchange by one corporation to another cor-

39 poration of their own securities in connection with a consolidation
40 or merger of such corporations.

41 g. Bonds or notes secured by mortgage upon real estate or
42 tangible personal property where the entire mortgage together with
43 all of the bonds or notes secured thereby are sold to a single pur-
44 chaser at a single sale.

45 h. The issue and delivery of any security in exchange for any
46 other security of the same issuer pursuant to a right of conversion
47 entitling the holder of the security exchanged to make such con-
48 version, provided that the security exchanged has been registered
49 under the law or was when sold, exempt from the provisions of the
50 law and that the security issued and delivered in exchange if sold
51 at the conversion price would at the time of such conversion fall
52 within the class of securities entitled to registration by notification
53 under the law. Upon such conversion the par value of the security
54 surrendered in such exchange shall be deemed the price at which
55 the securities issued and delivered in such exchange are sold.

56 i. Subscriptions for shares of the capital stock of a corporation
57 organized under the laws of this state, when no expense is incurred,
58 or no commission, compensation or remuneration is paid or given for
59 or in connection with the sale or disposition of such securities.

60 j. Bonds or notes secured by mortgage upon real estate or
61 tangible personal property situated within the state of Iowa where
62 the bonds or notes are sold to not more than twenty purchasers and
63 the total face amount of all bonds or notes secured by a single mort-
64 gage does not exceed fifty thousand dollars (\$50,000.00).

1 **SEC. 6. Registration of securities.** No securities except of a class
2 exempt under any of the provisions of section 4 hereof or unless
3 sold in any transaction exempt under any of the provisions of section
4 5 hereof shall be sold within this state unless such securities shall
5 have been registered by notification or by qualification as hereinafter
6 defined. Registration of stock shall be deemed to include the regis-
7 tration of rights to subscribe to such stock if the notice under section
8 7 or the application under section 8 for registration of such stock
9 includes a statement that such rights are to be issued.

10 A record of the registration of securities shall be kept in a reg-
11 ister of securities to be kept in the office of the secretary of state,
12 in which register of securities shall also be recorded any orders en-
13 tered by the secretary of state with respect to such securities. Such
14 register, and all information with respect to the securities registered
15 therein shall be open to public inspection.

1 **SEC. 7. Registration by notification.** The following classes of
2 securities shall be entitled to registration by notification in the man-
3 ner provided in this section:

4 1. Securities issued by a corporation, partnership, association,
5 company, syndicate or trust owning a property, business or industry
6 which has been in continuous operation not less than three years
7 and which has shown during a period of not less than two years or
8 more than ten years next prior to the close of its last fiscal year pre-
9 ceding the offering of such securities, average annual net earnings,
10 after deducting all prior charges not including the charges upon se-
11 curities to be retired out of the proceeds of sale, as follows:

12 a. In the case of interest bearing securities, not less than one
13 and one-half times the annual interest charge thereon and upon all
14 other outstanding interest bearing obligations of equal rank, and
15 assets at least equal to one hundred twenty-five per centum (125%)
16 of the face value of such interest-bearing securities, and all other
17 obligations of equal or prior rank outstanding and not to be retired
18 out of the proceeds of the sale of such securities.

19 b. In the case of preferred stock, not less than one and one-half
20 times the annual dividend requirements on such preferred stock and
21 on all other outstanding stock of equal rank and assets at least equal
22 to one hundred twenty-five per centum (125%) of the par value of
23 the aggregate amount of such preferred stock and all other out-
24 standing preferred stock of equal rank, after the deduction from such
25 assets of all indebtedness, which will be existing, and all stock of
26 senior rank which will be outstanding after the application of the
27 proceeds of the preferred stock offered for sale.

28 c. In the case of common stock not less than five per centum
29 (5%) upon all outstanding common stock of equal rank, together
30 with the amount of common stock then offered for sale reckoned upon
31 the price at which such stock is then offered for sale or sold.

32 The ownership by a corporation, partnership, association, company,
33 syndicate or trust of more than fifty per cent (50%) of the outstand-
34 ing voting stock of a corporation shall be construed as the propor-
35 tionate ownership of the property, business or industry of such cor-
36 poration, and shall permit the inclusion of the earnings of such cor-
37 poration applicable to the payment of dividends upon the stock so
38 owned in the earnings of the corporation, partnership, association,
39 company, syndicate, or trust issuing the securities sought to be
40 registered by notification.

41 2. Bonds or notes secured by first mortgage upon real estate
42 leased to a corporation for a term of years at a net rental sufficient
43 to pay the interest and to retire the principal of all bonds or notes
44 secured by said mortgage during the term of the lease where the
45 lease is irrevocable and is pledged under the mortgage securing said
46 bonds or notes, provided any class of stock of the lessee is exempt
47 under any of the provisions of section 4 except clause (e) and
48 clause (i) thereof or will fall within subdivision one (1) of this sec-
49 tion 7.

50 3. Bonds or notes secured by first mortgage on real estate in any
51 state or territory of the United States or in the District of Columbia
52 or in the Dominion of Canada where such real estate consists of agri-
53 cultural lands used and valuable for agricultural purposes (not in-
54 cluding oil, gas or mining property) and where the aggregate face
55 value of the bonds or notes, not including interest notes or coupons,
56 secured on such property does not exceed seventy per centum (70%)
57 of the then fair market value of said lands, including any improve-
58 ments appurtenant thereto.

59 4. Bonds or notes secured by first mortgage on real estate in any
60 state or territory of the United States or in the District of Columbia
61 or in the Dominion of Canada where such real estate consists of im-
62 proved city, town or village property and where the aggregate face
63 value of such bonds or notes, not including interest notes or coupons,
64 secured on such property does not exceed seventy per centum (70%)

65 of the then fair market value of such property, including any im-
66 provement appurtenant thereto, and when said property is used prin-
67 cipally to produce through rental a net annual income, after deduct-
68 ing operating expenses and taxes, or has a fair rental value after de-
69 ducting operating expenses and taxes, at least equal to the annual
70 interest plus not less than three per centum (3%) of the principal
71 of said mortgage indebtedness.

