

MINUTES OF THE HOUSE JUDICIARY COMMITTEE.

The meeting was called to order by Chairman Michael R. O'Neal at 3:30 p.m. on March 25, 2003 in Room 313-S of the Capitol.

All members were present.

Committee staff present:

Jerry Ann Donaldson, Legislative Research Department  
Jill Wolters, Revisor of Statutes  
Cindy O'Neal, Committee Secretary

**SB 48 - appeal bonds in litigation involving signatories or successors of the tobacco litigation agreement.**

Representative Newton made a motion to expand the bill to include all companies in which punitive damages and/or damages in class action lawsuits have been awarded. Representative Long seconded the motion. Representative Rehorn was concerned that it didn't apply to all appellants. With permission of the second Representative Newton amended his motion to change "companies" to "appellants". Representative Rehorn believed that the statute already exist which places limits at \$5 million on bonds. Representative Newton, with permission of the seconded, amended his motion to make it clear that all appellants in which punitive damages and/or damages in class action lawsuits have been awarded, the bond would not exceed \$5 million. The motion failed 7-9.

Representative Davis made the motion to amend the bill to codify that appellant courts would have discretion to lower bonds. Representative Williams seconded the motion. The motion failed.

Representative Patterson made th motion to cap the bond for punitive damages at \$25 million in a class action suits. Representative Long seconded the motion. The motion failed 7-9.

Representative Newton made the motion to report SB 48 favorably for passage. Representative Long seconded the motion. The motion failed 6-10.

**SB 91 - law enforcement training center, qualifications and officer training requirements**

Representative Loyd made the motion to report SB 91 favorably for passage. Representative Jack seconded the motion. The motion carried.

**SB 206 - one year time limitation on writs of habeas corpus**

Representative Long made the motion to report SB 206 favorably for passage. Representative Patterson seconded the motion. The motion carried 9-8.

**SB 110 - criminal & civil penalties for unlawful acts relating to securities**

Representative Long made the motion to adopt the Kansas Sentencing Commission recommendations making the severity levels uniform with the sentencing guidelines (Attachment 1). Representative Davis seconded the motion. The motion carried.

Representative Klein made the motion to adopt the proposed amendment by the Kansas Securities Commission amending in variable annuities. (Attachment 2). Representative Pauls seconded the motion. The motion failed.

Representative Long made the motion to report SB 110 favorably for passage, as amended. Representative Goering seconded the motion. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE JUDICIARY COMMITTEE at 3:30 p.m. on March 25, 2003 in Room 313-S of the Capitol.

**HB 2418 - delay of phased in increase of court of appeals to 14 judges**

Representative Loyd made the motion to reconsider the committees action on HB 2418. Representative Davis seconded the motion. The motion carried.

Representative Loyd made the motion to amend the bill to have the judicial branch budget submitted directly to the Division of Budget so it would be included in the printed version of the budget books.(Attachment 3) Representative Jack seconded the motion. With permission of the second Representative Loyd amended his motion to include amending K.S.A. 75-3718 & K.S.A. 75-3721 to state that the Director can not revise the budget request from the Judiciary. The motion carried.

Representative Loyd made the motion to report HB 2418 favorably for passage, as amended. Representative Crow seconded the motion. The motion carried.

The committee meeting adjourned at 5:00 p.m.

1 [As Amended by Senate Committee of the Whole]

2  
3 As Amended by Senate Committee

4 *Session of 2003*

5 **SENATE BILL No. 110**

6 By Committee on Judiciary

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9  
10 I-30

11  
12 AN ACT concerning securities; relating to certain unlawful acts and pen-  
13 alties therefor; investigation by commission; civil penalties; amending  
14 ~~K.S.A. 17-1264 and 17-1265 and K.S.A. 2002 Supp. 17-1253, 17-1254,~~  
15 ~~17-1255, 17-1266a [and 21-4704]~~ and repealing the existing sections. and

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

17 Section 1. K.S.A. 2002 Supp. 17-1253 is hereby amended to read as  
18 follows: 17-1253. (a) It is unlawful for any person, in connection with the  
19 offer, sale or purchase of any security, directly or indirectly:

- 20 (1) To employ any device, scheme or artifice to defraud;  
21 (2) to make any untrue statement of a material fact or to omit to state  
22 a material fact necessary in order to make the statements made, in the  
23 light of the circumstances under which they are made, not misleading; or  
24 (3) to engage in any act, practice or course of business which operates  
25 or would operate as a fraud or deceit upon any person.

