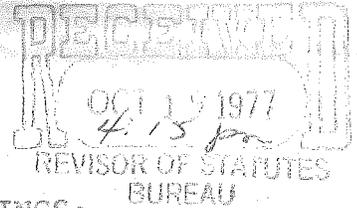


Certificate

SEC 1 to 9

STATE OF WISCONSIN)
) SS
OFFICE OF THE COMMISSIONER)
OF SECURITIES)



TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Jeffrey B. Bartell, Commissioner of Securities for the State of Wisconsin and custodian of the official records of the Office of the Commissioner of Securities, certify that the attached rules adopting various new provisions and amending certain existing provisions of Chapters SEC 1 through 9 of the Rules of the Commissioner of Securities were duly approved and adopted by the Commissioner of Securities on October 19, 1977.

I further certify that I have compared said copies of the rules with the originals on file in this Office, and that the same are true and correct copies thereof, and of the whole of such originals.

IN TESTIMONY WHEREOF, I have hereunto set my hand and the official seal of this Office on this 19th day of October, 1977, in the City of Madison.

(SEAL)

JEFFREY B. BARTELL
Commissioner of Securities

OFFICE OF THE
COMMISSIONER OF SECURITIES
STATE OF WISCONSIN

In the Matter of
Wis. Adm. Code
Rules of the
Commissioner of Securities
Amendments to Chapters
SEC 1 through 9

ORDER ADOPTING
PERMANENT RULES

Pursuant to the authority vested in the
Wisconsin Commissioner of Securities under section
551.63(1), Wis. Stats., to make, amend and rescind
any rules, forms and orders that are necessary to
carry out Chapter 551, the Wisconsin Uniform Securities
Law, and to protect public investors, Wisconsin
Commissioner of Securities Jeffrey B. Bartell hereby
adopts and amends rules as follows:

OFFICE OF THE
COMMISSIONER OF SECURITIES
STATE OF WISCONSIN

In the Matter of
Wis. Adm. Code
Rules of the
Commissioner of Securities
Amendments to Chapters
SEC 1 through 9

CORRECTING
AMENDMENT TO
OCTOBER 19, 1977
ORDER ADOPTING
PERMANENT RULES

WHEREAS, the Order Adopting Permanent Rules issued October 19, 1977 in the above-captioned matter contained an inadvertent omission in the language of SECTION 211 thereof resulting in misnumbering of the sequence of three sections of the rule provisions in Chapter SEC 7; and

WHEREAS, it is appropriate in the public interest that the rules be in proper sequence and that the omission in the language of SECTION 211 be amended and corrected; and

WHEREAS, the amendment does not involve a substantive change to the Rules of the Commissioner of Securities, but rather merely corrects an inadvertent error in drafting;

NOW THEREFORE, pursuant to the authority vested in the Wisconsin Commissioner of Securities under section 551.63(1), Wis. Stat., to make, amend and rescind any rules, forms and orders that are necessary to carry out Chapter 551, the Wisconsin Uniform Securities Law, and to protect public investors, Wisconsin Commissioner of Securities Jeffrey B. Bartell hereby amends SECTION 211 of the Order Adopting Permanent Rules issued October 19, 1977 to read:

SECTION 211. Wis. Adm. Code section SEC 7.03 is repealed, and Wis. Adm. Code sections SEC 7.04, 7.05, 7.06 and 7.07 are renumbered SEC 7.03, 7.04, 7.05 and 7.06, respectively.

EFFECTIVE DATE

The amendment herein above shall take effect concurrently with the effectiveness of the rules and amendments that are the subject of the Order Adopting Permanent Rules issued October 19, 1977 in this matter.

Issued this 14th day of December, 1977
at Madison, Wisconsin.



JEFFREY B. BARTELL
Commissioner of Securities

(SEAL)

RES:cam

REVISIONS TO
WISCONSIN ADMINISTRATIVE CODE
RULES OF THE COMMISSIONER OF SECURITIES

Chapter SEC 1

TITLE AND DEFINITIONS

SECTION 1. Wis. Adm. Code section SEC 1.02(1)(b) is amended to read:

SEC 1.02(1)(b) "Circulation" means advertising mailed, delivered or communicated in substantially similar form to more than ~~the number of persons permitted under section 551.23(10) or (11), Wis. Stats.~~ 10 persons in this state (exclusive of persons exempt under section 551.23(8), Wis. Stats.), except with respect to section 551.23(10), Wis. Stats., more than 15 persons (exclusive of persons exempt under section 551.23(8), Wis. Stats.); and

SECTION 2. Wis. Adm. Code section SEC 1.02(4) is repealed and recreated to read:

SEC 1.02(4) An "offer" within the meaning of section 551.02(11)(b), Wis. Stats., is involved, so far as the security holders of an issuer are concerned, where there is submitted to the vote of such security holders a proposal, plan or agreement for:

(a) a reclassification of securities of such issuer which involves the substitution or exchange of a security for another security;

(b) a statutory merger or consolidation in which securities of such issuer will become or be exchanged for securities of any other issuer;

(c) a transfer of assets of such issuer to another person in consideration of the issuance of securities of the other person or any of its affiliates; or

(d) a sale of securities of such issuer to another person in consideration of the issuance or transfer to such issuer of securities of the other person or any of its affiliates.

SECTION 3. Wis. Adm. Code section SEC 1.02(5) is repealed and recreated to read:

SEC 1.02(5) "Transact business" as used in sections 551.31(1) and (3), Wis. Stats., includes the solicitation of a person to become a customer, client or subscriber.

SECTION 4. Wis. Adm. Code section SEC 1.02(6) is created to read:

SEC 1.02(6) "Investment contract," as used in section 551.02(13)(a), Wis. Stats., includes:

(a) any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor. For the purposes of this subsection, a "common enterprise" is one in which the fortunes of the investor are interwoven with and dependent upon the efforts and successes of those seeking the investment or of a third party; and

(b) any investment by which an offeree furnishes initial value to an offeror, and a portion of this initial value is subjected to the risks of the enterprise, and the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise, and the offeree does not receive the right to exercise practical and actual control over the managerial decisions of the enterprise.

SECTION 5. Wis. Adm. Code section SEC 1.02(7) is created to read:

SEC 1.02(7) "Branch office" means any branch office, sales office or office of supervisory jurisdiction registered under the rules of any national securities exchange or national securities association of which the broker-dealer is a member, or any place of business of three or more licensed agents, in this state.

SECTION 6. Wis. Adm. Code Chapter SEC 2 Registration of Securities (Title) is amended to read:

Chapter SEC 2

REGISTRATION OF SECURITIES EXEMPTIONS

SECTION 7. Wis. Adm. Code section SEC 2.01(1) is repealed.

SECTION 8. Wis. Adm. Code section SEC 2.01(6) is renumbered as SEC 2.01(1), and as renumbered, is amended to read:

SEC 2.01 Exempt securities. (1)(a) Any revenue obligation payable from payments to be made in respect of property or money used under a lease, sale or loan arrangement by or for a nongovernmental industrial or commercial enterprise, is exempted under section 551.22(1), Wis. Stats., if:

(a) 1. The enterprise is a public utility described under section 551.22(6), Wis. Stats., having securities registered under section 12 of the securities exchange act of 1934, or is a wholly-owned subsidiary of one or more of such utilities, and a notice of the proposed offering including the offering statement or prospectus is filed with the commissioner prior to the offering;

(b) 2. Any securities of the enterprise, or any securities of an unconditional guarantor of all payments under the lease, sale or loan arrangement, are exempt under section 551.22(7), Wis. Stats., and notice of the proposed offering including the offering statement or prospectus is filed with the commissioner prior to the offering; or

(c) 3. A notice of the proposed offering is filed with the commissioner, including a trust indenture meeting the requirements of Wis. Adm. Code section SEC 2-07 3.24, an official statement or a prospectus meeting the requirements of Wis. Adm. Code section SEC 2-06 3.23, and such additional information as the commissioner may require, and the commissioner does not by order deny the exemption within 20 days of the date the notice is filed.

(b) Any guarantee of any security exempt under section 551.22(1), Wis. Stats., is exempted from section 551.21, Wis. Stats.

SECTION 9. Wis. Adm. Code sections SEC 2.01(2), (3), (4) and (5) are renumbered SEC 2.01(3), (4), (5) and (6), respectively.

SECTION 10. Wis. Adm. Code section SEC 2.01(2) is created to read:

SEC 2.01(2) For purposes of sections 551.22(3) and 551.22(6), Wis. Stats., an issuer or a guarantor is "subject to regulation in respect of the issuance or guarantee of its securities by a governmental authority" if that governmental authority has authority to regulate the issuer's or guarantor's business and the terms of:

(a) the issuer's or guarantor's equity securities and debt securities with a maturity of one year or more; or

(b) the particular securities to be offered and sold.

SECTION 11. Wis. Adm. Code section SEC 2.01(3) as renumbered is amended to read:

SEC 2.01(3) Any security listed, or approved for listing upon notice of issuance, on the New York Stock Exchange, Inc., or the American Stock Exchange, Inc., is exempted under section 551.22(7), Wis. Stats. ~~as is any other security of the same issuer which is of senior or substantially equal rank, any security called for by subscription rights or warrants so listed or approved, or any warrant or right to purchase or subscribe to any of the~~

~~foregoing, provided that any such security offered in exchange for securities of any other issuer is exempted only if the issuer files with the commissioner a notice of the proposed offering, including the prospectus to be used in connection therewith and such additional information as he may require, and the commissioner does not by order disallow the exemption within 10 days.~~

SECTION 12. Wis. Adm. Code section SEC 2.01(4) as renumbered is amended to read:

SEC 2.01(4) (a) Any evidence of debt issued by a domestic non-profit corporation to persons other than its members is exempted under section 551.22(8), Wis. Stats., if the issuer or a licensed broker-dealer files a notice of the proposed issuance in the form prescribed by the commissioner, including: a trust indenture meeting the requirements of Wis. Adm. Code section SEC ~~2-07(2)~~ 3.24 under which such evidence of debt is proposed to be issued; a prospectus describing ~~the issuer,~~ the trust indenture ~~and the evidence of debt proposed to be issued, which shall be given or sent to each person to whom an offer of such evidence of debt is made at the time or times specified in Wis. Adm. Code section SEC 2-06(1);~~ and such additional information as the commissioner may require; and the commissioner does not by order ~~disallow~~ deny or revoke the exemption within 10 days ~~or such shorter period as he may permit.~~

(b) A person does not become a "member" for purposes of section 551.22(8), Wis. Stats., solely by reason of the purchase of the issuer's securities.

SECTION 13. Wis. Adm. Code section SEC 2.01(5) as renumbered is repealed and recreated to read:

SEC 2.01(5) "Commercial paper" exempted under section 551.22(9), Wis. Stats., means any note, draft or bill of exchange, which:

(a) evidences an obligation to pay cash within 9 months of the date of issuance, exclusive of days of grace, any renewal of such paper which is likewise limited, or any guarantee of such paper or such renewal;

(b) is offered or sold through a broker-dealer, or an institution described in section 551.22(3), Wis. Stats., or a state or any agency or political subdivision thereof, whether such person is acting for itself or for the account of a customer;

(c) is not offered or sold to the general public by means of the publication or circulation of any advertising; and

(d) is issued to finance liquid current assets (including inventories and receivables) or current operating expenses.

SECTION 14. Wis. Adm. Code section SEC 2.01(7) is created to read:

SEC 2.01(7) A notice filed under section 551.22(10), Wis. Stats., shall consist of a complete description of the

plan, including any advertising to be published, circulated or used. The exemption may be denied if the plan is unfair or inequitable to purchasers of securities thereunder. If the plan involves purchases of the employer's securities, a plan may be deemed unfair or inequitable unless:

(a) the formula price at which employees may purchase shares is calculated at least annually, and is not less than 85% of the fair market value of the stock at the beginning of the 1-year purchase period or the end of the purchase period, whichever is lower, and shares purchased are fully paid for at the end of each period, stock certificates are issued and no fractional shares are issued;

(b) the issuer files an undertaking to deliver to all participating employees copies of the issuer's annual financial statements;

(c) a participating employee has the right to withdraw from the plan at any time without penalty;

(d) if there is no adequate public market for the issuer's shares as defined in Wis. Adm. Code section SEC 3.02(1)(b), the issuer offers to repurchase the shares at a price determined by the same formula pursuant to which the shares were purchased by the employee under the issuer's plan, upon the happening of either of the following events:

1. the employee ceases to be employed by the issuer (or a subsidiary), and a written request for repurchase is received by the issuer within 180 days after termination of employment; or

2. the employee experiences severe financial hardship due to illness or death in the immediate family, major uninsured casualty loss, or other unforeseen events, and delivers to the issuer a written irrevocable election to have the issuer repurchase the shares, including a statement in reasonable detail as to the nature of the employee's financial hardship, and within 20 days the issuer's board of directors does not determine that no severe financial hardship exists;

(e) all funds contributed to the plan for the purchase of shares are protected from claims of creditors of the issuer;

(f) any withholding from an employee's compensation is limited to not more than 10% of such compensation each pay period;

(g) all shares issued under the plan have voting, dividend and liquidation rights meeting the requirements of Wis. Adm. Code section SEC 3.07; and

(h) if the securities to be purchased under the plan are not registered under the securities act of 1933, the issuer files a satisfactory opinion of counsel as to its exempt status under that act.

