

MINUTES OF THE MEETING  
BUSINESS AND LABOR COMMITTEE  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

March 27, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich on March 27, 1985 at 8:00 a.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present.

SENATE JOINT RESOLUTION 31: Hearing commenced on Senate Joint Resolution 31. Senator Chris Christiaens, District #17, sponsor of the bill, stated this requests an interim study of the state's lien laws and to drafting of necessary legislation if changes are required.

Proponents Jo Brunner, representing the Montana Cattlemens Association, Mons Teigen, representing the Montana Stock-growers Association, Riley Johnson, representing the Montana Homebuilders Association, Representative Robert E. Ellerd, District #77, Don Ingles, representing the Montana Chamber of Commerce, Irv Dellinger, representing the Montana Building Material Dealers Association and Mike Cronin, representing the Montana Bankers Association, all offered their support of the resolution.

There being no further discussion by proponents and no opponents present, all were excused by the chairman and the hearing on Senate Joint Resolution 31 was closed.

ACTION ON SENATE JOINT RESOLUTION 31: Representative Brandewie moved DO PASS on Senate Joint Resolution 31. Second was received, Senate Joint Resolution 31 will be ADOPTED.

ACTION ON SENATE BILL 74: Representative Kitselman moved DO PASS on Senate Bill 74. All members of the committee were not present, Representative Kitselman withdrew his motion.

ACTION ON HOUSE JOINT RESOLUTION 42: Representative Kitselman moved DO PASS on House Joint Resolution 42 and amended to include the cost of administering the prevailing wage requirement. The amendment did pass with all but Representative Hansen voting yes. Representative Hansen commented that Commissioner Dave Wanzonried stated this resolution is not really necessary. Representative Kitselman stated it is needed especially on the highline. Question being called, House Joint Resolution 42 will be ADOPTED with Representatives Bachini, Brown, Hansen, Hart,

Howe and Nisbet voting no.

ACTION ON SENATE BILL 353: Representative Brandewie moved DO PASS on Senate Bill 353. Second was received, Senate Bill 353 will BE CONCURRED IN by unanimous vote.

ACTION ON SENATE BILL 440: Representative Schultz moved DO PASS on Senate Bill 440. Representative Kitselman stated there are not enough people to make this work. Representative Schultz stated that this bill gives the option to those that may be interested and we should let them look at it and decide. Representative Glaser asked if this is in conflict with 33-1-101. It was suggested this be looked into. Representative Schultz withdrew his motion.

ACTION ON SENATE BILL 74: Representative Kitselman moved DO PASS on Senate Bill 74 and moved the amendments as shown on the standing committee report attached hereto. The amendments do pass by unanimous vote. Representative Driscoll offered a substitute motion that Senate Bill 74 be TABLED AS AMENDED, and stated the definition of public highway presents a problem. A roll call vote resulted in 10 members voting yes and 10 members voting no. Representative Driscoll's motion did fail. Representative Kitselman's DO PASS motion received a 10-10 vote. Senate bill 74 will be sent to the floor WITHOUT RECOMMENDATION AS AMENDED.

ACTION ON SENATE BILL 356: Representative Brown moved DO PASS on Senate Bill 356. Representative Driscoll moved to amend on page 2, line 9, striking newspaper carrier and stated that a carrier should have to be told if they are covered under workers' compensation or not. Representative Driscoll stated that in the case of the Billings Gazette, the newspaper carriers are not acting as independent carriers, they are told what time to deliver the paper, what to charge, when the bill must be paid, etc. Representatives Brandewie and Ellerd agreed with Representative Driscoll. Representative Bachini suggested the parent or guardian should also be made aware. Representative Brown suggested to the committee that a clarification be received and action be deferred. Representative Brown then withdrew her motion.

SENATE BILL 208: Hearing commenced on Senate Bill 208. Senator Tom Towe, District #46, sponsor of the bill, explained this is what remains of the agriculture program. There is a serious crisis in the agricultural business and three PCA's have recently gone broke. Montana can not

do a whole lot on their own, but we should try. Senate Bill 208 provides for agriculture what was provided for the "Build Montana" program last session. One of the provisions in the "Build Montana" program is that the Economic Development Board look at the applicant and determine how many jobs this will provide. Under these circumstances the farmer will lose every time as his business is not job related. Senate Bill 208 will assist and guarantee loans, provided the loan does not exceed 65% of the appraised value, the debts are not more than 60% of the assets or the debts are not less than 40% of the assets. Only those farmers who fall between the 40 - 60% debt ratio will benefit, added Senator Towe.

Proponent Senator Ted Neuman, District #21, distributed to committee members Exhibit 1 which is attached hereto. Senator Neuman explained that this is a modest effort on the state compared to what our surrounding agricultural states are doing and although credit is not the answer, it will help.

Proponent Senator Allen Kolstad, District #7, explained other states are taking similar action and the farm debt in the United States is currently 212 billion dollars.

Proponent Keith Kelly, Director, Department of Agriculture, supplied written testimony which is attached hereto as Exhibit 2.

Proponent Mons Teigen, representing the Montana Stockgrowers Association, explained that he remembers when banks went broke and the same thing is happening to the PCA's. Senate Bill 208 is a step in the right direction.

Representative Schultz asked Senator Towe to identify the type of farmer this program will help and if the Department of Agriculture will have in position by mid-April the program to take care of Farm Home loans. Senator Towe explained this will help those farmers that are in the 40 - 60% debt to asset ratio and the Department of Agriculture is moving ahead in making available the Farm Home loan program.

Representative Thomas asked Mr. Dale Harris, Montana Economic Development Board, what amount of credit is needed for the "Build Montana" program. Mr. Harris explained that for the coal tax fund a 20% letter of credit is needed and for the industrial revenue bonds a 35% letter of credit is required.

Representative Brandewie questioned Senator Neuman as to the appraisal process that will be used. Senator Neuman stated

that the land will be appraised prior to the loan being made and it will be made certain qualified people are conducting the appraisals.

There being no further discussion by proponents and no opponents to the bill, all were excused by the chairman and the hearing on Senate Bill 208 was closed.

SENATE BILL 399: Hearing commenced on Senate Bill 399. Senator Bruce Crippen, District #45, sponsor of the bill, explained this is a housekeeping measure to revise the security laws. This bill will allow security exemptions for banks and bring the Montana statute into conformity.

Proponent Robert Minto, a Missoula attorney who practices in the securities area, stated Senate Bill 399 will bring the Montana security practice into compliance with our neighboring jurisdictions and serve to enhance the Montana security business.

Proponent Chris Wadner, representing Dean Witter Reynolds, offered his support and stated that although they do belong to the American Stock Exchange and the New York Stock Exchange he is not speaking for them.

Proponent Rich Brown, a past employee of the state auditors office in the securities area, explained this legislation is needed and urged the committee to vote favorably on Senate Bill 399.

Proponent Doug James, a Billings attorney, explained that the Securities Act was adopted in 1961. Montana has a reputation of being tough on fraud and high on investor protection. Those that are listed with the stock exchange have been exempted since 1961. Senate Bill 399 will remove the inequities in the security act, help Montana business and create a greater market depth. Mr. James distributed to committee members Exhibit 3 which is attached hereto.

Proponent Bruce MacKenzie, General Counsel, D.A. Davidson and Company of Great Falls, supplied written testimony which is attached hereto as Exhibit 4.

Proponent Nils Ribí, Chief Executive Officer, Ribí ImmunoChem Research, Inc., stated the Montana security regulations are far behind the national level and this is a step in the right direction. This will get the message out to the nation and will benefit Montana business and provide protection for the investor.

Proponent Rick Tucker, Chief Deputy Securities Commissioner, Securities Division, Auditor's Office, offered his support of the bill.

Proponent Dale Harris, representing Keith Colbo of the Department of Commerce, offered his support and explained this will greatly benefit the smaller firms that are seeking to raise capital.

ADJOURN: The meeting was adjourned at 10:00 a.m. and will reconvene at 12:00 p.m. to complete the hearing on Senate Bill 399.

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich at 12:45 p.m.

ROLL CALL: All members were present.

SENATE BILL 399: The hearing on Senate Bill 399 was opened to further proponents.

Proponent J. Kim Schulke, Staff Attorney, Office of the State Auditor, Securities Department, supplied written testimony which is attached hereto as Exhibit 5.

Proponent Mike DaSilva, Vice-President, G. T. Murray and Company, stated it is important to make certain a stock is registered prior to recommending a client purchase a stock. If Senate Bill 399 is not passed, the information will not be able to be relied upon and a check with the state auditors office will need to be done. This will create a delay to investors which could be crucial. The passage of this legislation will benefit Montana investors, added Mr. DaSilva.

Jerome Anderson, representing the American Stock Exchange, explained that his position is a neutral one and that he did not appear at the senate hearing. Mr. Anderson offered an amendment which is attached hereto as Exhibit 6. An exemption should be given to tier one securities who meet the criteria. It is important to have the auditor in control to protect the investing public. Mr. Anderson introduced Benjamin Krause, Senior Vice-President of the American Stock Exchange.

Mr. Benjamin Krause, explained that the tier 1 securities represent those major, national corporations and that there is no equivalency between the two tiers. Montana security laws are not out of date, our present law is similar to our contiguous states, and passage of this legislation would put Montana out of sync. The North American Security Association, Uniform Security Laws Commission, a committee of the

bar association and others are studying the uniformity of security laws. Senate Bill 399 will have an adverse impact on Montana commerce. Transaction must be reported immediately and we are not against last sale reporting, stated Mr. Krause. It is to the benefit of the public and a productive way to allow the security commissioners office to review and approve. Mr. Krause distributed to committee members Exhibit 7 which is attached hereto.

Representative Thomas questioned Nils Ribi concerning his thoughts on the proposed amendment. Mr. Ribi stated the Securities and Exchange Commission reviews all presently and this would create unnecessary duplication. Mr. Ribi explained that his company became public in May of 1981. Shares were not available to any Montana investors due to the state securities department not dealing in a timely fashion. The amendment would eliminate his company and other in Montana.

Representative Schultz asked Rick Tucker if we may be creating a "buyer beware" situation. Mr. Tucker explained that nothing is safe and that the criteria for each exchange is different. The exemption has been in place since 1961. Senate Bill 399 should provide Montana companies with equal opportunity for exemption. We are not jumping out in front, but are relaxing some of the regulation without jeopardizing the investor.

Representative Simon asked Benjamin Krause how many states have similar legislation. Mr. Krause explained that there are no more than three states that have this type of legislation.

Representative Simon then asked Mr. Krause if there are more states that have similar legislation with the tier 1 exemption. Mr. Krause explained that there are not. The tier concept is a new one. Forty-nine states have an exemption. The three major categories for exemption are: the New York Stock Exchange and American Stock Exchange; the New York Stock Exchange, American Stock Exchange and two others; and the principal stock exchanges and blue chip standards.

Representative Wallin asked Rick Tucker how many companies in Montana this will affect. Mr. Tucker explained that five Montana companies are now listed on the National Market System.

Representative Wallin then asked Mr. Tucker if this will bring money into Montana and benefit Montana economy. Mr. Tucker explained that this is his personal opinion. The Montana investor and the Montana small business will

Business and Labor Committee  
March 27, 1985  
Page 7


benefit.

Representative Brandewie asked Rick Tucker the number of states that have similar legislation. Mr. Tucker stated three state have exact law, while several states have NASDAQ and NMS exemptions. In April the North American Securities Association will come forth with a recommendation for nationwide exemptions.

In closing, Senator Crippen stated the opponents are concerned about protection and this bill address' protection for before and after the fact. This is not a battle of turf as referred to by Benjamin Krause. A number of states are presenting similar legislation. The amendment proposed does not make sense as it will eliminate small companies. If Senate Bill 399 is not passed it will exclude and force those to go through the American and New York Stock Exchanges.

There being no further discussion by proponents or opponents, all were excused by the chairman and the hearing on Senate Bill 399 was closed.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 1:40 p.m.

  
Rep. Bob Pavlovich,  
Chairman

DAILY ROLL CALL  
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 27, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormick	✓		
Jerry Nisbet	✓		
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		



# STANDING COMMITTEE REPORT

March 27

19 85

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration SENATE JOINT RESOLUTION Bill No. 31

third reading copy ( blue )  
color

## INTERIM STUDY OF LIEN LAWS

Respectfully report as follows: That SENATE JOINT RESOLUTION Bill No. 31

DORASSE  
BE CONCURRED IN

# STANDING COMMITTEE REPORT

March <sup>27,</sup> ~~26~~ 27 19 <sup>25</sup>

MR. **SPEAKER** .....

