

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

STATE OF MAINE

REPORT

OF THE

ATTORNEY-GENERAL

FOR THE TWO YEARS ENDING

NOVEMBER 30, 1914.

WATERVILLE
SENTINEL PUBLISHING COMPANY

1915

5% each year for a period of five years rather than an average rate of 5% in order to legalize such bonds for Savings Bank investments. It is "annual dividends"; not simply dividends, in amount equal to 5% per annum; not only to be earned, but paid for a period of five years, and not during a period of five years. It seems to me that the ordinary effect and meaning of this language must be held to be, an annual payment each year of at least a 5% dividend.

If corporations whose business is largely electric light and heating can come in under the provisions of the third paragraph because they have a small railroad mileage, where a large part of their money is invested in the electric light and heating business, it would permit the investment of Savings Bank funds in securities of corporations of a nature that is not recognized as safe investments in any other part of the law unless they are domestic corporations. Bonds of electric light companies outside of this State are not legal for investments of Savings Bank funds. I do not see why they should become so because they are able to masquerade as railroads by the reason of operating a few miles of road. I do not see where you can draw the line unless you require them to live up to the express terms of the statutes.

Very sincerely,

SCOTT WILSON,

Attorney General.

BLUE SKY LAW.—DEALERS, INFORMATION
REQUIRED TO BE FILED.

4th February, 1914.

Hon. H. M. Smith, Bank Commissioner, Augusta, Maine.

DEAR SIR: With reference to the proper interpretation of Section 8 of Chapter 209 of the Public Laws of 1913, relating to the "Business of Dealing in Securities," I have given the matter consideration, and it seems clear that under this section, you have the right to require every dealer to file with you a list of the securities which he has sold or offered for sale within the preceding six months, or which he proposes to offer for sale, and may require him to file a statement of the assets

and earnings, or any other facts, that you may deem necessary in relation to such securities to enable you to determine their value and the honesty and good faith of such dealer in selling or offering the same for sale.

You may also require such dealer to file copies of any and all printed circulars and advertisements relating to the same; and if after the receipt of all information furnished you, you are not then satisfied that such dealer is offering such securities honestly and in good faith with disclosure of sufficient facts to enable the intending purchaser to determine the nature and value of such securities, and without intent to deceive and defraud, you may prohibit such dealer from further selling or offering for sale such securities.

The question of whether or not a failure to disclose all facts necessary to enable a purchaser to determine the nature and value of the securities alone, without any evidence of intent to deceive, would be sufficient to warrant you in prohibiting the sale of such securities is perhaps doubtful, unless such a condition may be taken as evidence of a lack of good faith; and I should be inclined to view an absence of this requirement in that light, viz: as prima facie evidence of a lack of good faith, to be taken with other evidence as indicating bad faith on the part of the dealer and intent to deceive and defraud.

It might be properly urged by the dealer that while the circulars do not contain all of the information necessary, yet a salesman always answers all inquiries and orally supplies all the necessary information to enable the intending purchaser to determine the nature and value of the securities; but as it is necessary to satisfy the Bank Commissioner of the honesty and good faith of the dealer, a failure to satisfy him that all the facts necessary to enable a purchaser to determine the nature and value of the securities were being disclosed at the time of sale, would ordinarily raise a question as to the honesty and good faith of such dealer, especially if the statement on file showed the securities to be of doubtful value and might warrant the Commissioner in prohibiting the sale of such securities, I doubt, therefore, whether this particular feature of the law will cause you much trouble.

Very sincerely,

SCOTT WILSON,

Attorney General.