

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Don Steffes at 9:00 a.m. on March 13, 1997 in Room 529-S of the Capitol.

All members were present except:

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: David Brant, Kansas Securities Commissioner
Roger N. Walter, General Counsel

Others attending: See attached list

Hearing on HB 2094--Regulation of securities

David Brant, Kansas Securities Commissioner, reviewed the four areas of responsibility of the Securities Commissioner: registration, compliance and licensing, enforcement, and investor information (Attachment 1). The proposed amendments would not significantly change any of these functions. These amendments would bring Kansas into compliance with the new federal act which creates a national unified system of regulation whereby securities offerings which are national in character will not be defined as "covered securities" and regulated by the S.E.C. The second change will be to divide the regulation of investment advisers between the states and the S.E.C. The Act more clearly defines the partnership between federal and state regulation in order to eliminate duplication and enhance cooperation. Mr. Brant explained that financial planners who do not sell a product but act in an advisory role do not require licensure. Registration is required for financial advisers who do sell such things as mutual funds, investments, and securities. Costs of registration is \$25 for an individual and \$100 for a firm.

Roger N. Walter, General Counsel, reviewed the federal act as well as the proposed bill, new sections, and proposed amendments (Attachment 2). The bill will put Kansas in full compliance with the federal act. No new policies are enacted by this bill. A budget amendment to increase staff through fee funding will be proposed. \$170,000 will be needed for staffing and \$185,000 for education. Fees will be increased at the request of the industry in order to meet these budgetary requirements. The bill was passed by the House by a vote of 124-1.

Senator Feleciano moved to adopt all the amendments as proposed and to authorize the Revisor to make the necessary technical changes. The motion was seconded by Senator Clark. Motion carried.

Senator Feleciano moved to pass the bill out favorably as amended. The motion was seconded by Senator Clark. Motion carried.

The hearing scheduled today for HB 2045 was continued until March 20.

The meeting was adjourned at 10:03 a.m.

SENATE FINANCIAL INSTITUTIONS & INSURANCE
COMMITTEE GUEST LIST

DATE: 3/13

NAME	REPRESENTING
Tom Wilder	Kansas Insurance Dept.
Callee Hill Denton	Bottenberg's Assoc.
Roger Freuden	BANK IV
DAVID BRANT	SECURITIES COMMISSIONER
ROGER WALTER	"



KANSAS

Bill Graves
Governor

OFFICE OF THE SECURITIES COMMISSIONER

David R. Brant
Securities Commissioner

TESTIMONY IN SUPPORT OF HOUSE BILL No. 2094
Amendments To The Kansas Securities Act
Financial Institutions and Insurance Committee Kansas Senate

DAVID BRANT
Kansas Securities Commissioner
March 13, 1997

Mr. Chairman and members of the committee, thank you for this opportunity to testify in support of House Bill No. 2094 which makes needed amendments to the Kansas Securities Act.

Since this is my first opportunity to testify before your committee regarding a securities matter, I would like to provide you with some brief information on my background. I was sworn in as the Securities Commissioner in April 1996 after being appointed by the Governor and confirmed by the Senate. While I now have eleven months of experience in state securities regulation, I previously worked for over 12 years in the securities industry after graduating from law school. My previous position was as the Vice President of Public Finance for BANK IV which involved working as an underwriter of municipal bonds and as a financial advisor to local governments and community colleges across Kansas. I have securities licenses, both as a Series 7 Registered Representative and as a Series 53 Municipal Bond Principal, in addition to being a licensed attorney.

On October 11, 1996, the President signed the National Securities Markets Improvement Act ("NSMIA" or "the Act") which ended a 14-month long debate in the U.S. Congress over proposed reforms to federal and state securities regulation. The new federal securities act is a sweeping attempt to modernize and rationalize the nation's securities regulatory system to correct and improve areas of duplicative and unnecessary regulation.

As a note of history, the shared system of state and federal regulation of securities began in 1933 when the federal Securities and Exchange Commission ("S.E.C.") was created by Congress. Before 1933, securities regulation had only been done by the states. In fact, you may know that Kansas was the first state in the nation to adopt a "blue sky" law in 1911 to regulate securities. The state was a hunting ground of promoters of fraudulent investment schemes. It was said that some of the frauds "became so barefaced that promoters would sell building lots in the blue sky in fee simple." Thus, the term "blue sky" was coined to refer to state securities laws.

Now back to 1997, the new federal Act creates a national unified system of regulation whereby securities offerings that are national in character will now be defined as "covered securities" and regulated only by the S.E.C. Covered securities include mutual funds, stocks traded on the national exchanges, and securities sold to sophisticated investors.

March 13, 1997

Page 2

The second most significant change will be to divide the regulation of investment advisers between the states and the S.E.C. The states will supervise investment advisers managing less than \$25 million in client assets, while giving the S.E.C. the primary responsibility for investment advisers managing mutual funds or large portfolios. For your information, the definition of investment adviser includes "financial planners" who are paid either a fee or commission and who recommend the purchase of specific investment products.

For your information, to handle the increased responsibility of being the sole regulator of small investment advisers, our agency is proposing a budget amendment to add additional staff. Otherwise, the new federal changes and the needed proposed amendments to the Kansas Securities Act will not require significant changes in the purpose or functions of the Securities Commissioner's office which are as follows:

Registration: We review the disclosure and fairness of smaller offerings of stocks, bonds, and limited partnerships and we accept filings for exempt offerings such as mutual funds and non-profit organizations. In the last fiscal year, we had over 557 new registrations, 439 exempt filings, and 3,018 mutual fund filings.

Compliance and Licensing: Our agency conducts on-site examinations of home and branch offices and we license investment professionals. In addition, we handle investor complaints regarding sales practices, churning, or misleading information. Currently, we have granted licenses to 1,418 broker dealer firms (38 of which are based in Kansas); 43,252 broker dealer agents; 490 investment advisers (174 of which are based in Kansas); and 2,105 investment adviser representatives (363 of which are based in Kansas).

Enforcement: We have investigators and attorneys on staff that investigate fraud, "white collar crime," and unregistered activity. In the last fiscal year, we conducted approximately 275 investigations which resulted in 92 administrative orders, 13 criminal convictions, \$70,000 in fines, and over \$4.9 million in restitution orders and rescission offers to be repaid to investors.

Investor Information: We are preparing to increase our education efforts to make Kansas investors more aware of the services of our office. With a proposed slogan of "***Investigate Before You Invest,***" we encourage investors to use our 800 number hotline to inquire about the disciplinary background and registration of brokers, investment advisers, and the investment products being promoted. We could help prevent investment fraud if investors would first check with our agency. I have samples of several information pamphlets which provide warnings and helpful questions for investors to consider.

In summary, the new federal Act more clearly defines the partnership between federal and state regulation in order to eliminate duplication and enhance cooperation. Most important, the Act endorses the role and primary mission of state regulation... **to protect and inform investors.** And we can be proud that the state of Kansas has been protecting investors for a very long time...in fact, since the beginning.

Now, I would like to introduce our General Counsel, Roger Walter, who will explain in more detail the specific amendments to the Kansas Securities Act. I am proud that Roger is one of six members of the national task force responsible for drafting the model state amendments to implement the new federal Act.



KANSAS

Bill Graves
Governor

OFFICE OF THE SECURITIES COMMISSIONER

David R. Brant
Securities Commissioner

TESTIMONY
ROGER N. WALTER, GENERAL COUNSEL
OFFICE OF THE KANSAS SECURITIES COMMISSIONER
BEFORE THE SENATE FINANCIAL INSTITUTIONS
AND INSURANCE COMMITTEE
IN SUPPORT OF HOUSE BILL 2094
MARCH 13, 1997

Mr. Chairman and Members of the Committee:

I am Roger Walter, General Counsel to the Kansas Securities Commissioner. In addition to the Commissioner, I am testifying in support of HB 2094 to explain the proposed amendments to the Kansas Securities Act ("Act").

In summary, HB 2094 conforms the Act to the requirements of recent federal legislation, The National Securities Markets Improvement Act ("NSMIA"), which was signed by the President on October 11, 1996. That law amended various federal acts regulating securities, broker-dealers, investment companies, and investment advisers.

NSMIA preempts federal "covered securities" from state registration review. "Covered securities" are defined by NSMIA to include certain exchange listed securities, mutual funds, and certain securities exempt from registration under the Securities Act of 1933. States are still allowed to require notice filings and collect fees for such securities.

NSMIA also precludes a state from imposing requirements on broker-dealers regarding net capital, margin, financial responsibility, books and records, or bonding or financial or operational reporting which differs from the requirements imposed by the Securities Exchange Act of 1934. It also exempts

*Senate F.D.S.
Attachment 2*

3/13/97

agents of broker-dealers from the requirement of state registration if they confine themselves to parameters of a de minimis transaction defined in NSMIA.

NSMIA also preempts the states from regulating investment adviser firms who have \$25 million or more in assets under management. Those adviser firms with less than \$25 million in assets under management will be exclusively registered by the states. Under the NSMIA, the states will maintain licensing authority over all individual representatives of investment advisory firms regardless of size.

The proposed amendments, which are highly technical in nature, conform the Kansas Securities Act to this new federal preemption scheme and provide for specific authority to require notice filings and collect fees from this new category of "federal covered securities." They also address the dual regulatory scheme for investment advisers and investment adviser representatives, which delineates the role of the state versus the role of the federal Securities and Exchange Commission. Further, there is an amendment to provide the de minimis transaction exemption for agents mandated by NSMIA.