We, your committee on **BUSINESS AND LABOR** .....

having had under consideration **SENATE** ..... Bill No. **353**

third reading copy ( blue )  
color

## PREFERENCE TO EMPLOYEE-OWNED FIRMS FOR LOANS UNDER IN-STATE INVESTMENT ACT

Respectfully report as follows: That **SENATE** ..... Bill No. **353**

**DOKASS**  
**BE CONCURRED IN**

# STANDING COMMITTEE REPORT

March 27

19 35

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration House Joint Resolution Bill No. 42

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color

## REQUEST INTERIM STUDY OF PREVAILING WAGE FOR PUBLIC CONSTRUCTION CONTRACTS

Respectfully report as follows: That House Joint Resolution Bill No. 42

### BE AMENDED AS FOLLOWS:

1. Page 3, line 2  
Following: "rates"  
Insert: "and the costs of administration in making those computations  
and determinations"

**DO PASS**  
**BE ADOPTED AS AMENDED**

# ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE March 27, 1985 BILL NO. 74 TIME \_\_\_\_\_

NAME	AYE	NAY
Bob Pavlovich	✓	
Les Kitzelman		✓
Bob Bachini	✓	
Ray Brandewie		✓
Jan Brown	✓	
Jerry Driscoll	✓	
Robert Ellerd		✓
William Glaser		✓
Stella Jean Hansen	✓	
Marjorie Hart	✓	
Ramona Howe	✓	
Tom Jones		✓
Mike Kadas	✓	
Vernon Keller		✓
Lloyd McCormick	✓	
Jerry Nisbet	✓	
James Schultz		✓
Bruce Simon		✓
Fred Thomas		✓
Norm Wallin		✓

Secretary Debbie Aquil

Chairman Bob Pavlovich

Motion: tabled as amended 10-10

SENATOR NEUMAN: FACT SHEET ON AGRICULTURE

THE PROBLEM

The immediate problem for Montana's agricultural industry is the deteriorating financial condition of Montana's farmer/ranchers. This financial predicament threatens to destabilize current ownership patterns which may accelerate the loss of Montana's productive crop and range land.

A recent agricultural credit study (Montana Department of Agriculture, November, 1984) profiles Montana agriculture's financial health. According to the report nearly 30% of Montana's farm/ranch owners have debts exceeding 40% of their assets. Many may be unable to refinance and are certain to face foreclosure. Ultimately, if foreclosures are widespread, the financial stability of half the remaining ranch/farm operations will be jeopardized.

As if to signal a dismal new year for Montana agriculture, in January, 1985, three Montana production credit associations (PCA) decided to liquidate, the first in the 51 years of Montana's PCAs. Mounting problems are also forcing the reorganization of the five-state Federal Intermediate Credit Bank of Spokane.

Public officials, though quick to react, have been unable to do more than gather information and consider various policy options. In January, U. S. Senator John Melcher held a public hearing in Helena for the Senate Agriculture Committee. Ranchers, bankers and agricultural experts gave various explanations for agriculture's plight ranging from the federal deficit to low commodity prices. Most agreed that credit is not to blame for agriculture's depressed condition.

William Hoffman, associate deputy director of the Farm Credit Administration, argued that "Credit can help farmers adjust to the basic economic, social and political conditions that exist, but it is not the primary cause of those conditions." He added that "Only in the very short run can credit substitute for income, for profitability. It can help achieve economic adjustment, so long as it is not viewed as an alternative."

The central problem, then, is the profitability of agriculture. Ironically, the current indebtedness resulted from the profitability of agriculture during the 1970s. Flush with success, ranchers and farmers hurried to farm lending institutions to expand their operation to take

advantage of an apparently expanding market. For their part, lenders were willing to lend on the basis of increasing land value, securing these operating loans with land.

By the time agriculture is restored to profitability, a significant percentage of Montana's farmers and ranchers will no longer be in business unless they receive additional credit. Their immediate concern is credit, a concern shared by their creditors. Neither the rancher nor the banker wants foreclosure. The rancher wants to retain his property and his way of life, and the banker does not want the burden of selling agricultural land in a depressed market.

### Results of Farm Operator Survey

Results of the farm operators survey as conducted by the Montana Department of Agriculture shows that 18 percent of Montana farmers are delinquent on real estate loan payments. A breakdown shows that about half of those have been able to stay current on interest payments only. The delinquency rate is somewhat higher among farms of less than a thousand acres, averaging 25 to 29 percent. —

#### Only 7 Out Of 10 Current On Operating Loans

For non-real estate or loans used to purchase operating equipment and supplies 31 percent of the state's farmers are delinquent in their payments. However, 61 percent of those are current on interest payments only. All sizes of operations seem to be having trouble keeping current on operating loans, but those under 1,000 acres in size are running above average on delinquency, while those between 1,000 and 2,000 acres are below average.

#### Loan Delinquency Rate By Size of Farm

SIZE OF FARM	REAL ESTATE LOANS DELINQUENT	NON-REAL ESTATE LOANS DELINQUENT
-----Acres-----	-----Percent-----	
499 or less	25.0	31.8
500-999	28.6	37.5
1,000-1,999	14.3	24.5
2,000-2,999	18.3	34.1
3,000-4,999	15.6	32.1
5,000-9,999	8.6	31.3
10,000 +	12.7	28.3
STATE TOTAL	17.6	30.6

Interest rates averaged 10.4 percent for real estate and 13.9 percent for non-real estate loans. Six percent of the survey respondents had been denied credit between January and September 1984. About 4 out of 10 were able to obtain credit elsewhere.

## Debt To Asset Ratios On The Rise

The debt to asset ratio measures the economic health of the farming and ranching business. A comparison of debt to asset ratios from 1979 to 1984 shows a steadily worsening financial balance sheet for Montana farmers. The average debt to asset ratio based on results of this survey was 28.2. This means the average farm debt was 28.2 percent of total farm assets. This statistic isn't alarming in itself, but closer examination of the data shows that 24 percent of those surveyed had ratios exceeding 50 percent and 7 percent reported debts exceeding 70 percent of assets.

## Forty-five Percent Won't Survive Over 5 Years

Assuming current trends in farm income and expenses, only 55 percent of Montana's farmers and ranchers will be able to stay in business over 5 years. Over 9 percent say they can only survive one more year, but 48 percent will farm until they retire.

## MONTANA FARM FINANCE BALANCE SHEET BY DEBT/ASSET RATIO

DEBT/ASSET RATIO CATEGORY	NUMBER OF REPORTS	DEBT TO ASSET RATIO AVERAGE	FARM ASSETS- AVERAGE	FARM DEBT AVERAGE	PERCENT DEBT IN LAND CONTRACTS	INTEREST PAID AVERAGE
-Percent-		-Percent-	----Dollars----		-Percent--	-Dollars-
0	77	0	573,702	0	0	48
0-10	58	4.3	805,751	34,866	32.4	4,865
10-20	53	14.0	883,587	123,679	52.3	15,537
20-30	41	24.6	1,097,016	270,009	60.1	31,163
30-40	43	33.3	907,062	306,331	55.5	30,070
40-50	43	43.7	894,245	390,499	48.7	40,251
50-60	52	53.8	764,533	411,426	57.1	36,762
60-70	19	63.3	470,703	300,623	57.3	33,959
70 +	28	82.2	601,765	494,965	53.7	49,279
STATE TOTAL	414	28.2	769,114	216,854	39.7	22,241

## KEY PLAYERS

In view of the challenges that face the agricultural sector of the economy, whose responsibility is it to forge the solutions? Who are the key players? Certainly the farmers/ranchers, bankers/institutional lenders and the food consuming public will be high on the list of big winners when a solution is finally found and implemented. Take a brief look at the special interests of each of these key participants.

The farmers and ranchers on a large scale have not been able to satisfy their current financial obligations: as a consequence the farm/ranch sector will be unable to attract the necessary capital resources for its future growth and development. While the failure to meet current obligations is simply on a large scale, the consequent drought in long term capital resources is likely to be on a total scale.

The banks and institutional lenders are key players also. They are not innocent bystanders. The agricultural credit industry has fallen into the old trap of advancing credit on the basis of raw land values rather than on the more conservative basis of the capitalized operating values of the land. As an expected result, many of the nation's most trusted and faithful agricultural lenders find their portfolios clogged with functionally non-performing loans. Their logical response has been to display great reluctance to consider new "AG" credits, even on solid operations. The Agricultural sector's sources of long term capital have become immobilized, frozen in a block of non-performing loans. On the basis of this example, new and old lenders alike have exercised other alternative uses for their remaining funds.

The public, through its harmonic voice, the political system and the market place, demands a reliable, plentiful, high quality and relatively inexpensive food supply. The farm public, once a majority, has become a relatively powerless minority: Its political influence being vastly overshadowed by the urban majority.

In response, the farm community has come to rely upon the bureaucracy of the federal government to implement a comprehensive farm policy designed to place agriculture on firmer financial ground. The federal government, being understandably more responsive to its larger urban constituency, has failed to implement such a policy, electing in the alternative to insure a plentiful and cheap food supply.



What Is The Major Cause Of Farm Problems Today?

	All Farmers & Ranchers	Cash Grain	Livestock Producers	Commercial Banks	FmHA	PCAS	Fed. Land Bank
-----Percent-----							
Bought Land Too High	3.7	3.1	4.3	5.0	---	---	---
High Cost of Equipment	12.9	15.2	13.7	6.3	---	---	---
High Interest Rates	22.3	19.9	23.1	17.5	50.0	10.0	13.3
Government Farm Programs	4.8	3.6	6.7	2.5	---	---	---
High Input Costs	10.0	7.6	9.8	6.2	---	30.0	6.7
Low Market Prices	36.0	36.9	33.1	39.4	---	60.0	40.0
Natural Disasters	8.7	11.5	8.9	6.9	20.0	---	20.0
Other 1/	1.6	2.1	8.4	16.2	30.0	---	20.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Poor management, over-mechanized and all other.

### ISSUES

The following are a few of the many issues that may be considered.

1. FARM CREDIT                      This issue must be addressed immediately. An investigation concerning the farm credit system must be conducted in order to initiate legislation at the state and federal level.
  
2. COMMODITY PRICES                Policy needs to be developed to provide an equitable price to the farmer/rancher for his products in order to insure a profitable return.
  
3. LONG-TERM PROGRAM                New farm legislation, both at the state and federal level, must be bi-partisan effort directed at a long term program. Any agricultural plan must provide workable provisions withstanding changes in administration, yet be flexible enough to adjust to domestic and international economic fluctuations.

4. AGRICULTURAL  
MARKETING

Present agricultural marketing problems must be investigated. Among the issues include:

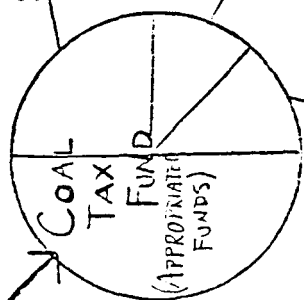
- Exports
- Embargo Protection
- Foreign Aid Food Programs
- Subsidized Food Export Programs
- Supply Management Programs
- Imported Meats

5. NATIONAL ECONOMIC  
ISSUES

Those economic issues directly affecting agriculture particularly the Federal Deficit and High Interest Rates.

# COAL TAX

BALANCE  
OF PERMANENT  
COAL TAX TRUST  
FUND  
(Bd of Inv.)



50%

25%

INSTATE  
TRUST  
FUND  
(ECON. DEV.  
BOARD)

SB 425

SB 208

AG. AUTH.  
INVESTMENT  
FUND

BUY FARM  
LOANS  
AND OTHER AG  
LOAN AUTH. PURPOSE

SERVICE  
FEES

GUARANTEE  
LOANS  
(AG Pool)

GUARANTEE  
FUND  
CAPITAL  
RESERVE  
FUND

SERVICE  
FEES

CHECK OFF  
ASSESSMENT

SB 426



TED SCHWINDEN  
GOVERNOR

STATE OF MONTANA  
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR  
AGRICULTURE/LIVESTOCK BLDG.  
CAPITOL STATION  
HELENA, MONTANA 59620-0201

Exhibit 2  
3/27/85  
SB208

Submitted by: Keith Kelly  
TELEPHONE:  
AREA CODE 406  
444-3144

KEITH KELLY  
DIRECTOR

Testimony of Montana Department of Agriculture  
Director Keith Kelly for the House Committee  
on Business and Labor on  
Senate Bill 208  
Wednesday, March 27, 1985

Chairman Pavlovich, Members of the Committee. The problems facing agriculture and the corresponding loss of our family farms and ranches are of great concern to the Montana Department of Agriculture. Recent Production Credit Association (PCA) liquidations and concerns regarding the soundness of other financial institutions accentuate the significance of the current problems. Problems within the financial institutions will directly and indirectly affect a very large number of producers who will be seeking a new source of financing for millions of dollars of necessary credit. Agricultural lenders will pick up a certain percentage of the operators who are current on loan payments, but a large percentage will not find a lender willing to continue their financing and may be forced out of business. The recent merger between farm credit institutions in Spokane and agricultural loan related stock devaluations within some of the larger bank holding companies is further evidence of the severity of the credit crunch facing agriculture.

Prior to the session, each number of the legislature was mailed a copy of the departments recently completed statistical survey of the agricultural finance situation in Montana. Survey results did not paint a very bright future for agriculture, but were consistent with recent developments. Current loan delinquency rates and foreclosures are considerably higher than in the recent past. Delinquencies on operating loans at banks are about double those in 1981. Foreclosures are five (5) times higher than in 1981. Voluntary farm liquidations were eight times higher than in 1981 with many existing loans yet to be reviewed for the 1985 season. These statistics may be compounded by the recent problem confronting the farm credit institutions and continued devaluation of agricultural land. The Montana Agricultural Finance Survey's attitude-trend analysis (assuming current trends in farm income and expenses) indicates that only about 55 percent (55%) of the existing farmers/ranchers felt that they will be able to remain in business for another five (5) years.

It is essential that workable long range solutions to the farm credit problems be developed. The mounting problems within our agricultural sector, our number one industry, represents a major issue that affects not just the farmer/rancher and other agri-businesses. These problems and their impact also affect our many rural communities and the overall economy of the state.