SECTION 15. Wis. Adm. Code section SEC 2.02(1)(a) is amended to read:

SEC 2.02(1)(a) Any sale of an outstanding security by or on behalf of a person not in control of the issuer or controlled by the issuer or under common control with the

issuer and not involving a distribution; but if the sale is effected through a broker-dealer ~~and the security is not qualified under section 551.23(3), Wis. Stats.~~, the transaction is deemed isolated only if ~~the aggregate of~~ all transactions in the security effected by or through the broker-dealer ~~during the prior 12 months~~ are isolated; a transaction is presumed to be "isolated" if it is one of not more than 3 such transactions during the prior 12 months; and

SECTION 16. Wis. Adm. Code section SEC 2.02(3)(a) is amended to read:

SEC 2.02(3)(a) With respect to a security qualifying under subsection (3)(c) thereof, the issuer or a licensed broker-dealer files a notice of the proposed sale in the form prescribed by the commissioner, including the latest prospectus filed under the securities act of 1933 describing the securities proposed to be sold, and the information concerning the public market for the security specified in Wis. Adm. Code section SEC 3.02(2) (1)(b). Such exemption, unless ~~disallowed~~ denied or revoked by order of the commissioner within 10 days, is effective so long as the issuer is filing periodic information, documents and reports under section 15(d) of the securities exchange act of 1934.

SECTION 17. Wis. Adm. Code section SEC 2.02(3)(b) is amended to read:

SEC 2.02(3)(b) With respect to a security qualifying under subsection (3)(d) thereof, the issuer or an applicant

files a notice of the proposed sale ~~in-the-form-prescribed~~
~~by-the-commissioner~~, including: the prospectus used in the
most recent offering of the securities proposed to be sold;
any information specified in Wis. Adm. Code sections SEC
~~2-05-and-2-06~~ 3.22 and 3.23 and not contained in the filed
prospectus; the trust indenture, if any, under which the
securities proposed to be sold are issued; the information
concerning the public market for the security specified in
Wis. Adm. Code section SEC 3.02(2) (1) (b); a balance sheet
of the issuer as of the end of the last fiscal year of the
issuer preceding the date of filing and ~~an-income-statement~~
statements of income and changes in financial position and
analysis of surplus for such fiscal year meeting the require-
ments of Wis. Adm. Code section SEC ~~6-07~~ 7.06; an undertaking
to file with the commissioner within 120 days (180 days with
respect to a corporation organized and operated not for
private profit but exclusively for religious, educational,
benevolent or charitable purposes) after the end of each
fiscal year of the issuer comparable financial statements of
the issuer for each such fiscal year; and an undertaking to
furnish the commissioner with a written report within 30
days after the happening of any material event affecting the
issuer or the securities proposed to be sold. Such exemption,
unless disallowed by order of the commissioner within 10
days, is effective so long as the information required to be
furnished is kept current. ~~The-notice-may-be-filed-by-a~~
~~licensed-broker-dealer-if-the-issuer-fails-to-consent-to~~

~~such-filing-and-there-is-a-public-market-for-the-security,
in-which-case-the-notice-shall-include-such-information-as
is-known-by-such-broker-dealer-or-can-be-furnished-by-it
without-unreasonable-effort-or-expense.~~

SECTION 18. Wis. Adm. Code section SEC 2.02(5) is amended to read:

SEC 2.02(5) A "financial institution or institutional investor" within the meaning of section 551.23(8), Wis. Stats., includes:

(a) an endowment or trust fund of a charitable organization specified in section 170(b)(1)(A) of the internal revenue code;

(b) an issuer which has any class of securities registered under section 12 of the securities exchange act of 1934, and any wholly owned subsidiary thereof; and

(c) any other corporation, partnership or association which has been in existence for 10 years or whose net assets exceed \$250,000, and whose principal purpose as stated in its articles, by-laws or other organizational instrument is investing in securities, ~~provided that any broker-dealer shall obtain records confirming such facts prior to effecting transactions with any such person;~~ and

(d) any other person or entity whom the commissioner by order designates.

SECTION 19. Wis. Adm. Code section SEC 2.02(6) is amended to read:

SEC 2.02(6) With respect to an offer or sale of a security exempted under sections 551.23(10) or (11), Wis. Stats.:

(a) offerees or persons holding directly or indirectly all the issuer's securities include all joint or common owners and all beneficial owners of its securities, and all beneficial owners of any corporation, partnership, association or trust holding any of the issuer's securities and organized in connection with the offer or sale of such securities, provided that any relative or spouse, or any relative of such spouse, having the same home as the offeree or person, shall not be deemed a separate offeree or person;

(b) issuers affiliated by reason of direct or indirect control or persons affiliated by reason of direct or indirect control of any issuer are deemed to be a single issuer or person; but the commissioner may by order exempt the offer or sale of securities by any such affiliated issuer or person upon the filing of a notice of the proposed sale and such other information as he the commissioner may require, if ~~he finds that~~ it is not part of a common business purpose or plan of offering;

(c) a reasonable commission or fee may be paid to a licensed broker-dealer licensed in this state for services rendered in connection with a sale of securities effected under these sections; a commission or fee will be presumed reasonable if it does not exceed the amount permitted under Wis. Adm. Code section SEC 3.01(1); and

(d) ~~Any issuer or other person selling securities under these sections shall file with the commissioner a report of such sales on a form prescribed by him, within 30 days after the aggregate amount of such sales in this state exceeds \$50,000 or sales are effected to an aggregate of 20 persons in this state within a 3-year period, setting forth the name and address of the issuer and each purchaser in this state, a description of the securities sold, the amount of securities and price paid by each purchaser and the date of each transaction. Each such person shall file with the commissioner supplemental reports within 30 days after the end of each calendar quarter in which further sales of the securities are effected.~~

(e) the exemption for any offer or sale under these sections section 551.23(11), Wis. Stats., is withdrawn with respect to:

1. any offer or sale of a limited partnership interest, investment contract, or certificate of interest or participation in an oil, gas or mining title or lease or in payments out of production under such title or lease, if the aggregate maximum value of all securities to be offered in this state by or on behalf of the issuer, together with the value of any securities issued in this state by or on behalf of the issuer during the prior 12 months, exceeds \$100,000, unless the issuer files a notice of such proposed offer or sale with the commissioner, including any prospectus, circular or

other material to be delivered to offerees, and such other information as the commissioner may require, and the commissioner does not by order withdraw, deny or revoke the exemption within 10 days;

2. any offer or sale by or on behalf of any issuer or other person who has failed to file the most current report of sales specified in subsection (6)(d); any offer or sale of equity securities by or on behalf of any person directly or indirectly controlling an issuer whose equity securities were registered under chapter 551, Wis. Stats., or any predecessor law and are held ~~by more than 100 stockholders of record in this state, if the sale, including any other sales by such person of securities of the same class during the prior 12 months, exceeds 1% of the outstanding shares or units of that class~~ of record by more than 100 shareholders in this state, otherwise than in compliance with Wis. Adm. Code section SEC 2.02(1)(b); and

3. any offering or sale of securities registered under the securities act of 1933 or exempted by regulations A or B thereunder, unless permitted by order of the commissioner in compliance with such conditions as he the commissioner may prescribe ~~for the protection of purchasers.~~

SECTION 20. Wis. Adm. Code sections SEC 2.02(9), (10), and (11) are renumbered SEC 2.02(10), (11) and (9), respectively.

SECTION 21. Wis. Adm. Code section SEC 2.02(9), as renumbered, is amended to read:

SEC 2.02(9)(a) "Stock split" within the meaning of section 551.23(14), Wis. Stats., does not include any action by the corporation ~~having, or intended to~~ which has or may have, the effect of consolidating securities of a class of outstanding equity securities into a smaller number of securities of that class;

(b) "Stock dividend" within the meaning of section 551.23(14), Wis. Stats., includes the issuance of shares under a dividend reinvestment plan in which the election by a shareholder to participate in the plan is voluntary and such election may be rescinded at any time upon notice to the issuer.

SECTION 22. Wis. Adm. Code section SEC 2.02(10) (Intro.) is amended to read:

SEC 2.02(10) Notice of an offer of an evidence of debt of a non-profit corporation exempted under section 551.23(15), Wis. Stats., shall be filed in the form prescribed by the commissioner, and shall include: a trust indenture meeting the requirements of Wis. Adm. Code section ~~SEC 2-07(2)~~ 3.24 under which the evidence of debt is proposed to be issued; a prospectus describing the issuer, trust indenture and evidence of debt proposed to be issued, which shall be given or sent to each person to whom an offer of such evidence of debt is made at the time or times specified in Wis. Adm. Code section ~~SEC 2-06(1)~~ 3.23(1); such additional information as the commissioner may require; and

SECTION 23. Wis. Adm. Code section SEC 2.02(10)(b), as renumbered, is repealed and recreated to read:

SEC 2.02(10)(b) With respect to an offer qualifying under subsection (15)(b) thereof, a balance sheet of the issuer as of the end of the last fiscal year of the issuer preceding the date of filing, and statements of income and changes in financial position and an analysis of surplus of the issuer for each of its three immediately preceding fiscal years meeting the requirements of Wis. Adm. Code section SEC 7.06.

SECTION 24. Wis. Adm. Code section SEC 2.02(11)(a), as renumbered, is amended to read:

SEC 2.02(11)(a) Any isolated issuer transaction relating to redeemable securities of an investment company registered under the investment company act of 1940, effected through a licensed broker-dealer pursuant to an unsolicited order or offer to purchase, provided that the broker-dealer obtains from the purchaser a written acknowledgment that such purchase was unsolicited or the confirmation delivered to the purchaser or a memorandum delivered in connection therewith confirms that such purchase was unsolicited by the broker-dealer or any agent of the broker-dealer. A transaction is presumed to be "isolated" if it is one of not more than 3 such transactions during the prior 12 months.

SECTION 25. Wis. Adm. Code section SEC 2.02(11)(e), as renumbered, is amended to read:

SEC 2.02(11)(e) Any offer or sale of securities pursuant to a transaction not involving a public offering under the securities act of 1933, ~~or to the employees or agents of the issuer pursuant to a stock option plan of the issuer,~~ which the commissioner may by order exempt upon application filed by the issuer or seller, including such information as the commissioner may require, ~~and which is~~ effected in compliance with such conditions as the commissioner may prescribe ~~for the protection of investors.~~

SECTION 26. Wis. Adm. Code section SEC 2.02(11)(f) is created to read:

SEC 2.02(11)(f) Any offer or sale of securities to the employees or agents of the issuer or its subsidiaries pursuant to a stock option plan, provided there is filed with the commissioner a notice consisting of a complete description of the plan including any advertising to be published, circulated or used, and the commissioner by order exempts the plan. The commissioner may find such order inappropriate for the protection of investors unless:

1. the plan extends for no longer than 10 years;
2. the total amount of options and the exercise price meet the requirements of Wis. Adm. Code sections SEC 3.03(4) and (5);
3. the issuer files an undertaking to deliver to all participating employees copies of the issuer's annual financial statements;

4. installment payments for shares issued upon exercise are not permitted;

5. certificates are issued upon exercise;

6. the plan meets the repurchase standards of Wis. Adm. Code section SEC 2.01(7)(d);

7. all shares issued under the plan have voting, dividend and liquidation rights meeting the requirements of Wis. Adm. Code section SEC 3.07; and

8. if the shares to be issued under the plan are not registered under the securities act of 1933, the issuer files a satisfactory opinion of counsel as to its exempt status under that act.

SECTION 27. Wis. Adm. Code section SEC 2.02(11)(g) is created to read:

SEC 2.02(11)(g) Any offer by a licensed broker-dealer pursuant to a preliminary prospectus, provided the securities are the subject of a registration statement filed under sections 551.25 or 551.26, Wis. Stats., or a notice filed under sections 551.22(1) or (8) or 551.23(12) or (15), Wis. Stats., and provided that such preliminary prospectus has been filed with the U. S. securities and exchange commission or the commissioner for a period of 10 days, and the commissioner does not by order deny the exemption.

SECTION 28. Wis. Adm. Code section 2.03(1) is amended to read:

SEC 2.03(1) A notice of exemption pursuant to sections 551.22 or 551.23, Wis. Stats., is not deemed filed until

payment of the examination fee prescribed by Wis. Adm. Code section SEC ~~6.01(1)~~ 7.01(1).

SECTION 29. Wis. Adm. Code sections SEC 2.04, 2.05, 2.06, 2.07, 2.08, 2.09, and 2.10 are renumbered sections SEC 3.21, 3.22, 3.23, 3.24, 3.27, 3.28, 3.26, respectively, and sections SEC 2.11(1) and (2) are renumbered SEC 3.25(1) and (3).