The proposed bill also provides some additional technical amendments to the Kansas Securities Act which are not related to the recent federal legislation. These additional amendments eliminate obsolete provisions of the Act, correct certain perceived inadequacies in the application of the Act, and make the Act more uniform in comparison to other state securities acts and the model Uniform Securities Act ("USA").

New Section 1 of the bill sets forth the notice filing and fee requirements for federal covered securities, securities which were formerly registered under the Act, the registration of which is now preempted under the terms of NSMIA.

New Section 2 does nothing more than move an existing statute, K.S.A. 75-6308 from its location in Chapter 75 to a new location within the Act in Chapter 17.

Section 3 amends various definitions under the Act. The definition of agent under K.S.A. 17-1252(b) excludes certain individuals who represent

issuers in selling certain securities exempted from registration under K.S.A. 17-1261. This definition is amended to add to that list of exclusions individuals representing issuers in selling three additional securities exempt under K.S.A. 17-1261(e), (g), and (k). These securities are exempt securities issued by insurance companies, by exchange listed issuers, and by agricultural cooperatives. Staff felt that the protection of public investors and sound regulatory policy did not require such individuals be registered as agents. This section is also amended to incorporate the de minimis transaction exclusion from state registration of agents required by NSMIA.

The definition of investment adviser in K.S.A. 17-1252(e) is amended to make the definition more uniform with other states' acts and USA. New definitions are added for the terms "investment adviser representative," "federal covered security," and "federal covered adviser" to implement the requirements of NSMIA.

Section 4 amends K.S.A. 17-1254, the section of the Act which sets forth the registration and post registration requirements for broker-dealers, agents, investment advisers, and their representatives. The amendments simplify and consolidate the statutory language and make other provisions more consistent with USA. They also conform these requirements to the new bifurcated system of state and federal licensing of certain investment advisers and investment adviser representatives. The amendments also clarify the state authority under the new system with respect to net capital, financial responsibility, bonding, and books and records requirements for broker-dealers and investment advisers.

Section 5 amends K.S.A. 17-1255. That section currently makes it unlawful to sell securities unless they are registered or specifically exempt by statute. The amendment would allow for the sale of a federal covered security without registration. This conforms the Act to the requirements of NSMIA.

The bill also proposes to repeal K.S.A. 17-1256 which provides for "registration by notification" (an abbreviated form of registration) for certain seasoned, high-quality issues. This form of registration has not been used since

1979 and has been rendered obsolete by the exchange listing exemption, blue chip exemption for general issuers and mutual funds, and now by the preemption of federal covered securities.

Sections 6, 7, and 8 simply conform the text of K.S.A. 17-1259, 17-1262, and 17-1262a to delete any reference to K.S.A. 17-1256.

Section 9 amends the requirements for filing a consent to service of process, to exempt from this requirement certain additional issuers of securities exempt under K.S.A. 17-1261(g), primarily exchange listed securities. Again, staff felt that investor protection and sound regulatory policy did not justify such a filing for those issuers.

Section 10 amends K.S.A. 17-1268(d) which now provides, in part, that any agreement to waive compliance with the Act is void. The current language is limited to “. . . any person acquiring any security . . .” The amendment would extend this protection to persons “. . . receiving any investment advice . . .” The Act was amended in 1979 to regulate investment advisers, but this section was never amended to reflect this change.

Section 11 amends K.S.A. 17-1270(c) to consolidate and simplify the statutory language and make it consistent with USA, and to make it clear that the requirements of K.S.A. 17-1270(c), which do not currently apply to exempt securities and transactions, also do not apply to federal covered securities.

Section 12 amends K.S.A. 17-1272. That section states the current requirement that the burden of proof of any exemption is on the party claiming the benefit of the exemption. This section's amendment states a similar requirement for a person claiming the benefit of an exclusion from registration requirements of the Act based on status as a federal covered security.

HOUSE BILL No. 2094

By Committee on Financial Institutions

1-24

10 AN ACT relating to the regulation of securities; amending K.S.A. 17-
11 1254, 17-1255, 17-1262a, 17-1263, 17-1268, 17-1270 and 17-1272 and
12 K.S.A. 1996 Supp. 17-1252, 17-1259, 17-1261 and 17-1262 and re-
13 pealing the existing sections; also repealing K.S.A. 17-1256 and K.S.A.
14 1996 Supp. 75-6308.

15
16 *Be it enacted by the Legislature of the State of Kansas:*

17 New Section 1. (a) The commissioner, by ~~rule~~ **rules and regula-**
18 **tions** or order, may require the payment of a filing fee and the filing of
19 documents with respect to a covered security under section 18(b)(2) of
20 the securities act of 1933, as follows:

21 (1) Prior to the initial offer of such federal covered security in this
22 state, all documents that are part of a federal registration statement filed
23 with the United States securities and exchange commission under the
24 securities act of 1933, together with a consent to service of process, and
25 a fee not to exceed \$2,500;

26 (2) after the initial offer of such federal covered security in this state,
27 all documents that are a part of an amendment to a federal registration
28 statement filed with the United States securities and exchange commis-
29 sion under the securities act of 1933, which shall be filed concurrently
30 with the commissioner, together with a fee not to exceed \$100;

31 (3) an annual or periodic report of sales of such federal covered se-
32 curities in this state;

33 (4) each notice filing under this subsection (a) shall be effective for
34 one year from its original filing date, or such other date required by the
35 commissioner by ~~rule~~ **rules and regulations** or order, and shall be re-
36 newed annually, so long as the covered security continues to be offered
37 in this state, by payment of an annual renewal fee not to exceed \$2,500.

38 (b) With respect to a covered security under section 18(b)(4)(D) of
39 the securities act of 1933, the commissioner, by ~~rule~~ **rules and regula-**
40 **tions** or order, may require the issuer to file a notice on form D together
41 with a fee not to exceed the amount authorized by paragraph (3) of sub-
42 section (b) of K.S.A. 17-1259, and amendments thereto.

43 (c) The commissioner, by ~~rule~~ **rules and regulations** or otherwise,

1 may require the filing of any document filed with the United States se-
2 curities and exchange commission with respect to a covered security un-
3 der section 18(b)(3) and (4) of the securities act of 1933, together with a
4 fee not to exceed the amount authorized by paragraph (3) of subsection
5 (b) of K.S.A. 17-1259, and amendments thereto.

6 (d) The commissioner may issue a stop order suspending the offer
7 and sale of a federal covered security, except a covered security under
8 section 18(b)(1) of the securities act of 1933, if it finds that:

- 9 (1) The order is in the public interest; and
- 10 (2) there is a failure to comply with any condition established under
11 this section.

12 (e) The commissioner, by ~~rule~~ **rules and regulations** or order, may
13 ~~waive any or all of the provisions of this section.~~

14 ^{New Sec. 2.} (a) To encourage uniform interpretation and adminis-
15 tration of the Kansas securities act and effective securities regulation and
16 enforcement, the commissioner may cooperate with the securities agen-
17 cies or administrators of other states, Canadian provinces or territories,
18 or other countries, the securities and exchange commission, the com-
19 modity futures trading commission, the securities investor protection cor-
20 poration, any self-regulatory organization, any national or international
21 organization of securities officials or agencies and any governmental law
22 enforcement or regulatory agency.

23 (b) The cooperation authorized by this section includes, but is not
24 limited to, the following:

- 25 (1) Establishing a central depository for registration under the Kansas
26 securities act and for documents and fees required under such act. The
27 commissioner shall by rules and regulations establish procedures and
28 requirements for filing documents and fees;
- 29 (2) making a joint registration examination or enforcement investi-
30 gation;
- 31 (3) holding a joint administrative hearing;
- 32 (4) filing and prosecuting a joint civil or administrative proceeding;
- 33 (5) sharing and exchanging personnel;
- 34 (6) sharing and exchanging information and documents subject to the
35 restrictions of the Kansas open records act; and
- 36 (7) formulating, in accordance with the Kansas administrative pro-
37 cedure act, rules and regulations on matters such as statements of policy,
38 guidelines and interpretive opinions and releases.

39 (c) This section shall be part of and supplemental to the Kansas se-
40 curities act.

41 Sec. 3. K.S.A. 1996 Supp. 17-1252 is hereby amended to read as
42 follows: 17-1252. When used in this act, unless the context otherwise
43 requires:

(f) Notwithstanding the provisions of this section, until October 10, 1999, the commissioner may require the registration of any federal covered security for which the fees required by this section have not been paid promptly following written notification from the commissioner to the issuer of the non-payment or underpayment of such fees. An issuer shall be considered to have promptly paid such fees if they are remitted to the commissioner within fifteen (15) days following such person's receipt of written notification from the commissioner.

1 (a) "Commissioner" means the securities commissioner of Kansas,
2 appointed as provided in K.S.A. 17-1270, and amendments thereto.

3 (b) "Agent" means any individual other than a broker-dealer who
4 represents a broker-dealer or issuer in effecting or attempting to effect
5 *purchases or sales* of securities. "Agent" does not include an individual
6 who represents an issuer only in transactions in securities exempted by
7 subsections (a), (b), (c), (e), (f), (g), (i), (j), (k), (l) or (p) of K.S.A. 17-
8 1261, and amendments thereto, *or who represents a broker-dealer in*
9 *effecting transactions in this state limited to those transactions described*
10 *in section 15(h)(2) of the securities and exchange act of 1934.* A partner,
11 officer or director of a broker-dealer or issuer, or a person occupying a
12 similar status or performing similar functions, is an agent only if such
13 person otherwise comes within this definition.

