

1 **State of Arkansas**  
2 **80th General Assembly**  
3 **Regular Session, 1995**  
4 **By: Senator Webb**

# A Bill

**ACT 845 OF 1995**  
**SENATE BILL 411**

## For An Act To Be Entitled

"AN ACT TO AMEND VARIOUS SECTIONS OF THE ARKANSAS  
SECURITIES ACT; AND FOR OTHER PURPOSES."

### Subtitle

"AN ACT TO AMEND VARIOUS SECTIONS OF THE  
ARKANSAS SECURITIES ACT."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code 23-42-102 is amended to read as follows:

"§ 23-42-102. Definitions.

As used in this chapter, unless the context otherwise requires:

(1) Commissioner means the Securities Commissioner;

(2) Agent means any individual, other than a broker-dealer, who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.

(A) Agent does not include an individual who represents an issuer in:

(i) Effecting transactions in a security exempted by § 23-42-503(a)(1)-(5) or (9)-(11), and any other transactions in a security exempted by other clauses of § 23-42-503 which the commissioner may by rule or order prescribe;

(ii) Effecting transactions exempted by § 23-42-504 unless otherwise required by § 23-42-504;

(iii) Effecting transactions with existing employees, partners, or directors of the issuer if no commission or other remuneration is paid or given directly or indirectly for soliciting any person in this state; or

(iv) Effecting transactions involving a reorganization or

1 any other individual assisting the issuer or any other constituent party in  
2 the process of the reorganization so long as such individual is not employed  
3 for the primary purpose of obtaining or soliciting proxies, consents or other  
4 required means of approval from the security holders of the issuer or any  
5 other constituent party to the reorganization and receives no compensation  
6 other than his regular salary and reimbursement for actual expenses, if any,  
7 incurred in good faith in the course of such duties or activities.

8 (B) A partner, officer, or director of a broker-dealer or issuer,  
9 or a person occupying a similar status or performing similar functions, is an  
10 agent only if he otherwise comes within this definition;

11 (3) Broker-dealer means any person engaged in the business of  
12 effecting transactions in securities for the account of others or for his own  
13 account. Broker-dealer does not include:

14 (A) An agent;

15 (B) An issuer;

16 (C) A bank, savings institution, savings and loan association, or  
17 trust company; or

18 (D) A person who has no place of business in this state if:

19 (i) He effects transactions in this state exclusively with  
20 or through:

21 (a) The issuers of the securities involved in the  
22 transactions;

23 (b) Other broker-dealers; or

24 (c) Banks, savings institutions, savings and loan  
25 associations, trust companies, insurance companies, investment companies as  
26 defined in the Investment Company Act of 1940, pension or profit-sharing  
27 trusts, or other financial institutions or institutional buyers, whether  
28 acting for themselves or as trustees; or

29 (ii) During any period of twelve (12) consecutive months,  
30 he does not direct more than fifteen (15) offers to sell or buy into this  
31 state in any manner to persons other than those specified in subdivision  
32 (3) (D) (i) of this subsection, whether or not the offeror or any of the  
33 offerees are then present in this state;

34 (4) (A) Farm cooperative means any cooperative formed for the purpose  
35 of:

1 (i) Purchasing, producing, processing, marketing,  
2 distributing, or selling crops or livestock for, or on behalf of, its members;  
3 or

4 (ii) Purchasing, marketing, or distributing meat, dairy,  
5 bakery, produce, or other food or grocery products for, or on behalf of, its  
6 members.

7 (B) Farm cooperative shall not include any association formed  
8 for the purpose of purchasing food or grocery products for, or on behalf of,  
9 consumers;

10 (5) Fraud, deceit, and defraud are not limited to common-law  
11 deceit;

12 (6) Guaranteed means guaranteed as to payment of principal, interest,  
13 or dividends;

14 (7) Investment adviser means any person who, for compensation,  
15 engages in the business of advising others, either directly or through  
16 publications or writings, as to the value of securities or as to the  
17 advisability of investing in, purchasing, or selling securities or who, for  
18 compensation, issues or promulgates analyses or reports concerning securities.  
19 Investment adviser does not include:

20 (A) A bank, savings and loan association, credit union, or trust  
21 company;

22 (B) A lawyer, accountant, engineer, or teacher whose performance  
23 of these services is solely incidental to the practice of his profession;

24 (C) A broker-dealer whose performance of these services is solely  
25 incidental to the conduct of his business as a broker-dealer and who receives  
26 no special compensation for them;

27 (D) A publisher of any bona fide newspaper, news column,  
28 newsletter, news magazine, or business or financial publication or service of  
29 general, regular, and paid circulation, whether communicated in hard copy  
30 form, by electronic means, or otherwise, that does not consist of the  
31 rendering of advice on the basis of the specific investment situation of each  
32 client;

33 (E) A person who has no place of business in this state if:

34 (i) His only clients in this state are other investment  
35 advisers, broker-dealers, banks, savings institutions, trust companies,

1 insurance companies, investment companies as defined in the Investment Company  
2 Act of 1940, pension or profit-sharing trusts, or other financial institutions  
3 or institutional buyers, whether acting for themselves or as trustees; or

4 (ii) During any period of twelve (12) consecutive months he  
5 does not direct business communications into this state in any manner to more  
6 than five (5) clients other than those specified in subdivision (7)(E)(i) of  
7 this subsection, whether or not he or any of the persons to whom the  
8 communications are directed is then present in this state; or

9 (F) Such other persons not within the intent of this paragraph as  
10 the commissioner may by rule or order designate;

11 (8) Issuer means every person who issues or proposes to issue any  
12 security, except that:

13 (A) With respect to certificates of deposit, voting-trust  
14 certificates, or collateral-trust certificates, or with respect to  
15 certificates of interest or shares in an unincorporated investment trust not  
16 having a board of directors or persons performing similar functions or of the  
17 fixed, restricted management, or unit type, the term issuer means the  
18 persons performing the acts and assuming the duties of depositor or manager  
19 pursuant to the provisions of the trust or other agreement or instrument under  
20 which the securities are issued;

21 (B) In the case of an unincorporated association which provides  
22 by its articles for limited liability of any or all of its members, or in the  
23 case of a trust, committee, or other legal entity, the trustees or members  
24 thereof shall not be individually liable as issuers of any security issued by  
25 the association, trust, committee, or other legal entity;

26 (C) With respect to equipment-trust certificates or like  
27 securities, the term issuer means the person by whom the equipment or  
28 property is, or is to be, used; and

29 (D) With respect to fractional undivided interests in oil, gas,  
30 or other mineral rights, the term issuer means the owner of the right or of  
31 any whole or fractional interest in the right who creates fractional interests  
32 therein for the purpose of the offering;

33 (9) Nonissuer means not directly or indirectly for the benefit of the  
34 issuer;

35 (10) Person means an individual, a corporation, a limited liability

1 company, a partnership, an association, a joint-stock company, a trust where  
2 the interests of the beneficiaries are evidenced by a security, an  
3 unincorporated organization, a government, or a political subdivision of a  
4 government;

5       (11) Representative means any partner, officer, director of an  
6 investment adviser, or a person occupying a similar status or performing  
7 similar functions, or other individual employed by or associated with an  
8 investment adviser, except clerical or ministerial personnel, who (1) makes  
9 any recommendation or otherwise renders advice regarding securities, (2)  
10 manages accounts or portfolios of clients, (3) determines which recommendation  
11 or advice regarding securities should be given, or (4) supervises employees  
12 who perform any of the foregoing;

13       (12) (A) Sale or sell includes every contract of sale of, contract  
14 to sell, or disposition of a security or interest in a security for value.

15       (B) Offer or offer to sell includes every attempt or offer to  
16 dispose of, or solicitation of an offer to buy, a security or interest in a  
17 security for value.

18       (C) Any security given or delivered with, or given as a bonus on  
19 account of, any purchase of securities or any other thing is considered to  
20 constitute part of the subject of the purchase and to have been offered and  
21 sold for value.

22       (D) A purported gift of assessable stock is considered to involve  
23 an offer and sale.

24       (E) Every other sale or offer of a warrant or right to purchase  
25 or subscribe to another security of the same or another issuer, as well as  
26 every sale or offer of a security which gives the holder a present or future  
27 right or privilege to convert into another security of the same or another  
28 issuer, is considered to include an offer of the other security.

29       (F) The terms defined in this subdivision do not include:

30               (i) Any bona fide pledge or loan;

31               (ii) Any stock dividend, whether the corporation  
32 distributing the dividend is the issuer of the stock or not, if nothing of  
33 value is given by stockholders for the dividend other than the surrender of a  
34 right to a cash or property dividend when each stockholder may elect to take  
35 the dividend in cash or property or in stock;

1 (iii) Any stock split, reverse stock split, or change in  
2 par value which involves the substitution of a security of an issuer for  
3 another security of the same issuer; or

4 (iv) Any act incident to a judicially approved  
5 reorganization in which a security is issued in exchange for one (1) or more  
6 outstanding securities, claims, or property interests, or partly in such  
7 exchange and partly for cash;

8 (13) Securities Act of 1933, Securities Exchange Act of 1934,  
9 Public Utility Holding Company Act of 1935, and Investment Company Act of  
10 1940 mean the federal statutes of those names, as amended;

11 (14) (A) Security means any note; stock; treasury stock; bond;  
12 debenture; evidence of indebtedness; certificate of interest or participation  
13 in any profit-sharing agreement; collateral-trust certificate; preorganization  
14 certificate or subscription; transferable share; investment contract; variable  
15 annuity contract; voting-trust certificate; certificate of deposit for a  
16 security; certificate of interest or participation in an oil, gas, or mining  
17 title or lease or in payments out of production under such a title or lease;  
18 or, in general, any interest or instrument commonly known as a security or  
19 any certificate of interest or participation in, temporary or interim  
20 certificate for, guarantee of, or warrant or right to subscribe to or  
21 purchase, any of the foregoing.