SECTION 31. Wis. Adm. Code Chapter SEC 3 (Title) is amended to read:

Chapter SEC 3

~~DENIAL,--SUSPENSION-AND
REVOCATION-OF-REGISTRATIONS~~

REGISTRATION REQUIREMENTS
AND PROCEDURES

SECTION 31. Wis. Adm. Code section SEC 3.02 (Intro.) is amended to read:

SEC 3.02 Offering price. The offering price of any security shall be fair and equitable to purchasers, ~~-taking into account all relevant factors.~~ With respect to common stock, the offering price shall be reasonably related to the existing public market for the stock or to the net earnings of the issuer as stated in the prospectus.

SECTION 32. Wis. Adm. Code sections SEC 3.02(1) and (2) are repealed and Wis. Adm. Code section SEC 3.02(1) is recreated to read:

SEC 3.02(1) With respect to common stock of issuers not in the promotional or developmental stage, the offering price may be deemed unfair or inequitable to purchasers unless:

(a) the price for the stock does not exceed 25 times the issuer's net earnings per share for the last 12 months, and does not exceed 25 times its average annual net earnings per share for the last 3 years, prior to the proposed offering date, or does not exceed such other multiple of net earnings as the commissioner may prescribe; or

(b) information is filed with the commissioner showing there exists an adequate public market for the stock, provided that a public market will be presumed adequate if: there were at least 500 holders of such stock at the beginning and end of the 6-month period preceding the date of the filing; 200,000 shares of the stock are publicly outstanding (exclusive of shares held by officers, directors, or 5% shareholders); 2 broker-dealers regularly make a market in the stock; one financial publication regularly quotes the market price if the stock is not listed on a national securities exchange; and trading of the issuer's stock in the 6-month period preceding the date of the filing averaged at least 100 transactions or 5% of the outstanding shares (not including shares held by officers, directors or 5% shareholders) per month; or

(c) where no adequate public market exists, information satisfactory to the commissioner is filed justifying the proposed offering price-earnings ratio in relation to price-earnings ratios of companies comparable to the issuer in terms of size, history of operations, industry and products, and other relevant factors; such information may

be contained in an underwriter's memorandum on the issuer prepared in connection with the proposed offering.

SECTION 33. Wis. Adm. Code section SEC 3.02(4) is renumbered SEC 3.02(2), and as renumbered is amended to read:

SEC 3.02(2) ~~If the issuer of the stock is~~ With respect to common stock of issuers in the promotional or developmental stage as defined in Wis. Adm. Code section SEC 3.02(3), the information prescribed in subsections (2) and (3) is not required, but the offering price shall be reasonably related to the price paid for the stock by promoters or controlling persons of the issuer in transactions effected prior to the public offering, except as permitted under Wis. Adm. Code section SEC 3.04.

SECTION 34. Wis. Adm. Code section SEC 3.02(3) is repealed and recreated to read:

SEC 3.02(3) For purposes of this chapter, an issuer in the "promotional or developmental stage" means an issuer that has no significant record of operations or earnings prior to the public offering date.

SECTION 35. Wis. Adm. Code section SEC 3.03(1) is amended to read:

SEC 3.03(1) With respect to restricted or qualified stock options to employes for incentive purposes, including employe stock purchase agreements extending for a period of more than one year, shall be the options are reasonable in number and method of exercise.

SECTION 36. Wis. Adm. Code section SEC 3.03(2) (Intro.)

is amended to read:

SEC 3.03(2) With respect to options or warrants to
~~underwriters are presumed reasonable if they satisfy all of~~
~~the following conditions, but the commissioner may waive any~~
~~of such conditions if the underwriting arrangements have~~
~~been reviewed by the National Association of Securities~~
~~Dealers, Inc., and have not been found to involve unfair and~~
~~unreasonable underwriters' compensation:~~

SECTION 37. Wis. Adm. Code section SEC 3.03(2) (a) is
amended to read:

SEC 3.03(2) (a) ~~the options or warrants are issued to~~
~~managing underwriters under a firm underwriting agreement.~~
are not granted to the underwriters until the entire issue
has been sold, provided they and are not transferable except
among the partners or ~~stockholders~~ shareholders of the
underwriter;

SECTION 38. Wis. Adm. Code section SEC 3.03(2) (b) is
amended to read:

SEC 3.03(2) (b) the options or warrants are issued to
managing underwriters under a firm underwriting agreement,
~~provided they and~~ are not transferable except among the
partners or ~~stockholders~~ shareholders of the underwriter;

SECTION 39. Wis. Adm. Code section SEC 3.03(2) (c) is
amended to read:

SEC 3.03(2) (c) the exercise price of the options or
warrants is at least equal to the public offering price plus

a step-up of said public offering price of either 7% each year such options or warrants are outstanding, so that the exercise price throughout the second year is 107%, throughout the third year 114%, throughout the fourth year 121%, and throughout the fifth year 128%; or in the alternative, 20% at any time after one year from the date of issuance; provided that an election as to either alternative must be made by the underwriters at the time that the options or warrants are issued-;

SECTION 40. Wis. Adm. Code section SEC 3.03(2)(d) is amended to read:

SEC 3.03(2)(d) the options or warrants are issued by a company which is in the promotional or development stage, or which lacks a public market for its stock, or other factors justify the issuance of options to obtain underwriting services; provided that the direct commissions to the underwriters are lower than the usual and customary commissions in the absence of such options or warrants-;

SECTION 41. Wis. Adm. Code section SEC 3.03(2)(e) is amended to read:

SEC 3.03(2)(e) the prospectus used in connection with the offering fully discloses the terms and the reason for the issuance of such the options or warrants, and, if such the reason relates to future advisory services to be performed by the underwriter, a statement to that effect is placed in the prospectus-; and

SECTION 42. Wis. Adm. Code section SEC 3.03(3) is amended to read:

SEC 3.03(3) With respect to options or warrants issued to financing institutions, other than underwriters, in connection with financing arrangements made by the issuer ~~are presumed reasonable if they satisfy all of the following conditions:~~

SECTION 43. Wis. Adm. Code section SEC 3.03(3)(a) is amended to read:

SEC 3.03(3)(a) the options or warrants are issued in connection with the issuance of the evidence of indebtedness of the loan;i

SECTION 44. Wis. Adm. Code section SEC 3.03(3)(b) is amended to read:

SEC 3.03(3)(b) the options or warrants expire not later than 2 years after the final maturity date of the loan;i

SECTION 45. Wis. Adm. Code section SEC 3.03(3)(c) is amended to read:

SEC 3.03(3)(c) the options or warrants are issued as a result of bona fide negotiations between the issuer and parties not affiliated with the issuer;i

SECTION 46. Wis. Adm. Code section SEC 3.03(3)(d) is amended to read:

SEC 3.03(3)(d) the exercise price of such options or warrants is not less than the fair market value of the stock subject thereto on the date the loan is approved;i and

SECTION 47. Wis. Adm. Code section SEC 3.03(4) is amended to read:

SEC 3.03(4) The total amount of options or warrants issued or reserved for issuance at the date of the public offering ~~shall be reasonable. The amount of options and warrants is presumed reasonable if the number of shares subject to such options and warrants,~~ excluding options those issued to financial institutions and options those issued in connection with acquisitions, does not exceed either 10% of the shares to be outstanding upon completion of the offering or 10% of the shares outstanding during the period the registration statement is effective. The number of options and warrants reserved for issuance may be disregarded if the issuer files an undertaking or states in the prospectus that the amount of outstanding options and warrants shall not exceed the above amount during the period the registration statement is effective.

SECTION 48. Wis. Adm. Code section SEC 3.04(1) is amended to read:

SEC 3.04 Promotional or cheap stock. (1) ~~An offering~~ The offer or sale of equity securities or securities convertible into equity securities may be deemed unfair and inequitable to purchasers and to involve unreasonable amounts of promoters' profits ~~or participations;~~ if unreasonable amounts of promotional or cheap stock have been issued or sold prior to the offering.

SECTION 49. Wis. Adm. Code section SEC 3.04(3)(c) is amended to read:

SEC 3.04(3)(c) The proposed offering price of the equity securities does not exceed the multiple of earnings prescribed in Wis. Adm. Code section SEC 3.02(1)(a) for each of the last 2 years prior to the public offering date, after taking into account the promotional or cheap stock issued.

SECTION 50. Wis. Adm. Code section SEC 3.04(4) is amended to read:

SEC 3.04(4) Whether or not the amount of promotional or cheap stock is presumed reasonable within the meaning of subsection (3), the commissioner may require as a condition of registration ~~of such securities~~ that all or any part of the promotional or cheap stock ~~of the issuer~~ be deposited in escrow pursuant to ~~section 551.27(7), Wis. Stats., for such period and under such conditions as he may prescribe, and may then determine that the offering does not involve unreasonable promoters' profits or participations, if the aggregate amount of promotional or cheap stock, excluding any amount as to which the consideration paid was reasonable related to the public offering price, does not exceed 50% of the amount of stock to be outstanding on completion of the offering or outstanding during the period the registration statement is effective, such conditions as the commissioner may prescribe, including:~~

(a) Stock subject to the escrow agreement may not be released until such time as the company has demonstrated by financial statements examined and reported upon by an independent certified public accountant, that earnings per share, before extraordinary items, were 5% per year of the public offering price per share for any 3 years ending after the public offering, 2 of which must be consecutive; if within 5 years after the date of the escrow agreement, the escrowed shares have not been released from the escrow requirements, the owners of the escrowed shares shall collectively elect to:

1. return to the issuer and cancel a sufficient number of escrowed shares to cause the issuer's aggregate pro forma earnings per share for the 5 years to have been 12% of the public offering price per share, in which case the escrow agreement shall be terminated and the remaining shares released from escrow; or

2. submit to the commissioner a proposal for extension or modification of the escrow agreement, provided that notice of the proposal is given to all of the shareholders in such form as the commissioner requires and a hearing thereon may be called by the commissioner; the burden of justifying an extension or modification of the escrow agreement shall be on the owners of the escrowed shares; after notice and opportunity for hearing, the commissioner may order extension or modification of the escrow agreement upon such terms as are deemed fair and equitable; if the

escrow agreement is not so extended or modified, the owners of the escrowed shares shall return shares to the issuer for cancellation as specified in subparagraph 1. of this section;

(b) the foregoing notwithstanding, shares in escrow may be:

1. released if the public offering is terminated and no securities were sold, or if the holders of 2/3 of the unescrowed shares join in petitioning for release of the shares from escrow;

2. transferred by will or pursuant to the laws of descent and distribution, without the consent of the commissioner, but shall remain in escrow; and

3. transferred if the commissioner grants a request to permit the release, which request is in writing, states the reason and proposed consideration for the transfer, and that the transferee shall agree to redeposit the shares in escrow under the same terms;

(c) the shares held under an escrow agreement pursuant to a public offering shall not have any right, title, interest, or participation in the assets of the issuer in the event of dissolution, liquidation, merger, consolidation, reorganization, sale of assets, exchanges or any transaction or proceeding which contemplates or results in the distribution of the assets of the issuer, until the holders of all unescrowed shares sold in the offering have been paid, or had irrevocably set aside for them an amount equal to the purchase price per

share in the public offering, adjusted for stock splits and stock dividends; subsequently, the escrowed shares shall be entitled to receive an amount equal to the tangible consideration furnished for the shares, and thereafter, all shareholders shall participate ratably;

(d) shares held under an escrow agreement shall continue to have all voting rights to which those shares are entitled, provided any dividends paid on such shares shall be paid to the escrow agent and held pursuant to the terms of the agreement; may be used to satisfy the requirements of subsection (c); and in the event any shares held under an escrow agreement are returned to the issuer for cancellation, all dividends paid on such shares and held in escrow shall also be returned to the issuer;

(e) the escrow agreement shall include provisions to permit the commissioner, upon a finding of a violation of this chapter, and where necessary for the protection of security holders and in the public interest, after prior notice and opportunity for hearing, to order the return of escrowed shares to the issuer for cancellation in whole or in part; and

(f) the terms and conditions of the escrow agreement may be terminated, revoked, modified, or released only upon the written consent of the commissioner.

SECTION 51. Wis. Adm. Code section SEC 3.05(1) is amended to read:

SEC 3.05 Promoters' investment. (1) The offering or sale of securities of an issuer in the promotional or developmental stage may be deemed unfair and inequitable to purchasers unless the fair value of the equity investment of the officers, directors, and promoters of such issuer, determined as of the offering date, equals at least 10% of the total equity investment resulting from the sale of all the securities which are the subject of the proposed offering.

SECTION 52. Wis. Adm. Code section SEC 3.05(2)(a) is amended to read:

SEC 3.05(2)(a) The "fair value of the equity investment" of the officers, directors and promoters" means the total of all amounts paid to the issuer in cash ~~together-with~~ and the reasonable value of all tangible assets paid to the issuer, as determined by independent appraisal or otherwise, and as adjusted by ~~any-earned-surplus~~ the retained earnings of the issuer subsequent to the dates of such payments.