High interest rates and the lack of available credit sources represent very significant causes of the current adverse conditions within agriculture which will result in even further

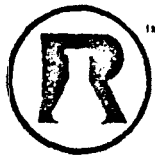
deterioration of our agricultural economy. The Department of Agriculture believes Senate Bill 208 would provide a mechanism (assuming an adequate source of funds can be found) by which viable farm and ranch operations may be able to secure a source of financing where it would not otherwise be available and will provide assistance toward the continuance of our states' family farms/ranches. Passage of this bill may also provide for economic stabilization and potential stimulation of our many rural communities and the overall economic well-being of the state, and demonstrate the concern for the farmer and the state of Montana.

By use of a guarantee program, closely coordinated with existing financial institutions, we may be able to start to address the financial crunch that is now facing rural Montana.

We ask for your full consideration of Senate Bill 208.

Exhibit 3  
3/27/85  
SB 399  
Submitted by:  
Doug James

WRITTEN TESTIMONY  
IN SUPPORT OF  
  
SENATE BILL 399  
  
AND THE  
NASDAQ/NMS EXEMPTION



RIBI  
IMMUNOCHEM  
RESEARCH, INC.

FAULKNER 2/4/85

P.O. Box 1409  
HAMILTON, MONTANA  
59840 USA  
(406) 363-6214

January 30, 1985

Ms. Andrea Hemstad,  
State Auditor  
State Auditor's Office  
P. O. Box 4009  
Helena, MT 59604

Dear Ms. Hemstad:

Congratulations on your election as State Auditor. I am sure that you are extremely busy establishing yourself into the new position, but I did want to take this opportunity to commend you and Rick Tucker on the forward-looking approach you have taken in regard to putting NASDAQ National Market System securities on parity with the other Exchanges.

We here at Ribi ImmunoChem fully support your efforts and offer any assistance we can give in seeing the matter through the current Legislature. This change has been long overdue and will only add benefit to the companies doing business in our state as well as provide a benefit for our citizens.

Keep up the good work. I look forward to meeting you sometime in the near future.

Sincerely,

Nils A. Ribi,  
Chief Executive Officer

NAR/m

cc: Mr. Rick Tucker





ROCKY MOUNTAIN CAPITAL, LTD.

February 11, 1985

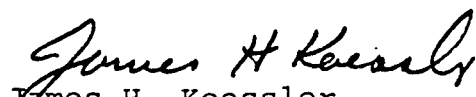
Ms. Andrea Bennett  
State Auditor and Ex  
Officio Securities Commissioner  
P. O. Box 4009  
Helena, Montana 59604

Re: Securities Legislation  
The NASDAQ/NMS Exemption

Dear Ms. Bennett,

The proposed legislation to create an exemption for securities listed on NASDAQ/NMS is supported by Rocky Mountain Capital. As venture capitalists, we appreciate the need for legislation that facilitates capital formation, and believe such legislation would be an important element in the overall "build Montana" efforts.

Truly yours,

  
James H. Koessler  
President

JHK/cb



**BANK OF MONTANA**

S Y S T E M

P. O. BOX 5100, GREAT FALLS, MONTANA 59403

February 1, 1985.

Mrs. Andrea Bennett, State Auditor  
State of Montana  
Mitchell Building  
P. O. Box 4009  
Helena, MT 59604

Dear Mrs. Bennett:

Bank of Montana System supports the Securities Department's proposal that would provide an exemption from registration for NASDAQ/NMS Securities.

We believe this action is long overdue and we commend the Securities Department for its progressive approach.

Very truly yours,



JOSEPH J. FRIEND  
Senior Vice President

JJF:emd

cc: Gless Faulkner

February 11, 1985

Andrea Bennett  
State Auditor and  
Ex Officio Securities Commissioner  
P. O. Box 4009  
Helena, MT 59604

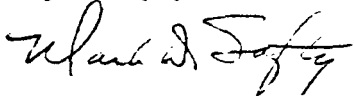
Dear Ms. Bennett:

We ask for your support of legislation to be proposed in this session which would create a registration exemption under Montana Securities Laws for firms whose securities are listed on the NASDAQ National Market System. As you know, listing with NASDAQ/ NMS is the functional equivalent of a listing with one of the other major stock exchanges (ie. New York or American Stock Exchange).

I am an attorney practicing in the securities field, and a Montanan closely involved in business throughout the state. This proposed exemption would benefit business without minimizing in any way, the protections afforded Montanans by the Securities Laws.

Thank you for your consideration of this matter.

Very truly yours,



Mark D. Safty General Counsel  
and Secretary

CC: Doug James

MDS:lkp

G.T. MURRAY & CO.  
MEMBER NASD & SIPC

March 20, 1985

Ms. Andrea Bennett  
State Auditor  
Room 270  
Sam W. Mitchell Building  
P.O. Box 4009  
Helena, MT. 59604

Dear Andy:

Please accept this letter as evidence of our support for Senate Bill - 399 to allow the NASDAQ/NMS exemption. We feel that this exemption will benefit both Montana businesses and Montana investors.

If I can be of any assistance in supporting this legislation, please call me.

Sincerely,



Michael DaSilva  
Vice-President  
Branch Manager



# DIMENSION

---

MANAGEMENT SERVICES, INC.

February 21, 1985

Andrea "Andy" Bennett  
State Auditor and Ex-Officio Securities Commissioner  
P.O. Box 4009  
Helena, Montana 59604

Re: Senate Bill 399

Dear Commissioner Bennett:

We support your efforts to develop an NASDAQ national market system exemption under Section 30-10-104 of the Securities Act of Montana. As a company which is engaged in the business of investment banking and investment structuring, we strongly support any effort to ease our burden of raising capital both in and outside the State of Montana. Your proposed exemption, in conjunction with similar exemptions presently being adopted by other states, will eliminate duplicative filing requirements thereby streamlining the offering process for emerging companies. In addition, the proposed exemption should develop more investment opportunities for Montana citizens.

If I can be of any further assistance in supporting this legislation, please contact me.

Very truly yours,

S/

Bruce A. Larson  
General Counsel

st

c: Doug James, Esq.





An investment firm you like  
to tell your friends about.

February 4, 1985

Ms. Andrea Bennett  
State Auditor  
Mitchell Building  
Helena, Montana 59620

RE: Proposed Amendment to State Securities Laws

Dear Ms. Bennett:

It has come to our attention that your office, as ex officio Securities Commissioner for the State of Montana, is contemplating an amendment to the Securities Act of Montana (the "Act") which would provide an exemption from the registration provisions of the Act for all securities designated as qualified for trading in the National Market System ("NMS") which are listed or approved for listing upon notice of issuance on the National Association of Securities Dealers Automated Quotation System (NASDAQ). D.A. Davidson & Co. strongly endorses the efforts of your office to effectuate such an amendment.

At the present time securities listed on certain national securities exchanges, specifically the New York, American, Pacific and Midwest Exchanges, are exempt from the registration requirements of the Act. The proposed amendment would provide a similar exemption to securities traded on NASDAQ/NMS and recognize NASDAQ/NMS as a qualified national exchange. We believe that such treatment and recognition is warranted since adequate procedures and controls are in place for the protection of investors equal to those on other recognized national exchanges. Further, NASDAQ/NMS provides investors with current market information similar to national exchange listed stocks, rapid execution of orders and execution costs which on average are 10% less than the cost of executing similar orders on other exchanges.

While we support the basic concept of the proposed amendment, we would like to suggest certain modifications to the draft legislation we have reviewed. The modifications would be as follows:

- (1) Instead of a separate sub-section under MCA Section 30-10-104 providing an exemption for NASDAQ/NMS we would suggest inclusion of NASDAQ/NMS as an approved exchange under existing MCA Section 30-10-104(13).
- (2) We suggest that only those stocks that are actually listed on NASDAQ/NMS be exempt rather than those that are approved for listing.
- (3) We do not favor the additional language contained in the draft which would permit revocation or denial of the NASDAQ/NMS exemption or of the exchange exemptions as presently contained in MCA Section 30-10-104(13). The basis for this language is currently found in the transactional exemptions permitted by

D.A.  
Davidson  
& Co.

Incorporated

Davidson Building  
P.O. Box 5015  
Great Falls, Montana  
59403

(406) 727-4200

Offices: Billings,  
Bozeman, Butte,  
Havre, Helena, Kalispe  
Missoula, Montana;  
Williston, North Dakota;  
Moscow, Idaho

Corporate Office:  
Davidson Building  
Great Falls,  
Montana 59401

Members:  
Midwest Stock  
Exchange Inc.  
Pacific Stock  
Exchange Inc.  
Securities Investor  
Protection Corp.

Ms. Andrea Bennett  
February 4, 1985  
Page 2

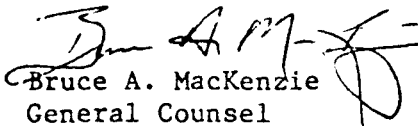
MCA Section 30-10-105. It is appropriate to grant the Commissioner the authority to strip abusive securities of the cloak of the transactional exemption when the public interest requires the removal of such an exemption. To permit the unilateral revocation of an exemption in cases where the character of the security itself has resulted in the granting of an exemption by the Legislature would result in an incongruity in the law which does not coincide with the total scheme of securities regulation.

There are other modifications within the draft which we would favor but which do not directly relate to the NASDAQ/NMS exemption and therefore are beyond the scope of this letter. We would, however, appreciate an opportunity to review this proposed legislation with you and your staff.

Thank you for your attention to these matters. If you or any of your staff have any questions concerning these comments, please do not hesitate to give us a call.

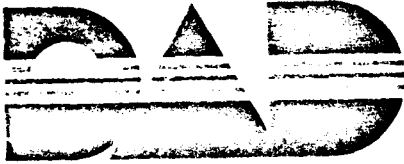
With best regards.

Sincerely,

  
Bruce A. MacKenzie  
General Counsel

BAM:lkh

cc: Kim Schulke  
Rick Tucker



An investment firm you like  
to tell your friends about.

February 7, 1985

Ms. Andrea Bennett  
State Auditor  
Mitchell Building  
Helena, Montana 59620

RE: Proposed Amendment to State Securities Laws

Dear Ms. Bennett:

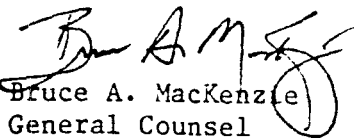
Thank you for taking the time to meet with Doug James and me concerning the proposed amendment to the Securities Act of Montana. This letter will confirm our conversation in which I indicated my consent for the Department to use my letter dated February 4, 1985, supporting the NASDAQ/NMS exemption during the legislative hearings on this particular legislation.

As I indicated to you in our conversation, however, my letter of February 4 contains three (3) proposed modifications to the legislation. After further consideration and discussions with your staff, the second modification I proposed in that letter which requested that only those stocks that are actually listed on NASDAQ/NMS be exempt rather than those that are approved for listing would be an ill-advised and inappropriate modification. I would appreciate it if you would attach a copy of this letter to the letter of February 4, 1985, clarifying D.A. Davidson & Co.'s position.

Thank you again for your attention to this matter. If you have any questions or if I can be of any further assistance please do not hesitate to contact this office.

With best regards.

Sincerely,

  
Bruce A. MacKenzie  
General Counsel

cc: Rick Tucker

D.A.  
Davidson  
& Co.

Incorporated

Davidson Building  
P.O. Box 5015  
Great Falls, Montana  
59403

(406) 727-4200

Offices: Billings,  
Bozeman, Butte,  
Havre, Helena, Kalispell,  
Missoula, Montana;  
Williston, North Dakota;  
Moscow, Idaho

Corporate Office:  
Davidson Building  
Great Falls,  
Montana 59401

Members:  
Midwest Stock  
Exchange Inc.  
Pacific Stock  
Exchange Inc.  
Securities Investor  
Protection Corp.



# LUXAN & MURFITT

ATTORNEYS AT LAW

MONTANA CLUB BUILDING • 24 W. SIXTH AVE.

P.O. BOX 1144 • HELENA, MONTANA 59624

(406) 442-7450

February 4, 1985

H.J. LUXAN (1918-1984)  
WALTER S. MURFITT  
MICHAEL J. MULRONEY  
GARY L. DAVIS  
TERRY B. COSGROVE  
DALE E. REAGOR  
PATRICK E. MELBY  
MICHAEL J. RIELEY

Andrea "Andy" Bennett  
State Auditor and  
Ex Officio Securities Commission  
P.O. Box 4009  
Helena, MT 59604

Re: Proposal Amendment to 30-10-104(13) MCA

Dear Commissioner Bennett:

I am a Montana lawyer with a substantial practice in securities law.

The purpose of this letter is to express my strong support for your proposed amendment to 30-10-104(13) MCA which would allow an exemption from registration in the State of Montana to securities which are part of the NASDQ National Market System (NASDQ/NMS).

While I have a number of reasons as a practicing securities attorney for support of this amendment my primary reasons are:

- (1) Such an amendment would facilitate the raising of capital and thereby encourage economic development in our state.
- (2) Securities eligible to become listed on NASDQ/NMS must meet certain qualitative criteria established by the Securities and Exchange Commission and therefore citizens of Montana will not be encouraged or exposed to fraudulent investments as a result of investment in such exempted securities.
- (3) The workload of your already burdened office will be lessened.
- (4) A large number of other states have adopted this amendment to eliminate duplicative filing requirements, achieve the above listed benefits and additional benefits associated with modern computer technology.

Andrea "Andy" Bennett  
February 4, 1985  
Page Two

Please feel free to introduce this letter to the legislature to demonstrate my support.

Sincerely yours,

MICHAEL J. MULRONEY



for LUXAN & MURFITT

MJM/ds

cc: Doug James, Esq.

DOWLING LAW FIRM, P.S.C.