72 5. Bonds or notes secured by a mortgage consisting of a first lien
73 on a leasehold of real estate in any state or territory of the United
74 States or in the District of Columbia where such real estate consists
75 of improved city, town or village property and where the aggregate
76 face value of such bonds or notes, not including interest notes or
77 coupons, secured by such first mortgage does not exceed seventy per
78 centum (70%) of the then fair market value of said leasehold, in-
79 cluding any improvements appurtenant thereto, and when said prop-
80 erty is used principally to produce through rental a net income after
81 deducting operating expenses and taxes or has a fair rental value
82 after deducting operating expenses and taxes at least equal to the
83 annual interest plus not less than three per centum (3%) of the prin-
84 cipal of said mortgage indebtedness; provided, all advertisements,
85 circulars and letters advertising the sale of said bonds or notes, and
86 all receipts of payments therefor, and said bonds and notes shall bear
87 in bold type not less than eighteen (18) point upon the face thereof
88 a legend stating that said bonds or notes are secured by mortgage on
89 a leasehold, and all other written or printed offerings shall contain
90 a statement to the same effect.

91 6. Bonds or notes secured by a first mortgage upon real estate
92 in any state or territory of the United States or in the District of
93 Columbia where the mortgage is a first mortgage upon city, town or
94 village real estate, or leaseholds upon which a building or buildings
95 is or are about in good faith forthwith to be erected according to the
96 expressed terms of the mortgage and where reasonably adequate provi-
97 sion has been made for financing the full completion of said building
98 clear of any lien superior to said mortgage and where the aggregate
99 face value of the bonds or notes, not including interest notes or
100 coupons, secured by such first mortgage does not exceed seventy per
101 centum (70%) of the fair market value of such mortgaged property,
102 including the building or buildings to be erected thereon as aforesaid,
103 and where said mortgaged property is to be used principally to pro-
104 duce through rental a net annual income, after deducting operating
105 expenses and taxes, or will have a fair rental value, after deducting
106 operating expenses and taxes, at least equal to the annual interest
107 plus not less than three per centum (3%) of the principal of said
108 mortgage indebtedness: provided, that all advertisements, circulars
109 and letters advertising the sale of said bonds or notes and all receipts
110 of payments therefor shall bear in bold type upon the face thereof a
111 legend stating that said bonds or notes are construction bonds or
112 notes, and all other written or printed offerings of said bonds or
113 notes shall bear a statement to the like effect: and provided, further,
114 that where said bonds or notes are secured wholly or partly by first
115 mortgage on leaseholds, the value of such leaseholds is required to
116 meet the ratio of property value to face value obligations above in
117 this subsection provided, and all advertisements, circulars and letters

118 advertising the sale of said bonds or notes, and all receipts of pay-
119 ments therefor, and said bonds and notes, shall bear in bold type not
120 less than eighteen (18) point upon the face thereof a legend stating
121 that said bonds or notes are secured wholly or partly by mortgage on
122 a leasehold as the case may be, and all other written or printed offer-
123 ings of said bonds or notes shall contain a statement to the same
124 effect.

125 7. Bonds or notes secured by first lien on collateral pledged as
126 security for such bonds or notes with a bank or trust company as
127 trustee, which bank or trust company is incorporated under the laws
128 of and subject to examination and supervision by the United States
129 or by a state of the United States, which collateral shall consist of
130 (a) a principal amount of first mortgage bonds or notes conforming
131 to the requirements of any one or more of subsection two (2), three
132 (3), four (4), five (5) and six (6) of this section 7 and/or (b) a
133 principal amount of obligations secured as hereinafter in this sub-
134 section provided, and/or (c) a principal amount of obligations of
135 the United States, and/or (d) cash, equal to not less than one hun-
136 dred per cent (100%) of the aggregate principal amount of all bonds
137 or notes secured thereby. The portion of such collateral referred
138 to in clause (b) shall consist of obligations secured by a first lien
139 on a principal amount of first mortgage bonds or notes conforming
140 to the requirements of any one or more of subsections two (2),
141 three (3), four (4), five (5) and six (6) of this section 7, and/or
142 a principal amount of obligations of the United States and/or cash
143 equal to not less than one hundred per cent (100%) of the aggregate
144 principal amount of such obligations so secured thereby, and all
145 such pledged securities including cash so securing such obligations
146 shall have been deposited with a bank or trust company as trustee,
147 which bank or trust company is incorporated under the laws of and
148 subject to examination and supervision by the United States or by
149 a state of the United States.

150 Securities entitled to registration by notification shall be regis-
151 tered by the filing by the issuer or by any registered dealer interested
152 in the sale thereof in the office of the secretary of state of a state-
153 ment with respect to such securities containing the following:

154 a. Name of issuer, location, and, if incorporated, place of incor-
155 poration.

156 b. A brief description of the security including amount of the
157 issue.

158 c. Amount of securities to be offered in the state.

159 d. A brief statement of the facts which show that the security
160 falls within one of the classes in this section defined.

161 e. The price at which the securities are to be offered for sale.

162 In the case of securities falling within the class defined by sub-
163 sections one (1) or two (2), if the circular to be used for the public
164 offering is not filed with the statement, then a copy of such circular
165 shall be filed in the office of the secretary of state within two days
166 thereafter or within such further time as the secretary of state shall
167 allow.

168 In the case of securities falling within the classes defined by sub-
169 sections three (3), four (4), five (5), six (6) and seven (7), the

170 circular to be used for the public offering shall be filed with the
171 statement.