SECTION 53. Wis. Adm. Code section SEC 3.05(2)(b) is amended to read:

SEC 3.05(2)(b) "Total equity investment" means the total of the par or stated value of all securities of the issuer outstanding or offered or proposed to be offered, and the amounts of ~~surplus-of-any-kind, regardless-of-description and-whether-or-not-restricted~~ any additional capital (paid-in and other), and as adjusted by retained earnings.

SECTION 54. Wis. Adm. Code section SEC 3.05(3) is repealed.

SECTION 55. Wis. Adm. Code section SEC 3.06 (Title)

and SEC 3.06(1) are repealed and recreated to read:

SEC 3.06 Preferred stock and debt securities. (1) The offer or sale of preferred stock of an issuer may be deemed unfair and inequitable to purchasers unless the net earnings of the issuer, for its last fiscal year prior to the offering and for the average of its last 3 fiscal years prior to the offering, are sufficient to cover the dividends on the preferred stock proposed to be offered. Net earnings shall be determined exclusive of non-recurring items and shall be adjusted for any preferred stock to be redeemed with the proceeds of the offering, less applicable income tax effects. The commissioner may waive the foregoing requirement upon evidence of a sufficient future net earnings capability.

SECTION 56. Wis. Adm. Code section SEC 3.06(2) is repealed and recreated to read:

SEC 3.06(2) The offer or sale of debt securities of an issuer may be deemed unfair and inequitable to purchasers unless the net earnings of the issuer, for its last fiscal year prior to the offering and for the average of its last 3 fiscal years prior to the offering, are sufficient to cover the interest requirements on the securities proposed to be offered. Net earnings shall be determined before income taxes, depreciation and extraordinary items, and shall be adjusted for any debt securities to be redeemed with the proceeds of the offering. The commissioner may waive the foregoing requirement upon evidence of a sufficient future net earnings capability.

SECTION 57. Wis. Adm. Code section SEC 3.06(3) is amended to read:

SEC 3.06(3) If the issuer has made or proposes to make any material acquisitions subsequent to the last year specified in subsections (1) or (2) ~~of this rule~~, the earnings ~~or cash flow~~ for such year shall be restated on a pro forma basis to ~~include~~ reflect such acquisitions.

SECTION 58. Wis. Adm. Code section SEC 3.06(4) is amended to read:

SEC 3.06(4) The offering or sale of preferred stock or debentures by an issuer in the promotional or developmental stage is deemed unfair and inequitable to purchasers unless justified by the issuer or registrant under subsection (1) or (2).

SECTION 59. Wis. Adm. Code section SEC 3.06(5) is amended to read:

SEC 3.06(5) This rule does not apply to the offering or sale of (a) debt securities by a nonprofit issuer under section 551.23(15), Wis. Stats.; (b) ~~industrial-development revenue-bonds~~; ~~(c)~~ securities issued pursuant to a voluntary or involuntary corporate reorganization; or ~~(d)~~ (c) securities of an issuer whose financial structure or the issuance of whose securities is regulated by a federal or state governmental authority.

SECTION 60. Wis. Adm. Code section SEC 3.06(6) is created to read:

SEC 3.06(6) The offer or sale of debt securities may be deemed unfair and inequitable to purchasers if the issuer offers to repurchase such securities at the request of the holder prior to maturity (except pursuant to sinking fund provisions or optional redemption provisions on specified dates) unless made in compliance with the following provisions:

(a) Threshold Test. Subject to subsection (b), an issuer may repurchase its debt securities at the request of the holders if its aggregate net earnings for the 3 preceding years and in the year immediately preceding the year of repurchase equalled or exceeded its aggregate fixed charges, as evidenced by a written statement of an independent certified public accountant, in connection with the annual examination of the issuer's financial statements, filed with the commissioner, as to whether or not the accountant has obtained knowledge of any failure of the issuer to meet this test. "Net earnings" means income before income taxes, extraordinary items, and interest expense. "Fixed charges" means interest on all debt, and dividends on other fixed obligation securities such as preferred stock.

(b) Conditions of Repurchase.

1. Order of repurchase. Subject to the limitation in subsection 2., securities shall be repurchased on a first-come, first-served basis, except that no repurchases may be made from any person controlling, controlled by, or under

common control with the issuer until all other pending requests for repurchase have been satisfied.

2. Limit on repurchases by one person. The issuer may not, in any 6-month period, repurchase from any person, including all joint, common and beneficial owners with such person, more than 1% of the publicly-held debt securities outstanding at the time repurchase is made until all other pending requests for repurchase of 1% or less have been satisfied. This limitation shall not apply to the repurchase of securities held as of August 2, 1973, by persons who as of such date held more than 1% of the outstanding debt securities.

3. Limit on total repurchases.

a. Repurchases shall not reduce the issuer's current assets, exclusive of excess inventory, to an amount less than its current liabilities, nor reduce its total assets to an amount less than its total liabilities, excluding shareholder's equity. "Excess inventory" means inventory in excess of a 4-month supply based on sales of the preceding year.

b. If the issuer is engaged in a business for which generally accepted accounting practices do not provide or permit the use of a classified balance sheet, current assets shall mean total assets less (i) property and equipment, net of depreciation; (ii) unamortized debt expense; and (iii) other assets not acquired in the normal course of business

and expected to be liquidated after 1 year from the balance sheet date; and current liabilities shall mean total liabilities less (i) non-current maturities of long-term debt, and (ii) shareholder's equity.

4. Reports. Within 30 days after the end of each month during which repurchases are made, the issuer shall file with the commissioner a balance sheet (which may be unaudited) as of the beginning of such month during which repurchases were made, and a statement as to (i) the total amount of repurchases made during the month; (ii) the total amount of repurchase requests, which were not met; and (iii) the name, address and amount of repurchase from every person controlling, in control of, or under common control with, the issuer. If the issuer prepares monthly financial statements, such reports may be made quarterly covering the preceding 3 months and shall be filed within 30 days after the end of the quarter.

(c) Cover Page of Prospectus. The cover page of the prospectus relating to the securities shall include the following statement in bold face type: "THESE SECURITIES MAY BE REDEEMED PRIOR TO MATURITY AT THE REQUEST OF THE HOLDER ONLY UNDER CERTAIN RESTRICTED CONDITIONS, SEE PAGE ____." On the page referred to, the limitations set forth above, the amount of the debt securities redeemed in each of the preceding 3 years, the ratio of net earnings to fixed charges in each of the preceding 3 years, and the average ratio for those 3 years, shall be described in full.

(d) Subscription Agreement. Any subscription agreement relating to the debt securities shall include the following statement in bold face type: "THESE SECURITIES MAY BE REDEEMED PRIOR TO MATURITY AT THE REQUEST OF THE HOLDER ONLY UNDER CERTAIN RESTRICTED CONDITIONS, SEE PAGE ____." A copy of the subscription agreement must be provided to each purchaser.

SECTION 61. Wis. Adm. Code section SEC 3.07 (Intro.) is amended to read:

~~SEC 3.07 Unequal Voting rights. The offering or sale of securities of any issuer may be deemed unfair and inequitable to purchasers if the class of securities being offered and sold to such purchasers has unequal voting rights as herein defined.~~

SECTION 62. Wis. Adm. Code section SEC 3.07(2) is amended to read:

SEC 3.07(2) If the issuer is a partnership, the offering or sale of its limited partnership interests may be deemed unfair and inequitable to purchasers unless the partnership agreement provides that (a) the limited partners, by a vote of a majority of the outstanding amount of limited partnership interests, shall have the right to remove the general partner, to amend the partnership agreement, to compel or refuse to approve the sale of all or substantially all the partnership's assets, to dissolve the partnership, and to continue its business with a substituted general partner; (b) the general partner shall cause a vote to be taken on any of the matters

referred to herein upon the written request of 10% of the outstanding amount of limited partnership interests; (c) each limited partner shall have the right to a complete list of names, addresses, and interests of all limited partners, upon written request to the general partner, for any proper purpose; and (d) the partnership agreement shall not be amended in any material respect affecting the rights or interests of the limited partners except by the affirmative vote of not less than a majority of the outstanding amount of limited partnership interests; and (e) all contracts whereby services or goods are to be furnished to the partnership by the general partners or any entity directly or indirectly controlled by the general partner shall provide that the contract may be modified only by a vote of a majority of the outstanding limited partnership interests, and shall allow termination of such contract without penalty upon 60 days notice by a vote of the majority of the outstanding limited partnership interests; or unless the partnership agreement includes appropriate alternative provisions or the lack of limited partners' rights is otherwise justified.

SECTION 63. Wis. Adm. Code section SEC 3.08 is repealed and recreated to read:

SEC 3.08 Capitalization. The offer or sale of debt securities shall be in an amount which, upon completion of the offering, is reasonable in proportion to the amount of equity of the issuer, with reasonableness to be determined in relation to the prevailing debt-equity ratios for comparable companies in the issuer's industry.

SECTION 64. Wis. Adm. Code section SEC 3.09 is renumbered SEC 3.25(2).

SECTION 65. Wis. Adm. Code sections SEC 3.10, 3.11 and 3.12 are renumbered SEC 3.13(2), 3.09 and 3.13 (Title) and (1), respectively.

SECTION 66. Wis. Adm. Code section SEC 3.09 (Intro.), as renumbered, is amended to read:

SEC 3.09 Open-end investment companies. The offer or sale of redeemable securities of an open-end management investment company ~~or unit investment trust~~, as defined in the investment company act of 1940, may be deemed unfair and inequitable to the purchasers thereof unless its prospectus, advisory contract, or organizational instruments include provisions satisfying the following requirements:

SECTION 67. Wis. Adm. Code section SEC 3.09(3) as renumbered, is amended to read:

SEC 3.09(3) The aggregate annual expenses of every character paid or incurred by an investment company, including management and advisory fees but excluding interest, taxes, ~~and~~ brokerage commissions, and extraordinary expenses, whether such expenses are payable by the company or its shareholders, calculated at least quarterly on a basis consistently applied, shall not exceed ~~1½% of the first \$30,000,000 of its net assets~~ 2% of the first \$10 million of its average net assets, 1½% of the next \$20 million of the average net assets, and 1% of any additional net assets.

The investment adviser or manager shall reimburse the investment company not less than annually for the amount by

which such aggregate annual expenses exceed the amounts herein provided, up to an amount not exceeding its management and advisory fees for the period for which reimbursement is made, prior to publication of the company's annual report, and shall promptly notify the commissioner if the aggregate expense limitation is exceeded by reason of any extraordinary expenses. The commissioner may require the investment adviser or manager to maintain financial resources reasonably sufficient to enable it to meet its reimbursement obligation hereunder.

SECTION 68. Wis. Adm. Code section SEC 3.10 is created to read:

SEC 3.10 Closed-end investment companies. The offer or sale of securities of a closed-end management investment company, as defined in the investment company act of 1940, may be deemed unfair and inequitable to the purchasers thereof unless its prospectus, advisory contract, or organizational instruments include provisions satisfying the following requirements:

(1) The company shall not at the time of purchase, as to its total assets:

(a) invest more than 30% in restricted debt securities, unless permitted by the commissioner upon proper justification;

(b) invest more than 15% in non-liquid investments, including, but not limited to, commodities, real estate, general and limited partnership interests, oil and gas

interests, options and warrants, puts, calls, straddles, spreads, and restricted securities, except as provided in (a); or

(c) invest more than 10% in the securities of real estate investment trusts or other investment companies, unless permitted by the commissioner upon a showing that such investments involve no duplication of management or advisory services.

(2) The company shall not invest in securities carrying more than 10% of the voting rights of any issuer;

(3) The company shall not invest in more than 10% of the equity securities of any one issuer;

(4) The company shall not at any time, as to 75% of its total assets, invest more than 5% in the securities of any one issuer, exclusive of government securities.

(5) The company shall not effect any brokerage transactions in its portfolio securities with any broker-dealer affiliated directly or indirectly with its investment adviser or manager, unless such transactions (including the frequency thereof, the receipt of commissions payable in connection therewith, and the selection of the affiliated broker-dealer effecting such transactions) are not unfair and inequitable to shareholders.

(6) The foregoing notwithstanding, no closed-end investment company which engages in any of the following or

estate syndication may be deemed unfair and inequitable to purchasers unless such offering complies with the provisions of the Midwest Securities Commissioners Association Statement of Policy regarding real estate programs, adopted February 28, 1973, as amended February 26, 1974 and July 22, 1975.

SECTION 70. Wis. Adm. Code section 3.12 is created to read:

SEC 3.12 Oil and gas programs. The offer or sale of interests in a limited partnership which will engage in oil or gas programs may be deemed unfair and inequitable to purchasers unless such offering complies with the provisions of the North American Securities Administrators Association Guidelines for the Registration of Oil and Gas Programs, adopted September 22, 1976.

SECTION 71. Wis. Adm. Code section SEC 3.13 (Title) and (1), as renumbered, is amended to read:

SEC 3.13 Other causes for denial, suspension or revocation. (1) The enumeration of causes stated in Wis. Adm. Code sections SEC 3.01 through SEC ~~3.11~~ 3.12 is not exclusive, and the commissioner may issue a stop order denying effectiveness to, or suspending or revoking the effectiveness of, any registration statement for any cause stated in section 551.28(1), Wis. Stats., whether similar to or different from the causes enumerated in these sections, when necessary or appropriate in the public interest or for the protection of purchasers.