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

- 30 (1) To employ any device, scheme or artifice to defraud the other  
31 person;  
32 (2) to engage in any act, practice or course of business which operates  
33 or would operate as a fraud or deceit upon the other person;  
34 (3) to knowingly sell any security to or purchase any security from a  
35 client while acting as a principal for such person's own account without  
36 disclosing to such client in writing before the completion of such trans-  
37 action the capacity in which the person is acting and obtaining the consent  
38 of the client to such transaction;

39 (4) to knowingly effect any sale or purchase of any security for the  
40 account of a client while acting as a broker for a person other than such  
41 client without disclosing to such client in writing before the completion  
42 of such transaction the capacity in which the person is acting and obtain-  
43

Proposed amendments  
Suggested by KS Sentencing Com  
March 12, 2003

H. JUDICIARY

3-25-03

Attachment: /

1 viser fails to notify the commissioner that such adviser has or may have  
2 custody.

3 ~~(f) (1) [A conviction for an intentional violation of this section result-~~  
4 ~~ing in a loss of \$1,000,000 or more is a severity level 6 3, nonperson felony.]~~  
5 ~~Any violation of this section committed on or after July 1, 1993, resulting~~  
6 ~~in a loss of \$25,000 or more, regardless of its location on the sentencing~~  
7 ~~grid block, shall have a presumptive sentence of imprisonment.~~

8 ~~[+2] A conviction for an intentional violation of this section resulting~~ or more  
9 ~~in a loss of [at least] \$100,000 [but less than \$1,000,000] is a severity level~~ 5  
10 ~~4 nonperson felony.~~

11 (3) A conviction for an intentional violation of this section resulting  
12 in a loss of at least \$25,000 but less than \$100,000 is a severity level ~~3~~ 7  
13 nonperson felony.

14 (4) A conviction for an intentional violation of this section resulting  
15 in a loss of less than \$25,000 is a severity level ~~6~~ 9  
16 nonperson felony.

16 Sec. 2. K.S.A. 2002 Supp. 17-1254 is hereby amended to read as  
17 follows: 17-1254. (a) It is unlawful for any person to transact business in  
18 this state as a broker-dealer or agent unless that person is registered under  
19 this act, except in transactions exempt under K.S.A. 17-1262, and amend-  
20 ments thereto.

Renumber subsections accordingly.

21 (b) It is unlawful for any broker-dealer registered under this act or  
22 issuer to employ or associate with an agent transacting business in this  
23 state unless the agent is registered under this act or engages only in trans-  
24 actions exempt under K.S.A. 17-1262, and amendments thereto. The reg-  
25 istration of an agent is not effective during any period when the agent is  
26 not associated with a particular broker-dealer registered under this act or  
27 a particular issuer. When an agent begins or terminates a connection with  
28 a broker-dealer or issuer, or begins or terminates those activities which  
29 make the person an agent, the agent as well as the broker-dealer or issuer  
30 shall promptly notify the commissioner.

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

- 33 (1) The person is so registered under this act or
- 34 (2) the person has no place of business in this state and

35 (A) The person's only clients in this state are investment companies  
36 as defined in the investment company act of 1940, other investment ad-  
37 visers, federal covered advisers, broker-dealers, banks, trust companies,  
38 savings institutions, insurance companies, employee benefit plans with  
39 assets of not less than \$1,000,000 and governmental agencies or instru-  
40 mentalities, whether acting for themselves or as trustees with investment  
41 control, or other institutional investors as are designated by rules and  
42 regulations or order of the commissioner; or (B) during the preceding  
43 twelve-month period has had not more than five clients, other than those

1 specified in subparagraph (A), who are residents of this state.

