

# MAINE STATE LEGISLATURE

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NEW DRAFT.

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SEVENTY-SIXTH LEGISLATURE

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SENATE

NO. 541

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*In Senate, March 17, 1913.*

*Reported by Senator Bailey from Committee on Legal Affairs, and ordered printed under joint rules.*

*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 business of dealing in securities.

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

DEFINITIONS.

Section 1. Under this act, the term "dealer" shall mean  
2 any individual, partnership, association or corporation en-  
3 gaging in the selling or offering for sale of securities, ex-  
4 cept to, or through the medium of, or as agent or salesman  
5 of, a registered dealer. But sales made by, or in behalf  
6 of, a vendor in the ordinary course of bona fide personal  
7 investment, or change of investment, shall not constitute  
8 such vendor, or the agent of such vendor, if not otherwise  
9 engaged either permanently or temporarily in selling secu-

10 rities, a dealer in securities. Nor shall the offer of or sale  
11 of its own securities by an association or a corporation to  
12 its own members or stockholders constitute such associa-  
13 tion or corporation a dealer in securities.

The term "securities" shall include all stocks, bonds, de-  
15 bentures or certificates of participation, and all other forms  
16 of securities, except that it shall not be held to include com-  
17 mercial paper or other evidence of debt not running more  
18 than nine months, or notes legal for purchase by savings  
19 banks under the statutes of any New England State, or  
20 notes secured by mortgage of real estate in this State, or  
21 to the shares of loan and building associations organized  
22 under the laws of the State of Maine.

#### REQUIREMENT FOR REGISTRATION.

Sect. 2. No dealer in securities shall in this State, by  
2 direct solicitation or through agents or salesmen, or by let-  
3 ter, circular or advertising, sell, offer for sale, or invite  
4 offers for or inquiries about, securities unless registered  
5 as a dealer under the provisions of this act. No sales-  
6 man or agent shall in this State, in behalf of any dealer,  
7 sell, offer for sale, or invite offers for or inquiries about,  
8 securities unless registered as a salesman or agent of such  
9 dealer, under the provisions of this act.

#### REGISTRATION OF DEALER.

Sect. 3. Any dealer desiring registration shall file written  
2 application therefor with the bank commissioner, accom-  
3 panied by a registration fee of twenty-five dollars, the fee

4 to be returned if the application is not granted. The appli-  
5 cation shall be in such form as may be prescribed by the  
6 commissioner, and shall state in writing the principal place  
7 of business and the address of the dealer, the names, resi-  
8 dences and business addresses of all persons interested in  
9 the business as principals, officers, directors or managing  
10 agents, specifying as to each his capacity and title, and the  
11 length of time during which the dealer has been engaged  
12 in the business.

Every non-resident dealer shall file power of attorney,  
14 irrevocable, properly authorized, and with satisfactory cer-  
15 tificates or other evidence of the authorization, appointing  
16 the commissioner agent for the service of legal process  
17 upon the dealer in any action in the courts of this State,  
18 based upon or arising in connection with any sale of,  
19 attempt to sell, or advertising of, securities in this State,  
20 or any violation of this act.

Upon the filing of the application, the commissioner shall  
22 forthwith give notice of the fact and date of such applica-  
23 tion, and of the name, principal place of business and  
24 address of the dealer, by advertisement inserted once in the  
25 official State paper, and once in a newspaper of general  
26 circulation where the dealer's place of business is located,  
27 if it is elsewhere in this State than in the city of Augusta.  
28 The registration certificate shall not be issued before the  
29 expiration of two weeks from the completion of such pub-  
30 lication. Any person may, within such two-weeks period  
31 file objection to the proposed registration.

Each application shall be accompanied by certificates or  
33 other evidence sufficient to reasonably establish the dealer's  
34 good repute. The commissioner may make such other and  
35 further investigation thereof as he deems desirable. Upon  
36 being satisfied of the dealer's good repute, the commissioner  
37 shall, in case no objection to the proposed registration be  
38 filed, register the dealer.

If the commissioner shall not be satisfied with the dealer's  
40 good repute, or if, within the two-weeks period succeeding  
41 the publication aforesaid, objection shall be made to the  
42 proposed registration, the commissioner shall give notice  
43 of either fact to the dealer, and upon request from the  
44 dealer shall fix a time and place for hearing, of which four-  
45 teen days' notice shall be given by mail to the dealer and  
46 to the objectors, and by publication in the official State  
47 paper; and at such hearing opportunity shall be given to  
48 said dealer, and to any other persons interested or object-  
49 ing, to offer further evidence as to the dealer's repute. If  
50 satisfied, as a result of such hearing, of the dealer's good  
51 repute in business, the commissioner shall thereupon regis-  
52 ter the dealer.