14 (c) "Broker-dealer" means any person engaged in the business of pur-
15 chasing, offering for sale or selling securities for the account of others or
16 for such person's own account; but the term does not include an agent,
17 issuer, bank, savings institution, insurance company, or a person who ef-
18 fects transactions in this state exclusively with the issuer of the securities
19 involved in the transactions or with any person to whom a sale is exempt
20 under subsection (f) of K.S.A. 17-1262, and amendments thereto.

21 (d) "Guaranteed" means guaranteed as to payment of principal in-
22 terest or dividends.

23 (e) "Issuer" means any person who issues or proposes to issue any
24 security, except that with respect to certificates of deposit, voting-trust
25 certificates or collateral-trust certificates, or with respect to certificates of
26 interest or shares in an unincorporated investment trust not having a
27 board of directors (or persons performing similar functions) or of the
28 fixed, restricted management or unit type; the term "issuer" also means
29 the person or persons performing the acts and assuming the duties of
30 depositor or manager pursuant to the provisions of the trust or other
31 agreement or instrument under which the security is issued. The issuer
32 of a certificate of interest in an oil and gas royalty, lease or mineral deed
33 is the owner of the interest in the oil and gas royalty, lease or mineral
34 deed who creates the certificate of interest for purpose of sale.

35 (f) "Nonissuer" means not directly or indirectly for the benefit of the
36 issuer.

37 (g) "Person" means an individual, a corporation, a partnership, an
38 association, a joint-stock company, a trust where the interests of the ben-
39 efiaries are evidenced by a security, an unincorporated organization, a
40 government or a political subdivision of a government.

41 (h) (1) "Sale" or "sell" includes every contract of sale of, contract to
42 sell, or disposition of, a security or interest in a security for value.

43 (2) "Offer" or "offer to sell" includes every attempt or offer to dispose

1 of, or solicitation of an offer to buy, a security or interest in a security for
2 value.

3 (3) Any security given or delivered with, or as a bonus on account of,
4 any purchase of securities or any other thing is considered to constitute
5 part of the subject of the purchase and to have been offered and sold for
6 value.

7 (4) Every sale or offer of a warrant or right to purchase or subscribe
8 to another security of the same or another issuer, and every sale or offer
9 of a security which gives the holder a present or future right or privilege
10 to convert into another security of the same or another issuer, is consid-
11 ered to include an offer of the other security.

12 (5) A purported gift of assessable stock is considered to involve an
13 offer and sale of such stock.

14 (i) "Securities act of 1933," "securities exchange act of 1934," "public
15 utility holding company act of 1935," and "investment company act of
16 1940" mean the federal statutes of those names.

17 (j) "Security" means any note; stock; treasury stock; bond; debenture;
18 evidence of indebtedness; certificate of interest or participation in any
19 profit-sharing agreement; collateral-trust certificate; preorganization cer-
20 tificate or subscription; transferable share; investment contract; voting-
21 trust certificates; thrift certificates or investment certificates, or thrift
22 notes issued by investment companies; certificate of deposit for a security;
23 certificate of interest in oil and gas royalties, leases or mineral deeds; or,
24 in general, any interest or instrument commonly known as a "security,"
25 or any certificate of interest or participation in, temporary or interim
26 certificate for, guarantee of, or warrant or right to subscribe to or pur-
27 chase, any of the foregoing. "Security" does not include any insurance or
28 endowment policy or annuity contract under which an insurance company
29 promises to pay money either in a lump sum or periodically for life or
30 some other specified period.

31 (k) "State" means any state, territory, or possession of the United
32 States, as well as the District of Columbia and Puerto Rico.

33 (l) "Investment adviser" means any person who, for compensation,
34 engages in the business of advising others, either directly or through
35 publications or writings, as to the value of securities or as to the advisa-
36 bility of investing in, purchasing, or selling securities, or who, for com-
37 pensation and as a part of a regular business, issues or promulgates anal-
38 yses or reports concerning securities. The term does not include:

39 (1) An investment adviser representative;

40 ~~(2)~~ (2) a bank, savings and loan association, credit union institution,
41 or trust company;

42 ~~(3)~~ (3) a lawyer, accountant, engineer or teacher whose performance
43 of these services is solely incidental to the practice of the individual's

1 profession;

2 ~~(3)~~ (4) a broker-dealer or its agent whose performance of these serv-
3 ices is solely incidental to the conduct of its business as a broker-dealer
4 and who receives no special compensation for them;

5 ~~(4)~~ (5) a publisher of any bona fide newspaper, news column, news
6 magazine, newsletter, or business or financial publication of general, reg-
7 ular, and paid circulation or service, whether communicated in hard copy
8 form or by electronic means, or otherwise that does not consist of the
9 rendering of advice on the basis of the specific investment situation of
10 each client;

11 ~~(5)~~ a person who has no place of business in this state if ~~(A)~~ such
12 person's only clients in this state are other investment advisers, broker-
13 dealers, banks, savings and loan associations, credit unions, trust com-
14 panies, insurance companies, investment companies as defined in the
15 investment company act of 1940, pension or profit sharing trusts, or other
16 financial institutions or institutional buyers, whether acting for themselves
17 or as trustees, or ~~(B)~~ during any period of 12 consecutive months such
18 person does not direct business communications into this state in any
19 manner to more than five clients other than those specified in subsection
20 ~~(1)(5)(A)~~; whether or not such person or any of the persons to whom the
21 communications are directed is then present in this state; or

22 (6) any person that is a federal covered adviser; or

23 ~~(6)~~ (7) such other persons not within the intent of this definition as
24 the commissioner designates by order or by rules and regulations.

25 (m) "Investment adviser representative" means any partner, officer,
26 director of or a person occupying a similar status or performing similar
27 functions or other individual except clerical or ministerial personnel, who
28 is employed by or associated with an investment adviser that is registered
29 or required to be registered under this act, or who has a place of business
30 located in this state and is employed by or associated with a federal cov-
31 ered adviser; and who does any of the following:

32 (1) Makes any recommendations or otherwise renders advice regard-
33 ing securities;

34 (2) manages accounts or portfolios of clients;

35 (3) determines which recommendation or advice regarding securities
36 should be given;

37 (4) solicits, offers or negotiates for the sale of or sells investment ad-
38 visory services; or

39 (5) supervises employees who perform any of the foregoing.

40 (n) "Federal covered security" means any security that is a covered
41 security under section 18(b) of the securities act of 1933 or rules or reg-
42 ulations promulgated thereunder, except that, until October 10, 1999, or
43 such other date as may be legally permissible, a covered security for which

~~1 a fee has not been paid and promptly remedied following written noti-~~
~~2 cation to the issuer of the nonpayment or underpayment of such fees, as~~
~~3 required by this act, shall not be a federal covered security.~~

~~4 (o) "Federal covered adviser" means a person who is registered under~~
~~5 section 203 of the investment advisers act of 1940 or excluded from the~~
~~6 definition of "investment adviser" under section 202(a)(11) of the invest-~~
~~7 ment advisers act of 1940, except that, until October 10, 1999, or such~~
~~8 other date as may be legally permissible, a person so registered or~~
~~9 excluded for which a fee has not been paid and promptly remedied fol-~~
~~10 lowing written notification to the adviser of such nonpayment or under-~~
~~11 payment of such fees, as required by this act, shall not be a federal covered~~
~~12 adviser.~~

13 Sec. 4. K.S.A. 17-1254 is hereby amended to read as follows: 17-
 14 1254. (a) It is unlawful for any person to engage in transact business in
 15 this state as a broker-dealer or agent unless that person is registered under
 16 this act, except in transactions exempt under K.S.A. 17-1262, and amend-
 17 ments thereto; unless such person is registered as a broker-dealer under
 18 this section. It is unlawful for any person to engage in business in this
 19 state as an agent, except in transactions exempt under K.S.A. 17-1262,
 20 and amendments thereto, unless such person is registered under this
 21 section as an agent for a specified broker-dealer registered under this
 22 section or for a specified issuer. It is unlawful for any person to transact
 23 business in this state as an investment adviser unless such person is reg-
 24 istered under this section as an investment adviser or as a broker-dealer
 25 or such person's only clients in this state are investment companies, as
 26 defined in the federal investment company act of 1940, or insurance com-
 27 panies. A conviction for an intentional violation of this subsection is a
 28 severity level 7, nonperson felony. Any violation of this section committed
 29 on or after July 1, 1993, resulting in a loss of \$25,000 or more, regardless
 30 of its location on the sentencing grid block, shall have a presumptive
 31 sentence of imprisonment.

32 (b) It is unlawful for any broker-dealer registered under this act or
 33 issuer to employ or associate with an agent transacting business in this
 34 state unless the agent is registered under this act. The registration of an
 35 agent is not effective during any period when the agent is not associated
 36 with a particular broker-dealer registered under this act or a particular
 37 issuer. When an agent begins or terminates a connection with a broker-
 38 dealer or issuer, or begins or terminates those activities which make the
 39 person an agent, the agent as well as the broker-dealer or issuer shall
 40 promptly notify the commissioner.

41 (c) It is unlawful for any person to transact business in this state as
 42 an investment adviser or as an investment adviser representative unless:

43 (1) The person is so registered under this act; or

1 (2) the person has no place of business in this state and:
 2 (A) The person's only clients in this state are investment companies
 3 as defined in the investment company act of 1940, other investment ad-
 4 visers, federal covered advisers, broker-dealers, banks, trust companies,
 5 savings institutions, insurance companies, employee benefit plans with
 6 assets of not less than \$1,000,000 and governmental agencies or instru-
 7 mentalities, whether acting for themselves or as trustees with investment
 8 control, or other institutional investors as are designated by ~~rule~~ rules
 9 and regulations or order of the commissioner; or (B) during the preced-
 10 ing twelve-month period has had not more than five clients, other than
 11 those specified in subparagraph (A), who are residents of this state.