2 (d) It is unlawful for:

3 (1) Any person required to be registered as an investment adviser  
4 under this act to employ or associate with an investment adviser repre-  
5 sentative unless the investment adviser representative is registered under  
6 this act or is exempt from registration. The registration of an investment  
7 adviser representative is not effective during any period when such person  
8 is not associated with an investment adviser registered under this act; or

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

13 When an investment adviser representative described in paragraphs (1)  
14 or (2) begins or terminates employment or association with an investment  
15 adviser or federal covered adviser, the investment adviser or federal cov-  
16 ered adviser shall promptly notify the commissioner.

17 (e) Except with respect to federal covered advisers whose only clients  
18 are those described in paragraph (2) of subsection (c) of this section, it is  
19 unlawful for any federal covered adviser to conduct advisory business in  
20 this state unless such person files with the commissioner such documents  
21 as have been filed with the securities and exchange commission together  
22 with a consent to service of process, and pays an initial and renewal notice  
23 filing fee, if the commissioner by rules and regulations or order requires.  
24 Each notice filing under this section shall be effective from its original  
25 filing date and expire on December 31 each year, unless renewed.

26 (f) (1) ~~A conviction for an intentional violation of subsection (a)~~  
27 ~~through (d) of this section resulting in a loss of \$1,000,000 or more is a~~  
28 ~~severity level 7-1, nonperson felony.~~ Any violation of this section com-  
29 mitted on or after July 1, 1993, resulting in a loss of \$25,000 or more,  
30 regardless of its location on the sentencing grid block, shall have a pre-  
31 sumptive sentence of imprisonment. This subsection shall not apply to a  
32 failure to notify the commissioner of termination of employment or as-  
33 sociation as an agent or investment adviser representative.

34 ~~(2)~~ A conviction for an intentional violation of subsection (a) through  
35 (d) resulting in a loss of ~~at least~~ \$100,000 ~~but less than \$1,000,000~~ is a            or more  
36 severity level 5, nonperson felony.

37 (3) A conviction for an intentional violation of subsection (a) through  
38 (d) resulting in a loss of at least \$25,000 but less than \$100,000 is a severity 7  
39 level 6 nonperson felony.

40 (4) A conviction for an intentional violation of subsection (a) through  
41 (d) resulting in a loss of less than \$25,000 is a severity level 3 nonperson 9  
42 felony.

43 (5) The provisions of this subsection shall not apply to a failure to

Renumber subsections accordingly.

1 (1) It is registered under this act;

2 (2) the security or transaction is exempt under K.S.A. 17-1261 or 17-  
3 1262, and amendments thereto; or

4 (3) it is a federal covered security for which the fee has been paid  
5 and documents have been filed as required by K.S.A. 2002 Supp. 17-  
6 1270a.

7 (b) (1) ~~[A conviction for an intentional violation of this section result-~~  
8 ~~ing in a loss of \$1,000,000 or more is a severity level 7 1, nonperson felony.]~~  
9 ~~Any violation of this section committed on or after July 1, 1993, resulting~~  
10 ~~in a loss of \$25,000 or more, regardless of its location on the sentencing~~  
11 ~~grid block, shall have a presumptive sentence of imprisonment.~~

12 ~~(2)~~ A conviction for an intentional violation of this section resulting  
13 in a loss of ~~[at least]~~ \$100,000 ~~[but less than \$1,000,000]~~ is a severity level  
14 5, nonperson felony.

15 (3) A conviction for an intentional violation of this section resulting  
16 in a loss of at least \$25,000 but less than \$100,000 is a severity level ~~4~~ 7  
17 nonperson felony.

18 (4) A conviction for an intentional violation of this section resulting  
19 in a loss of less than \$25,000 is a severity level ~~7~~ 9 nonperson felony.

20 Sec. 4. K.S.A. 17-1264 is hereby amended to read as follows: 17-  
21 1264. (a) It is unlawful for any person to make or cause to be made, in  
22 any document filed with the commissioner or in any proceeding under  
23 this act, any statement which is, at the time and in the light of the cir-  
24 cumstances under which it is made, false or misleading in any material  
25 respect while knowing the statement made to be false or misleading in  
26 any material respect.