22 (B) Security does not include any insurance or endowment policy  
23 or annuity contract or variable annuity contract issued by any insurance  
24 company;

25 (15) State means any state, territory, or possession of the United  
26 States, the District of Columbia, and Puerto Rico."

27

28 SECTION 2. Arkansas Code 23-42-106(a) is amended to read as follows:

29 "(a) (1) Any person who commits the following acts is liable to the  
30 person buying the security from him, who may sue either at law or in equity to  
31 recover the consideration paid for the security, together with interest at six  
32 percent (6%) per year from the date of payment, costs, and reasonable  
33 attorney's fees, less the amount of any income received on the security, upon  
34 the tender of the security, or for damages if he no longer owns the security:

35 (A) Offers or sells a security in violation of §§

1 23-42-301, 23-42-212(b), or § 23-42-501 or of any rule or order under §  
2 23-42-502 which requires the affirmative approval of sales literature before  
3 it is used, or in violation of any condition imposed under §§ 23-42-403(d),  
4 23-42-404(g), or § 23-42-404(i); or

5 (B) Offers or sells a security by means of any untrue  
6 statement of a material fact or any omission to state a material fact  
7 necessary in order to make the statements made, in the light of circumstances  
8 under which they are made, not misleading, the buyer not knowing of the  
9 untruth or omission, and who does not sustain the burden of proof that he did  
10 not know, and in the exercise of reasonable care could not have known, of the  
11 untruth or omission;

12 (2) Damages are the amount that would be recoverable upon a  
13 tender less the value of the security when the buyer disposed of it and  
14 interest at six percent (6%) per year from the date of disposition."  
15

16 SECTION 3. Arkansas Code 23-42-202 is amended to read as follows:

17 "§ 23-42-202. Delegation of authority by commissioner.

18 (a) The commissioner may delegate to any employee of the department ,  
19 under any conditions which he deems appropriate any responsibilities of the  
20 commissioner as set forth in this chapter, the Savings and Loan Act, §  
21 23-37-101 et seq., the Credit Union Act, § 23-35-101 et seq., or any other act  
22 for which the commissioner is responsible.

23 (b) The commissioner, subject to any restrictions which he in his  
24 discretion deems appropriate, may delegate to any employee of the department,  
25 the exercise or discharge in the commissioner's name of any power, duty, or  
26 function, whether ministerial, discretionary, or of whatever character, vested  
27 by this chapter in the commissioner."  
28

29 SECTION 4. Arkansas Code 23-42-203(d) is amended to read as follows:

30 "(d) Nothing herein shall prevent the commissioner or any officers or  
31 employees of the State Securities Department from sharing with state or  
32 federal law enforcement authorities, other state or federal regulatory  
33 authorities, or self-regulatory organizations authorized by law any  
34 information which they may have or obtain in aid of the enforcement of this  
35 chapter or any other securities act or the criminal provisions of any laws."

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SECTION 5. Arkansas Code 23-42-204(c) is amended to read as follows:

"(c) In prescribing rules and forms, the commissioner may cooperate with the securities administrators of the other states, individually and as a group represented by the North American Securities Administrators Association, with the Securities and Exchange Commission and with self-regulatory organizations with a view to effectuating the policy of this chapter to achieve maximum uniformity in the form and content of registration statements, applications, rules, and reports wherever practicable. Where the commissioner incorporates by reference in the rules and forms of the commissioner a form, rule, or portion thereof in accordance with this subsection, any change in that form, rule, or portion thereof shall become part of the rules and forms of the commissioner unless the commissioner shall *by order decline to accept such change within thirty (30) days of its adoption or promulgation.*"

SECTION 6. Arkansas Code 23-42-206(a)(3) is amended to read as follows:

"(3) A document received by the commissioner's designee may be destroyed after the reproduction of the document by photograph, microphotograph, or electronic means of a permanent nature, may be transferred to a permanent storage location maintained by the Central Registration Depository, the Securities Registration Depository or such other central depository system as may be determined by the commissioner, or may be transferred to the commissioner to be disposed of in the manner of a document received by the commissioner."

SECTION 7. Arkansas Code 23-42-206(c) is amended to read as follows:

"(c) The commissioner, in his discretion, may rely upon and coordinate with the Securities and Exchange Commission, the National Association of Securities Dealers, the Municipal Securities Rule Making Board, the North American Securities Administrators Association, and any other securities regulatory agencies which he deems appropriate for the proper maintenance of certain common registrations, records, and other documents maintained by the other regulatory agencies."



1 SECTION 8. Arkansas Code 23-42-207(b) (6) is amended to read as follows:

2 "(6) Financial records of broker-dealers, investment advisers, agents,  
3 or representatives obtained during or as a result of an examination by the  
4 department.

5 (A) However, when those records are required by this chapter to  
6 be filed with the department as part of a registration, annual renewal, or  
7 otherwise, the records, including financial statements prepared by certified  
8 public accountants, shall be public unless sections of the information are  
9 bound separately and marked privileged and confidential by the broker-dealer,  
10 investment adviser, agent, or representative upon its submission in which case  
11 it shall be deemed nonpublic until ten (10) days after the commissioner has  
12 given the broker-dealer, investment adviser, agent, or representative notice  
13 that an order will be entered deeming the material public.

14 (B) If the broker-dealer, investment adviser, agent, or  
15 representative believes the commissioner's order is incorrect, the  
16 broker-dealer, investment adviser, agent, or representative may seek an  
17 injunction from the Circuit or Chancery Court of Pulaski County ordering the  
18 department to hold the information as nonpublic pending a final order of a  
19 court of competent jurisdiction if the order of the commissioner is appealed  
20 pursuant to applicable law;"

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22 SECTION 9. Arkansas Code 23-42-208 is amended to read as follows:

23 "§ 23-42-208. Cooperation with other regulatory agencies.

24 (a) The commissioner may enter into an arrangement, agreement, or other  
25 working relationship with federal, other state, and self-regulatory  
26 authorities whereby documents may be filed and maintained in the Central  
27 Registration Depository with the National Association of Securities Dealers,  
28 the Securities Registration Depository with the North American Securities  
29 Administrators Association, such other central depository system as determined  
30 by the commissioner, or other agencies or authorities.

31 (b) It is the intent of this section that the commissioner be provided  
32 the authority to reduce duplication of filings, reduce administrative costs,  
33 and establish uniform procedures, forms, and administration with the states  
34 and federal authorities.

35 (c) The commissioner may permit initial and renewal registration

1 filings required under this chapter to be filed with the Securities and  
2 Exchange Commission, the National Association of Securities Dealers, North  
3 American Securities Administrator Association, or other similar authorities.

4 (d) The commissioner may accept uniform securities examinations or  
5 other procedures designed to implement a uniform national securities  
6 regulatory system or facilitate common practices and procedures among the  
7 states."

8

9 SECTION 10. Arkansas Code 23-42-209 is amended to read as follows:

10 "§ 23-42-209. Injunction, mandamus, or other ancillary relief.

11 (a) (1) Whenever it appears to the commissioner, upon sufficient grounds  
12 or evidence satisfactory to the commissioner, that any person has engaged or  
13 is about to engage in any act or practice constituting a violation of any  
14 provision of this chapter or any rule or order under this chapter, he may  
15 summarily order the person to cease and desist from the act or practice. *Upon*  
16 *the entry of the order, the commissioner shall promptly notify such person*  
17 *that the order has been entered, of the reasons therefore, and of his right to*  
18 *a hearing on the order.*

19 (2) *A hearing shall be held on the* written request of the person  
20 aggrieved by the order if such request is received by the commissioner within  
21 thirty (30) days of the date of the entry of the order, *or if ordered by the*  
22 *commissioner.* If no hearing is requested and none is ordered by the  
23 commissioner, the order will remain in effect until it is modified or vacated  
24 by the commissioner. If a hearing is requested or ordered, the commissioner,  
25 after notice of an opportunity for hearing, may affirm, modify or vacate the  
26 order.

27 (3) The commissioner may, after issuance of an order as set forth  
28 above, apply to the Chancery Court of Pulaski County to temporarily or  
29 permanently enjoin the act or practice and to enforce compliance with this  
30 chapter or any rule or order under this chapter. However, the commissioner  
31 may, without issuing such an order, apply directly to the Chancery Court of  
32 Pulaski County for the aforesaid relief.

33 (4) Upon a proper showing, a permanent or temporary injunction,  
34 restraining order, or writ of mandamus shall be granted.

35 (5) The court may not require the commissioner to post a bond.

1 (b) The commissioner may also seek and the appropriate court shall,  
2 upon proper showing, grant any other ancillary relief which may be in the  
3 public interest, including the appointment of a receiver, temporary receiver,  
4 conservator, declaratory judgment, obtaining an accounting, disgorgement,  
5 *assessment of a fine in an amount of not more than the total amount of money*  
6 *received in connection with any violation*, or other relief as may be  
7 appropriate in the public interest.

8 (c) Nothing herein shall prohibit or restrict the informal disposition  
9 of a proceeding or allegations which might give rise to a proceeding by  
10 stipulation, settlement, consent or default in lieu of a formal or informal  
11 hearing on the allegations or in lieu of the sanctions authorized by this  
12 section."