3030 N. MONTANA AVE.  
VALLEY BANK BUILDING  
HELENA, MONTANA 59601

THOMAS F. DOWLING

PHONE 442-9000  
AREA CODE 406

February 15, 1985

Andrea Hemstad Bennett  
State Auditor & Ex-Officio Ins. Comm.  
State of Montana  
Helena, Montana 59620

Re: Pending Securities Legislation

Dear Andy:

As you know, a substantial portion of my practice involves securities. Formerly I was employed as an attorney by the U.S. Securities and Exchange Commission in Seattle and I have represented the Montana Securities Department in the past. I am aware of the proposed amendment to 30-10-104(13), MCA, to provide an exemption from registration in Montana for securities which are listed on the National Association of Securities Dealers Automated Quotation System - National Market System.

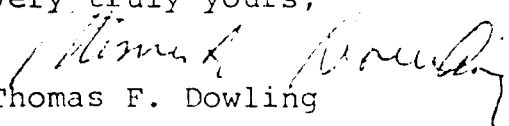
Additionally I am the chairman of the Helena Area Economic Development Council and am deeply interested in any method to provide capital to improve the economic climate in the State of Montana.

It is my opinion that the proposed exemption from registration contemplated by the amendment would be beneficial to the securities industry in the State of Montana and also may be beneficial in providing finance capital in our state.

For these reasons, among other expressed by other proponents of the amendment, I support the proposed exemption from registration of securities listed by NASDAQ/NMS.

I support your efforts in this regard and please do not hesitate to indicate to any legislative committee considering the proposed amendment, my indication of support.

Very truly yours,

  
Thomas F. Dowling

TFD:rf

cc: Doug James ✓

# OITZINGER & MULLENDORE

ATTORNEYS AT LAW

310 West Spruce  
Missoula, Montana 59802  
(406) 721-8300

Power Block Building  
Last Chance Gulch  
Helena, Montana 59601  
(406) 449-6390

American Bank Center  
123 West 1st Street  
Casper, Wyoming 82601  
(307) 234-1411

February 21, 1985

Ms. Andrea Bennett  
State Auditor and Ex Officio Securities Commissioner  
P. O. Box 4009  
Helena, MT 59604

Re: Securities Legislation; SB 399  
The NASDAQ/NMS Exemption

Dear Ms. Bennett:

As an attorney whose practice involves advising small and medium-size Montana businesses, with regard to capital formation, I would like to express my support for the proposed amendment to Section 30-10-104(13), M.C.A. (contained in SB 399), which would exempt from registration those securities approved for listing on the NASDAQ/NMS. A growing portion of my practice involves securities and financial advice to Montana corporations. I see the proposed amendment as beneficial to new and growing small businesses in Montana, and a natural adjunct to the "Build Montana Program."

The effects of exempting NASDAQ/NMS listed stock from Montana Blue Sky registration are three-fold. First, the exemption will make it easier for new and existing Montana businesses to obtain capital from sources outside Montana. Second, it will give Montana investors a broader range of sound investment opportunities. Third, it will signal Montana's acceptance of the SEC's policy regarding a national market system for exchange of stock.

## 1. Expanded Opportunities for Montana Businesses and Investors

The raising of capital is a barrier to small business growth in Montana which Governor Schwinden's administration is working diligently to overcome. If the proposed exemption were adopted in Montana and other states, it would be easier for new and existing Montana businesses to obtain capital, particularly from sources outside Montana which otherwise might never consider investing in a Montana company or which would otherwise be too difficult to reach because of each state's

Andrea Bennett

2/21/85

Page Two

Blue Sky regulations. By exempting NASDAQ/NMS stock from Blue Sky registration in Montana, Montana businesses will have one less hurdle to jump in selling their stock to Montana investors. In addition, Montana's acceptance of the exemption may help prompt other states to accept a similar exemption and eliminate their Blue Sky hurdles to Montana companies. Eventually, the time and expense of Blue Sky compliance would be drastically reduced through elimination of what is currently duplication of effort exercised on the part of individual state administrators and the NASD in conjunction with the SEC.

Once NASDAQ/NMS stock is exempted like stock traded on the NYSE, AMEX and other nationally recognized exchanges, the benefits currently being enjoyed by stocks listed on the NASDAQ/NMS will be multiplied. Small or new companies are allowed to grow much more rapidly on the NASDAQ/NMS than on the other exchanges. The existence of numerous competitive market makers for NASDAQ/NMS stock provides more liquidity and lower prices for any given company's stock than the more well-known exchanges, where markets are often made for a company's stock by the "specialists" who, for the most part, maintain monopoly positions in certain issues. Liquidity of new issue stock in a "risky" company, or a company that has recently gone public, is essential for public confidence in the market for that stock. Lack of liquidity can kill a new company that otherwise would survive. For new or expanding Montana businesses, many of which will get a start or a chance to accelerate growth from the Build Montana Program, the liquidity feature is essential. Also, the comparatively small entry fee (\$5,000 for the NASDAQ/NMS vs. \$30,000 for the NYSE), reduces the cost to small companies and allows a smooth transition from private to public trading, or from OTC to exchange listing. The NASDAQ/NMS is a new vehicle (implemented in 1982), which can be utilized by new and expanding businesses in Montana to become recognized and have their stock traded in a national market.

The NASDAQ/NMS is not only for new or risky stock. Actually, those NASDAQ companies which are listed on the NMS are the cream of the stocks traded on the NASDAQ. Many of the stocks which started as new issues, "risky" stock, or "bottom fish" on the NASDAQ/NMS are now floating among the blue chips (Apple, MCI, Intel, Tandem and the American International Group of insurance companies). Because of the advantages these companies obtain by listing on the NASDAQ/NMS as opposed to the NYSE, AMEX, or other exchanges, they have chosen to remain with the NASDAQ even though they meet the listing requirements of

Andrea Bennett  
2/21/85  
Page Three

the other exchanges. These stocks were at one time much like stock in the five Montana companies currently listed by the NASDAQ/NMS. They were considered risky, and information about the companies they represented was not readily available. The NASDAQ/NMS provided access to daily stock information on these companies, which was similar (and now is identical) to the type of information available on the NYSE, AMEX and other national exchanges. This type of information was previously available for non-exchange OTC stock only on a disorganized and delayed basis. On April 1, 1982, last sale-trade reporting began for NASDAQ/NMS securities. This makes the market information available and disseminated on those securities as complete and current as the information on other exchange-listed securities. Broker/dealers are required to report the price and volume of each transaction within ninety seconds after execution.

The expansion of capital markets in Montana which would be accomplished by acceptance of the exemption in Montana and other states would be done without threat to Montana investors. The already stringent regulation and reporting requirements imposed on NASDAQ/NMS companies by the NASD and SEC is sufficient to insure that Montanans will not be exposed to "fly-by-night" companies and boiler room deals. The Montana securities commissioner will be able to spend more time and taxpayers' money investigating and stopping real corrupt securities from being sold within the state. In addition, Montana's notoriously hard line and strict scrutiny of new security issues in order to protect Montana investors would become less a barrier to legitimate new companies listed on the National Market System which seek Montana capital. The exemption would also allow Montanans to invest more readily in legitimate out-of-state businesses.

## 2. Improvement of the Nation's Market Systems

Excluding the NASDAQ/NMS from the exemption allowed other national exchanges in Section 30-10-104(13) M.C.A. is a form of discrimination against its listed companies, which is out-of-step with the times. The SEC views the securities markets as an important national asset. It has also stated that the linking of all markets for qualified securities through communication and data processing facilities is fundamental in fostering efficiency and increased competition. The NASDAQ/NMS has become a major force in achieving the competitive and efficient computerized transfer and clearing of

# OITZINGER & MULLENDORE

Andrea Bennett  
2/21/85  
Page Four

securities. It has become a major threat to the NYSE as it exists today. There are admitted problems in monitoring the specialists of the NYSE, and there are reports concluding that the specialists have not and possibly cannot achieve their purpose of providing an "orderly" market. These criticisms are causing many in the industry to look more seriously at the new kid on the block with its competitive market makers and easily monitored computerized transactions. The SEC and other observers have suggested that the NYSE auction market be replaced by an electronically linked network of competitive dealers, much like the NASDAQ/NMS.

From small beginnings, the NASDAQ has become the second largest exchange in the United States. The current Montana exemption which is limited to exchanges is an anachronism in this computer age. It clearly discriminates against the viable and essential NASDAQ/NMS. In addition to the stocks listed on the NYSE, Montana allows state exemption from registration for stocks listed on the AMEX, and the Pacific and Midwest exchanges, which are smaller and no more protective of investors than the NASDAQ/NMS.

The proposed legislation promotes a free market system to the extent which is now technologically available. It represents sound public policy which should be enacted.

Sincerely,

Robert G. Mullendore

cir  
cc: Doug James ✓

# DORSEY & WHITNEY

*A Partnership including Professional Corporations*

201 DAVIDSON BUILDING  
8 THIRD STREET NORTH  
GREAT FALLS, MONTANA 59401  
(406) 727-3632

2200 FIRST BANK PLACE EAST  
MINNEAPOLIS, MINNESOTA 55402  
(612) 340-2600

880 WEST-FIRST NATIONAL BANK BUILDING  
ST. PAUL, MINNESOTA 55101  
(612) 227-8017

312 FIRST NATIONAL BANK BUILDING  
WAYZATA, MINNESOTA 55391  
(612) 475-0373

SUITE 675 NORTH  
1800 M STREET N.W.  
WASHINGTON, D. C. 20036  
(202) 296-2780

P. O. BOX 849  
340 FIRST NATIONAL BANK BUILDING  
ROCHESTER, MINNESOTA 55903  
(507) 298-3158

30 RUE LA BOETIE  
75008 PARIS, FRANCE  
TEL: (1) 562 32 50

February 1, 1985

JOHN W. MANNING

Ms. Andrea Hemstad Bennett  
State Auditor  
Room 270  
Sam W. Mitchell Building  
P. O. Box 4009  
Helena, Montana 59604

Mr. Rick Tucker  
Montana Securities Department  
Room 270  
Sam W. Mitchell Building  
P. O. Box 4009  
Helena, Montana 59604

Dear Andy and Rick:

It has come to my attention that there is legislation in the State Legislature to exempt NASDAQ National Market System securities from registration in Montana. I strongly believe that such an exemption is desirable and would be beneficial to several companies headquartered in Montana.

The NASDAQ system in general, and the National Market System in particular, has developed into a very significant and effective trading market in the past several years. As you know, the NASD regulates its listed companies in much the same manner as the national and regional stock exchanges. Although I am aware of the competition between the exchanges and the National Market System to enlist issuers, I do not believe that there are any good reasons for treating National Market System securities any differently than securities listed on the established exchanges.

Adoption of such an exemption would in my opinion be best accomplished by amending Section 30-10-104(13) of the Montana Securities Act by inserting a few words referring to the NASDAQ National Market System. For the reasons expressed above, I reiterate my support for the adoption of this amendment and urge you to support that legislation.

If you should have any questions with respect to the foregoing, please do not hesitate to contact me.

Very truly yours,

  
John W. Manning



Central Square Building  
41 West Main  
Missoula, Montana 59802  
406/728-0810

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# Datsopoulos, MacDonald & Lind

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Attorneys at Law

Milton Datsopoulos  
Ronald B. MacDonald  
Dennis E. Lind  
Christopher B. Swartley  
Edward A. Murphy  
Richard A. Reep  
William K. VanCanagan  
David B. Cotner

February 22, 1985

Andrea (Andy) Bennett  
State Auditor and Ex Officio Securities  
Commissioner  
P.O. Box 4009  
Helena, MT 59604

RE: Proposal Amendment to  
30-10-104(13), M.C.A.

Dear Ms. Bennett:

I am a Montana lawyer presently practicing in Missoula with  
a focus in the securities arena.

The purpose of this letter is to express my support for the  
proposed amendment to M.C.A. § 30-10-104(13) which would  
provide for an exemption for registration in the State of  
Montana to securities which are a part of the NASDAQ  
National Market System (NASDAQ-NMS).

It is my strong personal belief that this change has been  
long overdue and will greatly benefit many companies doing  
business within the State of Montana as well as provide many  
benefits for the citizens of our great State. I would like  
to take this opportunity to offer any assistance which I can  
give in promoting this bill in the Montana Legislature.

I look forward to meeting you in the near future. If there  
is anything I can do to assist you, please let me know.

Sincerely,

DATSOPOULOS, MacDONALD & LIND

  
William K. VanCanagan

WKV/lkk

Law Offices of

# GRAYBILL, OSTREM, WARNER & CROTTY

No. 18 Sixth Street North • Suite 200 • Great Falls, Montana 59401 • Telephone 406/452-8566

Leo C. Graybill (1973)  
Leo Graybill, Jr.  
Donald L. Ostrem  
Gregory H. Warner  
G. Robert Crotty, Jr.  
Michael G. Barer  
Turner C. Graybill  
(admitted in Massachusetts)  
Scott M. Radford  
(admitted in California)  
Truman G. Bradford  
of counsel

File No.:

February 11, 1985

Ms. Andrea Bennett  
State Auditor and  
Ex Officio Securities Commissioner  
P.O. Box 4009  
Helena, MT 59604

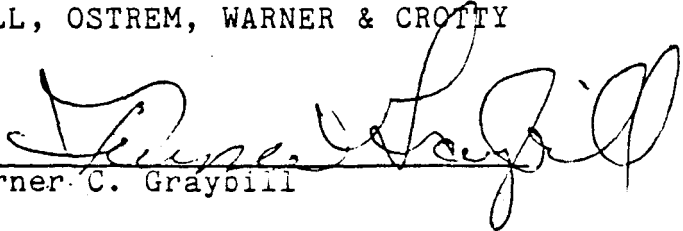
Dear Andy:

As a lawyer engaged in securities litigation, I am writing to express my support for your proposal to amend M.C.A. 30-10-104(3) so as to exempt securities which have been listed on the NASDAQ National Market System. Such an exemption will allow this market system to compete more effectively with the New York exchanges. The exemption would reduce the number of burdensome and duplicative filing requirements faced by firms attempting to market high-quality securities through the NASDAQ system. Most important, the reform may encourage Montana firms to qualify on the National Market System and thus promote capital formation and business development in Montana.