27 (b) A conviction for an intentional violation of this section is a severity  
28 level 4 8, nonperson felony. ~~Any violation of this section committed on~~  
29 ~~or after July 1, 1993, resulting in a loss of \$25,000 or more, regardless of~~  
30 ~~its location on the sentencing grid block, shall have a presumptive sen-~~  
31 ~~tence of imprisonment.~~

32 Sec. 5. K.S.A. 17-1265 is hereby amended to read as follows: 17-  
33 1265. (a) The commissioner may: (1) Make public or private investigations  
34 within or outside of this state as necessary to determine whether any  
35 registration should be granted, denied or revoked or whether any person  
36 has violated or is about to violate any provision of this act or any rule or  
37 order hereunder, or to aid in the enforcement of this act or in the pre-  
38 scribing of forms or adoption of rules and regulations; (2) require or  
39 permit any person to file a statement in writing, under oath or otherwise  
40 as the commissioner determines, of all the facts and circumstances con-  
41 cerning the matter to be investigated; and (3) publish information con-  
42 cerning any violation of this act or any rule or order hereunder.

43 (b) The commissioner may appoint special investigators to aid in in-

Renumber subsections accordingly.

1 or investment adviser registered in this state; or

2 (4) issue an order requiring the person to pay restitution for any loss  
3 arising from the violation or requiring the person to disgorge any profits  
4 arising from the violation. Such order may include the assessment of in-  
5 terest not to exceed 15% per annum from the date of the violation.

6 (d) Every hearing in an administrative proceeding shall be public un-  
7 less the commissioner in the commissioner's discretion grants a request  
8 joined in by all the respondents that the hearing be conducted privately.

9 ~~Sec. 7. K.S.A. 2002 Supp. 21-4704 is hereby amended to read as~~  
10 ~~follows: 21-4704. (a) For purposes of sentencing, the following sentencing~~  
11 ~~guidelines grid for nondrug crimes shall be applied in felony cases for~~  
12 ~~crimes committed on or after July 1, 1993.~~

Strike all on pages 14 through 17.

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1 ~~[appropriate provisions of law related to departures]~~

2 New Sec. 8. (a) It is unlawful for any person to intentionally influ-  
3 ence, coerce, manipulate or mislead any person in connection with finan-  
4 cial statements or appraisals to be used in the offer, sale or purchase of  
5 securities for the purpose of rendering such financial statements or ap-  
6 praisals materially misleading.

Renumber remaining sections accordingly.

7 (b) A conviction for a violation of this section is a severity level 8,  
8 nonperson felony.

9 New Sec. 9. (a) It is unlawful for any person to:

10 (1) Alter, destroy, shred, mutilate, conceal, cover up or falsify any  
11 record with the intent to impede, obstruct or influence any investigation  
12 by the commissioner or the commissioner's designee;

13 (2) alter, destroy, shred, mutilate or conceal a record with the intent  
14 to impair the object's integrity or availability for use in a proceeding be-  
15 fore the commissioner or a proceeding brought by the commissioner; or

16 (3) take action harmful to a person with the intent to retaliate, in-  
17 cluding, but not limited to, interference with lawful employment of such  
18 person, for providing truthful information relating to a violation of the  
19 Kansas securities act.

20 (b) Violation of this section is a severity level 8, nonperson felony.

21 Sec. 10. K.S.A. 17-1264 and 17-1265 and K.S.A. 2002 Supp. 17-1253,  
22 17-1254, 17-1255, 17-1266a ~~and 21-4704~~ are hereby repealed.

and

23 Sec. 11. This act shall take effect and be in force from and after its  
24 publication in the statute book.

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K.S.A. 2002 Supp. 17-1252 is hereby amended to read as follows: 17-1252. When used in this act, unless the context otherwise requires:

(a) "Commissioner" means the securities commissioner of Kansas, appointed as provided in K.S.A. 75-6301, and amendments thereto.