172 The secretary of state shall, for a period of twenty-four (24) hours
173 exclusive of Sundays, and legal holidays, only from and after the
174 receipt of any such notification accompanied by proper fee as in this
175 section provided, have the same powers on such notifications as it
176 has on applications for registration by qualification and the same
177 powers to deny the registration or to register the securities. Failure
178 of the secretary of state to take any formal action on a notification
179 within said period of twenty-four (24) hours exclusive of Sundays
180 and legal holidays shall constitute a registration, subject to the
181 terms of the notification, for those in whose behalf the notification
182 was given.

183 If, at any time in the opinion of the secretary of state, the informa-
184 tion contained in the statement or circular filed is misleading, in-
185 correct, inadequate or incomplete, or the sale or offering for sale of
186 the security may work or tend to work a fraud, the secretary of
187 state may require from the person filing such statement such further
188 information as may in his judgment be necessary to establish the
189 classification of such security as claimed in said statement or to
190 enable the secretary of state to ascertain whether the sale of such
191 security would be fraudulent, or would result in fraud, and the
192 secretary of state may also suspend the right to sell such security
193 pending further investigation by entering an order specifying the
194 grounds for such action, and by notifying personally by mail, tele-
195 phone or telegraph the person filing such statement and every regis-
196 tered dealer who shall have notified the secretary of state of an
197 intention to sell such security. The refusal to furnish information
198 required by the secretary of state within a reasonable time to be
199 fixed by the secretary of state may be a proper ground for the entry
200 of such order of suspension. Upon the entry of any such order of
201 suspension no further sales of such security shall be made until the
202 further order of the secretary of state.

203 In the event of the entry of such order of suspension the secretary
204 of state shall upon request give a prompt hearing to the parties
205 interested. If no hearing is requested within a period of twenty
206 (20) days from the entry of such order, or if upon such hearing the
207 secretary of state shall determine that any such security does not
208 fall within a class entitled to registration under this section, or that
209 the sale thereof would be fraudulent or would result in fraud, he
210 shall enter a final order prohibiting sales of such security, with his
211 findings with respect thereto, provided that if the finding with
212 respect to such security is that it is not entitled to registration
213 under this section, the applicant may apply for registration by qual-
214 ification by complying with the requirements of section eight (8).
215 Appeals from such final order may be taken as hereinafter provided.
216 If, however, upon such hearing, the secretary of state shall find that
217 the security is entitled to registration under this section, and that
218 its sale will neither be fraudulent nor result in fraud, he shall forth-
219 with enter an order revoking such order of suspension and such
220 security shall be restored to its status as a security registered
221 under this section, as of the date of such order of suspension.

222 At the time of filing the statement, as hereinbefore prescribed in

223 this section, the applicant shall pay to the secretary of state one-
224 twentieth (1/20) of one per cent (1%) of the aggregate par value
225 of the securities to be sold in this state for which the applicant is
226 seeking registration, but in no case shall such fee be less than ten
227 dollars (\$10.00) or more than one hundred dollars (\$100.00). In
228 the case of stock having no par value, the price at which such stock
229 is to be offered to the public, shall be deemed to be the par value
230 of such stock.

1 **SEC. 8. Registration by qualification.** All securities required by
2 this act to be registered before being sold in this state, and not
3 entitled to registration by notification shall be registered only by
4 qualification in the manner provided by this section.

5 The secretary of state shall receive and act upon applications to
6 have securities registered by qualification, and may prescribe forms
7 on which he may require such applications to be submitted. Appli-
8 cations shall be in writing and shall be duly signed by the applicant
9 and sworn to by any person having knowledge of the facts, and filed
10 in the office of the secretary of state and may be made either by the
11 issuer of the securities for which registration is applied or by any
12 registered dealer desiring to sell the same within this state.

13 The secretary of state may require the applicant to submit to him
14 the following information respecting the issuer and such other in-
15 formation as he may in his judgment deem necessary to enable him
16 to ascertain whether such securities shall be registered pursuant
17 to the provisions of this section:

18 a. The names and addresses of the directors, trustees and officers,
19 if the issuer be a corporation or association or trust organized or
20 existing under the common law (as hereinbefore defined), of all
21 partners, if the issuer be a partnership, and of the issuer, if the
22 issuer be an individual.

23 b. The location of the issuer's principal business office and of
24 its principal office in this state, if any.

25 c. The purposes of incorporation (if incorporated) and the gen-
26 eral character of the business actually to be transacted by the issuer,
27 and the purpose of the proposed issue.

28 d. A statement of the capitalization of the issuer; a balance
29 sheet showing the amount and general character of its assets and
30 liabilities on a day not more than sixty (60) days prior to the date
31 of filing such balance sheet; a detailed statement of the plan upon
32 which the issuer proposes to transact business; a copy of the security
33 for the registration of which application is made; and a copy of all
34 circulars, prospectuses, advertisements or other descriptions of such
35 securities then prepared by or for such issuer and/or by or for such
36 applicant (if the applicant shall not be the issuer) to be used for
37 distribution or publication in this state.

38 e. A statement of the amount of the issuer's income, expenses,
39 and fixed charges during the last fiscal year, or if in actual business
40 less than one year, then for such time as the issuer has been in
41 actual business.

42 f. A statement showing the price at which such security is pro-
43 posed to be sold, together with the maximum amount of commission
44 or other form of remuneration to be paid in cash or otherwise,

45 directly or indirectly, for or in connection with the sale or offering
46 for sale of such securities.

47 g. A detailed statement showing the items of cash, property,
48 services, patents, good will and any other consideration for which
49 such securities have been or are to be issued in payment.

50 h. The amount of capital stock which is to be set aside and dis-
51 posed of as promotion stock, and a statement of all stock issued from
52 time to time as promotion stock.

53 i. If the issuer is a corporation, there shall be filed with the ap-
54 plication a certified copy of its articles of incorporation with all
55 amendments and of its existing by-laws. If the issuer is a trustee
56 there shall be filed with the application a copy of all instruments by
57 which the trust is created or declared and in which it is accepted and
58 acknowledged. If the issuer is a partnership or an unincorporated
59 association, or joint stock company, or any other form of organiza-
60 tion whatsoever, there shall be filed with the application a copy of
61 its articles of partnership or association and all other papers pertain-
62 ing to its organization.

