

# MAINE STATE LEGISLATURE

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SEVENTY-SIXTH LEGISLATURE

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SENATE

NO. 119

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*In Senate, Jan. 29, 1913.*

*Presented by Senator Richardson of Penobscot, and on motion by Senator Morcy of Androscoggin laid on the table for printing, pending reference to a committee, and 250 extra copies ordered printed.*

*W. E. LAWRY, Secretary.*

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STATE OF MAINE

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IN THE YEAR OF OUR LORD ONE THOUSAND NINE  
HUNDRED AND THIRTEEN.

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AN ACT to regulate the sale of Stocks, Bonds and other  
Securities.

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*Be it enacted by the People of the State of Maine, as follows:*

Sect: 1. No dealer (nor in a dealer's behalf an agent of  
2 such dealer) in stocks, bonds, debentures, certificates of par-  
3 ticipation or other securities shall sell, offer for sale, invite  
4 offers for or inquiries about such securities by personal so-  
5 licitation, through agents, by advertising, or otherwise in  
6 this state unless registered under the provisions of this act  
7 with the Bank Commissioner.

Under this act the term "dealer" shall mean any individ-  
9 ual, partnership, association or corporation engaging in this

10 state in the occupation of selling stocks, bonds, debentures,  
11 certificates of participation or other securities, or generally  
12 offering such securities for sale by circular, advertising or  
13 personal solicitation, directly or through agents.

Any one having an established and lawfully conducted  
15 place of business, whose principal occupation is that of a  
16 broker buying and selling stocks, bonds and other similar  
17 securities, acting entirely as agent and having no interest  
18 in the transaction but a commission not in excess of one per  
19 cent of the sale price, shall not be held a dealer under this  
20 act.

A corporation or unincorporated association offering its  
22 own securities generally for sale by circular, advertising,  
23 personal solicitation or through agents, to others than its  
24 own share holders or members or to dealers or banks, or  
25 by such means inviting offers for or inquiries about its se-  
26 curities, shall be considered a dealer under the term of this  
27 act.

Under this act a sale shall be held to mean the transfer of  
29 title for any valuable consideration.

The terms stocks, bonds, debentures, certificates of partici-  
31 pation or other securities shall not be held to include com-  
32 mercial paper or other evidence of debt not running more  
33 than twelve months.

Sect. 2. A dealer who applies for registration as a dealer  
2 under this act shall pay to the Bank Commissioner a fee of  
3 twenty-five (\$25.00) and file the evidence and statements

4 required by this section. The Bank Commissioner shall  
5 forthwith give notice of the fact and date of such applica-  
6 tion, and of the name and address of the applicant, by ad-  
7 vertisement inserted once in the official State Paper and  
8 once in a newspaper of general circulation where the appli-  
9 cant's principal place of business is located, if it is elsewhere  
10 in this state than in the city of Augusta.

The license so applied for shall not be issued, except in the  
12 case of renewals, until the expiration of two weeks from the  
13 completion of such publication.

The Bank Commissioner shall register any dealer whether  
15 the dealer's principal place of business be in or out of the  
16 State, provided the dealer file with the Commissioner a  
17 statement under oath in such form as the Commissioner may  
18 require showing; the names, residences and business ad-  
19 dresses of all persons directly interested as principals, offi-  
20 cers, directors and managing agents and the nature of the  
21 interest of each and shall furnish the Commissioner with  
22 such further evidence as he may call for to establish the  
23 dealer's solvency and good repute in business.

The Commissioner shall confirm this evidence by such in-  
25 vestigation as he may deem necessary.

After receiving such satisfactory evidence, the Bank Com-  
27 missioner shall register the dealer as authorized to sell  
28 stocks, bonds, debentures, certificates of participation and  
29 other securities in this state, and shall thereupon issue to  
30 the dealer a statement reciting that the dealer has complied

31 with the provisions of this act and that he is authorized to  
32 sell such securities in this state and such statement shall also  
33 recite in bold type that the Bank Commissioner in no wise  
34 recommends the securities to be offered for sale by such  
35 dealer, and the Commissioner shall advertise the fact of reg-  
36 istration in the official State Paper once a week for two  
37 weeks. The dealer shall thereupon and thereafter mail to  
38 the Commissioner a copy of all printed or otherwise redup-  
39 licated circulars of all securities it shall offer for sale in the  
40 State, as soon as such circulars are prepared, to be mailed  
41 or shown to any prospective customer in this state.

Sect. 3. A dealer registered as a dealer under this act,  
2 who has paid for such registration the full initial fee of  
3 twenty-five dollars as provided by Section 2, may there-  
4 after annually renew his registration by paying to the Bank  
5 Commissioner a renewal fee of ten dollars (\$10.00) for each  
6 year the registration is renewed, such payment to be made  
7 prior to January 1st of each year to cover the calendar year  
8 immediately following providing such registration is not  
9 allowed to lapse. If the registration of a dealer is termi-  
10 nated by non-payment of the annual renewal fee such deal-  
11 er may again apply to the Bank Commissioner for registra-  
12 tion and shall be considered an unregistered dealer by the  
13 Commissioner, who shall require the initial fee of twenty-  
14 five dollars for re-registration.