SECTION 72. Wis. Adm. Code section SEC 3.13(2), as renumbered, is amended to read:

SEC 3.13 ~~Federal-securities-laws-~~ (2) The commissioner may issue a stop order denying effectiveness to, or suspending or revoking the effectiveness of, any registration statement filed pursuant to section 551.26, Wis. Stats., ~~when he finds that~~ if the sale of securities pursuant to such registration statement is or would be in violation of the securities act of 1933 or the investment company act of 1940.

SECTION 73. Wis. Adm. Code section SEC 3.21 is amended to read:

SEC 3.21 Registration by coordination. ~~(1)~~ A registration statement under section 551.25, Wis. Stats., shall contain the following information and be accompanied by the following documents, in addition to the information specified in sections 551.25(2) and 551.27(2), Wis. Stats., and the consent to service of process required by section 551.65(1), Wis. Stats.:

~~(a) -- Three copies of the latest form of prospectus filed under the securities act of 1933;~~

~~(b) (1)~~ a copy copies of the articles of incorporation and by-laws or their substantial equivalents currently in effect, ~~a copy of~~ any agreements with or among underwriters, ~~a copy of~~ any indenture or other instrument governing the issuance of the security to be registered, and a specimen ~~copy~~ of the security; and

~~(e)(2) any other information or copies of any documents required to be filed under form U-1, and.~~

~~(d)--An undertaking to forward all future amendments to the federal prospectus, other than an amendment which merely delays the effective date of the registration statement, not later than the first business day after they are forwarded to or filed with the securities and exchange commission or such longer period as the commissioner permits.~~

~~(2)--Registration of securities by coordination shall be by order of the commissioner, but the failure to issue an order shall not delay the effectiveness of a registration statement meeting the requirements of section 551.25(3), Wis. Stats.~~

SECTION 74. Wis. Adm. Code section SEC 3.22(1)(c) as renumbered is amended to read:

SEC 3.22(1)(c) With respect to persons covered by subsection (1)(b), the remuneration paid directly or indirectly during the past 12 months, and estimated to be paid during the next 12 months if materially different, by the issuer (together with all predecessors, parents, subsidiaries and affiliates) to all those persons in the aggregate; and the name of each such person receiving remuneration in excess of \$40,000, and the amount thereof for each;

SECTION 75. Wis. Adm. Code section SEC 3.22(1)(g) is amended to read:

SEC 3.22(1)(g) The capitalization ~~and long-term debt~~ (on both a current and a pro forma basis) of the issuer and

any-significant-subsiidiary the debt of any subsidiary (if such debt is held by other than the issuer), including a description of each security outstanding or being registered or otherwise offered, and a statement of the amount and kind of consideration (whether in the form of cash, physical assets, services, patents, goodwill, or anything else) for which the issuer or any subsidiary has issued any of its securities within the past 2 years or is obligated to issue any of its securities;

SECTION 76. Wis. Adm. Code section SEC 3.22(1)(p) is repealed and recreated to read:

SEC 3.22(1)(p) A balance sheet of the issuer as of the end of its most recent fiscal year, and a comparative statement of income and changes in financial position and analysis of surplus for each of the 3 most recent fiscal years (or for the period of the issuer's and any predecessor's existence if less than 3 years), all meeting the requirements of Wis. Adm. Code section SEC 7.06; provided that if the date of any of the above financial statements is more than 120 days (180 days with respect to a corporation organized and operated not for private profit but exclusively for religious, educational, benevolent or charitable purposes) prior to the date of effectiveness of the registration statement, such statements shall be updated (which may be done without audit) to within the 120 or 180 day requirement

above; and provided that if any part of the proceeds of the offering is to be applied to the purchase of any business, the same financial statements shall be filed which would be required if that business were the registrant; and

SECTION 77. Wis. Adm. Code section SEC 3.22(3) is amended to read:

SEC 3.22(3) Any information specified in subsection (1) may be included in a prospectus meeting the requirements of Wis. Adm. Code section SEC 2-06 3.23 if a cross-reference table is filed showing where the information appears in such prospectus.

SECTION 78. Wis. Adm. Code section SEC 3.23(1) is repealed and recreated to read:

SEC 3.23 Prospectus requirements. (1) As a condition of registration, a prospectus, offering circular, or similar document meeting the requirements of subsections (2), (3) and (4) shall be sent or given to each person to whom an offer is made by or for the account of the issuer or any other person on whose behalf the offering is made, or by any underwriter or broker-dealer who is offering part of an unsold allotment or subscription as a participant in the distribution. The document shall be sent or given either before or concurrently with the earlier of any of the following: (a) any written offer made to such person, otherwise than by means of public advertisement; (b) confirmation of any sale to such person; (c) payment pursuant to any sale to such person; or (d) delivery of the security pursuant to any sale to such person.

SECTION 79. Wis. Adm. Code section SEC 3.23(2) is repealed and Wis. Adm. Code sections SEC 3.23(3) and (4) are renumbered SEC 3.23(2) and (3), respectively.

SECTION 80. Wis. Adm. Code sections SEC 3.23(2)(e) to (h) are renumbered SEC 3.22(2)(f) to (i), respectively.

SECTION 81. Wis. Adm. Code section SEC 3.23(2)(e) is created to read:

SEC 3.23(2)(e) A statement describing the anticipated secondary market for the securities being offered, including the identity of anticipated market makers;

SECTION 82. Wis. Adm. Code section SEC 3.23(4) is created to read:

SEC 3.23(4) Unless otherwise permitted by the commissioner, the body of the prospectus and all notes to financial statements and other tabular data included therein shall be in roman or gothic type at least as large and as legible as 10-point modern type, except that financial statements and other tabular data, including tabular data in notes, may be in roman or gothic type at least as large and as legible as 8-point modern type. All such type shall be leaded at least 2 points.

SECTION 83. Wis. Adm. Code section SEC 3.24(1) is amended to read:

SEC 3.24 Trust indenture requirements. ~~(1)--Evidences of debt registered under sections 551-257, Wis. Stats.,~~ Trust indentures required under chapter 551, Wis. Stats., and these rules shall be issued under a trust indenture meeting the

requirements of the trust indenture act of 1939, ~~or if~~
~~exempt thereunder, meeting the requirements of subsection~~
~~(2) of this rule,~~ whether or not exempt under that act,
unless the commissioner otherwise permits or requires.

SECTION 84. Wis. Adm. Code sections SEC 3.24(2) and
(3) are repealed.

SECTION 85. Wis. Adm. Code section SEC 3.26(2) is
amended to read:

SEC 3.26(2) A registration statement relating to
redeemable securities of an investment company registered
under the investment company act of 1940 or to securities
issued by a finance company licensed under sections ~~138.07~~
~~or~~ 138.09, Wis. Stats., may be amended after its effective
date so as to increase the specified amount of securities
proposed to be offered in this state.

SECTION 86. Wis. Adm. Code section SEC 3.27(1) is
amended to read:

SEC 3.27 Extension of registration statements. (1)
Application for an extension of the offering period of a
registration statement, except one relating to redeemable
securities of an investment company registered under the
investment company act of 1940 for which the maximum filing
fee prescribed by statute has not been paid, or securities
of a finance company licensed under sections ~~138.07~~ ~~or~~
138.09, Wis. Stats., shall be filed in the form prescribed by
the commissioner not less than 30 days prior to the end of
one year from (a) the effective date of the registration

statement, (b) an order of amendment increasing the amount of securities offered in this state, or (c) an order of extension, whichever is most recent. Such application shall be accompanied by ~~the latest prospectus used in connection with the offering of the registered securities and~~ a prospectus updated in accordance with Wis. Adm. Code section SEC 3.23(5), a balance sheet of the issuer ~~as of a date within 120 days of such proposed extension date~~ as of the end of its most recent fiscal year, and ~~an income statement and analysis of surplus of the issuer for its last fiscal year preceding the date of such balance sheet and for the period between the close of the issuer's last fiscal year and the date of such balance sheet~~ a comparative statement of income and changes in financial position and analysis of surplus for each of the 3 most recent fiscal years (or for the period of the issuer's and any predecessor's existence if less than 3 years), all meeting the requirements of Wis. Adm. Code section SEC ~~6.07~~ 7.06; provided that if the date of any of the above financial statements is more than 120 days (180 days with respect to a corporation organized and operated not for private profit but exclusively for religious, educational, benevolent or charitable purposes) prior to the date of such extension of the registration statement, such statements shall be updated (which may be done without audit) to within the 120 or 180 day requirement above. Any extension of the offering period of a registration statement

shall be by order of the commissioner, subject to such conditions as he may be prescribed ~~for the protection of~~ ~~investors.~~

SECTION 87. Wis. Adm. Code section SEC 3.27(2) is amended to read:

SEC 3.27(2) A registration statement relating to redeemable securities of an investment company registered under the investment company act of 1940, for which the maximum filing fee prescribed by statute has not been paid, or securities of a finance company licensed under sections ~~138.07 or~~ 138.09, Wis. Stats., is deemed to include an application for the continuous offering of such securities. The offering period of such registration statement is automatically extended until it is permitted to be withdrawn or the commissioner issues a stop order suspending or revoking its effectiveness pursuant to section 551.28, Wis. Stats., provided that the issuer files with the commissioner not less than annually during the offering period, within 120 days of the end of its fiscal year, ~~the latest prospectus used in connection with the offering of the registered securities~~ a prospectus updated in accordance with Wis. Adm. Code section SEC 3.23(5), and a balance sheet of the issuer as of the end of such fiscal year and an ~~income statement~~ statement of income and change in financial position and analysis of surplus of the issuer for such fiscal year meeting the requirements of Wis. Adm. Code section SEC ~~6.07~~ 7.06.

SECTION 88. Wis. Adm. Code section SEC 3.28(1) is amended to read:

SEC 3.28 Periodic Reports. (1) Each issuer or registrant of securities registered under sections 551.25 or 551.26, Wis. Stats., except an issuer or registrant specified in subsection (2) ~~of this rule~~, shall file with the commissioner ~~within 90 days following the effective date of its~~ promptly after each 90-day period in which securities have been sold during the effectiveness of the registration statement a report on a form prescribed by the commissioner specifying the number of shares or units of securities sold in this state pursuant to such registration statement and the aggregate selling price thereof, unless such issuer or registrant has paid the maximum filing fee for such registration statement and the securities are registered under the securities act of 1933.

SECTION 89. Wis. Adm. Code section SEC 3.28(2) is amended to read:

SEC 3.28(2) Each investment company registered under the investment company act of 1940 issuing redeemable securities which has not paid the maximum filing fee prescribed by statute, and each finance company licensed under sections ~~138.07 or~~ 138.09, Wis. Stats., issuing securities registered in this state shall file with the commissioner within 45 days following the end of each calendar quarter, a report on a form prescribed by the commissioner specifying the number of shares or units of securities sold in this

state or the aggregate selling price thereof during such quarter.

SECTION 90. Wis. Adm. Code Chapter SEC 4 Licensing of Broker-Dealers, Agents and Investment Advisers is repealed.

SECTION 91. Wis. Adm. Code Chapter SEC 4 (Intro.) is created to read:

Chapter SEC 4

LICENSING OF BROKER-DEALERS AND AGENTS

SECTION 92. Wis. Adm. Code section SEC 4.01(1) is created to read:

SEC 4.01 Licensing procedure. (1) Applications for initial and renewal licenses of broker-dealers and agents shall be filed on forms prescribed by the commissioner and shall include all information required by such forms and any other information the commissioner may require.

SECTION 93. Wis. Adm. Code section SEC 4.01(2) is created to read:

SEC 4.01(2) An "application" for purposes of section 551.32(1)(b), Wis. Stats., means all information required by the form prescribed under subsection (1) and any additional information required by the commissioner.

SECTION 94. Wis. Adm. Code section SEC 4.01(3) is created to read:

SEC 4.01(3) Each applicant for an initial license as a broker-dealer or agent is required to pass a written examination prescribed by the commissioner, unless the requirement is waived under subsection (4). The examination shall relate to chapter 551, Wis. Stats., the rules of the commissioner

thereunder, the applicable federal securities laws and the rules of the securities and exchange commission thereunder, general matters concerning the securities business, and such other matters as the commissioner may determine. The commissioner may prescribe different examinations for different classes of applicants.

SECTION 95. Wis. Adm. Code section SEC 4.01(4) is created to read:

SEC 4.01(4) The commissioner may waive, in whole or in part, the examination requirement for:

(a) any applicant insofar as the examination relates to general matters concerning the securities business, upon receipt of evidence of satisfactory completion of a comparable examination;

(b) any applicant for license as an agent representing a licensed broker-dealer, provided that the agent will be adequately supervised, and the license is appropriately limited;

(c) any applicant for license as an agent representing an issuer, provided the agent will be adequately supervised and the license is appropriately limited;

(d) any applicant for license as an agent who, within 2 years prior to the date the application is filed, has been licensed under chapter 551, Wis. Stats., as an agent for a broker-dealer; or

(e) any person by order of the commissioner under such conditions as the commissioner may prescribe.

