

## CHAPTER 323

## SECURITIES REGULATIONS

S. F. 427

AN ACT to amend chapter five hundred two (502), Code 1958, relating to regulation of registration, issuance, and sale of securities and to the regulation of securities dealers.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Section five hundred two point three (502.3), Code  
2 1958, is amended by striking all of the text of subsection three (3)  
3 thereof and by inserting in lieu thereof the following: "The term  
4 'sale' or 'sell' includes every contract of sale or, contract to sell, or  
5 disposition of, a security or interest in a security for value. Any  
6 security given or delivered with, or as a bonus on account of, any  
7 purchase of securities or any other thing is considered to constitute  
8 a part of the subject of the purchase and to have been offered and  
9 sold for value.

10 "The term 'offer' or 'offer to sell' includes every attempt or offer  
11 to dispose of, or solicitation of any offer to buy, a security or interest  
12 in a security for value.

13 "Every sale or offer of a warrant or right to purchase or subscribe  
14 to another security of the same or another issuer, and every sale or  
15 offer of a security which gives the holder a present or future right  
16 or privilege to convert into another security of another issuer, is con-  
17 sidered to include an offer of the other security."

1 SEC. 2. Section five hundred two point three (502.3), Code 1958,  
2 is amended by striking all of subsection four (4) which follows the  
3 word "provided" in line sixteen (16) and by inserting in lieu thereof  
4 the following: "that the purchase of securities from the issuer there-  
5 of, or the offer to sell or sale of securities to brokers or dealers actu-  
6 ally engaged in buying and selling securities as a business, by a  
7 person having no place of business in this state shall not make such  
8 person a 'dealer' within the meaning of that term as defined in this  
9 section."

1 SEC. 3. Section five hundred two point four (502.4), Code 1958,  
2 is amended by adding an additional paragraph to subsection one (1)  
3 as follows: "Any security issued by, or the principal and interest of  
4 which are guaranteed by the Dominion of Canada or any province  
5 thereof, or any political subdivision of any such province, or any  
6 agency controlled or supervised by and acting as an instrumentality  
7 of any of the foregoing."

1 SEC. 4. Section five hundred two point four (502.4), Code 1958,  
2 is amended by striking all of subsection three (3) and inserting in  
3 lieu thereof the following: "Any security issued by or guaranteed  
4 either as to principal, interest, or dividend by a corporation owning  
5 or operating a public common carrier or any public service utility  
6 which is subject to the jurisdiction of the interstate commerce com-  
7 mission, a registered holding company under the public utility hold-  
8 ing company act of 1935 or a subsidiary of such a company within  
9 the meaning of that act, or regulated by a governmental authority

10 of the United States or any state of the United States, or of the Dis-  
11 trict of Columbia, or of the Dominion of Canada or any province  
12 thereof in respect to the issuance or guarantee of the security.”.

1 SEC. 5. Section five hundred two point four (502.4), Code 1958,  
2 is amended by inserting after the word “for” in line two (2) of sub-  
3 section four (4) the following “religious,”.

1 SEC. 6. Section five hundred two point four (502.4), Code 1958,  
2 subsection five (5) is amended by striking the words “or represented  
3 by subscription rights which have been so listed” from lines nine (9)  
4 and ten (10) and inserting in lieu thereof the following: “or war-  
5 rants or rights to purchase or subscribe to any of the foregoing”.

1 SEC. 7. Section five hundred two point four (502.4), Code 1958,  
2 subsection eight (8) is amended by inserting a “period (.)” immedi-  
3 ately after the word “thereof” in line fifteen (15) and striking the  
4 remainder of said subsection.

1 SEC. 8. Section five hundred two point five (502.5), Code 1958,  
2 is amended by inserting the words “offer or” in line three (3) im-  
3 mediately preceding the word “sale”.

1 SEC. 9. Section five hundred two point five (502.5), Code 1958,  
2 is amended by striking all that part of subsection four (4) which  
3 follows the “semi-colon (;)” in line fifteen (15) and by inserting in  
4 lieu thereof the following: “any transaction pursuant to an offer to  
5 existing security holders or employees of the issuer, including per-  
6 sons who at the time of the transaction are holders of convertible  
7 securities, nontransferable warrants, or transferable warrants exer-  
8 cisable within ninety days of their issuance, if no commission or other  
9 remuneration (other than a standby commission) is paid or given  
10 directly or indirectly for soliciting any security holder in this state.”