(b) "Agent" means any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities. "Agent" does not include an individual who represents an issuer only in transactions in securities exempted by K.S.A. 17-1261, and amendments thereto, or who represents a broker-dealer in effecting transactions in this state limited to those transactions described in section 15(h)(2) of the securities and exchange act of 1934. A partner, officer or director of a broker-dealer or issuer, or a person occupying a similar status or performing similar functions, is an agent only if such person otherwise comes within this definition.

(insert)

other than subsection (e) of K.S.A 17-1261, and amendments thereto,

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

(d) "Guaranteed" means guaranteed as to payment of principal, interest or dividends.

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

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

(g) "Person" means an individual, a corporation, a partnership, a limited liability company, an association, a joint-stock company, a trust where the interests of the beneficiaries are evidenced by a

H. JUDICIARY

*KSC Proposed Amendments t*

3-25-03

Attachment: 2

security, an unincorporated organization, a government or a political subdivision of a government.

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

(2) "Offer" or "offer to sell" includes every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security for value.

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

(4) Every sale or offer of a warrant or right to purchase or subscribe to another security of the same or another issuer, and every sale or offer of a security which gives the holder a present or future right or privilege to convert into another security of the same or another issuer, is considered to include an offer of the other security.

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

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

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

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

(l) "Investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or

(insert)  
a fixed sum of

selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. The term does not include:

- (1) An investment adviser representative;
- (2) a bank, savings institution, or trust company;
- (3) a lawyer, accountant, engineer or teacher whose performance of these services is solely incidental to the practice of the individual's profession;
- (4) a broker-dealer or its agent whose performance of these services is solely incidental to the conduct of its business as a broker-dealer and who receives no special compensation for them;
- (5) a publisher of any bona fide newspaper, news column, news magazine, newsletter, or business or financial publication or service, whether communicated in hard copy form or by electronic means, or otherwise that does not consist of the rendering of advice on the basis of the specific investment situation of each client;
- (6) any person that is a federal covered adviser; or
- (7) such other persons not within the intent of this definition as the commissioner designates by order or by rules and regulations.

(m) (1) "Investment adviser representative" means any partner, officer or director, or a person occupying a similar status or performing similar functions or any other individual except clerical or ministerial personnel, who is employed by or associated with:

(A) An investment adviser that is registered or required to be registered under this act and who does any of the following:

- (i) Makes any recommendations or otherwise renders advice regarding securities;
- (ii) manages accounts or portfolios of clients;
- (iii) determines which recommendation or advice regarding securities should be given;
- (iv) solicits, offers or negotiates for the sale of or sells investment advisory services; or
- (v) supervises employees who perform any of the foregoing;

or

(B) a federal covered adviser, subject to the limitations of section 203A of the investment advisers act of 1940, as the commissioner may designate by rule or order.

(2) "Investment adviser representative" does not include such other persons employed by or associated with either an investment adviser or federal covered adviser not within the intent of this subsection as the commissioner may designate by rule or order.

(n) "Federal covered security" means any security that is a covered security under section 18(b) of the securities act of 1933 or rules or regulations promulgated thereunder.

(o) "Federal covered adviser" means a person who is registered under section 203 of the investment advisers act of 1940 or excluded from the definition of "investment adviser" under section 202(a)(11) of the investment advisers act of 1940.

New Sec. 11

K.S.A. 17-1261 is hereby amended to read as follows: 17-1261. The following securities shall be exempt from the registration requirements of K.S.A. 17-1255 through 17-1260, and amendments thereto:

(a) Any security issued or guaranteed by the United States or by any state, territory or insular possession thereof, or by any political subdivision of any such state, territory or insular possession, or by the District of Columbia, or by any public agency or instrumentality of one or more of any of the foregoing.

(b) Any security issued, insured or guaranteed by any foreign government with which the United States currently maintains diplomatic relations, or any of its political subdivisions, if the security is recognized as a valid obligation by the issuer, insurer or guarantor.

(c) Any security issued by and representing an interest in or a debt of, or guaranteed by, any bank organized under the laws of the United States, or any bank, savings institution, credit union or trust company organized and supervised under the laws of this state except that the issuer of such security is subject to the supervision of the banking department or credit union administrator of this state.

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

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

(delete)

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

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

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

(g) Any security as to which the commissioner by rule and regulation finds that registration is not necessary or appropriate for the protection of investors.

