

Reported Recommending
Ind. Postponed
Passed Senate
Failed to Pass Senate
Passed House
Failed to Pass House

House File 128

January 27, 1947.
Banks and Banking.

By KOSEK, McFARLANE, HEDIN,
SCHWENGEL and KNICKERBOCKER.

A BILL FOR

An Act to amend section five hundred two point four
(502.4), Code 1946, relating to exempt securities,
and section five hundred two point five (502.5)
Code 1946, relating to exempt transactions.

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

1 Section 1. Subsection eight (8) of section five
2 hundred two point four (502.4), Code 1946, is amended
3 by striking the period in line nine (9) and adding the
4 following:
5 “; and any common stock outstanding and in the
6 hands of the public in whole or in part for a period
7 of not less than five years upon which dividends have
8 been paid annually for five years next preceding the
9 year of proposed sale or stock dividends thereon or
10 reclassification thereof, provided this exemption shall
11 not apply to common stock which has been registered with
12 the Securities and Exchange Commission at any time during
13 the five years next preceding the date of sale.”

1 Sec. 2. Section five hundred two point five (502.5),
2 Code 1946, is amended by adding at the end thereof the
3 following subsection;

4 "The sale in the ordinary and usual course of
5 business by a registered dealer of any security provided
6 such sale is reasonably related to the current market
7 price of such security at the time of sale, and provided
8 such security is part of an issue which has been out-
9 standing, in whole or in part, in the hands of the public
10 for a period of not less than three years, or stock dividends
11 thereon or reclassifications thereof, and further provided
12 that information as to the issuer of such security is
13 published in a recognized manual of securities, excepting,
14 however, securities of the following classes:

15 (1) Securities of a class which have been registered
16 with the Securities and Exchange Commission at any time
17 during the three years next preceding the date of sale.

18 (2) Securities of a class in respect to which there
19 have been like issues within three years next preceding
20 the date of sale.

21 (3) Securities issued by other than going concerns.

22 This exemption shall not apply to any security
23 whose resale is prohibited by specific order of the
24 Commissioner of Insurance."

EXPLANATION OF H. F. 128

This bill exempts from the qualification features of our Securities Act certain seasoned securities which have been outstanding in the hands of the public for three or more years and which are traded in recognized securities markets throughout the nation.

The Iowa investor is hereby enabled to purchase securities within the prescribed class without formal qualifications by registration. The law remains unchanged with respect to new issues and large offerings requiring registration with the Securities and Exchange Commission in Washington. The investor is particularly safeguarded by the power lodged in the Commissioner of Insurance to remove any security in his discretion from the benefit of this exemption. Section 1 of the bill adds common stock

outstanding for five years and on which dividends have been paid for five years to the types specified in the existing exemption, excepting, however, stocks registered with the Securities and Exchange Commission. Section 2 provides an exemption for sales at current market prices by registered dealers of certain securities outstanding not less than three years which are listed in recognized manuals of securities, with appropriate exceptions to safeguard the investor. The bill proposes in effect to enlarge, to a limited extent, the investment possibilities of the individual citizen.