12 (d) It is unlawful for:
 13 (1) Any person required to be registered as an investment adviser
 14 under this act to employ or associate with an investment adviser repre-
 15 sentative unless the investment adviser representative is registered under
 16 this act. The registration of an investment adviser representative is not
 17 effective during any period when such person is not associated with an
 18 investment adviser registered under this act; or

19 (2) any federal covered adviser to employ, or associate with an in-
 20 vestment adviser representative having a place of business located in this
 21 state, unless such investment adviser representative is registered under
 22 this act, or is exempt from registration.

23 When an investment adviser representative described in paragraphs
 24 (1) or (2) begins or terminates employment or association with an invest-
 25 ment adviser or federal covered adviser the investment adviser or fed-
 26 eral covered adviser shall promptly notify the commissioner.

27 (e) Except with respect to federal covered advisers whose only clients
 28 are those described in paragraph (2) of subsection (c) of this section, it is
 29 unlawful for any federal covered adviser to conduct advisory business in
 30 this state unless such person files with the commissioner such documents
 31 as have been filed with the securities and exchange commission together
 32 with a consent to service of process, and pays an initial and renewal notice
 33 filing fee, if the commissioner by ~~rule~~ rules and regulations or order
 34 requires. Each notice filing under this section shall be effective from its
 35 original filing date and expire on December 31 each year, unless re-
 36 newed.

37 (f) A conviction for an intentional violation of subsection (a) through
 38 ~~(e)~~ (d) of this section is a severity level 7, nonperson felony. Any violation
 39 of this section committed on or after July 1, 1993, resulting in a loss of
 40 \$25,000 or more, regardless of its location on the sentencing grid block,
 41 shall have a presumptive sentence of imprisonment. This subsection shall
 42 not apply to a failure to notify the commissioner of termination of em-
 43 ployment or association as an agent or investment adviser representative.

Notwithstanding the provisions of this subsection, until October 10, 1999, the commissioner may require the registration of any federal covered adviser for which fees required by this subsection have not been paid promptly following written notification from the commissioner of the non-payment. A federal covered advise shall be considered to have promptly paid such fees if they are remitted to the commissioner within fifteen (15) days following such person's receipt of written notification from the commissioner

1 (b) (g) A broker-dealer, agent or investment adviser or investment
2 adviser representative may be registered after filing with the commis-
3 sioner, or the commissioner's designee as permitted by subsection (j) (p),
4 a written application containing such relevant information and in such
5 form as the commissioner may require. The applicant shall be registered
6 if the commissioner finds that the applicant and, if applicable, the officers,
7 directors or partners are of good character and reputation, that the ap-
8 plicant's knowledge of the securities business and the applicant's financial
9 responsibility are such that the applicant is suitable to engage in the busi-
10 ness, that the applicant has supplied all information required by the com-
11 missioner and that the applicant has paid the necessary fee. The com-
12 missioner may require as a condition of registration that the applicant and
13 any officers, directors or partners or, in the case of an investment adviser,
14 any persons who represent or will represent the investment adviser in
15 doing or performing any acts or functions which make such person an
16 investment adviser pass a written examination as evidence of knowledge
17 of the securities business. In determining the character and reputation of
18 the applicant, the commissioner shall take into consideration any felony
19 conviction of such person, but such a conviction shall not automatically
20 operate as a bar to registration.

21 (e) Before registering any broker-dealer, agent or investment adviser,
22 the commissioner may by rules and regulations require such broker-
23 dealer, agent or investment adviser to enter into and file in the office of
24 the commissioner a bond in a sum of not less than \$5,000 and not more
25 than \$25,000 and may determine its conditions. No bond shall be required
26 of any investment adviser who does not maintain custody of customers'
27 moneys, securities or property; or any registrant whose net capital, which
28 shall be defined by rules and regulations, exceeds \$100,000, nor shall a
29 bond be required of any agent of such registrant. Any bond required shall
30 run to the state of Kansas, insuring the faithful compliance with the pro-
31 visions of this act by the broker-dealer, agent or investment adviser, such
32 bond to be executed as surety by a surety company authorized to do
33 business in this state. Such bond may be so drawn as to cover the original
34 registration and any renewal thereof. Every bond shall provide for suit
35 thereon by any person who has a cause of action under K.S.A. 17-1268,
36 and amendments thereto, and, if the commissioner by rules and regula-
37 tions requires, by any person who has a cause of action not arising under
38 this act the total liability of the surety to all persons shall not exceed the
39 amount specified in the bond. Every bond shall provide that no suit may
40 be maintained to enforce any liability on the bond unless brought within
41 three years after the sale or other act upon which it is based.

42 (h) The commissioner may, by rule rules and regulations or order,
43 require a minimum capital for registered broker-dealers, subject to the

1 limitations of section 15 of the securities exchange act of 1934, and estab-
2 lish minimum financial requirements for investment advisers, subject to
3 the limitations of section 222 of the investment advisers act of 1940, which
4 may include different requirements for those investment advisers who
5 maintain custody of clients' funds or securities or who have discretionary
6 authority over the same and those investment advisers who do not.

7 (i) The commissioner may, by ~~rule~~ **rules and regulations** or order,
8 require registered broker-dealers, agents and investment advisers who
9 have custody of or discretionary authority over client funds or securities,
10 to post bonds in amounts as the commissioner may prescribe, subject to
11 the limitations of section 15 of the securities and exchange act of 1934 for
12 broker-dealers and section 222 of the investment advisers act of 1940 for
13 investment advisers, and may determine their conditions. Any appropri-
14 ate deposit of cash or securities shall be accepted in lieu of any bond so
15 required. No bond may be required of any registrant whose net capital,
16 or, in the case of an investment adviser, whose minimum financial require-
17 ments, which may be defined by ~~rule~~ **rules and regulations**, exceeds the
18 amounts required by the commissioner. Every bond shall provide for suit
19 thereon by any person who has a cause of action under K.S.A. 17-1268,
20 and amendments thereto, and, if the commissioner by ~~rule~~ **rules and**
21 **regulations** or order requires, by any person who has a cause of action
22 not arising under this act. Every bond shall provide that no suit may be
23 maintained to enforce ~~any liability on the bond~~ unless brought within the
24 time limitations provided by law.

25 (j) (1) Every registered broker-dealer and investment adviser shall
26 make and keep such accounts, correspondence, memoranda, papers, books
27 and other records as the commissioner prescribes by ~~rule~~ **rules and reg-**
28 **ulations** or order, subject to the limitations provided by section 15 of the
29 securities exchange act of 1934, in the case of a broker-dealer, and section
30 222 of the investment advisers act of 1940, in the case of an investment
31 adviser. All records so required with respect to an investment adviser,
32 shall be preserved for such period as the commissioner prescribes by ~~rule~~
33 **rules and regulations** or order.

34 (2) With respect to investment advisers, the commissioner may re-
35 quire that certain information be furnished or disseminated as necessary
36 or appropriate in the public interest or for the protection of investors and
37 advisory clients. To the extent determined by the commissioner, infor-
38 mation furnished to clients or prospective clients of an investment adviser
39 that would be in compliance with the investment advisers act of 1940 and
40 the rules thereunder may be used in whole or partial satisfaction of this
41 requirement.

42 (d) (k) The names and addresses of all persons approved for registra-
43 tion as broker-dealers, agents or investment advisers and all of the orders

1 in respect thereto shall be recorded in a "register of broker-dealers and
2 agents" kept in the office of the commissioner. ~~commissioner shall main-~~
3 ~~tain records of registration, notice filings and orders pertaining to broker-~~
4 ~~dealers, agents, investment advisers and investment adviser~~ **federal cov-**
5 **ered advisers representatives.** Unless the commissioner has designated
6 alternative registration expiration dates as permitted by subsection (j) (p),
7 every registration under this section shall expire ~~on the first day of January~~
8 ~~in December 31~~ each year, but any registration for the succeeding year
9 shall be renewed upon written application and payment of the fee as
10 herein provided without filing a further statement or furnishing any fur-
11 ther information unless specifically required by the commissioner. Unless
12 the commissioner has designated alternative registration renewal dates as
13 permitted by subsection (j) (p), application for renewals must be made
14 not later than December 31 in each year; otherwise, they shall be treated
15 as original applications.

16 (e) When a registered agent terminates the agent's connection with
17 the issuer or registered broker-dealer specified in the application of such
18 agent, the registration of such agent shall terminate immediately and the
19 specified issuer or registered broker-dealer shall promptly notify the com-
20 missioner. When changes in the ~~personnel of a partnership or in the~~
21 ~~principals, copartners, officers or directors of any broker-dealer~~ involve a
22 majority of the capital of such broker-dealer, the commissioner shall be
23 promptly notified of such changes; but when such changes involve less
24 than a majority of the capital of such broker-dealer, the commissioner
25 shall be notified of such changes by not later than the next annual renewal
26 of registration of such broker-dealer.

27 For purposes of this subsection, notices received by the commissioner
28 from any designee selected pursuant to subsection (j) shall constitute
29 notice from the issuer or registered broker-dealer to the commissioner.