Sincerely,

GRAYBILL, OSTREM, WARNER & CROTTY

BY:

  
Turner C. Graybill

TCG/tt

*William A. Brodin*

ATTORNEY AT LAW  
ONE TEN WEST PARK AVENUE  
P.O. Box 1397  
ANACONDA, MONTANA 59711-1397

—  
TELEPHONE (406) 563-8412

February 8, 1985

Honorable Andrea Bennett  
State Auditor  
and Ex Officio Securities Commissioner  
P.O. Box 4009  
Helena, MT 59604

Dear Mrs. Bennett:

It has just come to my attention that a bill is to be introduced in this legislative session, with the blessings of the State Securities Department, to allow for an exemption under the Securities Act for securities listed on the NASDAQ/National Market System. I am most interested in this legislation as I feel it will greatly benefit the future economic growth of the State, and offers no new risk.

As you are well aware, such exemption has, for years, been granted to other exchange listings. NASDAQ has proved its reliability, by its regulation of NASD member firms and the built-in protections afforded to investors. It seems only fair and equitable that such exemption should be allowed NASDAQ/National Market System.

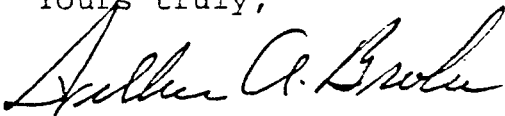
A further fact however, is the assistance it would provide to Montana entrepreneurs. As General Counsel to Ribi Immunochem Research, Inc., I have been closely affiliated with and respectful of the NASD system. To have had the exemptions as proposed, would have greatly aided our company in its early financing and it would assist Montana companies seeking capital expansion in the future. This exemption is presently offered in many of the States of this Country and hopefully the exemption will soon be the law of this State.

Further, I am unable to appreciate why anyone would be legitimately opposed to extending this exemption to NASDAQ/National Market System, as it appears beneficial to all of Montana for any entraneural development that will or may take place. The granting of such exemption does not create an undue disadvantage to the jeopardy of any of the existing named exchanges which already have the benefit of the exemption.

Honorable Andrea Bennett  
February 8, 1985  
Page 2

I do therefore most sincerely congratulate your office for proposing such legislation, and I offer my wholehearted support and cooperation. Should I be able to be of service in this regard, please feel free to call on me.

Yours truly,

A handwritten signature in cursive script, appearing to read "William A. Brolin".

William A. Brolin

WAB/mf

cc. Doug James

CROWLEY, HAUGHEY, HANSON, TOOLE & DIETRICH

CALE CROWLEY  
JAMES M. HAUGHEY  
NORMAN HANSON  
BRUCE R. TOOLE  
JOHN M. DIETRICH  
THOMAS N. KELLEY  
LOUIS R. MOORE  
GARELD F. KRIEG  
ARTHUR F. LAMEY, JR.  
MYLES J. THOMAS  
GEORGE C. DALTHORP  
DAVID L. JOHNSON  
JACK RAMIREZ  
KEMP WILSON  
ROBERT EDD LEE  
STUART W. CONNER  
HERBERT I. PIERCE, III  
RONALD R. LODDERS  
STEVEN RUFFATO  
ALLAN L. KAPPELL  
JAMES P. SITES

ATTORNEYS AT LAW  
500 TRANSWESTERN PLAZA II  
490 NORTH 31ST STREET  
P. O. BOX 2529  
BILLINGS, MONTANA 59103-2529  
TELEPHONE (406) 252-3441

L. RANDALL BISHOP  
CAROLYN S. DUBIN  
STEVEN J. LEHMAN  
T. J. SPEAR  
LAURA A. MITCHELL  
SHERRY SCHEEL MATTEUCCI  
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MICHAEL S. DOCKERY  
WILLIAM J. MATTIX  
MICHAEL P. MANION  
PETER F. HASEN  
WILLIAM O. BRONSON  
MALCOLM H. GOODRICH  
MICHAEL B. EVANS  
MARY S. FERGER

February 19, 1985

Ms. Andrea Bennett  
State Auditor and  
Ex Officio Securities Commissioner  
P. O. Box 4009  
Helena, Montana 59604

Re: Proposed Securities Legislation  
NASDAQ/NMS Exemption

Dear Ms. Bennett:

This letter is written in support of the proposal to amend §30-10-104(13), MCA, of the Securities Act of Montana to create an exemption for securities listed on the National Association of Securities Dealers Automated Quotation System/National Market System (NASDAQ/NMS). I believe that this legislation will provide great benefits to Montana investors, and more particularly to Montana businesses and enterprises seeking investment capital.

Since its creation NASDAQ has seen phenomenal growth, and is currently one of the largest stock exchanges in the world. Since the Montana Securities Act currently exempts securities listed on the New York, American and regional stock exchanges, it seems entirely consistent that exemption should be given to those stocks listed on NASDAQ/NMS, particularly when such issues are subject to listing and disclosure requirements which will provide protection for potential investors. It is further in keeping with the trend toward eliminating unnecessary or duplicative regulatory controls, and in trying to foster capital development and growth.

With particular reference to Montana, I believe that the proposed exemption would expand opportunities for Montana businesses to achieve a national market image, while avoiding duplicative registration with the State. It would furthermore reduce the administrative burden increasingly borne by your office, while providing additional investment opportunities to Montanans. I believe the proposed exemption is fully in keeping with attempts

Ms. Andrea Bennett  
Page 2  
February 19, 1985

to foster economic development and growth within the State, and in our uncertain economic times, would be a great benefit to the State.

While I understand the considerable competition among the stock exchanges, I sincerely believe that out-of-state interests should not be allowed to undermine proposed legislation such as this which would foster economic development within the State. Accordingly, I support adoption of the NASDAQ/NMS exemption.

Sincerely yours,

ALLAN KARELL

AK:bm

bcc: Doug James, Esq.

JACKSON, MURDO & GRANT

ATTORNEYS AT LAW  
203 NORTH EWING STREET  
HELENA, MONTANA 59601

DAVID L. JACKSON  
ROBERT M. MURDO  
JOHN H. GRANT  
CURTIS E. LARSEN  
TOMMY H. BUTLER

L. V. HARRIS  
COUNSEL  
TELEPHONE  
(406) 442-1300

February 14, 1985

Ms. Andrea Bennett  
State Auditor and Securities Commissioner  
Capitol Station - Mitchell Building  
Helena, MT 59620

Re: Amendments to Montana Securities Laws (SB 399)

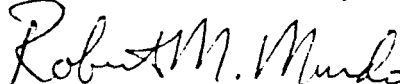
Dear Ms. Bennett:

This letter is written in support of your office's requested amendments to the Montana Securities Laws. Although our practice is primarily in the field of municipal securities, we have watched the emergence of the National Association of Securities Dealers' Automated Quotations System as a competitive alternative to the ten active registered national securities exchanges.

We believe your amendments, specifically the NASDAQ national market system exemption (in Section 2 of SB 399), will be of benefit to businesses and investors in Montana by facilitating the raising of capital and providing a wider range of safe investments.

Very truly yours,

JACKSON, MURDO & GRANT, P.C.



By: Robert M. Murdo

RMM/cn

HENDRICKSON & EVERSON, P. C.

ATTORNEYS AT LAW  
324 HART-ALBIN BUILDING  
BILLINGS, MONTANA  
59101

TELEPHONE 245-6238  
AREA CODE 406

ROBERT E. HENDRICKSON  
GARY B. EVERSON  
MARK E. NOENNIG  
TIMOTHY A. FILZ  
JAMES M. RAGAIN

February 14, 1985

Ms. Andrea Benett  
State Auditor  
Room 270, Sam W. Mitchell Building  
P.O. Box 4009  
Helena, MT 59604

Dear Ms. Benett:

It has come to my attention that there is proposed legislation before the Montana State Legislature to exempt NASDAQ national market system securities from registration in the State of Montana. I believe this exemption would be desirable for the State of Montana, both for existing Montana firms which are listed on this exchange and for newly developed firms.

One of the greatest disabilities under which Montana firms suffer is the inability to compete for capital. Exempting from registration securities listed on the NASDAQ national market system will, I believe, go a long way toward relieving this disability, while at the same time protecting Montana investors.

I support your proposal to create this exemption, without qualification.

Sincerely,

HENDRICKSON & EVERSON, P.C.

By:  
Tim Filz

TF:clk

cc: Doug James



ROBERT K. OGG  
ATTORNEY AT LAW  
100 SECOND ST. EAST  
SUITE 207  
WHITEFISH, MONTANA 59937  
(406) 862-1311

February 8, 1985

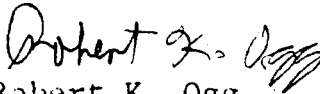
Andrea Bennett  
State Auditor  
and Ex Officio Securities Commissioner  
P.O. Box 4009  
Helena, Montana 59604

Dear Ms. Bennett:

I am writing this letter to express my support for the proposed exemption under the Montana Securities Act for securities listed on the NASDAQ National Market System. As a securities attorney I try to keep abreast of developments concerning securities registration and exemptions. As I am sure you are aware, there are stringent requirements for listing of a company's stock on the NASDAQ National Market System. Of course, all NMS companies are also reporting companies under the Securities Exchange Act of 1934, as amended, and as such are required to meet certain reporting requirements to remain on NASDAQ.

The approval of this exemption could help to dispel the backwoods image of Montana and its business climate. Without this kind of forward thinking business legislation, Montana is apt to remain in the backwaters of the stream of national commerce. This exemption would be one step of many that should be taken to move Montana into the United States of America that exists in the 1980's.

Sincerely,

  
Robert K. Ogg

RKO/cb  
Encl.  
cc: Doug James

LAW OFFICES OF  
SMALL, HATCH, DOUBEK & PYFER  
LIVERY SQUARE  
39 NEILL AVENUE  
HELENA, MONTANA 59601

FLOYD O. SMALL  
CARLA A. HATCH  
JOHN C. DOUBEK  
RICHARD J. PYFER

February 8, 1985

Ms. Andrea Hemstead  
State Auditor/Securities Commissioner  
State of Montana  
Capitol Complex  
Helena, MT 59620

COPY

Dear Ms. Hemstead:

It has been brought to my attention that legislation has been proposed which creates a new exemption under Montana's securities statutes for securities listed on the NASDAQ/National Market System.

Considering how intensive and extensive the requirements and standards are for acceptance by the NASDAQ/NMS, the proposed exemption makes sense. In the several states with which I am familiar, satisfying NASDAQ/NMS requirements is more comprehensive and exhaustive than the applicable blue-sky statutes.

In the case of certain of my securities clients, having to additionally satisfy applicable blue-sky statutes would be duplicitious, costly and serve absolutely no justifiable purpose. If the important disclosures and information has already been furnished to NASDAQ/NMS then it makes no sense to build a smaller, weaker wheel (at a cost of anywhere between \$5,000 and \$20,000) for each of perhaps several states' blue-sky laws.

Thus, the money savings alone will be an incentive to companies interested in selling stock to make one more thorough and better filing (with NASDAQ/NMS) than several piece-meal state filings. Further, the better quality of filings will serve to protect investors from fraud and save them money as well. More money will be available to companies and concerns to grow and develop, as opposed to paying legal bills and administrative fees.

Much of what I have said appears to be hurting my own pocket-book inasmuch as I do prepare blue-sky submittals. Nevertheless, having seen what can happen to the unwary, unsuspecting investor, I strongly urge that this exemption will go a long way to protect them, and that is really what the securities law, both state and federal, are all about.

Sincerely,

John C. Doubek  
Attorney at Law

LAW OFFICES

MOULTON, BELLINGHAM, LONGO & MATHER, P. C.

SECURITIES BUILDING

BILLINGS, MONTANA 59103

WM. H. BELLINGHAM  
BERNARD E. LONGO  
W. S. MATHER  
WARD SWANER  
BRENT R. CROMLEY  
GERALD B. MURPHY  
RANDY H. BELLINGHAM  
ROBERT H. PRIDGE  
SIDNEY R. THOMAS  
GREGORY G. MURPHY  
WILLIAM A. FORSYTHE  
DOUG JAMES  
BRAD H. ANDERSON  
THOMAS E. SMITH

TELEPHONE 248-1111  
AREA CODE 406

P. O. BOX 2146

FREDRIC D. MOULTON  
OF COUNSEL

February 8, 1985

Ms. Andrea Bennett  
State Auditor and  
Ex Officio Securities Commissioner  
P. O. Box 4009  
Helena, Montana 59604

Re: Securities Legislation  
The NASDAQ/NMS Exemption

Dear Andy:

I am writing to express my support for your proposal to amend Section 30-10-104(13), MCA, of the Securities Act of Montana to create an exemption for securities listed on the National Association of Securities Dealers Automated Quotation System's/National Market System (NASDAQ/NMS). This exemption will benefit Montana business as well as investors.