13

14 SECTION 11. Arkansas Code 23-42-301(e) is amended to read as follows:

15 "§ 23-42-301. Registration required.

16 (a) It is unlawful for any person to transact business in this state as  
17 a broker-dealer or agent unless he is registered under this chapter.

18 (b)(1) It is unlawful for any registered broker-dealer or issuer to  
19 employ an unregistered agent except a nonresident agent who is registered by  
20 any other state securities administrator and who effects transactions in this  
21 state exclusively with registered broker-dealers.

22 (2) The registration of an agent is not effective during any  
23 period when he is not associated with a particular broker-dealer registered  
24 under this chapter or with a particular issuer.

25 (3)(A) When an agent begins or terminates a connection with a  
26 broker-dealer or issuer, or begins or terminates those activities which make  
27 him an agent, then the broker-dealer or issuer shall promptly notify the  
28 commissioner or the commissioner's designee.

29 (B) When an agent terminates his registration with or  
30 withdraws his registration from a broker-dealer or issuer, a subsequent  
31 application by the agent for registration shall be considered an initial  
32 registration and shall be deemed a notification by the agent of termination or  
33 withdrawal of the previous registration or application.

34 (4) The commissioner may by rule establish provisions for  
35 concurrent registration with more than one (1) broker-dealer or issuer.

1 (c) It is unlawful for any person to transact business in this state as  
2 an investment adviser or representative unless he is so registered under this  
3 chapter.

4 (d) Every registration expires December 31 of each year unless the  
5 registration is renewed.

6 (e)(1) At least one (1) officer or partner, who shall have direct  
7 supervision over the purchase and sale of securities in Arkansas, shall be:

8 (A) Registered as an agent and designated a principal of a  
9 broker-dealer; or

10 (B) Registered as an agent of the issuer and shall satisfy  
11 qualifications set by the commissioner. Provided however, an agent of the  
12 issuer for an open-end investment company as defined in the Investment Company  
13 Act of 1940 need not be an officer or partner of the issuer.

14 (2) Each broker-dealer which has an office located *in Arkansas*  
15 *shall designate at least one principal who is a resident of this state.*

16 (3) Upon the removal of the officer or partner designated under  
17 this subsection from the broker-dealer or issuer, or upon the removal of the  
18 principal from the direct supervision of the purchase and sale of securities  
19 in Arkansas, the issuer or broker-dealer must again satisfy this provision."  
20

21 SECTION 12. Arkansas Code 23-42-302 is amended to read as follows:

22 "§ 23-42-302. Registration procedure.

23 (a) A broker-dealer, agent, investment adviser, or representative may  
24 obtain an initial or renewal registration by filing with the commissioner or  
25 the commissioner's designee an application and fee together with a consent to  
26 service of process pursuant to § 23-42-107(a).

27 (b) The commissioner may by rule set forth the form and content of the  
28 application and establish a procedure for renewal registration or initial  
29 registration whereby registration may become effective prior to the filing of  
30 a completed application or fee.

31 (c) The application shall contain whatever information the commissioner  
32 by rule requires concerning such matters as:

- 33 (1) The applicant's form and place of organization;  
34 (2) The applicant's proposed method of doing business;  
35 (3) The qualifications, disciplinary history, and business

1 history of the applicant, including, in the case of a broker-dealer or  
2 investment adviser, the qualifications and history of any partner, officer,  
3 director, person occupying a similar status or performing similar functions,  
4 or any persons directly or indirectly controlling the broker-dealer or  
5 investment adviser;

6           (4) Any investigation, proceeding, order, injunction, arrest, or  
7 conviction of any felony or misdemeanor; and

8           (5) The applicant's financial condition and history.

9           (d) The commissioner may provide for a written examination to be taken  
10 by each class of applicants to be used as one (1) of the bases in determining  
11 an applicant's qualifications to be registered. Any agent, broker-dealer,  
12 investment adviser, or representative shall be exempt from examination, except  
13 such part as relates to this chapter, if he was engaged in the securities  
14 business in Arkansas on July 1, 1959, and was registered with the National  
15 Association of Securities Dealers or the Federal Securities and Exchange  
16 Commission.

17           (e) The commissioner is authorized to conduct an investigation in order  
18 that he may determine the fitness of any applicant. Each applicant shall pay  
19 to the commissioner an investigation fee, and the amount of each fee shall be  
20 determined on the same basis as is the examination fee required of  
21 broker-dealers under § 23-42-306(d).

22           (f) If no denial order is in effect or no proceeding is pending under §  
23 23-42-308, registration becomes effective on the thirtieth day after the  
24 application is completed. The commissioner may determine an earlier effective  
25 date upon review of the application.

26           (g) Applications which have not been completed within a period of one  
27 hundred and eighty (180) days after filing with the commissioner may be deemed  
28 abandoned and considered withdrawn by the applicant, provided the applicant  
29 has been notified of the deficiencies to the application and afforded a  
30 reasonable opportunity to correct such deficiencies.

31           (h) A registered broker-dealer or investment adviser may file an  
32 application for registration of a successor, whether or not the successor is  
33 then in existence. Such application shall comply with the requirements for an  
34 initial application."

35

1 SECTION 13. Arkansas Code 23-42-303 is amended to read as follows:

2 "§ 23-42-303. Minimum net capital requirement.

3 (a) The commissioner shall require a minimum net capital for registered  
4 broker-dealers in the amount of twenty-five thousand dollars (\$25,000) and for  
5 investment advisers in the amount of twelve thousand five hundred dollars  
6 (\$12,500).

7 (b) No registered broker-dealer shall permit his aggregate indebtedness  
8 to exceed fifteen hundred percent (1500%) of the net capital of the  
9 broker-dealer.

10 (c) The commissioner shall define net capital and aggregate  
11 indebtedness by rule.

12 (d) Subsections (a) and (b) shall not apply to broker-dealers  
13 registered with the Securities and Exchange Commission who are also members of  
14 the National Association of Securities Dealers or investment advisers  
15 registered with the Securities and Exchange Commission."  
16

17 SECTION 14. Arkansas Code 23-42-304(a) is amended to read as follows:

18 "(a) Every applicant for initial or renewal registration shall pay a  
19 filing fee of:

20 (1) Three hundred dollars (\$300) in the case of a broker-dealer;

21 (2) Seventy-five dollars (\$75.00) in the case of an agent, of  
22 which twenty-five dollars (\$25.00) shall be designated as special revenues and  
23 shall be deposited in the Securities Department Fund;

24 (3) Three hundred dollars (\$300) in the case of an investment  
25 adviser; and

26 (4) Seventy-five dollars (\$75.00) in the case of a  
27 representative, of which twenty-five dollars (\$25.00) shall be designated as  
28 special revenues and shall be deposited in the Securities Department Fund."  
29

30 SECTION 15. Arkansas Code 23-42-305(a) (1) is amended to read as  
31 follows:

32 "(a) (1) The commissioner shall require registered broker-dealers to  
33 post a corporate surety bond in the amount of one hundred thousand dollars  
34 (\$100,000), registered investment advisers to post a corporate surety bond in  
35 the amount of fifty thousand dollars (\$50,000), and, unless the commissioner

1 prescribes otherwise, an agent for the issuer to post a corporate surety bond  
2 in the amount of twenty-five thousand dollars (\$25,000)."

3

4 SECTION 16. Arkansas Code 23-42-305(b) is amended to read as follows:

5 "(b) However, in lieu of a corporate surety bond:

6 (1) A broker-dealer registered with the Securities and Exchange  
7 Commission, who is also a member of the National Association of Securities  
8 Dealers and either a member of the Securities Investor Protection Corporation  
9 or excluded from being a member thereof, and whose agents are registered with  
10 the National Association of Securities Dealers, may maintain a fidelity bond  
11 covering each agent in a form substantially similar to the standard form of  
12 brokers' blanket bond promulgated by the Surety Association of America, in the  
13 following amounts:

14	Dealer with 1 to 5 agents.....	\$40,000
15	Dealer with 6 to 10 agents .....	\$50,000
16	Dealer with 11 to 15 agents .....	\$60,000
17	Dealer with 16 to 20 agents .....	\$70,000
18	Dealer with 21 to 30 agents .....	\$80,000
19	Dealer with over 30 agents .....	\$100,000

20 and covering, at least, fidelity on premises, in transit, misplacement,  
21 forgery and alteration including check forgery, securities loss including  
22 securities forgery, and fraudulent trading;

23 (2) A broker-dealer registered with the Securities and Exchange  
24 Commission who is a member of the National Association of Securities Dealers  
25 and who operates as a sole proprietor which has no agent other than the sole  
26 proprietor shall keep and maintain at least fifty thousand dollars (\$50,000)  
27 personal net worth evidenced by an annual audited financial statement prepared  
28 by an independent certified public accountant and filed with the commissioner;

29 (3) Unless the commissioner by rule or order prescribes  
30 otherwise, an investment adviser who is registered with the Securities and  
31 Exchange Commission, and who does not maintain customer funds, shall keep and  
32 maintain at least twenty-five thousand dollars (\$25,000) net worth evidenced  
33 by an annual audited financial statement accompanied by an opinion acceptable  
34 to the commissioner prepared by an independent certified public accountant and  
35 filed with the commissioner; or

1           (4) The commissioner shall accept any appropriate deposit of cash  
2 or securities issued by the federal government, the State of Arkansas, or any  
3 political subdivision thereof and having a market value of an amount equal to  
4 the required corporate surety bond. The deposits of cash and securities shall  
5 not be withdrawn until five (5) years after the last effective date of  
6 registration or the last effective date for which the deposit was used as a  
7 requirement."