30 (f) (1) The fee for original or renewal registration of each broker-
31 dealer and each investment adviser shall be not more than \$300 and the
32 fee for renewal of each broker-dealer registration. ~~The fee for an original~~
33 ~~or renewal notice filing of each federal covered adviser shall be not more~~
34 ~~than \$300. The fee for original registration of each investment adviser,~~
35 ~~other than an individual investment adviser who does not have custody~~
36 ~~of customers' moneys, securities or other property, shall be not more than~~
37 ~~\$300 and the fee for renewal of each such investment adviser registration~~
38 ~~shall be not more than \$300. The fee for original or renewal registration~~
39 ~~of an each agent and investment adviser representative shall be not more~~
40 ~~than \$50 and the fee for renewal of any agent's registration shall be not~~
41 ~~more than \$50. The fee for original registration of an individual invest-~~
42 ~~ment adviser who does not have custody of customers' moneys, securities~~
43 ~~or other property shall be not more than \$50, and the fee for renewal of~~

1 the registration of any individual investment adviser who does not have
2 custody of customers' moneys, securities or other property shall be not
3 more than \$50. Each fee for original registration shall be payable with
4 the application for original registration and each fee for renewal of reg-
5 istration shall be payable with the application for renewal and, in either
6 case, the fee shall not be returned if the application is withdrawn. The
7 commissioner shall establish such fees by rules and regulations.

8 ~~(g)~~ (m) The commissioner may by order deny, suspend or revoke the
9 registration of any broker-dealer, agent or investment adviser or invest-
10 ment adviser representative if the commissioner finds that such an order
11 is in the public interest and that the applicant or registrant, or, in the case
12 of a broker-dealer or investment adviser, any partner, officer or director
13 or any person occupying a similar status or performing similar functions:

14 (1) Has filed an application for registration which as of its effective
15 date (or as of any date after filing in the case of an order denying effect-
16 iveness) was incomplete in any material respect or contained any state-
17 ment which was, in the light of the circumstances under which it was
18 made, false or misleading with respect to any material fact;

19 (2) has willfully violated or willfully failed to comply with any provi-
20 sion of this act or a predecessor act or any rules and regulations or order
21 under this act or a predecessor act;

22 (3) has been convicted, within the past 10 years, of any misdemeanor
23 involving a security or any aspect of the securities business or of any
24 felony, if the commissioner determines, after investigation, that such per-
25 son has not been sufficiently rehabilitated to warrant the public trust;

26 (4) is permanently or temporarily enjoined by any court of competent
27 jurisdiction from engaging in or continuing any conduct or practice as an
28 investment adviser, broker-dealer, or as an affiliated person or employee
29 of an investment company, depository institution, insurance company, or
30 involving any aspect of the securities business or commodities investment
31 business;

32 (5) is the subject of an order of the commissioner denying, suspend-
33 ing or revoking registration as a broker-dealer, agent or investment ad-
34 viser or investment adviser representative;

35 (6) is the subject of an order entered within the past five years by the
36 securities administrator of any other state or by the securities and
37 exchange commission denying, suspending or revoking registration as a
38 broker-dealer, agent or investment adviser or investment adviser repre-
39 sentative (or the substantial equivalent of those terms as defined in this
40 act), or is the subject of an order of the securities and exchange commis-
41 sion suspending or expelling the person from a national securities
42 exchange or national securities association registered under the federal
43 securities exchange act of 1934, or is the subject of an order by the com-

1 commodities futures trading commission denying, suspending or revoking
2 registration under the commodities exchange act, or is the subject of an
3 order suspending or expelling from membership in or association with a
4 member of a self-regulatory organization registered under the securities
5 exchange act of 1934 or the commodities exchange act, or is the subject
6 of a United States post office fraud order; but the commissioner may not
7 enter any order under this clause on the basis of an order under any other
8 state act unless that order was based on facts which would currently con-
9 stitute a ground for an order under this section;

10 (7) has engaged in dishonest or unethical practices in the securities
11 business;

12 (8) in the case of a broker-dealer or investment adviser, is insolvent,
13 either in the sense that such person's liabilities exceed such person's assets
14 or in the sense that such person cannot meet such person's obligations as
15 they mature;

16 (9) is not qualified on the basis of such factors as training, experience,
17 and knowledge of the securities business, but the commissioner may not
18 enter an order solely on the basis of lack of experience if the applicant or
19 registrant is qualified by training or knowledge or both;

20 (10) is failing to keep or maintain sufficient records to permit an audit
21 disclosing the condition of the registrant's business;

22 (11) has failed to pay the proper registration fee; but the commis-
23 sioner may not enter a revocation order under this clause, and the com-
24 missioner shall vacate any denial order entered under this clause when
25 the deficiency has been corrected;

26 (12) has failed reasonably to supervise the sales or investment ad-
27 viser representative or employees; or

28 (13) has willfully and without cause failed to comply with a request
29 for information by the commissioner or person designated by the com-
30 missioner in conducting investigations or examinations under this act.

31 ~~(h)~~ (n) The commissioner may by emergency order suspend registra-
32 tion pending final determination of any proceeding under this section.
33 Upon the entry of any order under this section, the commissioner shall
34 promptly notify the applicant or registrant (as well as the employer or
35 prospective employer if the applicant or registrant is an agent) that it has
36 been entered and of the reasons therefor and that, upon written request,
37 the matter will be set for a hearing which shall be conducted in accor-
38 dance with the provisions of the Kansas administrative procedure act.

39 ~~(i)~~ (o) If the commissioner finds that any registrant or applicant for
40 registration is no longer in existence or has ceased to do business as a
41 broker-dealer, agent or investment adviser, is an adjudged incapacitated
42 person, or cannot be located after reasonable search, the commissioner
43 may cancel the registration or application in accordance with the provi-

1 sions of the Kansas administrative procedure act.

2 ~~(j)~~ (p) (1) The commissioner may participate, in whole or in part,
3 with any national securities association or national securities exchange
4 registered with the United States securities and exchange commission
5 under the federal securities exchange act of 1934 or with any association
6 of state securities administrators in a central registration depository where
7 the broker-dealer, agent and investment adviser registrations required by
8 subsection ~~(b)~~ (g) may be centrally or simultaneously effected and the
9 accompanying registration fees may be centrally collected for all states
10 that require the registration of such persons and participate in such a
11 central registration depository.

12 (2) If the commissioner finds that participation in such a central reg-
13 istration depository is in the public interest, the commissioner may by
14 rules and regulations or by order require that:

15 (A) Applications for the registration or the renewal of the registration
16 of any broker-dealer, agent or investment adviser as required by this sec-
17 tion may be made or effected through or in conjunction or coordination
18 with such a central registration depository;

19 (B) alternative registration expiration and renewal dates for regis-
20 tered broker-dealers, agents and investment advisers be utilized in lieu
21 of the registration expiration and renewal dates provided under subsec-
22 tion ~~(d)~~ (k);

23 (C) all fees for the registration or the renewal of the registration of
24 any broker-dealer, agent or investment adviser be collected by such a
25 central registration depository in the dollar amounts required by subsec-
26 tion ~~(f)~~ (l), provided that such fees are subsequently submitted to the
27 commissioner pursuant to K.S.A. 17-1270, and amendments thereto, and
28 remitted by the commissioner pursuant to K.S.A. 17-1271, and amend-
29 ments thereto.

30 (3) Subsequent to the effective date of any rules and regulations or
31 order of the commissioner that is adopted under subsection ~~(j)(2)~~ (p)(2):

32 (A) All applications for the registration or the renewal of the regis-
33 tration of any broker-dealer, agent or investment adviser, and all docu-
34 ments supporting such applications, which shall be filed with or received
35 by such a central registration depository shall be deemed to be filed with
36 or received by the commissioner pursuant to subsection ~~(b)~~ (g), when
37 such applications or documents are received by such a central registration
38 depository; and

39 (B) any statement which is contained in any application for the reg-
40 istration or the renewal of the registration of any broker-dealer, agent or
41 investment adviser or contained in any document supporting such appli-
42 cations, which is filed with or received by such a central registration de-
43 pository and which is, at the time and in light of the circumstances under

1 ~~agement company or unit investment trust, as those terms are defined in~~
2 ~~the investment company act of 1940.~~ If a registration statement is vol-
3 untarily withdrawn prior to being examined by the staff of the commis-
4 sioner, the commissioner may refund 50% of the fee so paid.

5 (2) The commissioner may by rules and regulations set a fee not to
6 exceed \$100 for filing to amend an effective registration statement. If an
7 application to amend increases the maximum aggregate offering price of
8 securities to be offered in this state, an additional fee shall be paid based
9 upon the increase in such price calculated in accordance with the rate
10 and annual minimum and maximum fees specified in paragraph (1) of
11 this section.

12 (3) The commissioner may by rule and regulation set a fee not to
13 exceed \$2,500 for an application or filing made in connection with any
14 exemption from securities registration.

15 (c) The commissioner at the time of the granting of the authorization
16 to sell securities as herein provided, may determine and fix the maximum
17 amount that may be paid as or in the way of commission, advertising
18 expense and all other expenses from the sale of such securities.

19 (d) Before any authorization to sell securities shall be issued by the
20 commissioner as herein provided, all stock or securities of any kind issued,
21 or to be issued, for consideration less than the public offering price or
22 for consideration other than cash may be required to be deposited in
23 escrow according to such conditions as the commissioner shall provide by
24 rule and regulation.

25 (e) The commissioner shall keep a register showing the issuer, date
26 of registration, amount in number of dollars, of the securities registered
27 maintain records of securities registrations, exemption filings, no-
28 tice filings and orders issued as required or authorized by this act.

29 (f) Neither the commissioner nor any employee of the securities de-
30 partment shall be interested as an officer, director, or stockholder in se-
31 curing any authorization to sell securities under the provisions of this act.

