

**2001 DRAFTING REQUEST**

**Bill**

Received: **07/18/2001**

Received By: **rmarchan**

Wanted: **Soon**

Identical to LRB:

For: **Robert Cowles (608) 266-0484**

By/Representing: **jennifer**

This file may be shown to any legislator: **NO**

Drafter: **rmarchan**

May Contact:

Addl. Drafters:

Subject: **Fin. Inst. - securities**

Extra Copies:

Submit via email: **NO**

Requester's email:

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Securities registration exemptions

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**Instructions:**

See Attached. Same as LRBb1570/2

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rmarchan 07/18/2001	csicilia 07/20/2001		_____			State
/1			rschluet 07/20/2001	_____	gretskl 07/20/2001	lrb_docadmin 07/23/2001	

FE Sent For:

At Intro.

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/?	rmarchan	1 cjs 7/20 01		 7-20-01			

FE Sent For:

<END>

SOUW

[signature]

ARC:.....Hartsough - AM48, Securities registration exemptions  
FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION  
CAUCUS ASSEMBLY AMENDMENT  
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,  
TO 2001 SENATE BILL 55

LPS: THAW  
SECTION  
NUMBERS

INSECT

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~~At the locations indicated, amend the substitute amendment as follows:~~

~~1. Page 1156, line 6: after that line insert:~~

~~SECTION 3603d.~~ 551.02 (1) of the statutes is renumbered 551.02 (1r).

~~SECTION 3608f.~~ 551.02 (1g) of the statutes is created to read:

551.02 (1g) "Accredited investor" has the meaning given in 17 CFR 230.501(a).

~~SECTION 3608h.~~ 551.23 (8) (g) of the statutes is amended to read:

551.23 (8) (g) An individual accredited investor, ~~as defined by rule of the~~  
~~division, if the issuer reasonably believes immediately before the sale that the~~  
~~individual accredited investor, either alone or with the individual accredited~~  
~~investor's representative, has such knowledge and experience in financial and~~

1 ~~business matters as to be capable of evaluating the merits and risks of the~~  
2 ~~prospective investment.~~

3 ~~SECTION 3606j.~~ 551.23 (10) of the statutes is amended to read:

4 551.23 (10) Any offer or sale of its securities by an issuer having its principal  
5 office in this state, if the aggregate number of persons holding directly or indirectly  
6 all of the issuer's securities, after the securities to be issued are sold, does not exceed  
7 ~~15~~ 25, exclusive of persons under sub. (8), if no commission or other remuneration  
8 is paid or given directly or indirectly for soliciting any person in this state, except to  
9 broker-dealers and agents licensed in this state, and if no advertising is published  
10 unless it has been permitted by the division.

11 ~~SECTION 3608L.~~ 551.23 (11) (a) of the statutes is amended to read:

12 551.23 (11) (a) Any transaction pursuant to an offer directed by the offeror to  
13 not more than ~~10~~ 25 persons in this state, excluding persons exempt under sub. (8)  
14 but including persons exempt under sub. (10), during any period of 12 consecutive  
15 months, whether or not the offeror or any of the offerees is then present in this state,  
16 if the offeror reasonably believes that all the persons in this state are purchasing for  
17 investment, and no commission or other remuneration is paid or given directly or  
18 indirectly for soliciting any person in this state other than those exempt by sub. (8).

19 ~~SECTION 3605n.~~ 551.31 (1) (d) of the statutes is created to read:

20 551.31 (1) (d) An agent who is acting exclusively as an agent representing an  
21 issuer of securities and who makes offers and sales of the issuer's securities in  
22 transactions that are exempt under s. 551.23 (8) (g) or under a rule of the division  
23 promulgated under s. 551.23 (18) that specifically exempts transactions involving

1 accredited investors and that-is based on a model accredited investor exemption  
2 adopted by the North American Securities Administrators Association. 

3 (END)

**2001 BILL**

INSERT

per cent.

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**AN ACT to renumber 551.02 (1); to amend 551.23 (8) (g), 551.23 (10) and 551.23 (11) (a); and to create 551.02 (1g) and 551.31 (1) (d) of the statutes; relating to: exemptions from securities registration requirements and licensing requirements for securities broker-dealers and securities agents.**

***Analysis by the Legislative Reference Bureau***

Under current law, a person may not offer or sell any security in this state unless a registration statement relating to the security is filed with the division of securities in the department of financial institutions (division) or unless the security is exempt from state registration requirements under federal law. However, current law exempts certain types of securities and transactions from this registration requirement. For example, an offer or sale of a security currently is exempt from registration if the offer or sale is made to an individual who qualifies as an accredited investor under the rules of the division, as long as the issuer of the security reasonably believes that the accredited investor has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment. In addition, with certain exceptions, an offer or sale of a security by the issuer of that security is exempt from registration if the issuer has its principal office in this state and if, among other things, not more than 15 persons will hold all of the securities after the sale. Also, under current law, any transaction that is entered into pursuant to an offer made to not more than ten persons in this state during any period of 12 consecutive months is exempt from registration, if certain other requirements are satisfied.