63 All of the statements, exhibits and documents of every kind re-
64 quired by the secretary of state under this section, except properly
65 certified public documents, shall be verified by the oath of the appli-
66 cant or of the issuer in such manner and form as may be required by
67 the secretary of state.

68 The secretary of state shall have power to place such conditions,
69 limitations and restrictions on any registration as may be necessary
70 to carry out the purposes of this act and the conditions, limitations
71 and restrictions, if any, shall be entered in the register of securities
72 or an entry shall be made in the register of securities referring to a
73 formal order of the secretary of state on file showing such conditions,
74 limitations and restrictions.

75 At the time of filing the information, as hereinbefore prescribed in
76 this section, the applicant shall pay to the secretary of state a fee
77 of one-tenth (1/10) of one per cent (1%) of the aggregate par value
78 of the securities to be sold in this state, for which the applicant is
79 seeking registration, but in no case shall such fee be less than twenty-
80 five dollars (\$25.00) or more than two hundred dollars (\$200.00).
81 In case of stock having no par value the price at which such stock is
82 to be offered to the public shall be deemed to be the par value of
83 such stock.

84 If upon examination of any application the secretary of state
85 shall find that the sale of security referred to therein would not be
86 fraudulent or would not work or tend to work a fraud upon the pur-
87 chaser, or that the enterprise or business of the issuer is not based
88 upon unsound business principles, then upon the payment of the fee
89 provided in this section, he shall record the registration of such
90 security in the register of securities, and thereupon such security so
91 registered may be sold by the issuer or by any registered dealer,
92 subject, however, to the further order of the secretary of state as
93 hereinafter provided.

94 So long as any security is sold or offered for sale pursuant to reg-
95 istration by qualification under this section 8 of this act, there shall
96 be filed with the secretary of state, each year, within thirty days
97 after the termination of the fiscal year of the issuer of such security,

98 a statement properly verified, which statement shall set forth the
99 financial condition, the amount of assets and liabilities and such other
100 information concerning the financial affairs or the plan of business
101 of the issuer as the secretary of state may require in order to deter-
102 mine whether the continued sale of such securities would result or
103 tend to result in fraud.

1 **SEC. 9. Consent to service.** Upon any application for registration
2 by notification under section 7 made by an issuer, and upon any ap-
3 plication for registration by qualification under section 8, whether
4 made by an issuer or registered dealer, where the issuer is not
5 domiciled in this state, there shall be filed with such application the
6 irrevocable written consent of the issuer that suits and actions, grow-
7 ing out of the violation of any provision or provisions of this act,
8 may be commenced against it in the proper court of any county in
9 this state in which a cause of action may arise or in which the plain-
10 tiff may reside, by the service of any process or pleading authorized
11 by the laws of this state, on the secretary of state, said consent
12 stipulating and agreeing that such service of such process or plead-
13 ings on such secretary of state shall be taken and held in all courts
14 to be as valid and binding as if due service had been made upon the
15 issuer himself, and said written consent shall be authenticated by
16 the seal of said issuer, if it has a seal, and by the acknowledged sig-
17 nature of any officer of the incorporated or unincorporated associa-
18 tion, if it be an incorporated or unincorporated association, duly
19 authorized by resolution of the board of directors, trustees or man-
20 agers of the corporation or association, and shall in such case be
21 accompanied by a duly certified copy of the resolution of the board
22 of directors, trustees or managers of the corporation or association,
23 authorizing the officers to execute the same. In case any process
24 or pleadings mentioned in this act are served upon the secretary of
25 state, it shall be by duplicate copies, one of which shall be filed in the
26 office of the secretary of state and another immediately forwarded
27 by registered mail to the principal office of the issuer against which
28 said process or pleadings are directed.

1 **SEC. 10. Revocation of registration of securities.** The secretary
2 of state may revoke the registration of any security by entering an
3 order to that effect, with his findings in respect thereto, if upon ex-
4 amination into the affairs of the issuer of such security it shall
5 appear that the issuer:
6 1. is insolvent; or
7 2. has violated any of the provisions of this act or any order of
8 the secretary of state of which such issuer has notice; or
9 3. has been or is engaged or is about to engage in fraudulent
10 transactions; or
11 4. is in any other way dishonest or has made any fraudulent rep-
12 resentations in any prospectus or in any circular or other literature
13 that has been distributed concerning the issuer or its securities; or
14 5. is of bad business repute; or
15 6. does not conduct its business in accordance with law; or
16 7. that its affairs are in an unsound condition; or
17 8. that the enterprise or business of the issuer is not based upon
18 sound business principles.

19 In making such examination the secretary of state shall have
20 access to and may compel the production of all the books and papers
21 of such issuer, and he or the superintendent may administer oaths
22 to and examine the officers of such issuer or any other person con-
23 nected therewith as to its business and affairs and may also require
24 a balance sheet exhibiting the assets and liabilities of any such
25 issuer or his income statement, or both, to be certified to by a public
26 accountant either of this state or of any other state where the
27 issuer's business is located, approved by the secretary of state.

28 Whenever the secretary of state may deem it necessary, he may
29 also require such balance sheet or income statement, or both to be
30 made more specific in such particulars as the secretary of state shall
31 point out or to be brought down to the latest practicable date.

32 If any issuer shall refuse to permit an examination to be made by
33 the secretary of state, it shall be proper ground for cancellation of
34 registration.

35 If the secretary of state shall deem it necessary he may enter an
36 order suspending the right to sell securities pending any investiga-
37 tion, provided that the order shall state the grounds of the secretary
38 of state for taking such action.

39 Notice of the entry of such order shall be given personally or by
40 telephone, telegraph, or mail to the issuer and every registered dealer
41 who shall have notified the secretary of state of an intention to sell
42 such security.