SECTION 96. Wis. Adm. Code section SEC 4.01(5) is created to read:

SEC 4.01(5) Prior to issuance of a license as a broker-dealer, a written examination shall be successfully completed by such supervisory personnel representing the broker-dealer as the commissioner may require, and the commissioner may require that any such person be licensed as an agent for the broker-dealer.

SECTION 97. Wis. Adm. Code section SEC 4.01(6) is created to read:

SEC 4.01(6) Any application for license which is not completed or withdrawn within 6 months from the date it is initially received may be deemed materially incomplete, and the commissioner may issue an order denying the license. For purposes of section 551.34(1)(a), Wis. Stats., and this subsection, "application" means any request for a license.

SECTION 98. Wis. Adm. Code section SEC 4.01(7) is created to read:

SEC 4.01(7) Every broker-dealer whose principal office is located in this state shall have at least one licensed person employed on a full-time basis at its principal office.

SECTION 99. Wis. Adm. Code section SEC 4.02(1) is created to read:

SEC 4.02 Net capital requirements and aggregate indebtedness limitations. (1) Every broker-dealer shall maintain net capital in such minimum amounts as are prescribed for its activities under rule 15c3-1 of the securities exchange act of 1934, or in the amount of \$10,000, whichever is greater.

SECTION 100. Wis. Adm. Code section SEC 4.02(2) is created to read:

SEC 4.02(2) The aggregate indebtedness of each broker-dealer to all other persons shall not exceed the levels prescribed under rule 15c3-1 of the securities exchange act of 1934.

SECTION 101. Wis. Adm. Code section SEC 4.02(3) is created to read:

SEC 4.02(3) If a broker-dealer is an individual, such person shall segregate from personal capital an amount sufficient to satisfy the net capital requirement, and the amount so segregated shall be utilized solely for the business for which the broker-dealer is licensed.

SECTION 102. Wis. Adm. Code section SEC 4.02(4) is created to read:

SEC 4.02(4) The commissioner may by order exempt any broker-dealer from the provisions of this rule, either unconditionally or upon specified conditions, if by reason of the broker-dealer's membership on a national securities exchange or the special nature of its business and its financial position, and the safeguards that have been established for the protection of customers' funds and securities, the provisions are not necessary in the public interest or for the protection of investors.

SECTION 103. Wis. Adm. Code section SEC 4.03(1) (Intro.) is created to read:

SEC 4.03 Broker-dealers' records. (1) Every licensed broker-dealer shall prepare and keep current the following books and records relating to its business:

SECTION 104. Wis. Adm. Code section SEC 4.03(1)(a) is created to read:

SEC 4.03(1)(a) Blotters (or other records of original entry) setting forth an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash and all other debits and credits. The record shall show the account for which each such transaction was effected, the name and amount of securities, the unit and aggregate purchase or sale price (if any), the trade date, and the name or other designation of the person from whom purchased or received or to whom sold or delivered.

SECTION 105. Wis. Adm. Code section SEC 4.03(1)(b) is created to read:

SEC 4.03(1)(b) Ledgers reflecting all assets and liabilities, income, and expense and capital accounts.

SECTION 106. Wis. Adm. Code section SEC 4.03(1)(c) is created to read:

SEC 4.03(1)(c) Ledgers (or other records) itemizing separately as to each cash and margin account of every customer and of the broker-dealer and partners thereof, all purchases, sales, receipts and deliveries of securities and commodities for such account and all other debits and credits to such account.

SECTION 107. Wis. Adm. Code section SEC 4.03(1)(d) is created to read:

SEC 4.03(1)(d) Ledgers (or other records) reflecting the following:

1. securities in transfer;
2. dividends and interest received;
3. securities borrowed and securities loaned;
4. moneys borrowed and moneys loaned (together with a record of the collateral therefor and any substitutions in such collateral); and
5. securities failed to receive and failed to deliver.

SECTION 108. Wis. Adm. Code section SEC 4.03(1)(e) is created to read:

SEC 4.03(1)(e) A securities record or ledger reflecting separately for each security as of the clearance dates, all "long" or "short" positions (including securities in safe-keeping) carried by such broker-dealer for its account or for the account of its customers or partners, and showing the location of all securities long and the offsetting position to all securities short, and in all cases the name or designation of the account in which each position is carried.

SECTION 109. Wis. Adm. Code section SEC 4.03(1)(f) is created to read:

SEC 4.03(1)(f) A memorandum of each order (order ticket), and of any other instruction given or received for the purchase or sale of securities, whether executed or

unexecuted. The memorandum shall show the terms and conditions of the order or instruction, any modification or cancellation thereof, the account for which entered, whether the transaction was unsolicited, the time of entry, the price at which executed and, to the extent feasible, the time of execution or cancellation. Orders entered pursuant to the exercise of discretionary power by the broker-dealer or any employee thereof, shall be so designated. The term "time of entry" shall mean the time when the broker-dealer transmits the order or instructions for execution, or, if it is not so transmitted, the time when it is received.

SECTION 110. Wis. Adm. Code section SEC 4.03(1)(g) is created to read:

SEC 4.03(1)(g) A memorandum (order ticket) of each purchase and sale of securities for the account of the broker-dealer showing the price and, to the extent feasible, the time of execution.

SECTION 111. Wis. Adm. Code section SEC 4.03(1)(h) is created to read:

SEC 4.03(1)(h) Copies of confirmations of all purchases and sales of securities, whether the confirmations are issued by the broker-dealer or the issuer of the security involved, and copies of notices of all other debits and credits for securities, cash and other items for the account of customers and partners of the broker-dealer.

SECTION 112. Wis. Adm. Code section SEC 4.03(1)(i) is created to read:

SEC 4.03(1)(i) Copies of all communications, correspondence and other records relating to securities transactions with customers.

SECTION 113. Wis. Adm. Code section SEC 4.03(1)(j) is created to read:

SEC 4.03(1)(j) A separate file containing all written complaints made or submitted by customers to the broker-dealer or its agents relating to securities transactions.

SECTION 114. Wis. Adm. Code section SEC 4.03(1)(k) is created to read:

SEC 4.03(1)(k) A customer information form (new account information worksheet) for each customer. If recommendations are to be made to the customer, the form shall include such information as is necessary to determine suitability in conformity with Wis. Adm. Code section SEC 4.06(1)(c).

SECTION 115. Wis. Adm. Code section SEC 4.03(1)(l) is created to read:

SEC 4.03(1)(l) For each cash and margin account established and maintained with the broker-dealer, copies of all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority in respect to the account, the name and address of the beneficial owner of each account and, in the case of a margin account, all margin and lending agreements, provided that in the case of a joint account or of an account of a corporation, the records are required only as to persons authorized to transact business for the account.

(l)(k) and (l) shall be preserved by the broker-dealer for a period of not less than 6 years after the closing of the account; and records required under subsection (l)(n) shall be preserved by the broker-dealer for a period of not less than 6 years after withdrawal or expiration of its license in this state. After a record or other document has been preserved for 1 year as required above, a microfilm copy thereof may be substituted for the remainder of the required period. Compliance with the requirements of the U. S. securities and exchange commission concerning preservation of records is deemed compliance with this rule.

SECTION 121. Wis. Adm. Code section SEC 4.03(3) is created to read:

SEC 4.03(3) Every branch office of a licensed broker-dealer as defined in Wis. Adm. Code section SEC 1.02(7) shall prepare and keep current the following records for its customers serviced by such office:

(a) copies of the records described in Wis. Adm. Code sections SEC 4.03(1)(f), (h), (j), (k) and (o);

(b) blotters (or other records of original entry) setting forth an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash. This requirement may be satisfied by maintaining a unit filing system wherein the order ticket information (described in Wis. Adm. Code section SEC 4.03(1)(f)) required in subsection (3)(a) is accumulated and segregated on a daily basis;

(c) copies of all communications, correspondence and other records relating to securities transactions with customers. Such other records include copies of customer monthly or other periodic statements that are issued by the broker-dealer, or are furnished to the broker-dealer by the issuer of a security purchased by a customer of the broker-dealer.

SECTION 122. Wis. Adm. Code section SEC 4.03(4) is created to read:

SEC 4.03(4) The records required in subsection (3) shall be preserved by the office which prepared them for a period of not less than 3 years, the first 2 years in an easily accessible place, except that customer new account forms shall be preserved for a period of not less than 3 years after the closing of the account. After a record or document has been preserved for 1 year as required above, a microfilm copy thereof may be substituted for the remainder of the required period.

SECTION 123. Wis. Adm. Code section SEC 4.03(5) is created to read:

SEC 4.03(5) No provision under Wis. Adm. Code section SEC 4.03 shall be deemed to require a member of a national securities exchange to make and keep such records of transactions cleared for such member by another member as are customarily made and kept by the clearing member.

SECTION 124. Wis. Adm. Code section SEC 4.03(6) is created to read:

SEC 4.03(6) The commissioner may by order exempt any broker-dealer from all or part of the requirements of this rule, either unconditionally or upon specified conditions, if by reason of the special nature of its business, the requirements are not necessary in the public interest or for the protection of investors.

SECTION 125. Wis. Adm. Code section SEC 4.04(1) is created to read:

SEC 4.04 Reporting requirements. (1) Each broker-dealer shall file annually with the commissioner, within 60 days after the end of its fiscal year, a copy of its annual financial statements, including supporting schedules, filed with the U. S. securities and exchange commission as required under rule 17a-5 under the securities exchange act of 1934.

SECTION 126. Wis. Adm. Code section SEC 4.04(2) is created to read:

SEC 4.04(2) Each broker-dealer shall file with the commissioner a copy of any complaint related to its business, transactions or operations in this state, naming the broker-dealer or any of its partners, officers or agents as defendants in any civil or criminal proceeding, or in any administrative or disciplinary proceeding by any public or private regulatory agency, within 20 days of the date the complaint is served on the broker-dealer; a copy of any answer or reply thereto filed by the broker-dealer within 10 days of the date such is filed; and a copy of any decision,

order or sanction made with respect to any such proceeding within 20 days of the date the decision, order or sanction is rendered.

SECTION 127. Wis. Adm. Code section SEC 4.04(3) is created to read:

SEC 4.04(3) Each broker-dealer shall file with the commissioner within 30 days after the end of each month, a written report on a form prescribed by the commissioner, listing with respect to that month all securities transactions involving the broker-dealer relating to initial distributions, secondary distributions and private placements. No reports are required to be filed for months during which the broker-dealer did not engage in transactions subject to this requirement.

SECTION 128. Wis. Adm. Code section SEC 4.04(4) is created to read:

SEC 4.04(4) Each broker-dealer shall file with the commissioner a notice of transfer of control or change of name not less than 30 days prior to the date on which the transfer of control or change of name is to become effective, or such shorter period as the commissioner may permit, and shall furnish any additional information relating thereto as the commissioner may require. A transfer of control of a broker-dealer shall constitute an application for withdrawal from the status of a licensed broker-dealer pursuant to section 551.34(6), Wis. Stats., unless the commissioner by order otherwise provides.

SECTION 129. Wis. Adm. Code section SEC 4.04(5) is created to read:

SEC 4.04(5) Except as provided in Wis. Adm. Code sections SEC 4.04(2), (4) and (9), all material changes in the information included in a broker-dealer's most recent application for license shall be set forth in an amendment to form BD filed promptly with the commissioner.

SECTION 130. Wis. Adm. Code section SEC 4.04(6) is created to read:

SEC 4.04(6) Every broker-dealer shall file with the commissioner the following reports concerning its net capital and aggregate indebtedness:

(a) immediate telegraphic or written notice whenever the net capital of the broker-dealer is less than is required under Wis. Adm. Code section SEC 4.02(1), specifying the respective amounts of its net capital and aggregate indebtedness on the date of the notice;

(b) a copy of every report or notice required to be filed by the broker-dealer pursuant to rule 17a-11 under the securities exchange act of 1934, contemporaneous with the date of filing with the U. S. securities and exchange commission.

SECTION 131. Wis. Adm. Code section SEC 4.04(7) is created to read:

SEC 4.04(7) Each broker-dealer shall give immediate telegraphic or written notice to the commissioner of the theft or mysterious disappearance of any significant amount

of securities or funds from any office in this state,
stating all material facts known to it concerning the theft
or disappearance.

SECTION 132. Wis. Adm. Code section SEC 4.04(8) is
created to read:

SEC 4.04(8) Each broker-dealer shall file with the
commissioner a copy of any subordination agreement relating
to such broker-dealer, within 10 days after such agreement
has been entered, unless prior thereto the broker-dealer has
filed a copy of the agreement with a national securities
exchange or association of which it is a member.

SECTION 133. Wis. Adm. Code section SEC 4.04(9) is
created to read:

SEC 4.04(9) Each broker-dealer shall notify the
commissioner in writing prior to opening in this state any
"branch office" as defined in Wis. Adm. Code section SEC
1.02(7). The notification shall include such information as
the commissioner may request.