(h) Any security issued by any person organized and operated not for private profit but exclusively for religious, educational, benevolent, charitable, fraternal, social, athletic, fire protection, fire fighting or reformatory purposes, or as a chamber of commerce or trade or professional association if no part of the net earnings of such person inures to the benefit of any private stockholder. The commissioner, by rule and regulation or order, may require the filing of a notice and specify conditions for this exemption.

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

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

(k) Any security evidencing membership in, or issued as a patronage dividend by, a cooperative association organized under the laws of this state exclusively for the purpose of conducting an agricultural, dairy, livestock or produce business, or selling, processing, storing, marketing or otherwise handling any agricultural, dairy, livestock or produce, and any activities incidental to these purposes.

(l) Any security issued by and representing an interest in or debt of, or evidencing membership in, or issued as a patronage dividend to residents or landowners of not to exceed five contiguous counties in Kansas by a cooperative association organized under the laws of this state exclusively for the purpose of conducting an agricultural, dairy, livestock or produce business, or selling, processing, storing, marketing, retailing, or otherwise handling any agricultural, dairy, livestock or produce, or farm supplies, and any activities incidental to these purposes.

(m) Securities constituting part of an issue, which, in whole or in part has been lawfully sold and distributed to the public in this or any other state, when offered for resale in good faith and not directly or indirectly for the benefit of the issuer or for the direct or indirect purpose of promoting any scheme or enterprise having the effect of violating or evading any provisions of this act, except that this exemption shall not apply (1) where the authority to sell such securities has been prohibited or denied under the provisions of this act, or (2) where the sale of such securities in this state has been enjoined as provided in this act or (3) until there shall have been filed with the securities commissioner of Kansas by any registered broker-dealer a prospectus in such form as may be

prescribed by the commissioner containing: (A) Latest available financial statement of the issuer; (B) management personnel; and (C) such other available information as the commissioner may require. The filing of the prospectus and its approval by the commissioner shall constitute the exemption herein provided. Any prospectus may be disapproved at any time, if after a reasonable notice and a hearing, the commissioner shall find that the further exemption of the securities would be fraudulent or tend to work imposition or fraud upon the purchaser thereof.

(n) Any security issued by a bank holding company wholly or partially in exchange for the capital stock of a bank that is, or will become upon consummation of such exchange, a subsidiary of such bank holding company; or any security issued by a savings and loan holding company wholly or partially in exchange for the capital stock of an insured institution that is, or will become upon consummation of such exchange, a subsidiary of such savings and loan holding company. As used in this subsection, "bank," "bank holding company" and "subsidiary" shall have the same meanings as are set forth in the federal bank holding company act of 1956, as amended and "savings and loan holding company" and "insured institution" shall have the same meanings as are set forth in section 408 of the national housing act, as amended.

20-158. **Budget for judicial branch of state government; preparation; submission; review by director of the budget.** The chief justice of the supreme court shall be responsible for the preparation of the budget for the judicial branch of state government, with such assistance as the chief justice may require from the judicial administrator, the chief judge of the court of appeals and the chief judge of each judicial district. Each district court and the court of appeals shall submit their budget requests to the chief justice in such form and at such time as the chief justice may require. The chief justice shall submit to the legislature ~~director of the budget~~ the annual budget request for the judicial branch of state government ~~for inclusion in the annual budget document for appropriations for the judiciary. Such budget shall be prepared and submitted in the manner provided by K.S.A. 75-3716 and 75-3717 and amendments thereto.~~ Such budget shall include the request for expenditures for retired justices and judges performing judicial services or duties under K.S.A. 20-2616 and amendments thereto as a separate item therein. ~~The director of the budget shall review and may make such recommendations to the legislature for proposed changes in such budget as the director deems necessary and appropriate.~~

History: L. 1976, ch. 146, § 42; L. 1978, ch. 108, § 5; L. 1979, ch. 290, § 1; L. 1980, ch. 94, § 1; L. 1999, ch. 57, § 10; July 1.

H. JUDICIARY

3-25-03

Attachment: 3