**BILL**

This bill expands these exemptions from registration. Under this bill, an offer or sale of a security to an accredited investor is exempt from registration if the individual or person receiving the offer or making the purchase qualifies as an accredited investor under certain federal rules. These federal rules define "accredited investor" to include, among other things, certain financial entities, such as banking institutions, and individuals who have a net worth of greater than \$1,000,000 or who have had an income of greater than \$200,000 in the two most recent years. The bill also repeals the requirement that the issuer reasonably believe the accredited investor has a specified level of knowledge and experience in financial and business matters. In addition, under this bill, an offer or sale of a security by the issuer of that security generally is exempt from registration if the issuer has its principal office in this state and if, among other things, not more than 25 persons will hold all of the issuer's securities after the sale. Also, under this bill, any transaction that is entered into pursuant to an offer made to not more than 25 persons in this state during any period of 12 consecutive months generally is exempt from registration, if the other requirements under current law are satisfied.

Currently, in order to transact business as a securities broker-dealer or securities agent in this state, a person must obtain a license from the division, unless the person is exempt from the licensing requirement. Current law exempts persons who give certain group presentations relating to securities, persons who engage exclusively in transactions on account of or with certain financial and governmental entities, and certain persons who are exempt from state licensing requirements under federal law.

This bill creates an additional exemption from this <sup>certain</sup> licensing requirement. This bill exempts any securities agent who is acting exclusively on behalf of an issuer of securities (as opposed to acting on behalf of a securities broker-dealer) and who makes offers and sales of the issuer's securities in transactions ~~that are exempt from registration under the rules of the division that specifically exempt transactions involving accredited investors or to persons who qualify as accredited investors under certain federal rules~~.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

*(end ms)*

- 1 SECTION 1. 551.02 (1) of the statutes is renumbered 551.02 (1r).
- 2 SECTION 2. 551.02 (1g) of the statutes is created to read:
- 3 551.02 (1g) "Accredited investor" has the meaning given in 17 CFR 230.501(a).
- 4 SECTION 3. 551.23 (8) (g) of the statutes is amended to read:

**BILL**

1           551.23 (8) (g) ~~An individual accredited investor, as defined by rule of the~~  
2 ~~division, if the issuer reasonably believes immediately before the sale that the~~  
3 ~~individual accredited investor, either alone or with the individual accredited~~  
4 ~~investor's representative, has such knowledge and experience in financial and~~  
5 ~~business matters as to be capable of evaluating the merits and risks of the~~  
6 ~~prospective investment.~~

7           **SECTION 4.** 551.23 (10) of the statutes is amended to read:

8           551.23 (10) Any offer or sale of its securities by an issuer having its principal  
9 office in this state, if the aggregate number of persons holding directly or indirectly  
10 all of the issuer's securities, after the securities to be issued are sold, does not exceed  
11 ~~15~~ 25, exclusive of persons under sub. (8), if no commission or other remuneration  
12 is paid or given directly or indirectly for soliciting any person in this state, except to  
13 broker-dealers and agents licensed in this state, and if no advertising is published  
14 unless it has been permitted by the division.

15           **SECTION 5.** 551.23 (11) (a) of the statutes is amended to read:

16           551.23 (11) (a) Any transaction pursuant to an offer directed by the offeror to  
17 not more than ~~10~~ 25 persons in this state, excluding persons exempt under sub. (8)  
18 but including persons exempt under sub. (10), during any period of 12 consecutive  
19 months, whether or not the offeror or any of the offerees is then present in this state,  
20 if the offeror reasonably believes that all the persons in this state are purchasing for  
21 investment, and no commission or other remuneration is paid or given directly or  
22 indirectly for soliciting any person in this state other than those exempt by sub. (8).

23           **SECTION 6.** 551.31 (1) (d) of the statutes is created to read:

24           551.31 (1) (d) An agent who is acting exclusively as an agent representing an  
25 issuer of securities and who makes offers and sales of the issuer's securities in

**BILL**

**SECTION 6**

1 transactions that are exempt under s. 551.23 (8) (g) or under a rule of the division  
2 promulgated under s. 551.23 (18) that specifically exempts transactions involving  
3 accredited investors.

4

(END)



# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET  
5TH FLOOR  
MADISON, WI 53701-2037

STEPHEN R. MILLER  
CHIEF

LEGAL SECTION: (608) 266-3561  
LEGAL FAX: (608) 264-6948

July 20, 2001

### MEMORANDUM

To: Senator Cowles

From: Robert J. Marchant, Legislative Attorney

Re: LRB-3525/1 Securities registration exemptions

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

\_\_\_\_\_ JACKET FOR ASSEMBLY  JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 261-4454 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266-3561 if you have any questions regarding this memorandum.