8

9           SECTION 17. Arkansas Code 23-42-306(d) (3) is amended to read as  
10 follows:

11           "(3) For the purpose of avoiding unnecessary duplication of  
12 examination, the commissioner, insofar as he deems it practicable in  
13 administering this subsection, may cooperate with the securities  
14 administrators of other states, the Securities and Exchange Commission, any  
15 national securities exchange or national securities association registered  
16 under the Securities Exchange Act of 1934, or any other jurisdiction, agency,  
17 or organization charged by law or statute with regulating or prosecuting any  
18 aspect of the securities business, and in so cooperating may share any  
19 information he or his representatives may obtain as a result of any  
20 investigation or examination. Examination shall include the right to  
21 reproduce copies of the records referred to in subsection (a) of this  
22 section."

23

24           SECTION 18. Arkansas Code 23-42-307 is amended to read as follows:

25           "§ 23-42-307. Unlawful acts by investment advisers.

26           (a) It is unlawful for any person who receives, directly or indirectly,  
27 any consideration from another person primarily for advising the other person  
28 as to the value of securities or their purchase or sale, whether through the  
29 issuance of analyses, reports, or otherwise:

30                   (1) To employ any device, scheme, or artifice to defraud the  
31 other person;

32                   (2) To engage in any act, practice, or course of business which  
33 operates or would operate as a fraud or deceit upon the other person; or

34                   (3) To make any untrue statement of a material fact, or omit to  
35 state a material fact necessary in order to make the statements made, in light



1 of the circumstances under which they are made, not misleading.

2 (b) It is unlawful for any investment adviser to enter into, extend, or  
3 renew any investment advisory contract unless it provides in writing that:

4 (1) Except as may be permitted by rule or order of the  
5 commissioner, the investment adviser shall not be compensated on the basis of  
6 a share of capital gains upon or capital appreciation of the funds or any  
7 portion of the funds of the client. This subdivision does not prohibit an  
8 investment advisory contract which provides for compensation based upon the  
9 total value of a fund averaged over a definite period, or as of definite  
10 dates, or taken as of a definite date;

11 (2) No assignment of the contract may be made by the investment  
12 adviser without the consent of the other party to the contract.

13 (A) Assignment, as used in subdivision (b)(2) of this  
14 section, includes any direct or indirect transfer or hypothecation of an  
15 investment advisory contract by the assignor, or of a controlling block of the  
16 assignor's outstanding voting securities, by a security holder of the  
17 assignor.

18 (B) However, if the investment adviser is a partnership, no  
19 assignment of an investment advisory contract is considered to result from the  
20 death or withdrawal of a minority of the members of the investment adviser  
21 having only a minority interest in the business of the investment adviser, or  
22 from the admission to the investment adviser of one (1) or more members who,  
23 after admission, will be only a minority of the members and will have only a  
24 minority interest in the business; and

25 (3) The investment adviser, if a partnership, shall notify the  
26 other party to the contract of any change in the membership of the partnership  
27 within a reasonable time after the change.

28 (c) It is unlawful for any investment adviser to take or have custody  
29 of any securities or funds of any client if:

30 (1) The commissioner by rule prohibits custody; or

31 (2) In the absence of rule, the investment adviser fails to  
32 notify the commissioner that he has or may have custody."

33

34 SECTION 19. Arkansas Code 23-42-308 is amended to read as follows:

35 "§ 23-42-308. Denial, suspension, revocation, or withdrawal of

1 registration, and other penalties.

2 (a) The commissioner may by order deny, suspend, or revoke any  
3 registration if he finds that:

4 (1) The order is in the public interest; and

5 (2) The applicant or registrant or, in the case of a  
6 broker-dealer or investment adviser, any partner, officer, or director; any  
7 person occupying a similar status or performing similar functions; or any  
8 person directly or indirectly controlling the broker-dealer or investment  
9 adviser:

10 (A) Has filed an application for registration which as of  
11 its effective date, or as of any date after filing in the case of an order  
12 denying effectiveness, was incomplete in any material respect or contained any  
13 statement which was, in light of the circumstances under which it was made,  
14 false or misleading with respect to any material fact;

15 (B) Has willfully violated or willfully failed to comply  
16 with any provision of this chapter or a predecessor act or any rule or order  
17 under this chapter or a predecessor act;

18 (C) Has been convicted, within the past ten (10) years, of  
19 any misdemeanor involving a security or any aspect of the securities business,  
20 or of any felony or has pending against him a charge of unlawful conduct  
21 involving securities or any aspect of the securities business;

22 (D) Is permanently or temporarily enjoined by any court of  
23 competent jurisdiction from engaging in or continuing any conduct or practice  
24 involving any aspect of the securities business;

25 (E) Is the subject of an order of the commissioner denying,  
26 suspending, or revoking registration as a broker-dealer, agent, investment  
27 adviser, or representative;

28 (F) (i) Is the subject of an order entered within the past  
29 five (5) years by:

30 (a) The securities administrator of any other  
31 state;

32 (b) Any national securities, commodities, or  
33 banking agency or jurisdiction;

34 (c) Any national securities or commodities  
35 exchange;

1 (d) Any securities or commodities  
2 self-regulatory organization;

3 (e) Any registered securities association or  
4 clearing agency denying, revoking, suspending, or expelling him from  
5 registration as a broker-dealer, agent, investment adviser, or representative  
6 or the substantial equivalent of those terms; or

7 (f) Is the subject of a United States postal  
8 fraud order;

9 (ii) However, the commissioner may not institute a  
10 revocation or suspension proceeding under subdivision (a) (2) (F) of this  
11 section more than five (5) years from the date of the order relied on; and

12 (iii) He may not enter an order under subdivision  
13 (a) (2) (F) of this section on the basis of an order under another state act  
14 unless that order was based on facts which would currently constitute a ground  
15 for an order under this section;

16 (G) Has engaged in dishonest or unethical practices in the  
17 securities business;

18 (H) Is insolvent, either in the sense that his liabilities  
19 exceed his assets or in the sense that he cannot meet his obligations as they  
20 mature; but the commissioner may not enter an order against a broker-dealer or  
21 investment adviser under this subdivision without a finding of insolvency as  
22 to the broker-dealer or investment adviser;

23 (I) Is not qualified on the basis of such factors as  
24 training, experience, and knowledge of the securities business, except that:

25 (i) The commissioner may not enter an order against a  
26 broker-dealer on the basis of the lack of qualification of any person other  
27 than the broker-dealer himself, if he is an individual; or an agent of the  
28 broker-dealer;

29 (ii) The commissioner may not enter an order against  
30 an investment adviser on the basis of the lack of qualification of any person  
31 other than the investment adviser himself, if he is an individual, or any  
32 other person who represents the investment adviser in doing any of the acts  
33 which make him an investment adviser;

34 (iii) The commissioner may not enter an order solely  
35 on the basis of lack of experience if the applicant or registrant is qualified

1 by training or knowledge or both;

2 (iv) The commissioner shall consider that an agent  
3 who will work under the supervision of a registered broker-dealer need not  
4 have the same qualifications as a broker-dealer;

5 (v) The commissioner shall consider that an  
6 investment adviser or representative is not necessarily qualified solely on  
7 the basis of experience as a broker-dealer or agent;

8 (J) Has failed reasonably to supervise the agents of the  
9 broker-dealer or the representatives of the investment adviser;

10 (K) Has failed to pay the proper filing fee, but the  
11 commissioner may enter only a denial order under subdivision (a) (2) (K) of this  
12 section, and he shall vacate the order when the deficiency has been corrected.

13 (b) The commissioner may not institute a suspension or revocation  
14 proceeding solely on the basis of a final judicial or administrative order  
15 known to him when registration became effective unless the proceeding is  
16 instituted within one hundred eighty (180) days after registration or unless  
17 the applicant or registrant waives such time limitation. For the purpose of  
18 this provision, a final judicial or administrative order shall not include an  
19 order that is stayed or subject to further review or appeal. This provision  
20 shall not apply to renewal registration.

21 (c) (1) The commissioner may by order summarily postpone or suspend  
22 registration pending final determination of any proceeding under this section.

23 (2) Upon the entry of the order, the commissioner shall promptly  
24 notify the applicant or registrant, as well as the employer or prospective  
25 employer if the applicant or registrant is an agent or representative, that  
26 the order has been entered, and of the reasons therefor, and that within  
27 fifteen (15) days after the receipt of a written request the matter will be  
28 set down for hearing.

29 (3) If no hearing is requested and none is ordered by the  
30 commissioner, the order will remain in effect until it is modified or vacated  
31 by the commissioner. If a hearing is requested or ordered, the commissioner,  
32 after notice of and opportunity for hearing, may modify or vacate the order or  
33 extend it until final determination.

34 (d) If the commissioner finds that any registrant or applicant for  
35 registration is no longer in existence; or has ceased to do business as a

1 broker-dealer, agent, investment adviser, or representative; or is subject to  
2 an adjudication of mental incompetence or to the control of a committee,  
3 conservator, or guardian; or cannot be located after reasonable search, then  
4 the commissioner may by order cancel the registration or application.