1 SEC. 10. Section five hundred two point five (502.5), Code 1958,  
2 is amended by inserting the word “offer,” in line one (1) of subsec-  
3 tion five (5) immediately preceding the word “sale”.

1 SEC. 11. Section five hundred two point five (502.5), Code 1958,  
2 is amended by adding after the word “to” in line two (2) of subsec-  
3 tion six (6) the following: “the security holders of”.

1 SEC. 12. Section five hundred two point five (502.5), Code 1958,  
2 subsection eleven (11) is amended by inserting the words “offer or”  
3 in line one (1) immediately preceding the word “sale”; and by strik-  
4 ing from lines three (3), four (4), five (5), six (6) and seven (7)  
5 thereof the following: “which is a part of an issue which has there-  
6 tofore been lawfully sold and distributed to the public, in whole or  
7 in part, in this state; including as within this exemption any secu-  
8 rity”; and subsection eleven (11) is further amended by striking  
9 the word “such” in line seven (7) and substituting therefor the  
10 word “a”; and by striking from lines twelve (12), thirteen (13),  
11 fourteen (14) and fifteen (15) the following: “but excepting from  
12 this exemption securities theretofore sold only in exempt transac-  
13 tions under this section.”.

1 SEC. 13. Section five hundred two point five (502.5), Code 1958,  
2 is amended by striking all of the text of subsection twelve (12) and  
3 by inserting in lieu thereof the following: "Any offer or sale by a  
4 registered dealer of an outstanding security if such sale is not di-  
5 rectly or indirectly for the benefit of the issuer; such sale is at a  
6 price reasonably related to the current market price of such secu-  
7 rities at the time of sale and provided that information as to the  
8 issuer of such security is published in a recognized manual of secu-  
9 rities; such information to contain at least the names of the issuer's  
10 officers and directors, a balance sheet of the issuer as of a date within  
11 eighteen (18) months and a profit and loss statement for the fiscal  
12 year preceding that date or the most recent year of operation; and  
13 the issuer is a going concern. This exemption shall not apply to any  
14 security whose resale is prohibited by specific order of the commis-  
15 sioner of insurance."

1 SEC. 14. Section five hundred two point five (502.5), Code 1958,  
2 is amended by adding a new subsection thirteen (13) thereto as fol-  
3 lows: "Any transaction by a registered dealer, not directly or in-  
4 directly for the benefit of the issuer, pursuant to an unsolicited  
5 order or offer to buy; but the commissioner of insurance may by  
6 rule require that the customer acknowledge upon a specified form  
7 that the sale was unsolicited, and that a signed copy of each form be  
8 preserved by the dealer for a specified period."

1 SEC. 15. Section five hundred two point five (502.5), Code 1958,  
2 is amended by adding a new subsection fourteen (14) thereto as fol-  
3 lows: "Any offer (but not a sale) of a security for which a registra-  
4 tion statement has been filed under the Federal Securities Act of  
5 1933 and an application for registration has been filed under this  
6 act, if no stop order or refusal order is in effect and no public pro-  
7 ceeding or examination looking toward such an order is pending  
8 under either act."

1 SEC. 16. Section five hundred two point six (502.6), Code 1958,  
2 is hereby repealed and the following enacted in lieu thereof: "No  
3 securities, except securities exempt under section five hundred two  
4 point four (502.4) or unless sold in any transaction exempt under  
5 section five hundred two point five (502.5), shall be sold within this  
6 state unless such securities shall have been registered by notification  
7 or by qualification as provided in section five hundred two point seven  
8 (502.7)."

1 SEC. 17. Section five hundred two point seven (502.7), Code 1958,  
2 is hereby repealed and the following enacted in lieu thereof: "**Regis-**  
3 **tration of securities.** 1. Registration by notification. Any security  
4 may be registered by notification if the issuer thereof (together with  
5 any predecessors) has been in continuous operation for at least five  
6 (5) years, there has been no default during the current fiscal year or  
7 within the three (3) preceding fiscal years in the payment of prin-  
8 cipal, interest, or dividends on any security of the issuer (or any  
9 predecessor) with a fixed maturity or a fixed interest or dividend  
10 provision, the issuer (together with any predecessors) during the  
11 past three (3) fiscal years has had average net earnings, determined  
12 in accordance with generally accepted accounting practices, appli-