1 **SEC. 11. Registration of dealers and salesmen.** No dealer or sales-
2 man shall engage in business in this state as such dealer or salesman
3 or sell any securities including securities exempted in section 4 of
4 this act, except in transactions exempt under section 5 of this act,
5 unless he has been registered as a dealer or salesman in the office
6 of the secretary of state pursuant to the provisions of this section.

7 An application for registration in writing shall be filed in the office
8 of the secretary of state in such form as the secretary of state may
9 prescribe, duly verified by oath, which shall state the principal office
10 of the applicant, wherever situated, and the location of the principal
11 office and all branch offices in this state, if any, the name or style
12 of doing business, the names, residence and business addresses of all
13 persons interested in the business as principals, co-partners, officers
14 and directors, specifying as to each his capacity and title, the general
15 plan and character of business and the length of time the dealer has
16 been engaged in business. The secretary of state may also require
17 such additional information as to applicant's previous history, record
18 and association, as he may deem necessary to establish the good
19 repute in business of the applicant.

20 There shall be filed with such application an irrevocable written
21 consent to the service of process upon the secretary of state in
22 actions against such dealer in manner and form as hereinabove pro-
23 vided in section 9.

24 If the secretary of state shall find that the applicant is of good
25 repute and has complied with the provisions of this section including
26 the payment of the fee hereinafter provided he shall register such
27 applicant as a dealer upon his filing a bond as in section 13a of this
28 act provided.

29 Upon the written application of a registered dealer and general
30 satisfactory showing as to good character and the payment of the
31 proper fee the secretary of state shall register as salesmen of such
32 dealer such natural persons as the dealer may request. Such regis-
33 tration shall cease upon the termination of the employment of such
34 salesman by such dealer.

35 The names and addresses of all persons approved by registration
36 as dealers or salesmen and all orders with respect thereto shall be
37 recorded in a register of dealers and salesmen kept in the office of
38 the secretary of state which shall be open to public inspection. The
39 fee for such registration and for each annual renewal shall be twenty-
40 five dollars (\$25.00) in the case of dealers and three dollars (\$3.00)
41 in the case of salesmen. Every registration under this section shall
42 expire one year from date of issuance, but new registrations for the
43 succeeding year may be issued upon written application and upon
44 payment of said fee without filing of further statements or furnish-
45 ing any further information unless specifically required by the sec-
46 retary of state.

47 Changes in registration occasioned by changes in the personnel of
48 a partnership or in the principals, co-partners, officers or directors
49 of any dealer may be made from time to time by written application
50 setting forth the facts with respect to such change.

51 The secretary of state shall have the power, in connection with
52 any dealer's or salesman's registration, to require the dealer or sales-
53 man to furnish the secretary of state, in such form as he may desig-
54 nate, any information or reports deemed necessary to assist the
55 secretary of state in determining whether such registration should
56 remain in force, and to make an investigation of the books, records,
57 property, business and affairs of such dealer or salesman.

58 Any issuer of a security required to be registered under the pro-
59 visions of this act, selling such securities except in exempt transac-
60 tions as defined in section 5 hereof, shall be deemed a dealer within
61 the meaning of this section and required to comply with all the
62 provisions hereof, but such issuer shall be required to pay only one
63 fee which shall be either the fee for registration of the security or
64 for dealer's registration, whichever is the greater, and shall not be
65 required to furnish the bond herein prescribed.

1 SEC. 12. **Deposits for special examinations.** Whenever it is neces-
2 sary for the secretary of state to incur any expense in connection
3 with any application, notification, registration or license, he shall
4 have the power by written order to require the interested person to
5 make an advance deposit with the secretary of state in an amount
6 estimated as sufficient to cover such expense. All such deposits
7 shall be covered into the state treasury and credited to "securities
8 department investigation fund", from which fund disbursements
9 shall be made upon order of the secretary of state to pay such ex-
10 penses. Any unexpended portion shall be refunded. On field exam-
11 inations made by the secretary of state or superintendent or other
12 employee away from the seat of government a per diem pro rated
13 upon the salary of such official or employee may be charged in addi-
14 tion to the actual expenses.

1 SEC. 13. **Revocation of dealers' and salesman's registrations.** Reg-

2 istration under section 11 may be refused or any registration granted
3 may be revoked by the secretary of state if after a reasonable notice
4 and a hearing the secretary of state determines that such applicant
5 or registrant so registered:

6 1. Has violated any provision of this act or any regulation made
7 hereunder; or

8 2. Has made a material false statement in the application for
9 registration; or

10 3. Has been guilty of a fraudulent act in connection with any
11 sale of securities, or has been or is engaged or is about to engage in
12 making fictitious or pretended sales or purchases of any of such
13 securities or has been or is engaged or is about to engage in any
14 practice or sale of securities which is fraudulent or in violation of
15 the law; or

16 4. Has demonstrated his unworthiness to transact the business
17 of dealer or salesman.

18 In cases of charges against a salesman notice thereof shall also
19 be given the dealer employing such salesman.

20 Pending the hearing the secretary of state shall have the power to
21 order the suspension of such dealer's or salesman's registration; pro-
22 vided, such order shall state the cause for such suspension.

23 In the event the secretary of state determines to refuse or revoke
24 a registration as hereinabove provided he shall enter a final order
25 thereon with his findings on the register of dealers and salesman
26 and suspension or revocation of the registration of a dealer shall also
27 suspend or revoke the registration of all his salesman.

28 It shall be sufficient cause for refusal or cancellation of registra-
29 tion in case of a partnership or corporation or any unincorporated
30 association, if any member of a partnership or any officer or director
31 of the corporation or association has been guilty of any act or omis-
32 sion which would be cause for refusing or revoking the registration
33 of an individual dealer or salesman.