32 (g) Upon termination of a registration the filing of a final report as
33 required by subsection (a) shall satisfy the filing requirements of subsec-
34 tion (m)(3) of K.S.A. 17-1261, and amendments thereto.

35 Sec. 7. K.S.A. 1996 Supp. 17-1262 is hereby amended to read as
36 follows: 17-1262. Except as expressly provided in this section, K.S.A. 17-
37 1254, 17-1255, ~~17-1256~~, 17-1257, 17-1258, 17-1259 and 17-1260, and
38 amendments thereto, shall not apply to any of the following transactions:

39 (a) Any isolated transaction, whether effected through a broker-
40 dealer or not.

41 (b) Any nonissuer distribution by or through a registered broker-
42 dealer of outstanding securities at a price reasonably related to the current
43 market price of such securities, if Moody's manual, Standard & Poor's

1 manual, or any recognized securities manual approved by the commis-
2 sioner, contains the names of the issuer's officers and directors, a balance
3 sheet of the issuer as of a date within 18 months, and a profit and loss
4 statement for either the fiscal year preceding that date or the most recent
5 year of operations. If the commissioner finds that the sale of certain se-
6 curities in this state under this exemption would work or tend to work a
7 fraud on purchasers thereof, the commissioner may revoke the exemption
8 provided by this subsection with respect to such securities by issuing an
9 order to that effect and sending copies of such order to all registered
10 broker-dealers.

11 (c) Any nonissuer transaction by a registered broker-dealer pursuant
12 to an unsolicited order or offer to buy. The commissioner may require,
13 by rules and regulations, that: (1) The customer acknowledge upon a
14 specified form that the sale was unsolicited; and (2) a signed copy of each
15 such form be preserved by the broker-dealer for a specified period.

16 (d) Any transactions in a bond or other evidence of indebtedness
17 secured by a real or chattel mortgage or deed of trust, or by an agreement
18 for the sale of real estate or chattels, if the entire mortgage, deed of trust
19 or agreement, together with all the bonds or other evidences of indebt-
20 edness secured thereby, is offered and sold as a unit.

21 (e) Any transaction by an executor, administrator, sheriff, marshal,
22 receiver, trustee in bankruptcy, guardian or conservator; any transaction
23 executed by a bona fide pledgee without any purpose of evading this act
24 or any transaction incident to a judicially approved reorganization in
25 which a security is issued in exchange for one or more outstanding se-
26 curities, claims or property interests.

27 (f) Any offer or sale to a bank, savings institution, trust company,
28 insurance company, investment company as defined in the investment
29 company act of 1940, pension or profit-sharing trust or other financial
30 institution or institutional buyer or to a broker-dealer or underwriter.

31 (g) Any offer or sale of a preorganization certificate or subscription
32 if: (1) No commission or other remuneration is paid or given directly or
33 indirectly for soliciting any prospective subscriber and no advertising has
34 been published in connection with any such sale; (2) no payment is made
35 by any subscriber; and (3) such certificate or subscription is expressly
36 voidable by the subscriber until such subscriber has been notified of final
37 acceptance or completion of the organization and until the securities sub-
38 scribed for have been registered. The commissioner may require, by rules
39 and regulations or by order, reports of sales under this exemption.

40 (h) Any transaction pursuant to an offer to existing security holders
41 of the issuer, including persons who at the time of the transaction are
42 holders of convertible securities, nontransferable warrants or transferable
43 warrants exercisable within 90 days of their issuance, if: (1) No commis-

1 sion or other remuneration (other than a standby commission) is paid or
2 given directly or indirectly for soliciting any security holder in this state;
3 or (2) the issuer first files a notice specifying the terms of the offer and
4 the commissioner does not by order disallow the exemption within the
5 next five full business days.

6 (i) Any offer (but not a sale) of a security if: (1) Registration state-
7 ments for such security have been filed under both this act and the se-
8 curities act of 1933 if no stop order or refusal order is in effect and no
9 public proceeding or examination looking toward such an order is pending
10 under either act; or (2) a registration statement for such security has been
11 filed under K.S.A. 17-1256 or 17-1258, and amendments thereto, no stop
12 order or emergency order issued pursuant to K.S.A. 17-1260, and amend-
13 ments thereto, is in effect and the offer is made on behalf of the issuer
14 by a registered broker-dealer.

15 (j) The issuance of any stock dividend, whether the corporation dis-
16 tributing the dividend is the issuer of the stock or not, if nothing of value
17 is given by stockholders for the distribution other than the surrender of
18 a right to a cash dividend where the stockholder can elect to take a di-
19 vidend in cash or stock.

20 (k) A transaction involving the distribution of the securities of an is-
21 suer to the security holders of another person in connection with a
22 merger, consolidation, exchange of securities, sale of assets or other re-
23 organizations to which the issuer, or its parent or subsidiary, and the other
24 person, or its parent or subsidiary, are parties, if:

25 (1) The securities to be distributed are registered under the securities
26 act of 1933 before the consummation of the transaction; or

27 (2) the securities to be distributed are not required to be registered
28 under the securities act of 1933, written notice of the transaction and a
29 copy of the materials, if any, by which approval of the transaction will be
30 solicited is given to the commissioner at least 10 days before the consum-
31 mation of the transaction and the commissioner does not disallow, by
32 order, the exemption within the next 10 days.

33 (l) The offer or sale of securities by an issuer that is a corporation,
34 limited partnership or limited liability company formed under the laws
35 of the state of Kansas, if: (1) The aggregate number of sales by the issuer
36 in the twelve-month period ending on the date of the sale does not exceed
37 20 sales, ~~except that until July 1, 1993, aggregate number of sales by a~~
38 ~~limited liability company shall not exceed 35;~~ (2) the seller believes that
39 the purchaser is purchasing for investment; (3) no commission nor other
40 remuneration is paid or given, directly or indirectly, for soliciting the
41 purchaser; and (4) neither the issuer nor any person acting on its behalf
42 shall offer or sell the securities by any form of general solicitation or
43 general advertising, including, but not limited to, the following: (A) Any

1 advertisement, article, notice or other communication published in any
2 newspaper, magazine or similar media or broadcast over television or
3 radio or (B) any seminar or meeting whose attendees have been invited
4 by any general solicitation or general advertising.

5 In calculating the number of sales in a twelve-month period, sales made
6 in violation of K.S.A. 17-1255, and amendments thereto, and sales exempt
7 from registration under subsection (a) or (l) shall be taken into account.
8 For purposes of the exemption in this subsection, a husband and wife
9 shall be considered as one purchaser. A corporation, partnership, asso-
10 ciation, joint-stock company, trust or other unincorporated organization
11 shall be considered as one purchaser unless it was organized for the pur-
12 pose of acquiring the purchased securities. In such case each beneficial
13 owner of equity interest or equity securities in the entity shall be consid-
14 ered a separate purchaser. The commissioner may withdraw this exemp-
15 tion or impose conditions upon its use.

16 (m) Any transaction pursuant to rules and regulations adopted by the
17 commissioner for limited offerings which was adopted for the purpose of
18 furthering the objectives of compatibility with federal exemptions and
19 uniformity among the states.

20 (n) Any transaction pursuant to rules and regulations adopted by the
21 commissioner concerning the offer or sale of an oil, gas or mining lease,
22 fee or title if the commissioner finds that registration is not necessary or
23 appropriate for the protection of investors.

24 (o) Any offer or sale by an investment company, as defined by K.S.A.
25 16-630, and amendments thereto, of its investment certificates.

26 (p) The offer or sale of a security, issued by Kansas Venture Capital,
27 Inc., or its successors.

28 Sec. 8. K.S.A. 17-1262a is hereby amended to read as follows: 17-
29 1262a. (a) As used in this section:

30 (1) "Commission or other remuneration" shall include any consid-
31 eration, compensation or fees paid or given to an agent in exchange for
32 the agent's services, except that "commission or other remuneration" shall
33 not include any interest in the oil and gas estate, including any overriding
34 royalty interest, or the production therefrom so long as the identity of the
35 person or persons owning or holding any such interest and the extent of
36 such interest is fully disclosed to all purchasers.

37 (2) "Public advertising or public solicitation" means any offers to sell
38 or sales that are effected by means of any advertising or general solici-
39 tation printed in any brochure, prospectus, offering memoranda, handbill,
40 newspaper, magazine, periodical or other publication of general circula-
41 tion and mailed or delivered to its subscribers or addressees, or com-
42 municated by radio, public seminar, television, general telephone solici-
43 tation, or similar means.

1 (3) "Purchasers" means any individual, corporation, partnership, as-
2 sociation, joint stock company, trust or unincorporated organization, ex-
3 cept that if such entity was organized for the specific purpose of acquiring
4 the oil or gas interests offered, each beneficial owner of equity interests
5 or equity securities in such entity shall count as a separate purchaser.

6 (b) Except as hereinafter expressly provided, K.S.A. 17-1254, 17-
7 1255, ~~17-1256~~, 17-1257, 17-1258, 17-1259 and 17-1260, and amendments
8 thereto, shall not apply to any offer to sell or sale of any limited partner-
9 ship interest involving, or any fractional or undivided interest, or any
10 certificate based upon any fractional or undivided interest in any oil or
11 gas royalty, lease or deed, including subsurface gas storage and payments
12 out of production, if the land subject to the interest or certificate is sit-
13 uated in Kansas and:

14 (1) All sales are made to persons who are and have been during the
15 preceding two years engaged primarily in the business of drilling for,
16 producing, or refining oil or gas or whose corporate predecessor, in the
17 case of a corporation, has been so engaged or whose officers and $\frac{2}{3}$ of
18 the directors, in the case of a corporation having an existence of less than
19 two years, have each been so engaged; or

20 (2) all sales are made to not more than a total of 32 purchasers with-
21 out regard to whether the purchasers reside within or without the state
22 of Kansas, and:

23 (A) The seller of such interests reasonably believes that all purchasers
24 of such interests are purchasing for investment and not for resale; and

25 (B) no commission or other remuneration is paid or given directly or
26 indirectly for the solicitation, offer to sell or sale of any such interests;
27 and

28 (C) no public advertising or public solicitation is used in connection
29 with the solicitation, offer to sell or sale of any such interest; or

30 (3) all sales of such interests involve properties that produce oil or
31 gas or petroleum products in paying quantities on the date of sale and
32 the seller, subsequent to the sale, does not retain any ownership interest
33 in or control over the lease or the interest or interests that are being sold.