Your proposal to create an exemption for securities listed on NASDAQ/NMS will remove a great inequity that currently exists in our Securities Act. When the Securities Act of Montana was adopted in 1961, the Securities Act provided an exemption from registration for securities listed on the major national exchanges. In 1961, NASDAQ/NMS didn't exist. Yet, today, NASDAQ/NMS is in every respect, the electronic equivalent of the traditional stock exchange. Although the exchanges and NASDAQ/NMS are essentially equal, our Securities Act presently requires securities listed on NASDAQ/NMS to be registered, while exempting securities listed on the various exchanges. Your proposal eliminates this inequity. Your proposal provides the common sense solution of simply giving securities listed on NASDAQ/NMS the same exemption status of securities listed on the various exchanges. This legislation is nothing new. It simply eliminates the inequities that have developed because of the technological revolution in the securities industry.

I believe that only one or two Montana firms are listed on the American Stock Exchange. Already, five Montana firms are listed or approved for listing on NASDAQ/NMS. The Montana firms are: Bank of Montana Systems; First Federal Savings Bank of Montana; Ribi Immunochem Research, Inc.; United States Antimony Corporation; and United Tote, Inc. NASDAQ/NMS will give Montana businesses greater visibility, which will give them

Ms. Andrea Bennett  
Page 2

greater market depth, and make it easier for them to raise additional funds by selling their securities. Investors win, because information on NASDAQ/NMS listed securities is dispersed rapidly and broadly, making it possible for investors to make more informed decisions.

• The National Association of Securities Dealers Automated Quotation System (NASDAQ) was started in 1971. Since then, it has won a major share of the OTC market. On August 3, 1984, the daily trading volume on NASDAQ reached 122 million shares. There are over 120,000 terminals that can instantaneously receive quotations on NASDAQ listed securities.

The NASDAQ/NMS is a segment of NASDAQ reserved for certain high quality securities. Securities become listed on NASDAQ/NMS by meeting the strict criteria established by the Securities and Exchange Commission. The listing requirements for NASDAQ/NMS are equal to and in some cases actually higher than the listing requirements of the various exchanges. NASDAQ/NMS listed securities are also subject to the SEC and the NASD disclosure and reporting requirements, which are aimed at ensuring that the public is provided with all material information. The NASDAQ/NMS is the electronic equivalent of the traditional stock exchange.

The NASDAQ/NMS will make it considerably easier for Montana firms to develop a national reputation and to create a national market for their securities. The NASD is seeking an exemption to NASDAQ/NMS throughout the country. I believe that securities listed on NASDAQ/NMS are currently exempt from registration in: Colorado, Connecticut, District Columbia, Florida, Hawaii, Kansas, New Jersey, New York, New Hampshire, Nevada, Oregon, Pennsylvania, and Utah. Additionally, Georgia recently adopted a new exemption for NASDAQ/NMS listed securities. When Georgia adopted the NASDAQ/NMS exemption, the Georgia Secretary of State noted that:

There are many benefits that will result from this decision. It will:

1. Facilitate the raising of capital, thereby encouraging economic development;
2. Eliminate duplicative filing requirements and reduce the regulatory burden on legitimate industry;
3. Allow a more efficient use of our scarce state resources by letting us concentrate on the enforcement provisions of our securities law to investigate and prosecute those who sell fraudulent securities to our citizenry; and
4. Continue my theme of encouraging economic development by providing a business regulatory program that protects our citizens without an undue burden on legitimate industry. This makes Georgia an attractive environment for business development . . . (emphasis added.)

Ms. Andrea Bennett  
Page 3

As the Georgia Secretary of State noted, there are many benefits to adopting a NASDAQ/NMS exemption. Each of his listed reasons is applicable in Montana. I cannot think of any reason why Montana should not adopt a NASDAQ/NMS exemption. It is the logical and efficient transition to the computer age. Montana will not lose any revenue by adopting this exemption. Additionally, the exemption is not going to open a door for securities fraud.

The NASDAQ/NMS exemption will benefit Montana businesses and consumers. This exemption will also subject the traditional stock exchanges to greater competition. Understandably, some of the exchanges are lobbying against this exemption, and against greater competition in the market place. What's best for New York is not necessarily what's best for Montana investors and Montana businesses.

I support your proposal to create a NASDAQ/NMS exemption without qualification. It is clearly in the best interests of Montana consumers and businesses to adopt this legislation.

Sincerely,

MOULTON, BELLINGHAM, LONGO  
& MATHER, P.C.

By 

Doug James

DJ:pi

DOUGHERTY, DAWKINS, STRAND & YOST  
INCORPORATED

March 12, 1985

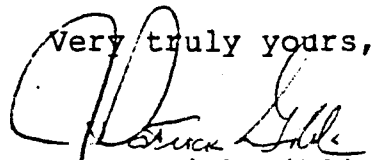
Ms. Andrea Bennett  
State Auditor & Ex Officio  
Securities Commissioner  
P.O. Box 4009  
Helena, Montana 59604

Re: Senate Bill 399  
The NASDAQ/NMS Exemption

Dear Ms. Bennett:

As an underwriter of securities, I am writing to express my support for Senate Bill 399 and the NASDAQ/NMS Exemption. This legislation will benefit Montana's businesses as well as consumers. This exemption will promote economic development without sacrificing any of the necessary safe guards that we have developed to protect Montana's investors.

You have my support for the adoption of the NASDAQ/NMS Exemption in Montana.

Very truly yours,  
  
J. Patrick Giblin  
Vice President

cc: Doug James

DOUGHERTY, DAWKINS, STRAND & YOST  
INCORPORATED

March 12, 1985

Ms. Andrea Bennett  
State Auditor & Ex Officio  
Securities Commissioner  
P.O. Box 4009  
Helena, Montana 59604

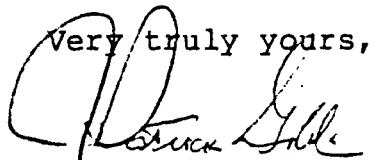
Re: Senate Bill 399  
The NASDAQ/NMS Exemption

Dear Ms. Bennett:

As an underwriter of securities, I am writing to express my support for Senate Bill 399 and the NASDAQ/NMS Exemption. This legislation will benefit Montana's businesses as well as consumers. This exemption will promote economic development without sacrificing any of the necessary safe guards that we have developed to protect Montana's investors.

You have my support for the adoption of the NASDAQ/NMS Exemption in Montana.

Very truly yours,



J. Patrick Giblin  
Vice President

cc: Doug James

INVESTMENT BANKERS

THE GRAND BUILDING □ SUITE 305 □ 100 NORTH 27TH STREET □ 406 248-7000  
BILLINGS, MONTANA 59101

ALLEY, BURDETT & LARSON, P.C.  
ATTORNEYS AT LAW

GRANVILLE M. ALLEY III.  
GILBERT U. BURDETT  
BRUCE A. LARSON  
JACQUES L. LEROY  
ROBERT J. LAW  
BRAD E. HERR  
KELLY J. VARNES

TRANSWESTERN III, SUITE  
550 NORTH 31ST STREET  
P. O. BOX 20495  
BILLINGS, MT 59104  
PHONE (406) 259-7841

*of Counsel*

February 25, 1985

Ms. Andrea Bennett  
State Auditor  
State Auditor's Office  
P.O. Box 4009  
Helena, Montana 59604

Re: Proposed Amendment to Section 30-10-104(13) MCA

Dear Commissioner Bennett:

It has recently come to my attention that there is a proposal before the State Legislature to exempt NASDAQ National Market System securities from registration in Montana. This letter is intended to express my support for such an exemption. The National Market System is an effective trading market and should be given parity with the national exchanges. The listing requirements for companies attempting to list their securities under the National Market System are similar to those requirements for companies attempting to list their securities on a national exchange. As a result, there is little reason to distinguish between the national exchanges and the National Market System. The proposed legislation or similar legislation would eliminate the differentiation and there do not appear to be any good reasons for denying the proposed exemption.

For these reasons I am in complete support of the proposed legislation. If you should have any questions with respect to my position, please contact me. You should also feel free to introduce this letter to the Legislature as evidence of my support.

Very truly yours,

Alley, Burdett & Larson, P.C.



Brad E. Herr

st

c: Doug James, Esq.  
Bruce A. Larson, Esq.



RANDALL A. SNYDER  
attorney at law

4985 Hwy 35, P.O. Box 717  
Bigfork, MT. 59911, 406-837-4383



February 25, 1985

Ms. Andrea Bennett  
State Auditor  
and Ex Officio Securities Commissioner  
P. O. Box 4009  
Helena, Montana 59604

Re: Pending Securities Legislation

Dear Ms. Bennett:

I am writing to support the Securities Department's proposed legislation that would create an exemption for securities listed on NASDAQ/National Market System. My clientele in need of or looking to market their investments by use of private securities is limited, but important.

Currently, some of my clients' largest difficulties are marketing their security investments. Because of the relatively small size of their business and operations, they do not have the sophistication or capital to become listed with major stock exchanges. The NASDAQ would offer some of them wider exposure without the intendant exorbitant costs. Moreover, their exposure would be to other brokerages and exchanges with similar interests.

Further, the NASDAQ/NMS exemption could alleviate many of the difficulties in the complexity and expense of registration. Smaller, legitimate businesses looking for private investment capital will not have the duplicative filing requirements which they must currently face. This will also free the Montana Securities Division to focus its efforts on truly fraudulent activity. I hardily support the proposed legislation.

Sincerely,

  
Randall A. Snyder

RAS/jb

February 1, 1985

Ms. Andrea "Andy" Bennett  
State Auditor and "Ex-Officio"  
Securities Commissioner  
Mitchell Building  
Post Office Box 4009  
Helena, Montana 59604

Dear Andy:

Based on our understanding that your Department's 1985 legislative recommendations would include a proposed amendment to Section 30-10-104(13) of the Montana Code Annotated to grant exchange parity to NASDAQ/NMS securities, the NASD committed its strong support of your Department's undertaking and offered to appear at legislative hearings and marshal additional support from broker-dealers and NASDAQ issuers headquartered in Montana. Enclosed is a copy of Frank Wilson's December 27, 1984, letter to Rick Tucker.

There have been several developments since that time, at least one of which leaves us puzzled. We were advised by your staff that the American Stock Exchange (Amex) retained local counsel to challenge the proposal unless it is modified to restrict the exemption to the approximately 200 Tier I NASDAQ/NMS securities while leaving the approximately 1,100 Tier II NASDAQ/NMS securities out in the cold. Such modification would, in effect, render the proposal virtually meaningless. However, we are not aware of the existence of any written submission to this effect filed with your office by the Amex or its counsel which would confirm the Amex's rationale for suggesting such modification. We are aware of one written submission filed with your office by the Amex but it does not speak to this purported modification.

Perhaps we misunderstand the Amex's position. Whatever the case, an across the board exemption for NASDAQ/NMS securities is important to Montana-headquartered broker-dealers and NASDAQ/NMS issuers and, as you know, we have recently retained Doug James to protect the interests of our constituents and yours located within the State of Montana. Your securities staff, after careful consideration, determined as the State of Georgia recently did that a NASDAQ/NMS exemption would (1) serve the best interests of the investing public; (2) reduce unnecessary burdens imposed on legitimate high quality companies; (3) improve the climate for capital formation; and, (4) eliminate the invitation for local business to take its marketplace to Wall Street simply to avoid the burdens of complying with an unnecessary and outdated provision of the

Montana law enacted before NASDAQ/NMS came into existence. I am also enclosing a copy of Georgia Secretary of State Max Cleland's December 6, 1984, press statement which you may find of interest. We remain firmly committed as stated in our December 27, 1984, letter.

The proposal currently pending in the state legislative counsel's office differs somewhat from our original understanding and is being reviewed by our staff. We plan to comment on it when our review has been completed. We believe a simpler approach may be available. Our paramount concern, however, relates to the short legislative session, the enormous work load imposed on state legislators and the minimum time allotted for input at Committee hearings. We are fearful that the proposal may hit a fast track in the legislature before we have had ample time to fully respond to any questions you or members of the legislature may have.

Similar NASDAQ/NMS proposals are currently underway in a number of other states, some of which have already hit a fast track. Nevertheless, we are available to meet with you in Helena on short notice to provide you and your staff any information you may need to insure the enactment of a NASDAQ/NMS exemption. Several individuals from the Montana financial community have offered to accompany us, should you desire to meet.

Please let Doug or myself know if we can be of any assistance. Doug can be reached at 248-7731. My telephone number is (202) 728-8248. I enjoyed meeting you at Sonny's recent retirement party and we at the NASD look forward to continuing our long and close working relationship with your Securities Department in fulfilling our mutual investor protection responsibilities.

Sincerely,



Raymond W. Cocchi  
Vice President  
Congressional and State Liaison

Enclosure

cc: Doug James  
Rick Tucker  
Frank Wilson

**NASD**

National Association of  
Securities Dealers, Inc.  
1735 K Street, N.W.  
Washington, D.C. 20006  
(202) 728-8000

December 27, 1984

Mr. Richard G. Tucker  
Chief Deputy Securities Commissioner  
Mitchell Building  
P.O. Box 4009  
Helena, MT 59604

Dear Commissioner Tucker:

The National Association of Securities Dealers, Inc. (NASD) would like to take this opportunity to express its strong support for a proposed amendment to Section 30-10-104(13) of the Montana Code Annotated to extend the exemption from registration in the State of Montana now granted to securities listed on certain stock exchanges to securities which are a part of the NASDAQ National Market System (NASDAQ/NMS). The Association believes that the qualitative and quantitative similarities of the NASDAQ/NMS over-the-counter market to the currently exempted exchange markets and the protections afforded to the investing public with respect to both the securities quoted in NASDAQ/NMS, and with respect to the regulation of NASD member firms support the exemption of NASDAQ/NMS. The NASD believes that the securities and the participants in NASDAQ/NMS marketplace are the substantial equivalent of those of the approved exchanges.