5 (e) Withdrawal from registration as a broker-dealer, agent, investment  
6 adviser, or representative becomes effective thirty (30) days after receipt of  
7 an application to withdraw, or within such shorter period of time as the  
8 commissioner may determine, unless a revocation or suspension proceeding is  
9 pending when the application is filed or a proceeding to revoke or suspend or  
10 to impose conditions upon the withdrawal is instituted within thirty (30) days  
11 after the application is filed.

12 (1) If a proceeding is pending or instituted, then withdrawal  
13 becomes effective at such time and upon such conditions as the commissioner by  
14 order determines.

15 (2) If no proceeding is pending or instituted and withdrawal  
16 automatically becomes effective, the commissioner may nevertheless institute a  
17 revocation or suspension proceeding under subdivision (a)(2)(B) of this  
18 section within one (1) year after withdrawal became effective and may enter a  
19 revocation or suspension order as of the last date on which registration was  
20 effective.

21 (f) No order may be entered under any part of this section, except the  
22 first sentence of subsection (c) of this section, without:

23 (1) Appropriate prior notice to the applicant or registrant and  
24 to the employer or prospective employer if the applicant or registrant is an  
25 agent or representative;

26 (2) Opportunity for hearing; and

27 (3) Written findings of fact and conclusions of law.

28 (g) In addition to the authority granted in parts (a) through (e) of  
29 this section, upon notice and opportunity for hearing as provided in part (f)  
30 hereof, the commissioner may fine any broker-dealer, agent, investment  
31 adviser, or representative up to a maximum of five thousand dollars (\$5,000)  
32 for each separate violation of this chapter.

33 (h) Nothing herein shall prohibit or restrict the informal disposition  
34 of a proceeding or allegations which might give rise to a proceeding by  
35 stipulation, settlement, consent or default in lieu of a formal or informal

1 hearing on the allegations or in lieu of the sanctions authorized by this  
2 section."

3

4 SECTION 20. Arkansas Code 23-42-401(a) is amended to read as follows:

5 "(a) The following securities may be registered by notification,  
6 whether or not they are also eligible for registration by coordination under §  
7 23-42-402:

8 (1) Any security whose issuer and any predecessors have been in  
9 continuous operation for at least five (5) years if:

10 (A) There has been no default during the current fiscal  
11 year or within the three (3) preceding fiscal years in the payment of  
12 principal, interest, or dividends on any security of the issuer, or any  
13 predecessor, with a fixed maturity or a fixed interest or dividend provision;  
14 and

15 (B) The issuer and any predecessors during the past three  
16 (3) fiscal years have had average net earnings, determined in accordance with  
17 generally accepted accounting practices, which:

18 (i) Are applicable to all securities without a fixed  
19 maturity or a fixed interest or dividend provision outstanding at the date the  
20 registration statement is filed and are equal to at least three percent (3%)  
21 of the amount of the outstanding securities as measured by the maximum  
22 offering price or the market price on a day, selected by the registrant,  
23 within thirty (30) days before the date of filing the registration statement,  
24 whichever is higher, or book value on a day, selected by the registrant,  
25 within ninety (90) days of the date of filing the registration statement to  
26 the extent that there is neither a readily determinable market price nor a  
27 cash offering price; or

28 (ii) If the issuer and any predecessors have not had any  
29 security of the type specified in subdivision (a) (1) (B) (i) of this section  
30 outstanding for three (3) full fiscal years equal to at least five percent  
31 (5%) of the amount as measured in subdivision (a) (1) (B) (i) of this section of  
32 all securities which will be outstanding if all the securities being offered  
33 or proposed to be offered, whether or not they are proposed to be registered  
34 or offered in this state, are issued;

35 (2) Any security, other than a certificate of interest or

1 participation in an oil, gas, or mining title or lease or in payments out of  
2 production under such a title or lease, registered for nonissuer distribution  
3 if:

4 (A) Any security of the same class has ever been registered  
5 under this chapter or a predecessor act; or

6 (B) The security being registered was originally issued  
7 pursuant to an exemption under this chapter or a predecessor act."

8

9 SECTION 21. Arkansas Code 23-42-402 is amended to read as follows:

10 "§ 23-42-402. Registration by coordination.

11 (a) Any security for which a registration statement has been filed  
12 under the Securities Act of 1933 in connection with the same offering may be  
13 registered by coordination.

14 (b) A registration statement under this section shall contain the  
15 following information and be accompanied by the following documents in  
16 addition to the information specified in § 23-42-404(c) and the consent to  
17 service of process required by § 23-42-107(a):

18 (1) One (1) copy of the prospectus together with all amendments  
19 filed under the Securities Act of 1933;

20 (2) If the commissioner, by rule or otherwise, requires, a copy  
21 of the articles of incorporation and bylaws or their substantial equivalents  
22 currently in effect, a copy of any agreements with or among underwriters, a  
23 copy of any indenture or other instrument governing the issuance of the  
24 security to be registered, and a specimen or copy of the security;

25 (3) If the commissioner requests, any other information, or  
26 copies of any other documents, filed under the Securities Act of 1933; and

27 (4) An undertaking to forward all amendments to the federal  
28 registration statement, other than an amendment which merely delays the  
29 effective date, promptly and in any event not later than the first business  
30 day after the day they are forwarded to or filed with the Securities and  
31 Exchange Commission, whichever first occurs.

32 (c)(1) A registration statement under this section automatically  
33 becomes effective at the moment the federal registration statement becomes  
34 effective if all the following conditions are satisfied:

35 (A) No stop order is in effect and no proceeding is pending

1 under § 23-42-405;

2 (B) The registration statement has been on file with the  
3 commissioner for at least ten (10) days; and

4 (C) A statement of the maximum and minimum proposed  
5 offering prices and the maximum underwriting discounts and commissions has  
6 been on file for two (2) full business days or such shorter period as the  
7 commissioner permits by rule or otherwise, and the offering is made within  
8 those limitations.

9 (2) The registrant shall promptly notify the commissioner by  
10 telephone or telegram of the date and time when the federal registration  
11 statement became effective and the content of the price amendment, if any, and  
12 shall promptly file a post-effective amendment containing the information and  
13 documents in the price amendment.

14 (A) Price amendment means the final federal amendment  
15 which includes a statement of the offering price, underwriting and selling  
16 discounts or commissions, amount of proceeds, conversion rates, call prices,  
17 and other matters dependent upon the offering price.

18 (B) Upon failure to receive the required notification and  
19 post-effective amendment with respect to the price amendment, the commissioner  
20 may enter a stop order, without notice or hearing, retroactively denying  
21 effectiveness to the registration statement or suspending its effectiveness  
22 until there is compliance with this subsection, if he promptly notifies the  
23 registrant by telephone or telegram and promptly confirms by letter or  
24 telegram when he notifies by telephone of the issuance of the order. If the  
25 registrant proves compliance with the requirements of this subsection as to  
26 notice and post-effective amendment, the stop order is void as of the time of  
27 its entry.

28 (3) The commissioner may by rule or otherwise waive either or  
29 both of the conditions specified in subdivisions (c)(1)(A) and (B) of this  
30 section.

31 (4) If the federal registration statement becomes effective  
32 before all the conditions in this subsection are satisfied and they are not  
33 waived, the registration statement automatically becomes effective as soon as  
34 all the conditions are satisfied. If the registrant advises the commissioner  
35 of the date when the federal registration statement is expected to become



1 effective, the commissioner shall promptly advise the registrant by telephone,  
2 telegram, or by electronic means at the registrant's expense, whether all the  
3 conditions are satisfied and whether he then contemplates the institution of a  
4 proceeding under § 23-42-405; but this advice by the commissioner does not  
5 preclude the institution of such a proceeding at any time."

6

7 SECTION 22. Arkansas Code 23-42-403(b) is amended to read as follows:

8 "(b) A registration statement under this section shall contain the  
9 following information and be accompanied by the following documents in  
10 addition to the information specified in § 23-42-404(c) and the consent to  
11 service of process required by § 23-42-107:

12 (1) With respect to the issuer and any significant subsidiary:

13 (A) Its name, address, and form of organization;

14 (B) The state or foreign jurisdiction and date of its  
15 organization;

16 (C) The general character and location of its business;

17 (D) A description of its physical properties and equipment;

18 and

19 (E) A statement of the general competitive conditions in  
20 the industry or business in which it is or will be engaged;

21 (2) With respect to every director and officer of the issuer, or  
22 person occupying a similar status or performing similar functions:

23 (A) His name, address, and principal occupation for the  
24 past five (5) years;

25 (B) The amount of securities of the issuer held by him as  
26 of a specified date within thirty (30) days of the filing of the registration  
27 statement;

28 (C) The amount of the securities covered by the  
29 registration statement to which he has indicated his intention to subscribe;  
30 and

31 (D) A description of any material interest in any material  
32 transaction with the issuer or any significant subsidiary effected within the  
33 past three (3) years or proposed to be effected;

34 (3) With respect to persons covered by subdivision (b)(2) of this  
35 section, the remuneration paid during the past twelve (12) months and

1 estimated to be paid during the next twelve (12) months, directly or  
2 indirectly, by the issuer, together with all predecessors, parents,  
3 subsidiaries, and affiliates, to all those persons in the aggregate;

4 (4) With respect to any person owning of record, or beneficially  
5 if known, ten percent (10%) or more of the outstanding shares of any class of  
6 equity security of the issuer, the information specified in subdivision (b) (2)  
7 of this section, other than his occupation;

8 (5) With respect to every promoter if the issuer was organized  
9 within the past three (3) years:

10 (A) The information specified in subdivision (b) (2) of this  
11 section;

12 (B) Any amount paid to him within that period or intended  
13 to be paid to him; and