1 SEC. 13a. **Bond and conditions.** Any bond required by section 11
2 of this act shall be conditioned that the dealer shall properly account
3 for any monies or securities received from or belonging to another
4 and shall pay, satisfy and discharge any judgment or decree that
5 may be rendered against such dealer in a court of competent juris-
6 diction in a suit or action brought by a purchaser of securities
7 against such dealer in which it shall be found or adjudged that such
8 securities were sold by the dealer in violation of this act or that such
9 purchaser was defrauded in the sale of such securities. Such bond
10 may be drawn to cover the original license and any renewals thereof.

11 Every such bond shall run in favor of the state of Iowa for the
12 use and benefit of any purchaser of securities sustaining damages
13 as a result of any breach of the conditions thereof, in the sum of
14 five thousand dollars (\$5,000.00) and shall be in such form consistent
15 with the provisions hereof as the secretary of state may prescribe,
16 and shall be executed with surety by a surety company authorized
17 to do business in this state. In suits against the surety upon such
18 bond it shall not be necessary to join such dealer as a party.

19 Banks or trust companies under the supervision of this state or
20 of the United States which would otherwise be required under the

21 provisions of this act to execute as dealers the bond required herein
22 may execute said bond without surety.

23 One or more recoveries upon any such bond shall not vitiate the
24 same but it shall remain in full force and effect, but no recoveries
25 from the surety upon any such bond shall ever exceed the full amount
26 of the same, and upon suits being commenced in excess of the amount
27 of same the secretary of state may require additional bond, and if
28 the same is not given within ten (10) days the secretary of state
29 may revoke the registration of such dealer.

30 Any person injured by any breach of the bond given by any dealer
31 may sue on the bond of such dealer in any proper court of the state
32 of Iowa of competent jurisdiction for the recovery of damages, not
33 exceeding the amount of the bond, sustained in consequence of such
34 breach, but no such action shall be brought after two (2) years after
35 the accruing of the cause of action thereon.

1 **SEC. 14. Burden of proof.** It will not be necessary to negative any
2 of the exemptions in this act provided in any complaint, information,
3 indictment or any other writ or proceedings laid or brought under
4 this act and the burden of proof of any such exemption shall be upon
5 the party claiming the benefit of such exemption and any person
6 claiming the right to register any securities by notification under
7 section 7 of this act shall also have the burden of proving the right
8 so to register such securities.

1 **SEC. 15. Escrow agreement.** If the statement containing informa-
2 tion as to securities to be registered, as provided for in section 8
3 of this act, shall disclose that any such securities or any securities
4 senior thereto shall have been or shall be intended to be issued for
5 any patent right, copyright, trade-mark, process, formulae or good
6 will, or for promotion fees or expenses or for other intangible assets,
7 the amount and nature thereof shall be fully set forth and the secre-
8 tary of state may require that such securities so issued in payment
9 of such patent right, copyright, trade-mark, process, formulae or
10 good will, or for promotion fees or expenses, or for other intangible
11 assets shall be delivered in escrow to the secretary of state under an
12 escrow agreement that the owners of such securities shall not be
13 entitled to withdraw such securities from escrow until all other stock-
14 holders who have paid for their stock in cash shall have been paid
15 a dividend or dividends aggregating not less than six per cent (6%),
16 shown to the satisfaction of said secretary of state to have been actu-
17 ally earned on the investment in any common stock so held, and in
18 case of dissolution or insolvency during the time such securities are
19 held in escrow, that the owners of such securities shall not participate
20 in the assets until after the owners of all other securities shall have
21 been paid in full.

1 **SEC. 16. Injunctions.** Whenever it shall appear to the secretary
2 of state, either upon complaint or otherwise, that in the issuance,
3 sale, promotion, negotiation, advertisement, or distribution of any
4 securities within this state, including any security exempted under
5 the provisions of section 4, and including any transaction exempted
6 under the provisions of section 5, any person, as defined in this act,
7 shall have employed or employs, or is about to employ any device,

8 scheme or artifice to defraud or for obtaining money or property by
9 means of any false pretense, representation or promise, or that any
10 such person shall have made, makes or attempts to make in this state
11 fictitious or pretended purchases or sales of securities or shall have
12 engaged in or engages in or is about to engage in any practice or
13 transaction or course of business relating to the purchase or sale of
14 securities which is in violation of law or which is fraudulent or which
15 has operated or which would operate as a fraud upon the purchaser,
16 any one or all of which devices, schemes, artifices, fictitious or pre-
17 tended purchases or sales of securities, practices, transactions and
18 courses of business are hereby declared to be and are hereinafter
19 referred to as fraudulent practices; or that any person is acting as
20 dealer or salesman within this state without being duly registered
21 as such dealer or salesman as provided in this act, the secretary of
22 state may investigate, and whenever he shall believe from evidence
23 satisfactory to him that any such person has engaged in, is engaged
24 or is about to engage in any of the practices or transactions hereto-
25 fore referred to as and declared to be fraudulent practices, or is
26 selling or offering for sale any securities in violation of this act or
27 is acting as a dealer or salesman without being duly registered as
28 provided in this act the secretary of state may, in addition to any
29 other remedies, bring action in the name and on behalf of the state
30 of Iowa against such person and any other person or persons hereto-
31 fore concerned in or in any way participating in or about to par-
32 ticipate in such fraudulent practices or acting in violation of this act
33 to enjoin such person and such other person or persons from con-
34 tinuing such fraudulent practices or engaging therein or doing any
35 act or acts in furtherance thereof or in violation of this act. In any
36 such court proceedings the secretary of state may apply for and on
37 due showing be entitled to have issued the court's subpoena requiring
38 the forthwith appearance of any defendant and his employees, sales-
39 men or agents and the production of documents, books and records
40 as may appear necessary for the hearing of such petition, to testify
41 and give evidence concerning the acts or conduct or things com-
42 plained of in such application for injunction. In such action the
43 equity courts shall have jurisdiction of the subject matter and a
44 judgment may be entered awarding such injunction as may be proper.