34 (c) The exemption provided by this section shall not be cumulative
35 to or used in conjunction with any other exemption provided under K.S.A.
36 17-1262, and amendments thereto, nor shall any exemption provided by
37 K.S.A. 17-1262, and amendments thereto, other than the exemption pro-
38 vided by subsections (a), (e), (m) or (n) of that section or by this section,
39 be available for any offer to sell or sale of any limited partnership interest
40 involving, or any fractional or undivided interest, or any certificate based
41 upon any fractional or undivided interest in any oil or gas royalty, lease
42 or deed, including subsurface gas storage and payments out of production.

43 Sec. 9. K.S.A. 17-1263 is hereby amended to read as follows: 17-

1 1263. Every nonresident applicant for registration under this act and
2 every nonresident issuer which proposes to offer its securities in this state
3 through an agent or broker-dealer on an agency basis, unless its securities
4 are exempt under subsection (a), (b), (c), (e), (f), (g), (i) or (j), (k), (l) or
5 (p) of K.S.A. 17-1261, and amendments thereto, or are offered in trans-
6 actions exempt under K.S.A. 17-1262, and amendments thereto, shall file
7 with the commissioner, in such form as ~~he~~ **the commissioner** may by
8 ~~the rules and regulations~~ prescribe, an irrevocable consent appointing
9 the secretary of state of Kansas or ~~his~~ *the secretary's* successor in office
10 to be ~~his such applicant's~~ attorney to receive service of any lawful process
11 in any noncriminal suit, action, or proceeding against ~~him~~ or ~~his such~~
12 *applicant or such applicant's* successor, executor or administrator which
13 arises under this act or any rule **and regulation** or order hereunder after
14 the consent has been filed, with the same force and validity as if served
15 personally on the person filing the consent. Registration of securities by
16 a broker-dealer shall not subject the issuer of such securities to the
17 requirements of this section. A person who has filed such a consent in
18 connection with a previous registration need not file another.

19 Service may be made by leaving a copy of the process in the office of
20 the secretary of state of Kansas, and it is not effective unless:

21 (a) The plaintiff (who may be the commissioner in a suit, action, or
22 proceeding instituted by ~~him the commissioner~~) ~~forthwith~~ sends notice of
23 the service and a copy of the process by registered mail to the defendant
24 or respondent at ~~his such person's~~ last address on file with the commis-
25 sioner; and

26 (b) the plaintiff's affidavit of compliance with this subsection is filed
27 in the case on or before the return day of the process, if any, or within
28 such further time as the court may allow.

29 When process is served under this section, the court, or the commis-
30 sioner in a proceeding before ~~him the commissioner~~, shall order such
31 continuance as may be necessary to afford the defendant or respondent
32 reasonable opportunity to defend.

33 Sec. 10. K.S.A. 17-1268 is hereby amended to read as follows: ~~17-~~
34 1268. (a) Any person, who offers or sells a security in violation of K.S.A.
35 17-1254 or 17-1255, and amendments thereto, or offers or sells a security
36 by means of any untrue statement of a material fact or any omission to
37 state a material fact necessary in order to make the statements made in
38 the light of the circumstances under which they are made not misleading
39 (the buyer not knowing of the untruth or omission) and who does not
40 sustain the burden of proof that such person did not know and in the
41 exercise of reasonable care could not have known of the untruth or omis-
42 sion, is liable to the person buying the security from such person, who
43 may sue either at law or in equity to recover the consideration paid for

1 the security, together with interest at 15% per annum from the date of
2 payment, costs, and reasonable attorney fees, less the amount of any in-
3 come received on the security, upon the tender of the security, or for
4 damages if the buyer no longer owns the security. Damages are the
5 amount that would be recoverable upon a tender less:

6 (1) The value of the security when the buyer disposed of it; and (2)
7 interest at 15% per annum from the date of disposition.

8 (b) Every person who directly or indirectly controls a seller liable
9 under subsection (a), every partner, officer, or director (or person occu-
10 pying a similar status or performing similar functions) or employee of
11 such a seller who materially aids in the sale, and every broker-dealer or
12 agent who materially aids in the sale is also liable jointly and severally
13 with and to the same extent as the seller, unless the nonseller who is so
14 liable sustains the burden of proof that such nonseller did not know, and
15 in the exercise of reasonable care could not have known, of the existence
16 of the facts by reason of which the liability is alleged to exist. There is
17 contribution as in cases of contract among the several persons so liable.

18 (c) Any tender specified in this section may be made at any time
19 before entry of judgment. Every cause of action under this statute survives
20 the death of any person who might have been a plaintiff or defendant.
21 No person may sue under this section if:

22 (1) The buyer received a written offer, before suit and at a time when
23 the buyer owned the security, to refund the consideration paid, together
24 with interest at 15% per annum from the date of payment, less the
25 amount of any income received on the security, and the buyer failed to
26 accept the offer within 30 days of its receipt; or (2) the buyer received
27 such an offer before suit and at a time when the buyer did not own the
28 security, unless the buyer rejected the offer in writing within 30 days of
29 its receipt.

30 (d) No person who has made or engaged in the performance of any
31 contract in violation of any provision of this act or any rule and regulation
32 or order hereunder, or who has acquired any purported right under any
33 such contract with knowledge of the facts by reason of which its making
34 or performance was in violation, may base any suit on the contract. Any
35 condition, stipulation, or provision binding any person acquiring any se-
36 curity or receiving any investment advice to waive compliance with any
37 provision of this act or any rule and regulation or order hereunder is void.

38 Sec. 11. K.S.A. 17-1270 is hereby amended to read as follows: 17-
39 1270. (a) This act shall be administered by the securities commissioner
40 of Kansas.

41 (b) All fees herein provided for shall be collected by the commis-
42 sioner. All salaries and expenses necessarily incurred in the administration
43 of this act shall be paid from the securities act fee fund.

1 (c) The commissioner may, ~~except with respect to securities exempt~~
2 ~~under K.S.A. 17-1261, and amendments thereto, and transactions exempt~~
3 ~~under K.S.A. 17-1262, and amendments thereto,~~ by rules **and regula-**
4 **tions and regulations** or order *may* require the filing of any prospectus,
5 pamphlet, circular, form letter, advertisement, or other sales literature
6 addressed or intended for distribution to prospective investors, *including*
7 *clients or prospective clients of an investment adviser unless the security*
8 *or transaction is exempt under K.S.A. 17-1261 or 17-1262, and amend-*
9 *ments thereto, or is a federal covered security.*

10 (d) The books and records of every person issuing or guaranteeing
11 any securities subject to the provisions of this act and of every broker-
12 dealer ~~or, agent,~~ investment adviser ~~or investment adviser represen-~~
13 ~~tative~~ registered under this act shall, as the commissioner deems nec-
14 essary or appropriate in the public interest or for the protection of
15 investors, be subject at any time, or from time to time, to such periodic
16 or special examinations by the commissioner, or such accountant or ex-
17 aminer as the commissioner may determine. The commissioner, by rules
18 and regulations, may set a fee to be paid by the person, broker-dealer or
19 investment adviser subject to the examination at cost to the agency. For
20 the purpose of avoiding unnecessary duplication of examinations, the
21 commissioner may cooperate with other proper authorities.

22 (e) ~~The commissioner may require any registered broker-dealer, reg-~~
23 ~~istered investment adviser or issuer who has registered securities under~~
24 ~~this act to file a semiannual report containing such reasonable informa-~~
25 ~~tion, except with respect to securities exempt under K.S.A. 17-1261, and~~
26 ~~amendments thereto, or transactions exempt under K.S.A. 17-1262, and~~
27 ~~amendments thereto, as the commissioner may believe necessary regard-~~
28 ~~ing the financial condition of such person and the securities sold in this~~
29 ~~state by such person. Each such report shall be accompanied by a filing~~
30 ~~fee of \$5.~~

31 (f) (e) The commissioner may from time to time adopt, amend, and
32 revoke such rules and regulations, orders and forms as may be necessary
33 to carry out the provisions of this act. In prescribing rules and regulations
34 and forms, the commissioner may cooperate with the securities admin-
35 istrators of the other states and the securities and exchange commission
36 with a view to effectuating the policy of this statute to achieve maximum
37 uniformity in the form and content of registration statements, applica-
38 tions, and reports wherever practicable. All rules and regulations and
39 forms of the commissioner shall be published. No provision of this act
40 imposing any liability applies to any act done or omitted in good faith in
41 conformity with any rules and regulations, form, or order of the commis-
42 sioner, notwithstanding that the rules and regulations, form or order may
43 later be amended, revoked or rescinded or be determined by judicial or

1 other authority to be invalid for any reason. Every hearing in an admin-
2 istrative proceeding shall be public unless the commissioner in the com-
3 missioner's discretion grants a request joined in by all the respondents
4 that the hearing be conducted privately.