13 cable to all securities without a fixed maturity or a fixed interest or  
14 dividend provision outstanding at the date the application for regis-  
15 tration is filed (a) aggregating at least five per cent of the amount  
16 of such outstanding securities (as measured by the maximum offer-  
17 ing price or the market price on a day selected by the applicant  
18 within thirty (30) days of the date of filing the application, which-  
19 ever is higher, or book value on a day within ninety (90) days of  
20 the date of filing the application to the extent that there is neither  
21 a readily determinable market price nor a cash offering price), or  
22 (b) if no such securities are outstanding, then aggregating five per  
23 cent of the amount of such securities then offered for sale based upon  
24 the maximum public offering price at which such securities are to be  
25 offered for sale.

26 "Securities entitled to registration by notification shall be regis-  
27 tered by the filing by the issuer, any registered dealer or by the  
28 owner thereof in the office of the commissioner of insurance, of an  
29 application for registration by notification with respect to such se-  
30 curities containing the following:

- 31 a. Name of issuer. If incorporated, place of incorporation.
- 32 b. The location of the issuer's principal business office and of its  
33 principal office in this state, if any.
- 34 c. A description of the security, including amount of the issue.
- 35 d. Amount of securities to be offered in this state.
- 36 e. A statement of the facts which show that the security falls  
37 within one of the classes in this section defined.
- 38 f. The price at which the securities are to be offered for sale.
- 39 g. The rate of commission to be paid.
- 40 h. Financial statement of issuer as of current date.
- 41 i. Income statement of issuer for the last fiscal period.
- 42 j. Copy of the security to be issued.
- 43 k. If required under section five hundred two point nine (502.9),  
44 a consent to service of process meeting the requirements of that sec-  
45 tion.

46 "There shall be filed with such application payment of the fee pre-  
47 scribed in subsection three (3). A copy of the circular to be used in  
48 the public offering of the securities shall be filed in the office of the  
49 commissioner of insurance with the application or within such fur-  
50 ther time as the commissioner of insurance may allow.

51 "2. Registration by qualification. Any securities may be regis-  
52 tered by qualification as provided in this subsection. An application  
53 for registration may be filed by the issuer, the owner, or by any  
54 registered dealer. The commissioner of insurance may require the  
55 applicant to submit to him the following information respecting the  
56 issuer and such other information as he may in his judgment deem  
57 necessary to enable him to ascertain whether such securities shall be  
58 registered pursuant to the provisions of this section:

- 59 a. The names and addresses of the directors, trustees, and offi-  
60 cers, if the issuer be a corporation or association or trust organized  
61 or existing under the common law (as hereinbefore defined); of all  
62 partners, if the issuer be a partnership; and of the issuer, if the  
63 issuer be an individual.
- 64 b. The location of the issuer's principal business office and of  
65 its principal office in this state, if any.

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

69 d. A statement of the capitalization of the issuer; a balance  
70 sheet showing the amount and general character of its assets and  
71 liabilities on a day not more than ninety (90) days prior to the date  
72 of filing such balance sheet; a detailed statement of the plan upon  
73 which the issuer proposes to transact business; a copy of the secu-  
74 rity for which application for registration is made; and a copy of all  
75 circulars, prospectuses, advertisements, or other descriptions of such  
76 securities then prepared by or for such issuer and/or by or for such  
77 applicant (if the applicant shall not be the issuer) to be used for  
78 distribution or publication in this state.

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

83 f. A statement showing the price at which such security is pro-  
84 posed to be sold, together with the maximum amount of commission  
85 or other form of remuneration to be paid in cash or otherwise,  
86 directly or indirectly, for or in connection with the sale or offering  
87 for sale of such securities.

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

91 h. The amount of capital stock which is to be set aside and  
92 disposed of as promotion stock, and a statement of all stock issued  
93 from time to time as promotion stock.

94 i. If the issuer is a corporation, there shall be filed with the  
95 application a certified copy of its articles of incorporation with all  
96 amendments and of its existing bylaws. If the issuer is a trustee  
97 there shall be filed with the application a copy of all instruments  
98 by which the trust is created or declared and in which it is accepted  
99 and acknowledged. If the issuer is a partnership or an unincorpo-  
100 rated association, or joint-stock company, or any other form of or-  
101 ganization whatsoever, there shall be filed with the application a  
102 copy of its articles of partnership or association and all other papers  
103 pertaining to its organization.