SECTION 134. Wis. Adm. Code section SEC 4.05(1) is
created to read:

SEC 4.05 Rules of conduct. (1)(a) Except as provided
in subsection (b), each broker-dealer shall give or send to
the customer a written confirmation, promptly after execution
of, and before completion of, each transaction. The con-
firmation shall set forth:

1. a description of the security purchased or sold, the date of the transaction, the price at which the security was purchased or sold and any commission charged;

2. whether the broker-dealer was acting for its own account, as agent for the customer, as agent for some other person, or as agent for both the customer and some other person;

3. when the broker-dealer is acting as agent for the customer, either the name of the person from whom the security was purchased or to whom it was sold, or the fact that the information will be furnished upon the request of the customer, if the information is known to, or with reasonable diligence may be ascertained by, the broker-dealer; and

4. whether the transaction was unsolicited;

(b) If applicable, compliance with rule 15c1-4(b) of the securities exchange act of 1934 shall be deemed compliance with this rule.

SECTION 135. Wis. Adm. Code section SEC 4.05(2) is created to read:

SEC 4.05(2) Each broker-dealer shall establish and keep current a set of written supervisory procedures and a system for applying such procedures, which may be reasonably expected to prevent and detect any violations of chapter 551, Wis. Stats., and rules and orders thereunder. The procedures shall include the designation, by name or title, of a number of supervisory employees reasonable in relation

to the number of its licensed agents, offices and transactions in this state. A complete set of the procedures and system for applying them shall be kept and maintained at every branch office.

SECTION 136. Wis. Adm. Code section SEC 4.05(3) is created to read:

SEC 4.05(3) A broker-dealer shall not enter any contract with a customer if the contract contains any condition, stipulation or provision binding the customer to waive any rights under chapter 551, Wis. Stats., or any rule or order thereunder. Any such condition, stipulation or provision is void.

SECTION 137. Wis. Adm. Code section SEC 4.05(4) is created to read:

SEC 4.05(4) No licensed agent or partner, officer or director of a licensed broker-dealer shall be an agent or a partner, officer or director of any other broker-dealer or shall be a qualified representative or partner, officer or director of an investment adviser unless such other broker-dealer or investment adviser is affiliated with the broker-dealer by reason of direct or indirect common control.

SECTION 138. Wis. Adm. Code section SEC 4.05(5) is created to read:

SEC 4.05(5) The aggregate ownership by all partners, officers, directors or licensed agents of a licensed broker-dealer, or groups of which they are members, may not exceed 5% of the voting interest in any other broker-dealer or in

any investment adviser, or in any entity controlling or under common control with the other broker-dealer or investment adviser, unless the other broker-dealer or investment adviser is affiliated with the broker-dealer by reason of direct or indirect common control, or unless permitted by order of the commissioner. This provision shall not prohibit any person from owning any equity security of a broker-dealer or investment adviser whose securities may be sold in transactions exempt from registration under section 551.23(3), Wis. Stats.

SECTION 139. Wis. Adm. Code section SEC 4.05(6) is created to read:

SEC 4.05(6) No broker-dealer shall permit or effect a withdrawal of any part of its net worth, including subordinated indebtedness, whether by redemption, retirement, repurchase, repayment or otherwise, that would cause its net capital or its aggregate indebtedness to violate Wis. Adm. Code sections SEC 4.02(1) or (2), without prior written approval of the commissioner.

SECTION 140. Wis. Adm. Code section SEC 4.05(7) is created to read:

SEC 4.05(7) Each broker-dealer shall provide each customer with a conformed copy of all contracts or agreements between the broker-dealer and such customer, and a copy of the customer information form prescribed under Wis. Adm. Code section SEC 4.03(1)(k), not later than 15 days after the initial securities transaction effected in the customer's account.

SECTION 141. Wis. Adm. Code section SEC 4.05(8) is created to read:

SEC 4.05(8) Every licensed broker-dealer shall require each of its licensed agents to have and keep current, and each agent shall have and keep current, the following records relating to customer securities transactions:

(a) a securities holding record for each customer including the customer's name, address, telephone number, age, occupation, investment objectives, and such other relevant information relating to such customer's financial situation and needs as is available to the agent, and a chronological listing of the names and amounts of all securities purchased or sold for the account of the customer, including the date of each transaction, and the unit purchase or sale price;

(b) a security cross-index record for each class of any issuer's securities in which a customer of such agent establishes a position, listing the transaction date, the name of the customer, the number of shares or units of each such position, and the price per share or unit. With respect to a branch office, this requirement may be satisfied by maintaining on behalf of all securities agents effecting transactions from the branch office master security cross-index records including the required information.

SECTION 142. Wis. Adm. Code section SEC 4.05(9) is created to read:

SEC 4.05(9) Every broker-dealer that effects transactions with or through a "financial institution or institutional investor" under Wis. Adm. Code section SEC 2.02(5)(c) shall maintain records confirming the facts required to be ascertained under that section.

SECTION 143. Wis. Adm. Code section SEC 4.06(1) (Intro.) is created to read:

SEC 4.06 Prohibited business practices. (1) The following are deemed "dishonest or unethical business practices" or "taking unfair advantage of a customer" by a broker-dealer under section 551.34(1)(g), Wis. Stats., without limiting those terms to the practices specified herein:

SECTION 144. Wis. Adm. Code section SEC 4.06(1)(a) is created to read:

SEC 4.06(1)(a) causing any unreasonable delay in the delivery of securities purchased by any of its customers, or in the payment upon request of free credit balances reflecting completed transactions of any of its customers;

SECTION 145. Wis. Adm. Code section SEC 4.06(1)(b) is created to read:

SEC 4.06(1)(b) inducing trading in a customer's account which is excessive in size or frequency in view of the financial resources and character of the account;

SECTION 146. Wis. Adm. Code section SEC 4.06(1)(c) is created to read:

SEC 4.06(1)(c) recommending to a customer the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the customer on the basis of information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other information known by the broker-dealer;

SECTION 147. Wis. Adm. Code section SEC 4.06(1)(d) is created to read:

SEC 4.06(1)(d) executing a transaction on behalf of a customer without authority to do so;

SECTION 148. Wis. Adm. Code section SEC 4.06(1)(e) is created to read:

SEC 4.06(1)(e) exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer, unless the discretionary power relates solely to the time and/or price for the execution of orders;

SECTION 149. Wis. Adm. Code section SEC 4.06(1)(f) is created to read:

SEC 4.06(1)(f) extending, arranging for, or participating in arranging for credit to a customer in violation of the securities exchange act of 1934 or the regulations of the federal reserve board.

SECTION 150. Wis. Adm. Code section SEC 4.06(1)(g) is created to read:

SEC 4.06(1)(g) executing any transaction in a margin account without obtaining from its customer a written margin agreement prior to settlement date for the initial transaction in the account;

SECTION 151. Wis. Adm. Code section SEC 4.06(1)(h) is created to read:

SEC 4.06(1)(h) failing to segregate customers' free securities or securities in safekeeping;

SECTION 152. Wis. Adm. Code section SEC 4.06(1)(i) is created to read:

SEC 4.06(1)(i) hypothecating a customer's securities without having a lien thereon unless written consent of the customer is first obtained, except as permitted by rules of the U. S. securities and exchange commission.

SECTION 153. Wis. Adm. Code section SEC 4.06(1)(j) is created to read:

SEC 4.06(1)(j) charging its customer an unreasonable commission or service charge in any transaction executed as agent for the customer;

SECTION 154. Wis. Adm. Code section SEC 4.06(1)(k) is created to read:

SEC 4.06(1)(k) entering into a transaction for its own account with a customer with an unreasonable mark-up or mark-down;

SECTION 155. Wis. Adm. Code section SEC 4.06(1)(l) is created to read:

SEC 4.06(1)(l) entering into a transaction for its own account with a customer in which a commission is charged;

SECTION 156. Wis. Adm. Code section SEC 4.06(1)(m) is created to read:

SEC 4.06(1)(m) entering into a transaction with or for a customer at a price not reasonably related to the current market price;

SECTION 157. Wis. Adm. Code section SEC 4.06(1)(n) is created to read:

SEC 4.06(1)(n) executing orders for the purchase by a customer of securities not registered under sections 551.25 or 551.26, Wis. Stats., unless the securities are exempted under section 551.22, Wis. Stats., or the transaction is exempted under section 551.23, Wis. Stats.

SECTION 158. Wis. Adm. Code section SEC 4.06(1)(o) is created to read:

SEC 4.06(1)(o) representing itself as a financial or investment planner, consultant, or adviser, when the representation does not fairly describe the nature of the services offered, the qualifications of the person offering the services, and the method of compensation for the services.

SECTION 159. Wis. Adm. Code section SEC 4.06(1)(p) is created to read:

SEC 4.06(1)(p) violating any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business in this state.

SECTION 160. Wis. Adm. Code section SEC 4.06(1)(q) is created to read:

SEC 4.06(1)(q) failing to furnish to a customer purchasing securities in an offering, not later than the date of confirmation of the transaction, either a final prospectus or a preliminary prospectus and an additional document, which together include all information set forth in the final prospectus.

SECTION 161. Wis. Adm. Code section SEC 4.06(1)(r) is created to read:

SEC 4.06(1)(r) introducing customer transactions on a "fully disclosed" basis to another broker-dealer that is not licensed under chapter 551, Wis. Stats., unless the customer is a person described in section 551.23(8), Wis. Stats.

SECTION 162. Wis. Adm. Code section SEC 4.06(1)(s) is created to read:

SEC 4.06(1)(s) recommending to a customer that the customer engage the services of an investment adviser that is not licensed under chapter 551, Wis. Stats., unless the customer is a person described in section 551.23(8), Wis. Stats.;

SECTION 163. Wis. Adm. Code section SEC 4.06(1)(t) is created to read:

SEC 4.06(1)(t) recommending to a customer that the customer engage the services of an investment adviser in connection with which the broker-dealer receives a fee or

remuneration (other than directed business) from the investment adviser; and

SECTION 164. Wis. Adm. Code section SEC 4.06(1)(u) is created to read:

SEC 4.06(1)(u) changing a customer's mailing address on its books and records without authorization from the customer.

SECTION 165. Wis. Adm. Code section SEC 4.06(2) (Intro.) is created to read:

SEC 4.06(2) The following are deemed "dishonest or unethical business practices" or "taking unfair advantage of a customer" by an agent under section 551.34(1)(g), Wis. Stats., without limiting those terms to the practices specified herein:

SECTION 166. Wis. Adm. Code section SEC 4.06(2)(a) is created to read:

SEC 4.06(2)(a) borrowing money or securities from a customer;

SECTION 167. Wis. Adm. Code section SEC 4.06(2)(b) is created to read:

SEC 4.06(2)(b) acting as a custodian for money, securities or an executed stock power of a customer;

SECTION 168. Wis. Adm. Code section SEC 4.06(2)(c) is created to read:

SEC 4.06(2)(c) effecting securities transactions with a customer not recorded on the regular books or records of the broker-dealer which the agent represents, unless the

transactions are disclosed to, and authorized in writing by, the broker-dealer prior to execution of the transactions;

SECTION 169. Wis. Adm. Code section SEC 4.06(2)(d) is created to read:

SEC 4.06(2)(d) operating an account under a fictitious name, unless disclosed to the broker-dealer which the agent represents;

SECTION 170. Wis. Adm. Code section SEC 4.06(2)(e) is created to read:

SEC 4.06(2)(e) sharing directly or indirectly in profits or losses in the account of any customer without the written authorization of the customer and the broker-dealer which the agent represents;

SECTION 171. Wis. Adm. Code section SEC 4.06(2)(f) is created to read:

SEC 4.06(2)(f) dividing or otherwise splitting commissions, profits or other compensation receivable in connection with the purchase or sale of securities in this state with any person not also licensed as an agent for the same broker-dealer, or for a broker-dealer under direct or indirect common control; and

SECTION 172. Wis. Adm. Code section SEC 4.06(2)(g) is created to read:

SEC 4.06(2)(g) engaging in any of the practices specified in subsections (1)(b), (c), (d), (e), (f), (g), (n), (o), (p), (q), (s), (t) or (u).

SECTION 173. Wis. Adm. Code section SEC 4.07(1) is created to read:

SEC 4.07 License period. (1) The license of any broker-dealer whose name commences with any of the letters A through D expires March 31 following the date of issuance of the license; the license of any broker-dealer whose name commences with any of the letters E through I expires June 30 following the date of issuance of the license; the license of any broker-dealer whose name commences with any of the letters J through O expires September 30 following the date of issuance of the license; and the license of any broker-dealer whose name commences with any of the letters P through Z expires December 31 following the date of issuance of the license. The license of an agent expires on the same day as that of the broker-dealer which the agent represents. The license of an agent representing an issuer expires on December 31 following the date of the issuance of the license, or upon the termination of the offering for which the agent was licensed, whichever first occurs. The commissioner may by order limit the period of, or specify an earlier expiration date for, any license.