14 (C) The consideration for the payment;

15 (6) With respect to any person on whose behalf any part of the  
16 offering is to be made in a nonissuer distribution:

17 (A) His name and address;

18 (B) The amount of securities of the issuer held by him as  
19 of the date of the filing of the registration statement;

20 (C) A description of any material interest in any material  
21 transaction with the issuer or any significant subsidiary effected within the  
22 past three (3) years or proposed to be effected;

23 (7) The capitalization and long-term debt, on both a current and  
24 a pro forma basis, of the issuer and any significant subsidiary, including a  
25 description of each security outstanding or being registered or otherwise  
26 offered, and a statement of the amount and kind of consideration, whether in  
27 the form of cash, physical assets, services, patents, goodwill, or anything  
28 else, for which the issuer or any subsidiary has issued any of its securities  
29 within the past two (2) years or is obligated to issue any of its securities;

30 (8) (A) The kind and amount of securities to be offered;

31 (B) The proposed offering price or the method by which it  
32 is to be computed;

33 (C) Any variation therefrom at which any portion of the  
34 offering is to be made to any person or class of persons other than the  
35 underwriters, with a specification of the person or class;

1 (D) The basis upon which the offering is to be made if  
2 otherwise than for cash;

3 (E) The estimated aggregate underwriting and selling  
4 discounts or commissions and finders' fees, including, separately, cash,  
5 securities, contracts, or anything else of value to accrue to the underwriters  
6 or finders in connection with the offering, or, if the selling discounts or  
7 commissions are variable, the basis of determining them and their maximum and  
8 minimum amounts;

9 (F) The estimated amounts of other selling expenses,  
10 including legal, engineering, and accounting charges;

11 (G) The name and address of every underwriter and every  
12 recipient of a finder's fee;

13 (H) A copy of any underwriting or selling-group agreement  
14 pursuant to which the distribution is to be made, or the proposed form of any  
15 such agreement whose terms have not yet been determined; and

16 (I) A description of the plan of distribution of any  
17 securities which are to be offered otherwise than through an underwriter;

18 (9) (A) The estimated cash proceeds to be received by the issuer  
19 from the offering;

20 (B) The purposes for which the proceeds are to be used by  
21 the issuer;

22 (C) The amount to be used for each purpose;

23 (D) The order or priority in which the proceeds will be  
24 used for the purposes stated;

25 (E) The amounts of any funds to be raised from other  
26 sources to achieve the purposes stated;

27 (F) The sources of any such funds; and

28 (G) If any part of the proceeds is to be used to acquire  
29 any property, including goodwill, otherwise than in the ordinary course of  
30 business, the names and addresses of the vendors, the purchase price, the  
31 names of any persons who have received commissions in connection with the  
32 acquisition, the amounts of those commissions, and any other expense in  
33 connection with the acquisition, including the cost of borrowing money to  
34 finance the acquisition;

35 (10) A description of any stock options or other security options

1 outstanding or to be created in connection with the offering, together with  
2 the amount of those options held or to be held by every person required to be  
3 named in subdivision (b) (2), (4), (5), (6), or (8) of this section and by any  
4 person who holds or will hold ten percent (10%) or more in the aggregate of  
5 those options;

6           (11) The dates of, parties to, and general effect, concisely  
7 stated, of every management or other material contract made or to be made  
8 otherwise than in the ordinary course of business, if it is to be performed in  
9 whole or in part at or after the filing of the registration statement or was  
10 made within the past two (2) years, together with a copy of every such  
11 contract and with a description of any pending litigation or proceeding to  
12 which the issuer is a party and which materially affects its business or  
13 assets, including any such litigation or proceeding known to be contemplated  
14 by governmental authorities;

15           (12) A copy of any prospectus, pamphlet, circular, form letter,  
16 advertisement, television, radio, or other sales literature intended as of the  
17 effective date to be used in connection with the offering;

18           (13) (A) A specimen or copy of the security being registered;

19                       (B) A copy of the issuer's articles of incorporation and  
20 bylaws, or their substantial equivalents, as currently in effect; and

21                       (C) A copy of any indenture or other instrument covering  
22 the security to be registered;

23           (14) A signed or conformed copy of an opinion of counsel as to  
24 the legality of the security being registered, with an English translation if  
25 it is in a foreign language, which shall state whether the security, when  
26 sold, will be legally issued, fully paid, and nonassessable, and, if a debt  
27 security, a binding obligation of the issuer;

28           (15) The written consent of any accountant, engineer, appraiser,  
29 or other person whose profession gives authority to a statement made by him,  
30 if any such person is named as having prepared or certified a report or  
31 valuation, other than a public and official document or statement, which is  
32 used in connection with the registration statement;

33           (16) (A) A balance sheet of the issuer as of a date within four  
34 (4) months prior to the filing of the registration statement;

35                       (B) A profit and loss statement and analysis of surplus for

1 each of the three (3) fiscal years preceding the date of the balance sheet and  
2 for any period between the close of the last fiscal year and the date of the  
3 balance sheet, or for the period of the issuer's and any predecessors'  
4 existence if less than three (3) years; and

5 (C) If any part of the proceeds of the offering is to be  
6 applied to the purchase of any business, the same financial statements which  
7 would be required if that business were the registrant; and

8 (17) Such additional information as the commissioner requires by  
9 rule or order."

10

11 SECTION 23. Arkansas Code 23-42-404 is amended to read as follows:

12 "§ 23-42-404. Registration statements generally.

13 (a) A registration statement may be filed by the issuer, any other  
14 person on whose behalf the offering is to be made, or a registered  
15 broker-dealer.

16 (b)(1) Every person filing a registration statement shall pay a filing  
17 fee of one-tenth of one percent (0.1%) of the maximum aggregate offering price  
18 at which the registered securities are to be offered in this state, but the  
19 fee shall in no case be less than one hundred fifty dollars (\$150) nor more  
20 than two thousand dollars (\$2,000). Any portion of the fee in excess of one  
21 thousand dollars (\$1,000) shall be designated as special revenues and shall be  
22 deposited in the Securities Department Fund. When a registration statement is  
23 withdrawn before the effective date or a preeffective stop order is entered  
24 under § 23-42-405, the commissioner shall retain one hundred fifty dollars  
25 (\$150) of the filing fee.

26 (2) Sales of securities in excess of the amount of securities to  
27 have been offered in this state shall require the person filing the  
28 registration statement to pay a filing fee, calculated in the manner specified  
29 in subdivision (b)(1) of this section, for all securities sold. In addition,  
30 if the sales are in excess of one hundred five percent (105%) of the amount to  
31 have been offered, the person filing the registration statement shall pay a  
32 penalty fee of two hundred dollars (\$200).

33 (c)(1) The initial registration statement of an open-end investment  
34 company, as defined in the Investment Company Act of 1940, as amended filed  
35 pursuant to this subsection shall be effective for a period ending two (2)

1 months after the registrant\_s fiscal year end. Thereafter, the open-end  
2 investment company must renew the registration by submitting the appropriate  
3 registration forms and fees within two (2) months after the expiration of the  
4 registrant\_s fiscal year end.

5 (2) The registration statement of a unit investment trust, as  
6 defined in the Investment Company Act of 1940, as amended, filed pursuant to  
7 this subsection shall be effective for one (1) year from the date of  
8 effectiveness granted by the Securities and Exchange Commission.

9 (d) Every registration statement shall specify:

10 (1) The amount of securities to be offered in this state;

11 (2) The states in which a registration statement or similar  
12 document in connection with the offering has been or is to be filed; and

13 (3) Any adverse order, judgment, or decree entered in connection  
14 with the offering by the regulatory authorities in each state or by any court  
15 or the Securities and Exchange Commission.

16 (e) Any document filed under this chapter or a predecessor act, within  
17 five (5) years preceding the filing of a registration statement, may be  
18 incorporated by reference in the registration statement to the extent that the  
19 document is currently accurate.

20 (f) The commissioner may by rule or otherwise permit the omission of  
21 any item of information or document from any registration statement.

22 (g) In the case of a nonissuer distribution, information may not be  
23 required under § 23-42-403 or subsection (m) of this section unless it is  
24 known to the person filing the registration statement or to the persons on  
25 whose behalf the distribution is to be made, or can be furnished by them  
26 without unreasonable effort or expense.

27 (h) (1) The commissioner may, by rule or order, require as a condition  
28 of registration by qualification or coordination that:

29 (A) Any security issued within the past three (3) years or  
30 to be issued to a promoter for a consideration substantially different from  
31 the public offering price, or to any person for a consideration other than  
32 cash, be deposited in escrow;

33 (B) The proceeds from the sale of the registered security  
34 be impounded until the issuer receives a specified amount.

35 (2) The commissioner may by rule or order determine the

1 conditions of any escrow or impounding required hereunder, but he may not  
2 reject a depository solely because of location in another state.

3 (i) The commissioner may require the issuer, as a condition of  
4 registration by qualification, to escrow up to ten percent (10%) of the  
5 maximum aggregate price of the offering from the offering proceeds under such  
6 terms and conditions as he deems appropriate for up to three (3) years from  
7 the date of termination of the offering or to post a corporate surety bond for  
8 up to ten percent (10%) of the maximum aggregate price of the offering for up  
9 to three (3) years from the date of termination of the offering. Any security  
10 holder having a right under this chapter against the issuer shall have a right  
11 of action against the escrow or corporate surety bond.