104 "If the securities are also being registered under the Federal Secu-  
105 rities Act of 1933, the commissioner of insurance may accept, in lieu  
106 of the information required under paragraphs (a) through (i) of  
107 this subsection, three copies of the prospectus as of the date on which  
108 the application is filed under this act.

109 "If upon examination of an application for registration of secu-  
110 rities by notification or qualification the commissioner of insurance  
111 does not find any ground for denying or revoking the registration of  
112 such securities under section five hundred two point ten (502.10), he  
113 shall register such securities after which they may be sold by the  
114 issuer, the owner, or by any registered dealer, subject however, to  
115 the further order of the commissioner of insurance as hereinafter  
116 provided.

117 "3. Provisions applicable to all registrations of securities. When  
118 securities are registered by notification or by qualification, they may

119 be offered and sold by the issuer, the owner, or by any registered  
120 dealer. The commissioner of insurance shall keep a register showing  
121 the issuer, date of registration, amount in number and dollars of the  
122 securities registered and all orders with respect thereto which shall  
123 be open to public inspection. Every registration shall remain effective  
124 until revoked by the commissioner of insurance or until terminated  
125 upon request of the registrant with the consent of the commissioner  
126 of insurance. So long as a registration remains effective  
127 all outstanding securities of the class registered shall be considered  
128 to be registered for the purpose of any transaction other than original  
129 distributions of such securities, except that in the case of securities  
130 issued by a face amount certificate company or a redeemable  
131 security issued by an open-end management company or unit investment  
132 trust, as those terms are defined in the Federal Investment  
133 Company Act of 1940, only the amount of securities specified to be  
134 offered for sale in this state shall be registered by the registration  
135 but application for such securities may be made at any time to increase  
136 the amount of securities proposed to be offered in this state.  
137 So long as the registration remains effective the commissioner of  
138 insurance may require the registrant to file reports, not more often  
139 than semi-annually, to keep reasonably current the information pertaining  
140 to the registration.

141 "The commissioner of insurance shall have power to place such  
142 conditions, limitations, and restrictions on any registration as may  
143 be necessary to carry out the purpose of this chapter and the conditions,  
144 limitations and restrictions, if any, shall be entered in the register  
145 of securities referring to a formal order of the commissioner of  
146 insurance on file showing such conditions, limitations and restrictions.  
147

148 "For the filing of an application for the registration of securities  
149 by notification or qualification there shall be paid to the commissioner  
150 of insurance at the time of filing the application prescribed in  
151 this section a fee of one-tenth of one per cent of the maximum  
152 aggregate offering price of the securities proposed to be offered in  
153 this state, but such fee shall not be less than twenty-five (25) dollars  
154 nor more than one thousand (1000) dollars.

155 "If the application for registration shall be made by a registered  
156 dealer, the commissioner of insurance in his discretion may by rule,  
157 regulation, or order waive the filing or submission to him of all or  
158 any of the statements, exhibits, and documents, including certified  
159 public documents referred to in this section, and may require the  
160 applicant to file with him a statement with respect to such securities  
161 containing the following: Name of issuer; a brief description  
162 of the security; the maximum amount of the securities to be offered  
163 under the registration; the maximum price at which the securities  
164 are to be offered for sale; and to furnish to the commissioner of  
165 insurance such other information and data concerning the issuer  
166 and the securities as the commissioner of insurance may deem necessary  
167 to enable him to ascertain whether such securities shall be registered  
168 hereunder or such registration continued in effect.

169 "The commissioner of insurance may permit the omission of any  
170 item of information or document from any application. Any document  
171 filed under this act or a predecessor act may be incorporated

172 by reference in the application to the extent that the document is  
173 currently accurate.”.

1 SEC. 18. Section five hundred two point ten (502.10), Code 1958,  
2 is amended by striking the title and the first seven (7) lines of the  
3 text thereof and by inserting in lieu thereof the following: “**Denial**  
4 **of or revocation of registration of securities.** The commissioner of  
5 insurance may deny effectiveness to, or suspend or revoke the effec-  
6 tiveness of, the registration of any security if, after a reasonable  
7 notice and a hearing or upon examination into the affairs of the  
8 issuer of such securities, it shall appear that the sale of such secu-  
9 rities would work or tend to work a fraud upon the purchasers  
10 thereof, would be unfair, unjust, or inequitable to the purchasers  
11 thereof, or that the issuer:”.