1 **SEC. 17. Remedies.** Every sale or contract for sale in viola-
2 tion of any of the provisions of this act shall be voidable at the
3 election of the purchaser and the person making such sale or con-
4 tract for sale and every director, officer or agent of or for such seller
5 who shall have personally participated in making such sales and at
6 the time knew of such violations shall be jointly and severally liable
7 to such purchaser in an action at law in any court of competent juris-
8 diction upon tender to the seller in person or in open court of the
9 securities sold or of the contract made for the full amount paid by
10 such purchaser, together with all taxable court costs and reasonable
11 attorney's fees in any action or tender under this section; provided,
12 that no action shall be brought for the recovery of the purchase
13 price after two years from the date of such sale or contract for sale;
14 and provided further, that no purchaser otherwise entitled shall
15 claim or have the benefit of this section who shall have refused or

16 failed within thirty (30) days from the date thereof to accept an
17 offer in writing of the seller to take back the security in question
18 and to refund the full amount paid by such purchaser, together with
19 interest on such amount for the period from the date of payment by
20 such purchaser down to the date of repayment, such interest to be
21 computed:

22 a. In case such securities consist of interest bearing obligations
23 at the same rate as provided in such obligations; and

24 b. In case such securities consist of other than interest bearing
25 obligations at the rate of six per centum (6%) per annum; less, in
26 every case, the amount of any income from said securities that may
27 have been received by such purchaser.

1 **SEC. 18. Appeals.** An appeal may be taken by any person inter-
2 ested from any final order of the secretary of state to the district
3 court of Polk county, Iowa, by serving upon the secretary of state
4 within twenty (20) days after the date of the entry of such order
5 a written notice of such appeal stating the grounds upon which a
6 reversal of such final order is sought; a demand in writing for a cer-
7 tified transcript of the record and of all papers on file in his office
8 affecting or relating to such order and executing a bond in the penal
9 sum of one thousand dollars (\$1,000.00) to the state of Iowa, with
10 sufficient surety, to be approved by the clerk of said court con-
11 ditioned upon the faithful prosecution of such appeal to final judg-
12 ment, and the payment of all costs as shall be adjudged against
13 the appellant. Thereupon the secretary of state shall within ten
14 (10) days make, certify and deliver to the appellant such a tran-
15 script; and the appellant shall within five (5) days thereafter file
16 the same and a copy of the notice of appeal with the clerk of said
17 court, which said notice of appeal shall stand as appellant's complaint
18 and thereupon said cause shall be entered on the trial calendar of said
19 court for trial de novo and given precedence over all matters pending
20 in said court. The court shall receive and consider any pertinent
21 evidence, whether oral or documentary, concerning the order of the
22 secretary of state from which the appeal is taken. If the order of
23 the secretary of state shall be reversed said court shall by its man-
24 date specifically direct said secretary of state as to his further action
25 in the matter, including the making and entering of any order or
26 orders in connection therewith, and the conditions, limitations or
27 restrictions to be therein contained, provided that the secretary of
28 state shall not thereby be barred from thereafter revoking or alter-
29 ing such order for any proper cause which may thereafter accrue or
30 be discovered. If said order shall be affirmed, said appellant shall
31 not be barred after thirty (30) days from filing a new application
32 provided such application is not otherwise barred or limited. Such
33 appeal shall not in any wise suspend the operation of the order ap-
34 pealed from during the pendency of such appeal unless upon proper
35 order of the court. An appeal may be taken from the judgment of
36 the said district court on any such appeal on the same terms as an
37 appeal is taken in civil actions.

1 **SEC. 19. Fees.** All fees herein provided for shall be collected by
2 the secretary of state, shall be accounted for and paid over to the
3 treasurer of the state at the time and in the manner provided by

4 law; and the secretary of state shall keep a record of the receipts and
5 expenditures incurred in carrying out the provisions of this chapter.

1 **SEC. 20. False statements, entries and representations.** Any
2 person, firm, association, company or corporation subject to the
3 provisions of this chapter, that shall subscribe or cause to be made
4 any false statement or false entry in any book required to be kept
5 or relating to any business to be transacted in this state pursuant
6 to the provisions of this chapter, or make or subscribe to any false
7 statement, exhibit or paper filed with the secretary of state, or shall
8 make to the secretary of state, his superintendent, agent or repre-
9 sentative any false or fraudulent statement concerning the proposed
10 plan of business to be transacted, or the nature, value or character
11 of securities to be sold in this state, or shall make to said secretary
12 of state, his superintendent, agent or representative any false state-
13 ment as to the financial condition of such person, firm, association,
14 company or corporation shall be deemed guilty of a felony, and upon
15 conviction shall be fined in the sum of not more than five thousand
16 dollars (\$5000.00), or imprisoned not to exceed five (5) years in the
17 penitentiary or reformatory, or by both such fine and imprisonment
18 in the discretion of the court.

1 **SEC. 21. General violations.** Any person, firm, association, com-
2 pany or corporation subject to the provisions of this chapter that
3 shall knowingly and with intent to evade the provisions of this act
4 sell or negotiate for the sale of any securities within this state with-
5 out complying with the provisions of this chapter, or that knowingly
6 and with intent to evade the provisions of this act continues to sell,
7 offer for sale or knowingly and with intent to evade the provisions
8 of this act negotiates for the sale of securities in this state after his
9 registration has been revoked or cancelled by the secretary of state,
10 or that shall otherwise neglect or refuse to comply with any of the
11 provisions of this chapter, shall be guilty of a felony and upon con-
12 viction thereof shall be fined not to exceed five thousand dollars
13 (\$5000.00) or be imprisoned not to exceed five (5) years in the
14 penitentiary or reformatory or by both such fine and imprisonment
15 in the discretion of the court.