As you are aware, the NASD is registered with the Securities and Exchange Commission as a national securities association pursuant to the provisions of the Securities Exchange Act of 1934 as amended. The NASD has as its primary purpose providing self-regulation for the over-the-counter securities market and it governs the activities of its 5,600 broker-dealer members through 13 administrative districts throughout the United States. The concept of self-regulation allows for regulation by the Association and the other self-regulatory organizations (which by definition in Section (3)(a)(26) of the Securities Exchange Act of 1934 includes the Association and all of the registered securities exchanges) under a pervasive pattern of coordination with and oversight by the Securities and Exchange Commission. The Association believes that its primary function as a regulator of a national securities market provides protections to investors which are the equivalent of those provided by the national securities exchanges.

The NASDAQ system which came into existence in 1971 and NASDAQ/NMS which has been in place since 1982 are both logical extensions of the Association's historical function as a self regulatory organization.

The NASDAQ System has brought a major segment of the over-the-counter market from the point where available OTC quotations were primarily written and outdated when made available, with very little public visibility, to a point where NASDAQ comprises the second largest securities market in the United States with share volume in 1983 at 75% of that of the New York Stock Exchange and 7.5 times that of the American Stock Exchange. Annual share volume for NASDAQ Securities stood at 15.9 billion shares in 1983 which represented almost a 90% increase over 1982 and a 336% increase in the past five years. The daily volume on NASDAQ reached a high of 122 million shares on August 3, 1984 and on seven days during 1983 it exceeded the share volume on the New York Stock Exchange. Dollar volume of trading has increased by in excess of 1000% from \$18.7 billion in 1974 to \$188.3 billion in 1983. The aggregate market value of securities in NASDAQ totals \$229.3 billion, an increase of more than 150% in the last five years. In addition, the NASDAQ composite index for 1983 exceeded the percentage gains for both the New York Stock Exchange composite and the Standard and Poors 500 indexes. There are now in excess 4,700 securities of approximately 4,100 companies quoted on the NASDAQ System with more than 120,000 quotation terminals around the world currently able to receive up to the second quotations on NASDAQ securities. NASDAQ quotations are now carried, on a daily basis, by over 130 newspapers throughout the United States. The number of NASDAQ companies has grown by 53% in the past five years while losses of 1% and 12% respectively were recorded on the New York and American stock exchanges, respectively.

The NASDAQ National Market System which you propose to designate along with those securities exchanges which currently enjoy exemption from registration in Montana is a segment of the NASDAQ System wherein, from the standpoint of investors, securities are truly on a par with those securities listed on the major securities exchanges. Designation as a NASDAQ/NMS security is made pursuant to criteria set forth in a rule promulgated by the Securities and Exchange Commission and subject to change only through the SEC rulemaking process. Any such change must comport with the mandates of Congress as embodied in the 1975 Amendments to the Securities Exchange Act which created the concept of a national market system for securities transactions. The Association believes that the listing criteria for NASDAQ/NMS are equal to and in some cases exceed the criteria for listing on the various securities exchanges. NASDAQ/NMS designation provides investors with last sale trade reporting similar to that found on the New York and American Stock Exchanges. A profile of those companies traded on NASDAQ/NMS which now exceed 1,000 in number

demonstrates that as of the end of 1983, the average price per share was in excess of \$20 and the average issuer had almost 8 million outstanding shares with a public float of 5.6 million shares and a market value in excess of \$150 million. The companies in the system had average assets of over \$500 million and equity in excess of \$75 million. Their revenues averaged \$172 million with net income of over \$8 million. In addition, those companies on NASDAQ/NMS had an average of ten market makers.

Additional evidence of the comparability of NASDAQ/NMS securities to those listed on registered securities exchanges comes from a recent action by the Federal Reserve Board. The Board, which is charged by Congress with regulating the extension of credit for the purchase of securities in the form of margin loans, has amended Regulation T effective November 13, 1984 to make securities automatically marginable upon their designation as a NASDAQ/NMS security. This action recognizes the comparability of NASDAQ/NMS stocks to those listed on an exchange in that until this time only exchange-listed securities enjoyed automatic marginability while those traded over-the-counter irrespective of their individual merit had to be designated as marginable on a case-by-case basis. Other NASDAQ securities must still be designated by the FRB in order to achieve margin status.

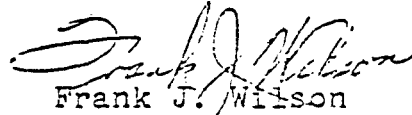
In addition to the basic qualitative criteria for designation as a NASDAQ/NMS security, all such securities are subject to both Securities and Exchange Commission and NASD disclosure and reporting requirements which are aimed at providing the public with that information which is material to making investment decisions. Further, the Association through its NASDAQ Operations Department closely monitors issuers' continued compliance with the listing standards and the Association's Market Surveillance staff utilizes state of the art computerized systems to monitor trading activity in the NASDAQ System. The Association has the ability, based upon its investigative activities to halt quotations in NASDAQ securities and to take appropriate disciplinary action against member firms found to have engaged in activities detrimental to the best interests of the investing public.

The Association believes that all of these factors result in a marketplace for NASDAQ/NMS securities which is fully the equivalent of that of the national securities exchanges and that the proposed amendment to Section 30-10-104(13) of the Montana Code is a progressive and forward thinking change which appropriately reflects the realities of national securities markets of 1984.

We will be happy to assist in any way you deem advisable in bringing the proposed statutory amendment to

fruition, including appearing at legislative hearings which may be held, and marshalling broker/dealer and NASDAQ issuer support in Montana.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Frank J. Wilson", is written over the typed name.

Frank J. Wilson  
Executive Vice President  
and General Counsel

FJW/mbs

Shearson Lehman/American Express Inc  
237 West Main  
P.O. Box 1907  
Bozeman, MT 59771-1907  
(406) 586-1776  
1 (800) 821-6676

Member of all principal  
security, option and  
commodity exchanges

*Ray Cocchi*

February 11, 1985

Andy Bennett  
State Auditor  
Mitchell Building  
Box 4009  
Helena, Montana 59604

Dear Andy:

A short note of congratulations are in order for winning the campaign and also your name change. I also want to thank you for taking the time during your campaign process to stop by our office and meet each of our brokers and listen to their concerns. I'll look forward to chatting with you Tuesday evening at the Lincoln Day Dinner. I was the chairman of that fund raiser last year.

The reason I am writing is to let you know that I very strongly recommend placing NASD on a par with other exchange issues. Our firm supports United Tote, an NASD listed company in Sheppard, Montana along with other local brokerage firms and would take exception to any change in the secondary trading for NASD stocks.

I look forward to chatting with you Tuesday.

Very sincerely yours,



Thomas D. Fulton, CFP  
Vice President  
Resident Manager

TDF/dh

cc Ray Cocchi, Vice President NASD



**Shearson Lehm** **merican Express Inc**  
Sheraton Building  
27 North 27th Street  
P.O. Box 1379  
Billings, MT 59103  
(406) 248-2482

Member of all principal  
security, option and  
commodity exchanges.

February 8, 1985

Andrea Bennett  
State Auditor  
Mitchell Building  
Box 4009  
Helena, MT 59604


Dear Ms. Bennett:

I would like to express my support for your revised bill that would allow National Market System stocks to trade on a parity with listed stocks in Montana.

That change would help the efficiency of the markets and could very well help us to support local Montana growth companies like United Tote whose stock we make a market for.

I appreciate your efforts.

Very truly yours,



Timothy L. Cook  
Vice President/Branch Manager

TLC:mak

DEAN WITTER REYNOLDS INC  
Solar Plaza, 2108 Broadwater Avenue, Billings, MT 59102

CHRISTOPHER J. WADNER  
Vice President, Investments  
Branch Manager, Billings Office

February 6, 1985

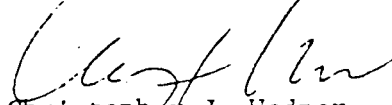
Mrs. Andrea Bennett  
State Auditor  
Mitchell Bldg.  
P.O. 4009  
Helena, MT 59604

Dear Mrs. Bennett:

As you are aware, DWR commits our capital to support equity markets in many companies, some being in Montana like RIBI. We attempt to support many quality companies that are traded on the National Market System (NASDAQ) as a citizen of the State of Montana. I was delighted to learn recently of your proposal to amend the Montana State Securities laws and to place the National Market System on a par with exchange traded issues. I whole heartedly agree with your effort, and if I can be of any assistance in facilitating this effort, please feel free to contact me.

Sincerely,

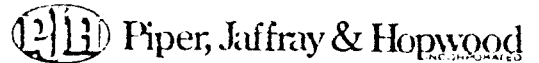
DEAN WITTER REYNOLDS, INC.



Christopher J. Wadner  
Vice President, Investments/  
Branch Manager.

CJW:bk

First Bank — Billings  
Suite 401  
Billings, Montana 59101  
406/252-2106



Established 1895 Member New York Stock Exchange, Inc.

February 4, 1985

Andrea Bennett  
State Auditor  
Mitchell Building  
P. O. Box 4009  
Helena, Montana 59604

Dear Mrs. Bennett:

We support the NASD's effort to secure a NASDQ National Market System Exemption under Montana's securities law. Why the sudden interest from outsiders in New York? Could it be to keep the monopoly in the jobs on Wall Street? If there is anything we could do to assist you with your proposed legislation, please let me know.

Sincerely,



Lawrence C. VanAtta  
Branch Manager/Vice President



FIRST FEDERAL SAVINGS  
BANK

RECEIVED  
STATE AUDITORS  
OFFICE

FEB 11 1 32 PM '85

HELENA, MONT.

February 8, 1985

Ms. Andrea Bennett  
State Auditor  
Mitchell Building  
Helena, MT 59620

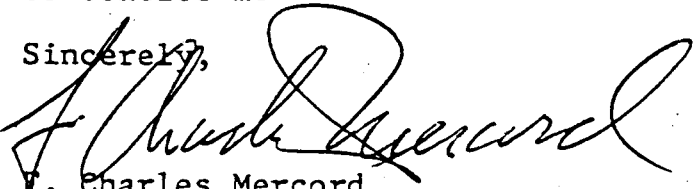
Dear Ms. Bennett:

We have recently been advised that your office, representing the Securities Department for the State of Montana, is proposing to introduce a legislative amendment to the Montana Securities Act. It is our understanding this amendment would provide an exemption from certain registration provisions of the Securities Act for securities qualified for trading in the National Market System (NMS) which are listed on the National Association of Securities Dealers Automations Quotations System (NASDAQ).

Presently, certain securities listed on some national securities exchanges are exempt from the registration of the Securities Act, and we understand the proposed amendment would provide a similar exemption to securities traded on NASDAQ/NMS and recognize them as a qualified exchange. We strongly support your office's efforts in this endeavor and it is warranted, as we believe that adequate procedures and controls to protect the investor are equal to other recognized national exchanges. The marketability of the shares and the strength of the companies are equally as strong as companies traded on other exchanges. We further support the issue, as we believe this not only is beneficial to our own recently converted-to-stock company but to other public stock corporations in the State of Montana, as it provides investors with additional current market information and possibly reduces the cost and time to execute orders, which in itself should be beneficial to Montana investors.

If we can be of further assistance to your office in support of this issue via the legislative process, please do not hesitate to contact me.

Sincerely,

  
F. Charles Mercord  
President

FCM: jh



An investment firm you like  
to tell your friends about.

M E M O

March 26, 1985

TO: HOUSE BUSINESS AND LABOR COMMITTEE

FROM: BRUCE A. MacKENZIE  
General Counsel

RE: PROPOSED AMENDMENT TO SECURITIES ACT OF MONTANA (THE ACT)  
SENATE BILL 399

Senate Bill 399 would provide an exemption from the registration provisions of the Act for all securities designated as qualified for trading in the National Market System (NMS) which are listed or approved for listing upon notice of issuance on the National Association of Securities Dealers Automated Quotation System (NASDAQ). D.A. Davidson & Co. strongly endorses the efforts of ~~your~~ *offering this bill* to effectuate such an amendment.

At the present time securities listed on certain national securities exchanges, specifically the New York, American, Pacific and Midwest Exchanges, are exempt from the registration requirements of the Act. The proposed amendment would provide a similar exemption to securities traded on NASDAQ/NMS and recognize NASDAQ/NMS as a qualified national exchange. We believe that such treatment and recognition is warranted since adequate procedures and controls are in place for the protection of investors equal to those on other recognized national exchanges. Further, NASDAQ/NMS provides investors with current market information similar to national exchange listed stocks, rapid execution of orders and execution costs which on average are 10% less than the cost of executing similar orders on other exchanges.

We urge the Committee to provide a "Do Pass" recommendation.

BAM:1kh

Exhibit 4

3/27/85

SB399

Submitted by:

Bruce MacKenzie

D.A.  
Davidson  
& Co.

Incorporated

Davidson Building  
P.O. Box 5015  
Great Falls, Montana  
59403

(406) 727-4200

Offices: Billings,  
Bozeman, Butte,  
Havre, Helena, Kalispell,  
Missoula, Montana;  
Williston, North Dakota;  
Moscow, Idaho

Corporate Office:  
Davidson Building  
Great Falls,  
Montana 59401

Members:  
Midwest Stock  
Exchange Inc.  
Pacific Stock  
Exchange Inc.  
Securities Investor  
Protection Corp.