1 SEC. 19. Section five hundred two point eleven (502.11), Code  
2 1958, is amended by striking the words “twenty-five” in line eight  
3 (8) of the sixth (6th) unnumbered paragraph of said section and  
4 inserting in lieu thereof the word “fifty (50)” and by striking the  
5 word “three” in line nine (9) of said paragraph and inserting in  
6 lieu thereof the word “five (5)”.

1 SEC. 20. Section five hundred two point eleven (502.11), Code  
2 1958, is further amended by striking all of the eighth (8th) un-  
3 numbered paragraph thereof and by inserting in lieu thereof the  
4 following: “The commissioner of insurance shall have the power,  
5 in connection with any dealer’s or salesman’s registration, to require  
6 the dealer or salesman to furnish the commissioner of insurance, in  
7 such form as he may designate, any information or reports deemed  
8 necessary to assist the commissioner of insurance in determining  
9 whether such registration should remain in force, and to make an  
10 investigation of the books, records, property, business and affairs of  
11 such dealer or salesman. No dealer shall sell or offer for sale any  
12 security after notice in writing given to it by the commissioner of  
13 insurance, that, in his opinion, the sale thereof would be unfair,  
14 unjust, or inequitable to the purchaser thereof, unless the commis-  
15 sioner of insurance shall subsequently in writing withdraw such  
16 objection to the sale thereof.”.

1 SEC. 21. Section five hundred two point eleven (502.11), Code  
2 1958, is further amended by adding the words “or owner” after the  
3 word “issuer” in the first (1st) line of the last unnumbered para-  
4 graph of said section; and by adding the words “or owner” after the  
5 word “issuer” in the seventh (7th) line of the said last unnumbered  
6 paragraph of said section; and by adding the words “the issuer”  
7 after the word “and” in the eleventh (11th) line of the last said un-  
8 numbered paragraph of said section.

1 SEC. 22. Section five hundred two point thirteen (502.13), Code  
2 1958, is amended by adding after the “comma (,)” in line six (6) in  
3 said section the following: “which funds shall not be invested or  
4 hypothecated.”.

1 SEC. 23. Section five hundred two point five (502.5), Code 1958,  
2 subsection nine (9) is amended by striking the words “capital stock”

3 in line one (1) and inserting in lieu thereof the following: "its  
4 securities".

Approved April 10, 1959.

## CHAPTER 324

### T T T SOCIETY

S. F. 178

AN ACT to declare National T T T Society a corporation, not for pecuniary profit and to confer upon such society all of the powers and duties relating to such corporations.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Section five hundred four point five (504.5), Code  
2 1958, is hereby amended by inserting in line twenty-six (26) after  
3 the "colon (:)" the words, "National T T T Society,".

Approved March 12, 1959.

## CHAPTER 325

### INSURANCE TRADE PRACTICES

S. F. 261

AN ACT amending chapter five hundred seven B (507B), Code 1958, relating to insurance unfair trade practices, making it unlawful to give insurance as an inducement to any sale or exchange of property or services, and providing a penalty therefor.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Amend section five hundred seven B point four  
2 (507B.4), Code 1958, by adding thereto a subsection ten (10) as fol-  
3 lows:  
4 "It shall be unlawful for any insurer, its representatives or agents  
5 to knowingly enter into any contract, agreement or arrangement of  
6 any kind or character to provide insurance protection, to be given  
7 away by any person, firm or corporation, as an inducement for any  
8 sale of property or services offered generally to the public and it  
9 shall be unlawful for any such person, firm or corporation to give  
10 away any kind of insurance protection as an inducement for any sale  
11 or exchange of property or service offered generally to the public.  
12 However, this section shall not apply in cases where insurance is re-  
13 quired by law, or forms of liability or performance insurance carried  
14 by a seller of services, materials or property as a protection to the  
15 purchasers."

1 SEC. 2. Amend section five hundred seven B point eleven  
2 (507B.11), Code 1958, by adding thereto the following:

3 "Violation of subsection ten (10) of section five hundred seven B  
4 point four (507B.4) of this chapter shall be grounds for the revoca-