Upon registration of any dealer, a registration certificate  
54 shall be issued stating the name, principal place of business  
55 and address of the dealer, the names, residences and busi-  
56 ness addresses of all the persons interested in the business  
57 as principals, officers, directors or managing agents, and  
58 the fact that the dealer has been registered for the current

59 calendar year as a dealer in securities. The certificate shall  
60 in other respects be in such form as the commissioner may  
61 determine, but shall state in bold type that the commis-  
62 sioner does not recommend, and assumes no responsibility  
63 for, securities offered by the dealer. Certified copies of  
64 this certificate shall be furnished to the dealer at fifty cents  
65 each. Changes in the certificate, necessitated by changes  
66 in the personnel of a partnership, or in the principals, offi-  
67 cers, directors or managing agents of any dealer, may be  
68 made at any time upon written application to the commis-  
69 sioner, accompanied by statement of the facts necessitating  
70 the change. Upon the issue of the amended certificates,  
71 the original certificate and the certified copies thereof out-  
72 standing shall be promptly surrendered to the commissioner.

#### REGISTRATION OF AGENTS OR SALESMEN.

Sect. 4. Upon written application by a registered dealer,  
2 accompanied by a registration fee of five dollars for each  
3 person, the commissioner shall register, as agents or sales-  
4 men of such dealer, such persons as the dealer may request.  
5 The application shall be in such form as the commissioner  
6 may prescribe, and shall state the residences and addresses  
7 of the persons whose registration is requested. The com-  
8 missioner shall issue to each person so registered a regis-  
9 tration certificate, stating his name, residence and address,  
10 the name, principal place of business and the address of  
11 the dealer, and the fact that he is registered for the cur-  
12 rent calendar year as agent or as salesman (as the case

13 may be) of the dealer. The certificate shall in other re-  
14 spects be in such form as the commissioner shall determine,  
15 but shall state in bold type that the commissioner does not  
16 recommend, or assume any responsibility for, securities  
17 offered by the dealer, or the dealer's agents or salesmen.  
18 Upon application by the dealer, the registration of any  
19 agent or salesman shall be cancelled.

#### RENEWAL OF REGISTRATION.

Sect. 5. All registrations shall expire at the close of the  
2 calendar year, but new registrations for the succeeding year  
3 shall be issued as of course, without the filing of further  
4 statements or furnishing any further information, unless  
5 specifically requested by the commissioner, upon written  
6 application of the dealer and payment of a registration fee  
7 of five dollars for each registration.

#### PUBLICATION.

Sect. 6. The commissioner shall, at least twice during  
2 each year, publish in the official State paper a list of the  
3 then registered dealers, and of their registered agents or  
4 salesmen, and shall also at any time, on request by mail  
5 or otherwise, inform any inquirer as to whether or not any  
6 individual, partnership, corporation or association is regis-  
7 tered either as dealer, agents or salesman.

#### PRODUCTION OF REGISTRATION CERTIFICATES.

Sect. 7. Any dealer may, and any person named in a reg-  
2 istration certificate as above provided may, in behalf of any

3 dealer, sell, offer for sale or invite offers for or inquiries  
4 about securities in this State, but shall at all times when  
5 so engaged carry with him the registration certificate, or  
6 a copy thereof, certified by the commissioner, which shall  
7 at any time be shown to any prospective customer upon  
8 request. No dealer, agent or salesman shall advertise pub-  
9 licly the fact of his registration, or use such fact or the  
10 registration certificate, in connection with any sale or effort  
11 to sell securities, except by statement of the fact or by ex-  
12 hibiting the certificate or a certified copy thereof.

COMMISSIONER'S AUTHORITY TO INVESTIGATE  
OR TO REQUIRE INFORMATION.

Sect. 8. The commissioner may at any time require a  
2 dealer to file with him a list, verified by oath, of the securi-  
3 ties which he has offered for sale or advertised within the  
4 preceding six months, or which he is at the time offering for  
5 sale or advertising, or any portion thereof; and may re-  
6 quire the filing of statements of assets or earnings, or any  
7 other facts he may deem pertinent in relation to any of the  
8 securities offered or to be offered by the dealer, or the  
9 associations or corporations issuing them; and may require  
10 the filing of copies of any or all printed or otherwise redu-  
11 plicated circulars or printed advertisements relating to  
12 securities which the dealer has within six months offered  
13 for sale or which the dealer shall thereafter offer for sale;  
14 and, thereupon, unless satisfied that all such offerings of  
15 the dealer have been and are to be made honestly and in



16 good faith, and with disclosure of pertinent facts sufficient  
17 to enable intending purchasers to form a judgment of the  
18 nature and value of the securities, and without intent to  
19 deceive or defraud, may prohibit the dealer from selling or  
20 offering the securities, or any of them, or in any way ad-  
21 vertising them.