5 ~~(g)~~ (f) A document is filed when it is received by the commissioner.
6 The commissioner may receive a document filed by electronic format
7 that is submitted by direct digital transmission, magnetic tape or diskette,
8 and may maintain and provide the document in such an electronic format.
9 ~~The commissioner shall keep a register of all applications for registration~~
10 ~~and registration statements which are or have ever been effective under~~
11 ~~this act and all denial, suspension, or revocation orders which have ever~~
12 ~~been entered under this act. The register~~ Records maintained by the
13 commissioner, as required by this act, and copies of such records
14 shall be made available to the public in accordance with the open
15 records act. Copies shall be open for public inspection. The information
16 contained in or filed with any registration statement, application, or report
17 may be made available to the public under such rules and regulations as
18 the commissioner may adopt. Upon request and after payment of a fee
19 per page in an amount fixed by the commissioner and approved by the
20 director of accounts and reports under K.S.A. 45-204, and amendments
21 thereto, the commissioner shall furnish to any person photostatic or other
22 copies of any entry in the register or any document which is a matter of
23 public record, which copies shall be certified under the commissioner's
24 seal of office if requested. In any proceeding or prosecution under this
25 act, any copy so certified is prima facie evidence of the contents of the
26 entry or document certified. The commissioner in the commissioner's
27 discretion may honor requests from interested persons for interpretative
28 opinions.

29 Sec. 12. K.S.A. 17-1272 is hereby amended to read as follows: 17-
30 1272. It will not be necessary to negative any of the exemptions or exclu-
31 sions provided in this act in any complaint, information, indictment, or
32 any other writ or proceedings laid or brought under this act, and the
33 burden of proof of any such exemption, exclusion or of status as a federal
34 covered security shall be upon the party claiming the benefit of such
35 exemption, exclusion or status.

36 Sec. 13. K.S.A. 1996 Supp. 17-1261 is hereby amended to read
37 as follows: 17-1261. K.S.A. 17-1255 through 17-1260, and amend-
38 ments thereto, shall not apply to any of the following securities:

39 (a) Any security issued or guaranteed by the United States or
40 by any state, territory or insular possession thereof, or by any po-
41 litical subdivision of any such state, territory or insular possession,
42 or by the District of Columbia, or by any public agency or instru-
43 mentality of one or more of any of the foregoing.

1 (b) Any security issued or guaranteed by Canada, any Cana-
 2 dian province, any political subdivision of any such province, any
 3 agency or corporate or other instrumentality of one or more of the
 4 foregoing or any other foreign government or governmental com-
 5 bination or entity with which the United States maintains diplo-
 6 matic relations, if the security is recognized as a valid obligation
 7 by the issuer, insurer or guarantor.

8 (c) Any security issued by and representing an interest in or a
 9 debt of, or guaranteed by, any bank organized under the laws of
 10 the United States, or any bank, savings institution, credit union or
 11 trust company organized and supervised under the laws of this
 12 state except that the issuer of such security is subject to the super-
 13 vision of the banking department, savings and loan department or
 14 credit union administrator of this state.

15 (d) Any security issued by and representing an interest in or a
 16 debt of, or guaranteed by, any federal savings and loan association,
 17 or any savings and loan association organized under the laws of
 18 this state and authorized to do business in this state.

19 (e) Any security issued by and representing an interest in or a
 20 debt of, or guaranteed by, any insurance company organized un-
 21 der the laws of any state and authorized to do business in this state
 22 when such securities are sold by the issuer.

23 (f) Any security issued or guaranteed by any railroad, or public
 24 utility which is:

25 ~~(1)~~ Subject to the jurisdiction of the interstate commerce commis-
 26 sion:

27 ~~(2)~~ (1) a registered holding company under the public utility
 28 holding company act of 1935 or a subsidiary of such a company
 29 within the meaning of that act; or

30 ~~(3)~~ (2) regulated by a governmental authority of the United
 31 States or any state in respect to the issuance or guarantee of the
 32 security.

33 (g) Any security as to which the commissioner by rule and reg-
 34 ulation finds that registration is not necessary or appropriate for
 35 the protection of investors.

36 (h) Any security issued by any person organized and operated
 37 not for private profit but exclusively for religious, educational, be-
 38 nevolent, charitable, fraternal, social, athletic, fire protection, fire
 39 fighting or reformatory purposes, or as a chamber of commerce
 40 or trade or professional association if no part of the net earnings
 41 of such person inures to the benefit of any private stockholder and
 42 provided that the issuer has filed with the commissioner at least
 43 10 days prior to any sale a notice setting forth the material terms

1 of the proposed sale, copies of any sales and advertising literature
2 to be used, and such other information required by the commis-
3 sioner, and the commissioner does not by order disallow the ex-
4 emption within 10 days after filing.

5 (i) Any commercial paper which arises out of a current trans-
6 action or the proceeds of which have been or are to be used for
7 current transactions, and which evidences an obligation to pay
8 cash within nine months of the date of issuance, exclusive of days
9 of grace, or any renewal of such paper which is likewise limited,
10 or any guarantee of such paper or of any such renewal.

11 (j) Any securities issued in connection with an employee's stock
12 purchase, savings, pension, profit-sharing or similar benefit plan,
13 or a self-employed person's retirement plan.

14 (k) Any security evidencing membership in, or issued as a pa-
15 tronage dividend by, a cooperative association organized under
16 the laws of this state exclusively for the purpose of conducting an
17 agricultural, dairy, livestock or produce business, or selling, proc-
18 essing, storing, marketing or otherwise handling any agricultural,
19 dairy, livestock or produce, and any activities incidental to these
20 purposes.

21 (l) Any security issued by and representing an interest in or
22 debt of, or evidencing membership in, or issued as a patronage
23 dividend to residents or landowners of not to exceed five contig-
24 uous counties in Kansas by a cooperative association organized
25 under the laws of this state exclusively for the purpose of con-
26 ducting an agricultural, dairy, livestock or produce business, or
27 selling, processing, storing, marketing, retailing, or otherwise han-
28 dling any agricultural, dairy, livestock or produce, or farm sup-
29 plies, and any activities incidental to these purposes.

30 (m) Securities constituting part of an issue, which, in whole or
31 in part has been lawfully sold and distributed to the public in this
32 or any other state, when offered ~~in good faith~~ in good faith and not
33 directly or indirectly for the benefit of the issuer or for the direct
34 or indirect purpose of promoting any scheme or enterprise having
35 the effect of violating or evading any provisions of this act, except
36 that this exemption shall not apply (1) where the authority to sell
37 such securities has been prohibited or denied under the provisions
38 of this act, or (2) where the sale of such securities in this state has
39 been enjoined as provided in this act or (3) until there shall have
40 been filed with the securities commissioner of Kansas by any reg-
41 istered broker-dealer a prospectus in such form as may be pre-
42 scribed by the commissioner containing: (A) Latest available finan-
43 cial statement of the issuer; (B) management personnel; and (C)

1 such other available information as the commissioner may require.
2 The filing of the prospectus and its approval by the commissioner
3 shall constitute the exemption herein provided. Any prospectus
4 may be disapproved at any time, if after a reasonable notice and
5 a hearing, the commissioner shall find that the further exemption
6 of the securities would be fraudulent or tend to work imposition
7 or fraud upon the purchaser thereof.

8 (n) Any annuity, gift annuity, charitable remainder unitrust,
9 charitable remainder annuity trust, endowment contract, life in-
10 come contract, or investment contract issued by the governing
11 body of any four-year liberal arts college situated in the state of
12 Kansas, and the provisions of K.S.A. 17-1254, and amendments
13 thereto, shall not apply to any person in the issuance of such se-
14 curities governed by this subsection.

15 (o) Any annuity, gift annuity, charitable remainder unitrust,
16 charitable remainder annuity trust, endowment contract, life in-
17 come contract or investment contract issued by the governing
18 body of any nonprofit corporation or foundation organized under
19 the laws of this state, for religious, charitable or educational pur-
20 poses, or for the treatment and rehabilitation of children and ad-
21 olescents, and which corporation or foundation is licensed by the
22 secretary of social and rehabilitation services or secretary of health
23 and environment, if such corporation or foundation has been in
24 existence for more than five years and has fund balances in its
25 endowment fund and unrestricted funds totaling together
26 \$1,000,000 or more, and the provisions of K.S.A. 17-1254, and
27 amendments thereto, shall not apply to any person in the issuance
28 of securities governed by this subsection.

29 (p) Any security issued by a bank holding company wholly or
30 partially in exchange for the capital stock of a bank that is, or will
31 become upon consummation of such exchange, a subsidiary of such
32 bank holding company; or any security issued by a savings and loan
33 holding company wholly or partially in exchange for the capital
34 stock of an insured institution that is, or will become upon con-
35 summation of such exchange, a subsidiary of such savings and loan
36 holding company. As used in this subsection, "bank," "bank hold-
37 ing company" and "subsidiary" shall have the same meanings as
38 are set forth in the federal bank holding company act of 1956, as
39 amended and "savings and loan holding company" and "insured
40 institution" shall have the same meanings as are set forth in section
41 408 of the national housing act, as amended.

42 Sec. 43 14. K.S.A. 17-1254, 17-1255, 17-1256, 17-1262a, 17-1263,
43 17-1268, 17-1270 and 17-1272 and K.S.A. 1996 Supp. 17-1252, 17-1259,

- 1 17-1261, 17-1262 and 75-6308 are hereby repealed.
- 2 Sec. ~~14~~ 15. This act shall take effect and be in force from and after
- 3 its publication in the statute book.