Sect. 4. The registration required by this act shall be  
2 taken out at the beginning of each calendar year; but it may

3 be issued at any time for the remainder of a calendar year,  
4 and in such case the fee therefor shall be reduced pro rata.

Sect. 5. The Bank Commissioner shall print a list of reg-  
2 istered dealers revised each three months and mail it to any  
3 inquirer on request and shall also at any time on request by  
4 mail or in person, inform any inquirer as to whether or not  
5 any individual, partnership, corporation or association is a  
6 registered dealer.

Sect. 6. The Bank Commissioner may at any time require  
2 a dealer to file with him statements which he may require  
3 to be under oath of assets and earnings or other informa-  
4 tion in relation to securities the dealer is offering for sale,  
5 inviting offers for or inquiries about, or otherwise adver-  
6 tising, sufficient to satisfy him of the propriety of the offer-  
7 ing and this the Commissioner shall do whenever he may  
8 have reason to believe that any such offering does not prom-  
9 ise a fair return on the securities offered by the dealer.

The Commissioner may require such statements to be au-  
11 thenticated in such manner as he shall direct. If not sat-  
12 isfied that the offering is proper the Commissioner may  
13 order the dealer not to offer the security for sale or other-  
14 wise advertise it in this State.

Sect. 7. If not satisfied of the integrity of the applicant  
2 for registration as a dealer, the Commissioner may refuse  
3 to register the applicant. The Commissioner may also at  
4 any time, either on complaint or on his own initiative, re-  
5 voke or suspend the registration of any dealer on ascer-

6 taining that such dealer is insolvent, has violated any pro-  
7 vision of this act or engages in any fraudulent or otherwise  
8 improper transaction.

Thereupon the dealer shall cease to be a dealer registered  
10 under this act until again placed on the Commissioner's rec-  
11 ords as such.

The Commissioner may re-enter the dealer in his records  
13 as a registered dealer if satisfied of the propriety of such  
14 action and must so re-enter the dealer in his records on an  
15 order from a judge of the Supreme Judicial Court.

Sect. 8. Any dealer registered under this act may appoint  
2 one or more agents, but no such agent shall do any busi-  
3 ness for such dealer in this state, until he shall first register  
4 with the Bank Commissioner as agent for such dealer.

For such registration the Commissioner shall issue to the  
6 agent a certificate authorizing him to do business and shall  
7 collect therefor the sum of two dollars.

Such registration shall entitle such agent to represent such  
9 dealer until the first day of January following, unless such  
10 authority is sooner revoked by the Bank Commissioner; and  
11 such authority shall be subject to revocation at any time by  
12 the Bank Commissioner for cause appearing to him suffi-  
13 cient. Such certificate shall be carried at all times by the  
14 agent to whom it is issued and shall be shown to any pros-  
15 pective customer who may ask to see it. The certificate  
16 provided for by this section shall recite in bold type that the  
17 Bank Commissioner in no wise recommends the securities

18 offered for sale by such agent, and shall also recite that the  
19 holder shall exhibit same to any person on request.

Sect. 9. On refusing to register a dealer or on suspend-  
2 ing or revoking the registration of any dealer as a registered  
3 dealer or on ordering the dealer not to offer a particular se-  
4 curity for sale or on revoking the registration of an agent,  
5 the Bank Commissioner must send notice to the registrant  
6 by registered mail addressed to the registrant's principal  
7 place of business or such place as the registrant may desig-  
8 nate for that purpose, stating the reasons therefor.

On receiving such a notice or order from the Bank Com-  
10 missioner the registrant may apply to a judge of the Su-  
11 preme Judicial Court for an order addressed to the Bank  
12 Commissioner to show cause why the Commissioner's or-  
13 der should not be revoked and the judge may suspend the  
14 Commissioner's order pending the determination of the ap-  
15 plication and make such provision as justice may require  
16 for the summary hearing and determination thereof. Every  
17 registered dealer shall file in the office of the Bank Commis-  
18 sioner an irrevocable power making the Commissioner at-  
19 torney for the dealer for the service of any process which  
20 may be issued against the dealer.

Sect. 10. No one registered under this act as dealer or as  
2 agent shall in any way advertise his authority to sell, offer  
3 for sale, invite offers for or inquiries about stocks, bonds,  
4 debentures, certificates of participation or other securities  
5 except by showing his certificate issued by the Bank Com-



6 missioner, and by advertising that he is a registered dealer.

Any violation of this provision shall be punishable, upon  
8 conviction thereof, by a fine of not less than fifty dollars  
9 nor more than five hundred dollars.

Sect. 11. Any dealer violating the provisions of this act  
2 or filing under this act in the office of the Bank Commis-  
3 sioner any false or misleading statement, or wilfully sup-  
4 pressing or failing to file any information lawfully required  
5 to be filed, shall be punishable, upon conviction thereof, by  
6 a fine of not more than three thousand dollars, or if such  
7 violation is with intent to defraud by imprisonment for not  
8 more than two years, or by both such fine and imprisonment.

Sect. 12. Should the courts declare any section of this  
2 act unconstitutional or unauthorized by law, or in conflict  
3 with any other section or provision of this act, then such  
4 decision shall affect only the section or provision so de-  
5 clared to be unconstitutional, and shall not affect any other  
6 section or part of this act.

Sect. 13. No registration shall be necessary or become  
2 effective under this act, before the first day of January, 1914.