1 **SEC. 22. False representations.** Any person, firm, association,
2 company or corporation, or any agent or representative thereof,
3 whether subject to the provisions of this chapter or otherwise, that
4 sells, offers for sale or negotiates for the sale of any securities within
5 this state, and knowingly makes any false representations or state-
6 ments as to the nature, character or value of such security, or the
7 amount of the earning power of such security whether in the nature
8 of interest, dividends or otherwise, or knowingly makes any other
9 false or fraudulent representation to any person for the purpose of
10 inducing said person to purchase said security, or conceals any ma-
11 terial fact in the advertisement or prospectus of such security for
12 the purpose of defrauding the purchaser, or knowingly violates any
13 of the provisions of this chapter with intent to defraud, shall be
14 deemed guilty of a felony and upon conviction thereof shall be pun-
15 ished by a fine of not less than five hundred dollars (\$500.00) nor
16 more than five thousand dollars (\$5000.00) or by imprisonment in

17 the penitentiary or reformatory for not more than five (5) years or
18 by both such fine and imprisonment.

1 **SEC. 23. Promotion by state officials and employees.** No state
2 official or employee of the state shall use his name in his official
3 capacity in connection with the indorsement or recommendation of
4 the organization or the promotion of any company or in the disposal
5 to the public of its securities, nor shall anyone use the stationery
6 of the state or of any official thereof in connection with any such
7 transaction. Whoever violates the aforesaid provision shall, upon
8 conviction by any court of competent jurisdiction, be deemed guilty
9 of a misdemeanor and fined in any sum not to exceed five hundred
10 dollars (\$500.00) or be punished by confinement in a county jail for
11 not more than ninety (90) days, or by both such fine and imprison-
12 ment.

1 **SEC. 24. Secret agents—failure to disclose interest.** Any indi-
2 vidual, not licensed as a dealer or salesman, who, with intent to
3 secure financial gain for himself, advises and procures or assists in
4 procuring any person to purchase any securities contemplated by
5 this chapter and who received for such service any commission or
6 reward, without disclosing to the purchaser the fact of his interest
7 shall, in addition to any other penalty, be guilty of a misdemeanor.

1 **SEC. 25. Statement not open to public.** Any statement, report or
2 information required to be made or furnished by any person by this
3 chapter shall be for the information of the secretary of state, the
4 attorney general or any public official who may be interested in an
5 official way in receiving such statement, report or information, but
6 such statement, report or information shall not be open to public
7 inspection, nor shall it be published or used for private purposes but
8 may be used in an official, legitimate way if need be.

1 **SEC. 26. Constitutionality.** Should the court declare any section
2 or clause of this act unconstitutional then such decision shall affect
3 only the section or clause so declared to be unconstitutional and
4 shall not affect any other section or clause of this act.

1 **SEC. 27. Repeal.**

2 a. Chapter three hundred ninety-three (393) of code of Iowa,
3 1927, and all laws and clauses of laws in conflict with this act, are
4 hereby repealed, to take effect upon the day this act goes into force,
5 subject to the limitations provided in subdivisions b, c and d.

6 b. The provisions of all laws which are repealed by this act shall
7 remain in force for the prosecution and punishment of any person
8 who, before the effective date of this act, shall have committed any
9 act contrary to the provisions of any law in force at the time such
10 act was done, and such person may be prosecuted and punished under
11 the law as it existed when such violation occurred.

12 c. In the case of sales, contracts, or agreements made prior to
13 the effective date of this act, the civil rights and liabilities of the
14 parties thereto shall remain as provided by the law as it existed at
15 the time such sales, contracts or agreements were made, and all
16 parts of laws repealed by this act shall remain in force for the
17 enforcement of such rights and liabilities.

18 d. All securities which shall have been admitted to record and
 19 recorded in the register of qualified securities, as provided by the
 20 said chapter three hundred ninety-three (393) prior to the effective
 21 date of this act, shall be legally saleable unless otherwise ordered by
 22 the secretary of state under this act.

23 e. No law or parts of laws which were repealed by the said chap-
 24 ter three hundred ninety-three (393), shall be deemed to be revived
 25 by the repeal of the said chapter.

House File No. 201. Approved March 19, A. D. 1929.

CHAPTER 11

ARTICLES OF INCORPORATION

AN ACT to repeal section eighty-three hundred forty-three (8343), and to enact a substitute therefor; to amend section eighty-three hundred forty-nine (8349), section eighty-three hundred fifty-three (8353), section eighty-three hundred fifty-four (8354), section eighty-three hundred sixty-seven (8367), section eighty-three hundred sixty-eight (8368) and section eighty-three hundred sixty-nine (8369), code of 1927, relating to the adoption and recording of articles of incorporation, incorporation fees, place of business of corporations, place of meetings of corporation directors, recording of articles of renewal and the exemption from incorporation fee.

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

1 SECTION 1. That the law as it appears in section eighty-three hun-
 2 dred forty-three (8343), code of 1927, is hereby repealed and there is
 3 enacted in lieu thereof the following:

4 "Before commencing any business except their own organization,
 5 they must adopt articles of incorporation, which must be signed and
 6 acknowledged by the incorporators. Said articles shall then be for-
 7 warded to the secretary of state. Upon the filing of such articles,
 8 the secretary of state shall issue a certificate of incorporation and
 9 record said articles in a book kept for that purpose. The secretary
 10 of state shall then forward said articles to the county recorder of
 11 deeds of the county where the principal place of business is to be
 12 located and there be recorded in a book kept therefor, and the re-
 13 corder shall indorse thereon the book and page where the record will
 14 be found.

15 Such articles shall contain,

- 16 1. Name of corporation and its principal place of business.
- 17 2. The objects for which it is formed.
- 18 3. The amount of authorized capital stock, the classes of stock
- 19 authorized, with the par value and conditions of each class of such
- 20 shares, and the time when and conditions under which it is to be
- 21 paid in.
- 22 4. The time of commencement and termination of the corporation.
- 23 5. The names and addresses of the incorporators and the officers
- 24 or persons its affairs are to be conducted by, and the times when and
- 25 manner in which such officers will be elected.
- 26 6. Whether private property is to be exempt from corporate debts.
- 27 7. The manner in which the articles may be amended."

1 SEC. 2. That the law as it appears in section eighty-three hundred