3/27/85

SB399

Submitted by: J. Kim  
Schulke

TO: HOUSE BUSINESS AND LABOR COMMITTEE

FROM: J. KIM SCHULKE, Staff Attorney  
Office of the State Auditor, Securities Department

RE: SB 399  
GENERAL REVISION OF SECURITIES LAWS

Page 2, lines 23-24. The definition of "registered broker-dealer" was added so that where that term appears in the act, it is clear that the broker-dealer must be registered in Montana.

Page 7, lines 22-25. This provision deals with a registration exemption for securities issued by certain banks, savings institutions or trust companies. The section has been changed to conform to the language of the Uniform Act as it is the position of the Department that the Uniform language is more clear.

Page 12, lines 5-8. All fees have been moved to one section so the \$50 fee for this exemption is put in 30-10-209.

Page 12, lines 20-25, and page 13, lines 1-3. This section provides a new exemption from registration for national market system securities listed or approved for listing on the National Association of Securities Dealers automated quotation system, better known as NASDAQ/NMS. The state of Georgia has recently adopted a similar exemption and it is before the legislatures of several states.

The exemption immediately preceding this one is a securities exemption for securities listed on stock exchanges. It is the position of the Department, that while NASDAQ/NMS is not an exchange, these securities are on par with those securities listed on the major securities exchanges. Designation as a NASDAQ/NMS security is made pursuant to criteria set forth in a rule promulgated by the Securities and Exchange Commission and subject to change only through the SEC rulemaking process. Any such change must comport with the mandates of Congress as embodied in the 1975 Amendments to the Securities Exchange Act, which created the concept of a national market system for securities transactions. The Department believes that the listing criteria for NASDAQ/NMS are equal to and in some cases exceed the criteria for listing on various securities exchanges.

Page 15, lines 20-25 and page 16, lines 10-16. This is a small offering transactional exemption from registration under the Securities Act, whereby neither the securities nor the broker-dealer or salesman need be registered in order to engage in the offer or sale of securities if they comply with this section. The additional language is meant to clarify when an offer to sell is made in this state.

Page 19, lines 9 and 10. This section describes the method of registering as a broker-dealer, salesman, or investment advisor under our Act. The current law states that the application is filed with the Securities Commissioner. However, we now have an automated registration system, whereby registration for salesmen and broker-dealers is accomplished in Washington, D.C., by the National Association of Securities Dealers. Therefore, the necessity of filing an application here is no longer necessary.

Page 19, lines 19 and 20. Again, all fees have been placed in §30-10-209. This is a fee for a waiver of the residency requirement for registration of salesmen.

Page 20, lines 24 and 25, and page 21, lines 5 and 7. These changes deal with the central automated registration system again, negating the necessity of filing certain information with the commissioner. It should be noted that for those broker-dealers who are not members of the association which operates the automated system, financial statements are still required to be filed with our department.

Page 27, lines 18-25, and page 28, lines 1 and 2. This subsection has been deleted because the financial data required to be filed with the commissioner is available elsewhere.

Page 28, line 1, and page 29, lines 1-13. When a securities issue is registered with the department, a certain number are registered. Frequently, more than the number registered are sold. The proposed language in this subsection would allow these excess sales but would require the registrant to file an amendment to the registration statement to include the excess sales. If such amendment is not filed before the expiration of the registration order, which is in effect for one year, he must pay a filing fee for the excess sales of three times the normal registration fee. Registration for those excess sales is then made retroactive to the date of the existing registration.

The problem with the excess sales is that these securities are technically not registered and sales are therefore in violation of our act. By this legislation, the commissioner will retroactively register such excess sales made during the period that the registration order is in effect, but will charge a triple fee. The language for this amendment is taken from similar regulations and statutes in other states.

Page 29, lines 14-19, and page 30, lines 1-8. These fees have been eliminated because they cost more to process than they bring in.

Page 30, lines 15 and 16. This language was inadvertently deleted last session when another amendment was made to this section. The Commissioner has always charged \$50 for exemption and exception requests because it requires staff time to research the exemption or exception to see if it applies to the person requesting it.

Page 30, lines 17-19. This is a fee that was moved from another section.

Page 30, lines 20-22. This language is taken from the insurance department's fee section 33-2-708. The processing of an application is what costs the department time and money -- not whether the application is granted or not.

Page 31, lines 9-10. This section provides that the Commissioner may issue a temporary cease and desist order that remains in effect until 10 days after any hearing is held. It is the position of the department that the intent was that the temporary order would remain in effect until 10 days after the hearing on the merits of the cease and desist order and not some preliminary hearing. The language has been changed to reflect that position.

ANLND/lmC8



Exhibit 6

3/27/85

SB399

Submitted by: Jerome  
Anderson

Amendment SB399, Third Reading Bill

1. Page 12, line 20

Following: "security"

Insert: "designated by the national association of securities dealers as a tier one security on [the effective date of this act] or as designated from time to time"

TESTIMONY OF BENJAMIN D. KRAUSE

BEFORE THE MONTANA LEGISLATURE

---

March 27, 1985

Mr. Chairman and members of the Committee:

My name is Benjamin D. Krause: I am a Senior Vice-President of the American Stock Exchange with responsibility for listed company regulation. After spending several years with the Securities and Exchange Commission in Washington, D.C., I joined the American Stock Exchange in 1970, and since that time have been involved in all aspects of securities regulation.

Since the early part of the century, state regulation and state regulators have been the first line of defense in the protection of the individual public investor. While the SEC and other federal agencies spend much time debating plans relating to future market structure, international securities dealings and so forth, state regulators are engaged in a daily war against so-called bucket shop operations, the high pressure con artist and the over-enthusiastic promises of sometimes well-meaning brokers and entrepreneurs. Fortunately, there are state securities laws in most jurisdictions which are effective in dealing with these types of problems. In this regard, members of the Montana Legislature can feel comfortable that the Montana Securities Commission stands as a barrier to those who would invite the unwary to place their savings in a business venture which - even if ultimately successful - frequently lacks the structure and safeguards which are vital for the protection of public investors of this State.

Public confidence in the securities market is the fundamental objective of securities regulation. Without credibility and confidence of the investing public there are no investors, and without investors there are no securities markets. This poses a problem: for while we all wish to encourage healthy economic growth by assisting the capital formation process, we simply cannot discard all investor protections expecting that every investor can and should take care of themselves. Every regulatory balance is difficult - but in the long run it's in all of our own self interest to avoid any action which may jeopardize the preeminence of this nation's securities markets as the best and fairest in the world.

Like Montana, nearly every state provides several exemptions from state registration. In some states, the exemption sets forth specific numerical "blue chip" criteria. If the issuer satisfies the criteria, it may offer its securities within the state without first seeking state approval. Again, in nearly every instance, there is also an exemption for securities which are listed on the principal two national securities exchanges, the American and New York Stock Exchanges.

The historic reason for exempting securities listed on the two major stock exchanges is essentially the recognition that the exchanges exercise strict regulations over their listed companies, a "merit self-regulation" on which states can rely. The exemption is therefore based on the uncontested fact that listing on a major national securities exchange is a voluntary contractual undertaking to abide by standards -- both quantitative and qualitative -- that far surpass the exactions both of state corporate as well as Federal securities law. In other words, exchange listed issuers were and are exempted not only because these market places are visible,

efficient and well-regulated, but because these market places impose qualitative listing standards that have historically addressed the basic concerns of state administrators that such offerings within their borders would be fair, just and equitable. This reliance on the American and New York exchanges to provide merit self-regulation has not been questioned over the years. The differences between the primary stock exchanges and the over-the-counter market however, remain considerable because the exchanges continue to practice merit regulation while the NASD chooses its companies solely on the basis of numerical criteria.

What prompts our appearance today is that Senate Bill 399 and the Bill you have before you today imply that the investor protections which have historically formed the basis for an exchange exemption are no longer necessary. If this bill is adopted, the securities of any of the nearly 2,500 companies that are eligible for designation as national market system securities will be treated like those which have obligated themselves to meet significantly tougher and more stringent requirements.

The principal national securities exchanges not only have higher quantitative listings requirements, but qualitative standards for which there simply are no over-the-counter substitutions. A comparison of key American Stock Exchange and NASD standards follows:

Quantitative Listing Requirements:

- . Shareholder Distribution: The Amex requires a listing applicants' shares to be held by 1,000 shareowners. This is 333-1/3% of the NASDAQ/NMS requirement.
- . Public Float: Amex requires a public float of 500,000 shares compared to 350,000 for NASDAQ/NMS.
- . Tangible Net Worth: \$4 million. There is no comparable NASDAQ/NMS standard, although the NASD requires total assets (including intangibles) of \$2 million, and capital and surplus of \$1,000,000 as a prerequisite for inclusion in NASDAQ.

- . Market Value: Outstanding shares must have a market value of \$3 million, which is 50% higher than the NASDAQ/NMS Tier 2 standard.
- . Net Income: \$400,000, compared to \$300,000 for NASDAQ/NMS Tier 1 issuers.
- . Financial and Business Evaluation: In evaluating applicants, the Amex also weighs and examines the company in terms of its business, the market for its products, the reputation of its management, its historical record and growth pattern, together with its financial results.

### *Qualitative Listing Requirements*

- . Conflicts of Interest: Before listing, company management is required to eliminate or otherwise resolve to the Amex's satisfaction any material conflicts of interest and dealings with affiliates.
- . Independent Directors/Audit Committees: Newly listed companies are required to have at least two independent directors, and are strongly urged to establish an audit committee composed of independent directors.
- . Non-Voting Common Stock: Non-voting common stock is prohibited. Limited voting stock is permitted under specified standards, including a requirement that the limited voting class must be able to elect at least 25% of the board of directors.
- . Shareholder Approval: The Amex requires shareholder approval of certain transactions involving the issuance by a listed company of 20% or more of outstanding common stock, and of certain stock option plans where officers and directors are potential beneficiaries, regardless of whether or not such approval is necessitated by state law.
- . Disclosure: Amex disclosure policies are more rigorous than those of the NASD. Not only must Amex listed companies publicly respond to rumors which could have an effect on trading, but they must explain to the Exchange why there is unusual activity in their stock and must disclose any corporate development, or issue a "no-news" release.

The above requirements are by no means an exhaustive treatment of the areas where the Amex has higher standards than the OTC market, but rather represent examples of the all encompassing nature of exchange regulation.

Many cite the fact that the NASD is considering some further regulation in the area of corporate governance. While such a developement will help to raise standards we know all too well that it will take considerable time and effort to convince issuers to accept constraints which they are unaccustomed to. As a matter of fact, it is the Exchange's requirements in the area of disclosure, shareholder democracy and corporate governance which pose for many the greatest obstacle in deciding to list on one of the principle stock exchanges. In any event, any proposed NASD standards can only be evaluated after they have been acted upon by the Board of the NASD, and then by the SEC.

We believe that the dramatic and unprecedented change in investor philosophy which is encompassed in the proposed legislation goes far beyond what is necessary to encourage capital formation. Accordingly, in the interest of investor protections we recommend limiting paragraph 14 of Section 30-10-104 to apply solely to companies which meet the criteria for Tier I- as prescribed by the SEC for mandatory inclusion in the national market system.

On behalf of the Exchange, I would like to express our sincere appreciation for the opportunity you have given us to share our views on this vitally important area. We reaffirm our committment to continue to work jointly with the Montana Securities Commission in acheiving a regulatory balance which both promotes capital formation and provides a reasonable level of protection to the citizens of Montana.

Thank you very much for your attention. I would be pleased to answer any questions you may have.

WITNESS STATEMENT

NAME Mrs L. Teigen <sup>Ser.</sup> BILL NO. 208  
ADDRESS Helena DATE 3/26/85  
WHOM DO YOU REPRESENT? Mont Stockgrowers, & Cowbellers  
SUPPORT \_\_\_\_\_ OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

This bill will provide a small source of aid to some of Montana's farmers & ranchers. There are many that could utilize this assistance. While it is not too well funded it does provide a vehicle for the future.

## VISITORS' REGISTER

BUSINESS AND LABOR

COMMITTEE

BILL NO. Senate Joint Res. 31

DATE March 27, 1985

SPONSOR      Senator Christiaens

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.





## VISITORS' REGISTER

BUSINESS AND LABOR

COMMITTEE

BILL NO. Senate Bill 350DATE March 27, 1985SPONSOR Senator Crippen

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
J. Kim Schulke	State Auditor - Securities	✓	
RE "Real" Tualpa	State Auditor - Securities	✓	
MIKE DASILVA	C.T. MURRAY CO	✓	
ROBERT W. MINTO JR.	WORDEN THANE & HAINES	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITORS' REGISTER

BUSINESS AND LABOR

COMMITTEE

BILL NO. Senate Bill 399DATE March 27, 1985SPONSOR Senator Crippen

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
BRUCE A. Mac KENZIE	D.A. Davidson & Co	✓	
J. Kim Schulke	State Auditor - Securities	✓	
Nancy R. Crossman	American Stock Exchange		X
<del>James R. Rude</del>	" " "		X
RE "Mark" Tucker	State Auditor - Securities	✓	
MIKE DASLICK	G.T. MURRAY & Co	✓	
Nils A. Ribi	R.B. Immunohem Research, Inc	✓	
Chris Wadner	Dean Witter Reynolds	✓	
Doug Sams	NASD	✓	
ROBERT W. MINTO JR	WORDENTHANE & HAINES	✓	
Rich Depina	SELF	✓	
Dale A. Harris	Dept of Commerce	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.