#### REVOCATION OR SUSPENSION OF REGISTRA- TION.

Sect. 9. The commissioner may, unless furnished with  
2 satisfactory evidence as provided in the preceding section,  
3 or in case of violation of any provision of this act, or in  
4 case of dishonesty, deceitful or fraudulent conduct on the  
5 part of the dealer in connection with the carrying on of the  
6 business, revoke the dealer's registration, and may, having  
7 reasonable cause to believe that the dealer may have been  
8 guilty of violation of the provisions of this act, or of dis-  
9 honest, deceitful or fraudulent conduct in connection with  
10 the carrying on of the business, suspend the dealer's regis-  
11 tration until satisfied to the contrary. In either case, the  
12 dealer shall not be regarded as registered under the provi-  
13 sions of this act, until restored to registration by the com-  
14 missioner, either on his own initiative or upon order of  
15 court as hereinafter provided. The decision of the com-  
16 missioner as to the sufficiency of evidence, the violation of  
17 the provisions of the act, the dealer's dishonesty, deceit, or  
18 fraud, or the existence of reasonable cause of belief, shall  
19 be conclusive unless reversed by order of court.

The revocation or suspension of the dealer's registration  
21 shall constitute a revocation or suspension of the registra-  
22 tion of any agent or salesman of the dealer.

The commissioner may, in case of violation of any provi-  
24 sion of this act, or in case of dishonest, deceitful or fraud-  
25 ulent conduct, on the part of any agent or salesman in con-  
26 nection with the business, revoke the agent's or salesman's  
27 registration; and may, having reasonable cause to believe  
28 that the agent or salesman may have been guilty of viola-  
29 tion of the provisions of this act, or dishonest, deceitful or  
30 fraudulent conduct in connection with the business, sus-  
31 pend the agent's or salesman's registration until satisfied  
32 to the contrary. In either case, the agent or salesman shall  
33 not be regarded as registered under the provisions of this  
34 act, until restored to registration by the commissioner,  
35 either on his own initiative or upon order of court as here-  
36 inafter provided. The decision of the commissioner as to  
37 the violation of the provisions of this act, the agent's or  
38 salesman's dishonesty, deceit or fraud, or the existence of  
39 reasonable cause of belief, shall be conclusive unless re-  
40 versed by order of court.

In case of suspension or revocation of registration, all  
42 certificates shall at once be surrendered to the commissioner  
43 upon his request.

#### SERVICE OF NOTICE.

Sect. 10. Notice of any requirement or decision of the  
2 commissioner shall be sufficient if sent by mail addressed

3 to the dealer, agent or salesman, as the case may be, at the  
4 address designated in the application for registration.

#### APPEALS.

Sect. 11. Appeals may be taken by any person aggrieved  
2 by any decision of the commissioner, to the supreme judi-  
3 cial court, by petition addressed to that court, stating the  
4 decision complained of. Upon such petition, citation shall  
5 be issued to the commissioner, who shall file an answer to  
6 the petition, stating therein his reasons for the decision.  
7 The court may, in its discretion, after hearing the commis-  
8 sioner, or his representative, suspend the order of the com-  
9 missioner, pending the determination of the petition upon  
10 its merits, and may, after final hearing thereon, make such  
11 decree in connection with the matter complained of as jus-  
12 tice may require. The court shall make provision for sum-  
13 mary hearing and determination of such petition so far as  
14 in its discretion seems desirable.

#### PENALTIES.

Sect. 12. Any dealer or any person violating any provi-  
2 sion of this act, or knowingly filing with the commissioner  
3 or furnishing to him any false or misleading statements or  
4 information, shall be punishable upon conviction thereof  
5 by a fine of not more than three thousand dollars, or by  
6 imprisonment for not more than two years, or by both such  
7 fine and imprisonment. The foregoing penalties shall be  
8 in addition to, and not a substitute for, any civil or criminal  
9 liability now or hereafter existing.

Sect. 13. No registration shall be necessary, or become  
2 effective, under this act, before the first day of January,  
3 1914.

Sect. 14. All acts or parts of acts inconsistent with this  
2 act are hereby repealed.