12 (j) The commissioner may by rule or order require as a condition of  
13 registration that any security registered by qualification or coordination be  
14 sold only on an approved form of subscription or sale contract and that a  
15 signed or conformed copy of each subscription or sale contract be filed with  
16 the commissioner or preserved for any period up to three (3) years specified  
17 in the rule or order.

18 (k) Every registration statement, except those filed pursuant to  
19 subsection (c) above, is effective for one (1) year from its effective date  
20 and, upon renewal, for any longer period during which the security is being  
21 offered or distributed in a nonexempted transaction except during the time a  
22 stop order is in effect.

23 (l) Renewal registration for the succeeding twelve-month period may be  
24 issued upon written application and upon payment of fees as provided by this  
25 section for original registration, even though the maximum fee was paid the  
26 preceding period, without filing of further statements or furnishing any  
27 further information except as requested by the commissioner. All applications  
28 for renewal received after the expiration of the previous registration shall  
29 be treated as original applications.

30 (m) (1) All outstanding securities of the same class as a registered  
31 security are considered to be registered for the purpose of any non-issuer  
32 transactions:

33 (A) So long as the registration statement is effective,  
34 whether by original or renewal registration; and

35 (B) Between the thirtieth day after the entry of any stop

1 order suspending or revoking the effectiveness of the registration statement  
2 under § 23-42-405, if the registration statement did not relate in whole or in  
3 part to a nonissuer distribution, and one (1) year from the effective date of  
4 the registration statement.

5           (2) A registration statement may not be withdrawn for one (1)  
6 year from its effective date if any securities of the same class are  
7 outstanding. A registration statement may be withdrawn otherwise only in the  
8 discretion of the commissioner.

9           (n) So long as a registration statement is effective, the commissioner  
10 may by rule or order require the person who filed the registration to keep  
11 reasonably current the information contained in the registration statement and  
12 to disclose the progress of the offering.

13           (o) A registration statement relating to a security may be amended  
14 after its effective date so as to increase the securities specified as  
15 proposed to be offered. The amendment becomes effective when the commissioner  
16 so orders. Every person filing such an amendment shall pay a filing fee,  
17 calculated in the manner specified in subsection (b) of this section, with  
18 respect to the additional securities proposed to be offered.

19           (p) The State Securities Department is hereby authorized to promulgate  
20 such rules and regulations necessary to administer the fees, rates, tolls, or  
21 charges for services established by §§ 23-42-304 and 23-42-404 and is directed  
22 to prescribe and collect such fees, rates, tolls, or charges for the services  
23 by the State Securities Department in such manner as may be necessary to  
24 support the programs of the department as directed by the Governor and the  
25 General Assembly."

26

27           SECTION 24. Arkansas Code 23-42-405(a) is amended to read as follows:

28           "(a) The commissioner may issue a stop order denying effectiveness to,  
29 or suspending or revoking the effectiveness of, any registration statement if  
30 he finds that:

31                   (1) The order is in the public interest; and

32                   (2) (A) The registration statement, as of its effective date or as  
33 of any earlier date in the case of an order denying effectiveness, or any  
34 amendment under § 23-42-404(n) as of its effective date, or any report under §  
35 23-42-404(n), is incomplete in any material respect or contains any statement



1 which was, in the light of the circumstances under which it was made, false or  
2 misleading with respect to any material fact;

3 (B) Any provision of this chapter or any rule, order, or  
4 condition lawfully imposed under this chapter has been willfully violated, in  
5 connection with the offering, by:

6 (i) The person filing the registration statement;

7 (ii) The issuer, any partner, officer, or director of  
8 the issuer, any person occupying a similar status or performing similar  
9 functions, or any person directly or indirectly controlling or controlled by  
10 the issuer, but only if the person filing the registration statement is  
11 directly or indirectly controlled by or acting for the issuer; or

12 (iii) Any underwriter;

13 (C) The security registered or sought to be registered is  
14 the subject of an administrative stop order or similar order or a permanent or  
15 temporary injunction of any court of competent jurisdiction entered under any  
16 other federal or state act applicable to the offering, but:

17 (i) The commissioner may not institute a proceeding  
18 against an effective registration statement under this subdivision more than  
19 one (1) year from the date of the order or injunction relied on; and

20 (ii) He may not enter an order under subdivision  
21 (a) (2) (C) of this section on the basis of an order or injunction entered under  
22 any other state act unless that order or injunction was based on facts which  
23 would currently constitute a ground for a stop order under this section;

24 (D) The issuer's enterprise or method of business includes  
25 or would include activities which are illegal where performed;

26 (E) (i) The offering has worked or tended to work a fraud  
27 upon purchasers or would so operate; or

28 (ii) Any aspect of the offering is substantially  
29 unfair, unjust, inequitable, or oppressive;

30 (F) The offering has been or would be made with  
31 unreasonable amounts of underwriters' and sellers' discounts, commissions, or  
32 other compensation, unreasonable amounts of promoters' profits or  
33 participation, or unreasonable amounts or kinds of options;

34 (G) When a security is sought to be registered by  
35 notification, it is not eligible for such registration;

1 (H) When a security is sought to be registered by  
2 coordination, there has been a failure to comply with the undertaking required  
3 by § 23-42-402(b)(4); or

4 (I) The applicant or registrant has failed to pay the  
5 proper filing fee. The commissioner may enter only a denial order under this  
6 subdivision, and he shall vacate any such order when the deficiency has been  
7 corrected."

8

9 SECTION 25. Arkansas Code 23-42-503(a) is amended to read as follows:

10 "(a) The following securities are exempted from §§ 23-42-501 and  
11 23-42-502:

12 (1)(A) Any security, including a revenue obligation, issued or  
13 guaranteed by the United States, any state, any political subdivision of a  
14 state, or any agency or corporate or other instrumentality of one (1) or more  
15 of the foregoing, or any certificate of deposit for any of the foregoing;

16 (B) Any securities that are offered and sold pursuant to  
17 Section 4(5) of the Securities Act of 1933 or that are \_mortgage related  
18 securities\_ as that term is defined in section 3(a)(41) of the Securities  
19 Exchange Act of 1934 are not securities exempt from registration under this  
20 section in the same manner as obligations issued or guaranteed as to principal  
21 and interest by the United States or any agency or instrumentality thereof.  
22 These instruments, commonly referred to as private mortgage-backed securities,  
23 may be exempt from the registration requirements of this chapter provided that  
24 the transaction or the securities are otherwise exempt under this section.  
25 This provision specifically overrides the preemption of state law contained in  
26 section 106(c) of the Secondary Mortgage Market Enhancement Act of 1984,  
27 Public Law 98-440, of the United States;

28 (2) Any security issued or guaranteed by Canada, any Canadian  
29 province, any political subdivision of any Canadian province, any agency or  
30 corporate or other instrumentality of one (1) or more of the foregoing, or by  
31 any other foreign government with which the United States currently maintains  
32 diplomatic relations, if the security is recognized as a valid obligation by  
33 the issuer or guarantor;

34 (3) Any security issued by and representing an interest in or a  
35 debt of any bank organized under the laws of the United States, or any

1 federally insured savings bank, or any bank, savings institution, or trust  
2 company organized and supervised under the laws of any state, or any bank  
3 holding company regulated under the Bank Holding Company Act of 1956, as  
4 amended;

5           (4) Any security issued by and representing an interest in or a  
6 debt of any state or federal savings and loan association, or any federally  
7 insured savings bank, or any building and loan or similar association  
8 organized under the laws of any state and authorized to do business in this  
9 state, or any savings and loan holding company regulated by the Office of  
10 Thrift Supervision or its successor;

11           (5) Any security issued by any federal credit union or any credit  
12 union, industrial loan association, or similar association organized and  
13 supervised under the laws of this state;

14           (6) Any security issued or guaranteed by any railroad, other  
15 common carrier, public utility, or holding company which is:

16                   (A) Subject to the jurisdiction of the Interstate Commerce  
17 Commission;

18                   (B) A registered holding company under the Public Utility  
19 Holding Company Act of 1935 or a subsidiary of such a company within the  
20 meaning of that act;

21                   (C) Regulated in respect of its rates and charges by a  
22 governmental authority of the United States or any state; or

23                   (D) Regulated in respect of the issuance or guarantee of  
24 the security by a governmental authority of the United States, any state,  
25 Canada, or any Canadian province;

26           (7) (A) Any security listed or approved for listing upon notice of  
27 issuance on the New York Stock Exchange, the American Stock Exchange, the  
28 Midwest Stock Exchange, or any other stock exchange approved by the  
29 commissioner;

30                   (B) Any security listed or designated, or approved for  
31 listing or designation upon notice of issuance, on an interdealer quotation  
32 system, if such interdealer quotation system has adopted the criteria for  
33 listing or designation as set forth in Securities Act Release No. 6810 (Dec.  
34 16, 1988); 53 Federal Register 52550 (December 28, 1988); provided, however,  
35 that the commissioner shall have authority, after notice and hearing, to

1 terminate this exemption as to a system upon written findings of fact and  
2 conclusions of law which are subject to judicial review, that the listing or  
3 designation standards have been so changed or insufficiently applied that the  
4 protection to investors contemplated by the exemption no longer exists;

5 (C) Any other security of an issuer exempt under  
6 subdivision (a) (7) (A) or (B) of this section which is of senior or  
7 substantially equal rank;

8 (D) Any security called for by subscription rights or  
9 warrants listed or approved pursuant to subdivision (a) (7) (A) or (B) of this  
10 section;

11 (E) Any warrant or right to purchase or subscribe to any of  
12 the foregoing;

13 (8) Any security issued by any person organized and operated not  
14 for private profit but exclusively for religious, educational, benevolent,  
15 charitable, fraternal, social, athletic, or reformatory purposes, or as a  
16 chamber of commerce or trade or professional association;

17 (9) Any commercial paper which arises out of a current  
18 transaction or the proceeds of which have been or are to be used for current  
19 transactions, and which evidences an obligation to pay cash within nine (9)  
20 months of the date of issuance, exclusive of days of grace, or any renewal of  
21 the paper which is likewise limited, or any guarantee of the paper or of the  
22 renewal;

23 (10) Any investment contract or other security issued in  
24 connection with an employees' stock purchase, savings, pension, profit  
25 sharing, stock bonus, stock option, or similar benefit plan if, in the case of  
26 plans which do not meet the requirements for qualification under the United  
27 States Internal Revenue Code, there is filed with the commissioner prior to  
28 any offer or sale a notice specifying the terms of the plan and the  
29 commissioner does not by order disallow the exemption within ten (10) days;

30 (11) Any annuity contract issued by any not-for-profit  
31 corporation as defined in § 4-28-202 and § 4-33-140(6) under a permit issued  
32 by the Insurance Department of the State of Arkansas; and

33 (12) Any security as to which the commissioner by rule or order  
34 finds that registration is not necessary or appropriate in the public interest  
35 or for the protection of investors."

