

THE ATTORNEY GENERAL



STATE OF UTAH
STATE CAPITOL • SALT LAKE CITY
328-5261

• VERNON B. ROMNEY
ATTORNEY GENERAL
• ROBERT B. HANSEN
DEPUTY ATTORNEY GENERAL

March 25, 1974

Mrs. Jean Sullivan
2566 Sherwood Street No. 2
Las Vegas, Nevada 89109

Dear Mrs. Sullivan:

I am in receipt of your letter dated March 18, 1974, to Mr. William Sargeant of the Utah Securities Commission.

We would appreciate your efforts in commenting on the proposed release. In response to your request, I submit the following observations pertaining to your letter.

Although you appear to have a working knowledge of a narrow area of real estate transactions, i.e., trading in oil and gas leases, you do not reflect a basic understanding of the area of securities law. The following list isolates a few of the misconceptions in your letter:

1. The definition of what is deemed to be a security is not controlled by the Internal Revenue Code's regulations pertaining to capital gains and losses. The security laws (both federal and state) are remedial statutes designed to protect the investor of certain types of interests.
2. The sale of an oil and gas lease is the sale of a real estate interest under the laws of the State of Utah (please see the Chase case cited in the release). Whether or not you personally choose to recognize the fact is irrelevant.

MAR 26 1974

Mrs. Jean Sullivan
March 25, 1974
Page 2

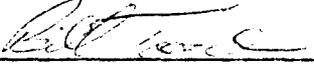
3. The proposed release is designed to deal with the speculative broker of such interests who attempts to profit through a sales scheme that unfairly uses innuendo and misstatements to influence the unsophisticated investor. It therefore purposely outlines the unusual circumstances used by such dealers that are not common to the reputable business organizations that normally develop oil and gas interests.

4. Federal and state cases have repeatedly held that the name of the conveying instrument is not controlling in determining whether a security interest is involved in a particular transaction. Once again, your refusal to recognize that fact does not alter its reality.

If you wish to obtain a rudimentary understanding of the securities field, I suggest that you obtain a basic text in the field, one of which is:

"Securities Regulations"
Foundations Press, 2d Ed.
by Jennings & Marsh

Sincerely,



WILLIAM J. TOONE
Law Clerk

WJT/as
cc: William Sargeant