

September 9, 1958

William G. Hardy, Director
Securities Commission
902 Tribune Building
Salt Lake City, Utah

Dear Mr. Hardy:

I have your letter of September 8, 1958, in which you request that I submit an opinion to you concerning a question submitted in a letter addressed to you by Mr. Richard T. Cardall, dated September 4, 1958. Mr. Cardall's letter was also enclosed.

Mr. Cardall asks whether or not a certain securities transaction need be registered under the security laws of the State of Utah. His question is based on the following facts: A corporation desires to issue a block of its stock to a group of people who are owners of the stock of two other corporations. The corporation desires to obtain the controlling stock in such companies.

Section 61-1-6, U.C.A. 1953, exempts certain sales of securities from the provisions of the security laws. It provides as follows:

Except as hereinafter expressly provided, the provisions of this chapter shall not apply to the sale of any security in any of the following cases:

* * *

(3) An isolated transaction in which any security is sold, offered for sale, subscription or delivery by the owner thereof, or by his representative for the owner's account; such sale or offer for sale, subscription or delivery not being made in the course of repeated and successive transactions of a like character by such owner or on his account by such representative, and such owner or representative not being the underwriter of such security. The provisions of this subdivision shall not apply in any case of sale where the issuer shall have taken the entire stock of a company in payment for mining claims, patent rights, copyrights, trademarks, process, lease, formula, oil lease, good will or any other property right or any other tangible or intangible asset which may be construed as a promotion interest,

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or where funds received from the sale of such security may be used directly or indirectly for development purposes.

It is my opinion that the situation described in Mr. Cardall's letter would be an isolated transaction within the meaning of sub-paragraph (3) quoted above and, therefore, a sale exempt from the provisions of the security laws. It is noted that the purpose of the Securities Commission and the security laws is to regulate those sales and securities transactions which involve generally sales of securities to the public. This does not appear to be that type of transaction.

Very truly yours,

GARY L. THEUER
Assistant Attorney General

GLT/jlt
cc/ Richard Cardall