1

2 SECTION 26. Arkansas Code 23-42-503(d) is amended to read as follows:

3 "(d) (1) Before any security may be issued as an exempted security under  
4 subdivision (a) (3)-(6), (8), or subsection (c) of this section, a proof of  
5 exemption must first be filed with the commissioner and the commissioner by  
6 order shall not have disallowed the exemption within the next five (5) full  
7 business days.

8 (2) The proof of exemption shall contain a statement of the grounds  
9 upon which the exemption is claimed and a designation of the subsection of  
10 this section under which the exemption is claimed.

11 (3) Proofs of exemption which have not been completed within a period  
12 of one hundred eighty (180) days after filing with the commissioner may be  
13 deemed abandoned and considered withdrawn by the applicant, provided the  
14 applicant has been notified of the deficiencies to the proof and afforded a  
15 reasonable opportunity to correct such deficiencies.

16 (4) Each offering shall be effective only for twelve (12) consecutive  
17 months unless the commissioner by rule or order shall extend the period of  
18 time to not more than five (5) years.

19 (5) For every proof of exemption filed with the commissioner there shall  
20 be paid to the commissioner a filing fee of one hundred dollars (\$100), except  
21 that for a proof of exemption filed under subdivision (a) (8) of this section,  
22 the filing fee is one-tenth of one percent (0.1%) of the maximum aggregate  
23 offering price at which the securities are to be offered in this state. The  
24 fee shall in no case be less than one hundred dollars (\$100) nor more than  
25 five hundred dollars (\$500). The commissioner shall have authority under this  
26 subsection to amend or rescind the filing fees by rule or order if the  
27 commissioner determines that the fee is excessive under the circumstances."

28

29 SECTION 27. Arkansas Code 23-42-504 is amended to read as follows:

30 "§ 23-42-504. Exempted transactions.

31 (a) The following transactions are exempted from §§ 23-42-501 and  
32 23-42-502:

33 (1) Any isolated nonissuer transactions, whether effected through  
34 a broker-dealer or not, provided that repeated or successive transactions  
35 shall be prima facie evidence that the transactions are not isolated nonissuer

1 transactions;

2 (2) Any nonissuer distribution of an outstanding security if:

3 (A) A recognized securities manual contains the names of  
4 the issuer's officers and directors, a balance sheet of the issuer as of a  
5 date within eighteen (18) months, and a profit and loss statement for either  
6 the fiscal year preceding that date or the most recent year of operations; or

7 (B) The security has a fixed maturity or a fixed interest  
8 or dividend provision and there has been no default during the current fiscal  
9 year or within the three (3) preceding fiscal years, or during the existence  
10 of the issuer and any predecessors if less than three (3) years, in the  
11 payment of principal, interest, or dividends on the security;

12 (3) Any nonissuer transaction effected by or through a registered  
13 broker-dealer pursuant to an unsolicited order or offer to buy; but the  
14 commissioner may by rule require that the customer acknowledge, upon a  
15 specified form, that the sale was unsolicited and that a signed copy of each  
16 form be preserved by the broker-dealer for a specified period;

17 (4) Any transaction between the issuer or other person on whose  
18 behalf the offering is made and an underwriter, or among underwriters;

19 (5) Any transaction in a bond or other evidence of indebtedness  
20 secured by a real or chattel mortgage or deed of trust, or by an agreement for  
21 the sale of real estate or chattels if the entire mortgage, deed of trust, or  
22 agreement, together with all the bonds or other evidences of indebtedness  
23 secured thereby, is offered and sold as a unit;

24 (6) Any transactions by an executor, administrator, sheriff,  
25 marshal, receiver, trustee in bankruptcy, guardian, or conservator;

26 (7) Any transaction executed by a bona fide pledgee without any  
27 purpose of evading this chapter;

28 (8) Any offer or sale to a bank, savings institution, trust  
29 company, insurance company, investment company as defined in the Investment  
30 Company Act of 1940, pension or profit-sharing trust, or other financial  
31 institution or institutional buyer, or to a broker-dealer, whether the  
32 purchaser is acting for itself or in some fiduciary capacity. The commissioner  
33 may by order, upon petition by any person, determine if the petitioner may be  
34 deemed, upon the basis of knowledge, experience, volume, and number of  
35 transactions, and other securities background, an institutional buyer for



1 and is not controlled by or under common control with, the issuer if:

2 (A) The transaction is at a price reasonably related to the  
3 current market price;

4 (B) The security is registered with the United States  
5 Securities and Exchange Commission under section 12 of the Securities Exchange  
6 Act of 1934 and the issuer files reports with the United States Securities and  
7 Exchange Commission pursuant to section 13 or 15(d) of that act; and

8 (C) A copy of the registration statement filed with the  
9 United States Securities and Exchange Commission has been filed with the  
10 commissioner, together with copies of any other reports and exhibits which he  
11 may by rule or order require;

12 (14) Any transaction pursuant to an offer or sale provided that  
13 all of the following conditions are met:

14 (A) There shall be no more than thirty-five (35) purchasers  
15 of the securities being offered;

16 (B) The issuer and any person acting on its behalf who  
17 offers, offers to sell, offers for sale, or sells the securities shall have  
18 reasonable grounds to believe and shall believe immediately prior to making  
19 any sale, after making reasonable inquiry, either:

20 (i) That the purchaser has such knowledge and  
21 experience in financial and business matters that he is capable of evaluating  
22 the merits and risks of the prospective investment; or

23 (ii) That the purchaser and his purchaser  
24 representatives together have such knowledge and experience in financial and  
25 business matters that they are capable of evaluating the merits and risks of  
26 the prospective investment and that the purchaser is able to bear the economic  
27 risk of the investment;

28 (C) Each buyer is purchasing for investment and not taking  
29 with a view to distribution;

30 (D) The securities may only be sold through a broker-dealer  
31 or agent of the issuer registered under this chapter, or a person exempt from  
32 the registration requirements who meets the qualifications which are  
33 established by the commissioner pursuant to rule-making authority;

34 (E) An exemption is not claimed nor has an exemption been  
35 filed pursuant to subdivision (a) (9) of this section within twelve (12) months



1 of the effective date of this exemption.

2 (F) An offering under this subdivision shall be effective  
3 for a period of twelve (12) months, and the offeror shall furnish to the  
4 commissioner a list of purchasers within fifteen (15) days after the  
5 expiration of the twelve-month period unless sooner requested by the  
6 commissioner; and

7 (G) The commissioner shall by rule prescribe and subject  
8 the transaction to the terms, conditions, and fees prescribed therein and may  
9 by rule or order permit the payment, directly or indirectly, of a commission  
10 or other remuneration for soliciting any purchaser in this state. The  
11 commissioner may by rule or order, as to any security or transaction or any  
12 type of security or transaction, withdraw or further condition this exemption  
13 or increase or decrease the number of purchasers permitted, or waive the  
14 conditions in subdivisions (14) (A) through (F);

15 (15) Any other transaction which the commissioner by rule or  
16 order exempts as not being necessary or appropriate in the public interest for  
17 the protection of investors.

18 (b) (1) Before any transaction shall be executed as an exempted  
19 transaction under subdivisions (a) (9)-(11) or (14) of this section, except in  
20 the case of dividend reinvestment programs pursuant to subdivision (a) (11) of  
21 this section, a proof of exemption must first be filed with the commissioner  
22 and the commissioner by order shall not have disallowed the exemption within  
23 the next five (5) full business days. Before any dividend reinvestment program  
24 shall be executed as an exempt transaction under subdivision (a) (11) of this  
25 section, an initial proof of exemption shall be filed; thereafter in every  
26 fifth year a proof of exemption must be filed with the commissioner and the  
27 commissioner by order must not have disallowed the exemption within the next  
28 five (5) full business days.

29 (2) The proof of exemption shall contain a statement of the  
30 grounds upon which the exemption is claimed and a designation of the  
31 subsection of this section under which the exemption is claimed.

32 (3) Proofs of exemption which have not been completed within a  
33 period of one hundred eighty (180) days after filing with the commissioner may  
34 be deemed abandoned and considered withdrawn by the applicant, provided the  
35 applicant has been notified of the deficiencies to the proof and afforded a



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