SECTION 174. Wis. Adm. Code section SEC 4.07(2) is created to read:

SEC 4.07(2) The license of an agent is not effective during any period (a) when the broker-dealer which the agent represents is not licensed, or (b) when the securities of the issuer which the agent represents are not subject to an

effective order of registration or exemption, or upon termination of the offering.

SECTION 175. Wis. Adm. Code section SEC 4.08(1) is created to read:

SEC 4.08 Withdrawal of licenses. (1) An application for withdrawal from the status of a licensed broker-dealer under section 551.34(6), Wis. Stats., shall be filed by the licensee on a form prescribed by the commissioner, and shall include a report on the status of all customer accounts of the licensee in this state and any additional information the commissioner may require. If the licensee has any open customer accounts in this state, the settlement of those accounts is a condition of its withdrawal, and its withdrawal is not effective until permitted in writing by the commissioner.

SECTION 176. Wis. Adm. Code section SEC 4.08(2) is created to read:

SEC 4.08(2) An application for withdrawal from the status of a licensed agent shall be filed by the broker-dealer or issuer which the agent represents within 10 days of the termination of the agent's employment on a form prescribed by the commissioner.

SECTION 177. Wis. Adm. Code sections SEC 4.09(1) and (2) are created to read:

SEC 4.09 Denial, suspension, revocation and censure.
(1) Any order denying, suspending or revoking the license of a broker-dealer or censuring a licensee may include such other sanctions as the commissioner finds appropriate.

(2) The commissioner may revoke or suspend the license of an agent who is not a partner, officer or director of a broker-dealer, or may censure the licensee, for failure to supervise other licensed agents of the broker-dealer, if the agent was assigned supervisory duties by the broker-dealer, including established procedures and a system for applying them reasonably expected to prevent and detect any violations of statutes, rules and orders, and the agent failed reasonably to discharge those duties.

SECTION 178. Wis. Adm. Code section SEC 4.10 is created to read:

SEC 4.10 Bank agency transactions. (1) A bank, savings institution or trust company not licensed as a broker-dealer may execute orders for the purchase or sale of securities as agent for the purchaser or seller thereof, in transactions not in violation of chapter 551, Wis. Stats., if the bank, savings institution or trust company:

(a) has no direct interest in the sale or distribution of the securities purchased or sold, receives no commission, profit, or other compensation from any source other than the purchaser or seller, and delivers to the customer its own written confirmation of the order which clearly itemizes its commission, profit or other compensation; and

(b) in connection with purchases of securities from or through broker-dealers, discloses to the broker-dealer whether such purchase is for its own account, or for the account of a customer for whom it is acting as trustee, or

for the account of a customer for whom it is acting as agent and whether such customer is a person specified under section 551.23(8), Wis. Stats.

(2) The bank, savings institution, or trust company shall make, keep current and preserve for a period of not less than 3 years, adequate records of purchases and sales of securities by it as agent for its customers, including copies of its own confirmations delivered to its customers and copies of confirmations received from broker-dealers in connection with such transactions and records confirming any customer is a person specified under section 551.23(8), Wis. Stats.

(3) Nothing in this rule shall prevent a bank, savings institution or trust company from acting as depository, custodian, exchange agent, escrow agent, transfer agent, registrar, agent administering dividend reinvestment plans or in any similar capacity in the ordinary course of business.

SECTION 179. Wis. Adm. Code chapters SEC 5 Fraudulent Practices, SEC 6 General Provisions, SEC 7 Administrative Procedure, and SEC 8 Forms, are renumbered SEC chapters 6 Fraudulent Practices, SEC 7 General Provisions, SEC 8 Administrative Procedure and SEC 9 Forms, respectively.

SECTION 180. Wis. Adm. Code chapter SEC 5 (Intro.) is created to read:

Chapter SEC 5

LICENSING OF INVESTMENT ADVISERS

SECTION 181. Wis. Adm. Code section SEC 5.01(1) is created to read:

SEC 5.01 Licensing procedure. (1) Applications for initial and renewal licenses and qualifications of investment advisers and their representatives shall be filed on forms prescribed by the commissioner and shall include all information required by such forms and any other information the commissioner may require.

SECTION 182. Wis. Adm. Code section SEC 5.01(2) is created to read:

SEC 5.01(2) A licensing "application" for purposes of section 551.32(1)(b), Wis. Stats., means an application that includes all information required by the commissioner.

SECTION 183. Wis. Adm. Code section SEC 5.01(3) is created to read:

SEC 5.01(3) Each applicant for an initial license as an investment adviser or for qualification as an investment adviser representative is required to pass a written examination prescribed by the commissioner, unless the requirement is waived under subsection (4). The examination shall relate to chapter 551, Wis. Stats., the rules of the commissioner thereunder, the applicable federal securities laws and the rules of the securities and exchange commission thereunder, general matters concerning the securities business, and such other matters as the commissioner may determine. The commissioner may prescribe different examinations for different classes of applicants.

SECTION 184. Wis. Adm. Code section SEC 5.01(4) is created to read:

SEC 5.01(4) The commissioner may waive, in whole or in part, the examination requirement for:

(a) any applicant insofar as the examination relates to general matters concerning the securities business, upon receipt of evidence of satisfactory completion of a comparable examination;

(b) any applicant who, within 2 years prior to the date the application is filed, has been licensed or qualified under chapter 551, Wis. Stats.; or

(c) any person by order of the commissioner under such conditions as the commissioner may prescribe.

SECTION 185. Wis. Adm. Code section SEC 5.01(5) is created to read:

SEC 5.01(5) Prior to issuance of a license as an investment adviser, a written examination shall be successfully completed by such supervisory personnel representing the investment adviser as the commissioner may require, and the commissioner may require that any such person be qualified under chapter 551, Wis. Stats., as a representative of the investment adviser.

SECTION 186. Wis. Adm. Code section SEC 5.01(6) is created to read:

SEC 5.01(6) Any application for license which is not completed or withdrawn within 6 months from the date it is initially received may be deemed materially incomplete under section 551.34(1)(a), Wis. Stats., and the commissioner may issue an order denying effectiveness to such application.

SECTION 187. Wis. Adm. Code section SEC 5.01(7) is created to read:

SEC 5.01(7) Every investment adviser whose principal office is located in this state shall have at least one person qualified as an investment adviser representative employed on a full-time basis at its principal office.

SECTION 188. Wis. Adm. Code section SEC 5.02(1) is created to read:

SEC 5.02 Net capital requirement. (1) Every investment adviser shall maintain net capital of not less than \$5,000, which shall be in the form of cash or securities or other liquid assets as determined by the commissioner.

SECTION 189. Wis. Adm. Code section SEC 5.02(2) is created to read:

SEC 5.02(2) If an investment adviser is an individual, such person shall segregate from personal capital an amount sufficient to satisfy the net capital requirement, and the amount so segregated shall be utilized solely for the business for which the investment adviser is licensed.

SECTION 190. Wis. Adm. Code sections SEC 5.03(1) and (2) are created to read:

SEC 5.03 Investment advisers' records. (1) Every

licensed investment adviser shall maintain and keep current the following books and records relating to its business:

(a) ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts;

(b) a record showing all payments received, including date of receipt, purpose and from whom received; and all disbursements, including date paid, purpose and to whom made;

(c) a record showing all receivables and payables;

(d) records showing separately for each client the securities purchased or sold, and to the extent it has been made available to the investment adviser, the date and amount of and price at which the purchases or sales were executed, and the name of the broker-dealer who effected the transaction;

(e) records showing separately all securities bought or sold by clients insofar as known to the investment adviser and indicating thereon with proper identification of the individual account, the date, amount, and price at which such securities were purchased or sold; or, in the alternative, a record showing all securities bought or sold by or for the accounts of all clients of the investment adviser in each month, the total number of shares or principal amount of each security bought or sold and the lowest and highest price at which such purchases or sales were made during the month;

(f) copies of broker-dealers' confirmations of all transactions placed by the investment adviser for any account, and such other broker-dealers' confirmations as may be supplied to the investment adviser by a client or broker-dealer;

(g) records of all accounts in which the investment adviser is vested with discretionary authority, including powers of attorney and other evidence of discretionary authority;

(h) copies of all agreements entered by the investment adviser with respect to any account, which agreements shall set forth the fees to be charged and the manner of computation and method of payment thereof, and copies of all communications, correspondence and other records relating to securities transactions with customers including all complaints of customers relating to securities transactions; and

(i) all partnership articles, or all articles of incorporation, by-laws, minute books and stock certificate books of the investment adviser.

(2) Every licensed investment adviser shall preserve for a period of not less than 3 years, the first 2 years in an easily accessible place, all records required under subsection (1), except that records respecting an account required under subsections (1)(g) and (h) shall be preserved by the investment adviser for a period of not less than 3 years after the closing of the account and records required under subsection (1)(i) shall be preserved by the investment

adviser for a period of not less than 3 years after withdrawal or expiration of its license in this state. After a record or other document has been preserved for 2 years as required above, a microfilm copy thereof may be substituted for the remainder of the required period.

SECTION 191. Wis. Adm. Code section SEC 5.03(3) is created to read:

SEC 5.03(3) The commissioner may by order exempt any investment adviser from all or part of the requirements of this rule, either unconditionally or upon specified conditions, if by reason of the special nature of its business, the requirements are not necessary in the public interest or for the protection of investors.

SECTION 192. Wis. Adm. Code section SEC 5.04(1) is created to read:

SEC 5.04 Reporting requirements. (1) Each investment adviser shall file annually with the commissioner, within 60 days after the end of its fiscal year, a copy of its annual financial statements, including supporting schedules.

SECTION 193. Wis. Adm. Code section SEC 5.04(2) is created to read:

SEC 5.04(2) Each investment adviser shall file with the commissioner a copy of any complaint related to its business, transactions, or operations in this state, naming the investment adviser or any of its partners, officers or investment adviser representatives as defendants in any civil or criminal proceeding, or in any administrative or

disciplinary proceeding by any public or private regulatory agency, within 20 days of the date the complaint is served on the investment adviser; a copy of any answer or reply thereto filed by the investment adviser within 10 days of the date such is filed; and a copy of any decision, order or sanction made with respect to any such proceeding within 20 days of the date the decision, order or sanction is rendered.

SECTION 194. Wis. Adm. Code section SEC 5.04(3) is created to read:

SEC 5.04(3) Each investment adviser shall file with the commissioner a notice of transfer of control or change of name not less than 30 days prior to the date on which the transfer of control or change of name is to become effective, or such shorter period as the commissioner may permit, and shall furnish additional information relating thereto as the commissioner may require. A transfer of control of an investment adviser shall constitute an application for withdrawal from the status of a licensed investment adviser pursuant to section 551.34(6), Wis. Stats., unless the commissioner by order otherwise provides.

SECTION 195. Wis. Adm. Code section SEC 5.04(4) is created to read:

SEC 5.04(4) Except as provided in Wis. Adm. Code sections SEC 5.04(2) and (3), all material changes in the information included in an investment adviser's most recent application for license shall be set forth in an amendment to form ADV filed promptly with the commissioner.

SECTION 196. Wis. Adm. Code sections SEC 5.05(1), (2),

(3) and (4) are created to read:

SEC 5.05 Rules of conduct. (1) Each investment adviser shall establish written supervisory procedures and a system for applying such procedures, which may reasonably be expected to prevent and detect any violations of chapter 551, Wis. Stats., and rules and orders thereunder. Such procedures shall include the designation and qualification of a number of supervisory employes reasonable in relation to the number of its qualified investment adviser representatives, offices and activities in this state.

(2) An investment adviser shall not enter, extend, or renew any investment advisory contract if the contract:

(a) provides for compensation to the investment adviser on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client;

(b) fails to provide, in substance, that no assignment of the contract may be made without the consent of the customer; or

(c) fails to provide, in substance, that the investment adviser, if a partnership, shall notify the other party to the contract of any change in the membership of the partnership within a reasonable time after such change.

(3) Subsection (2)(a) shall not prohibit an investment advisory contract which provides for compensation based upon the total value of a fund averaged over a definite period,

or as of definite dates or taken as of a definite date.

"Assignment," as used in subsection (2)(b) includes any direct or indirect transfer or hypothecation of an investment advisory contract by the assignor or of a controlling block of the assignor's outstanding voting securities by a security holder of the assignor; but, if the investment adviser is a partnership, no assignment of an investment advisory contract is considered to result from the death or withdrawal of a minority of the members of the investment adviser having only a minority interest in the business of the investment adviser, or from the admission to the investment adviser of one or more members who, after admission, will be only a minority of the members and will have only a minority interest in the business. As used in subsection (2), "investment advisory contract" means any contract or agreement whereby a person agrees to act as investment adviser or to manage any investment or trading account for a person other than persons specified under section 551.23(8), Wis. Stats.

(4) An investment adviser shall not enter any contract with a customer if the contract contains any condition, stipulation or provision binding the customer to waive any rights under chapter 551, Wis. Stats., or any rule or order thereunder. Any such condition, stipulation or provision is void.

SECTION 197. Wis. Adm. Code section SEC 5.05(5) is created to read:

SEC 5.05(5) No qualified representative or partner, officer or director of a licensed investment adviser shall be an agent or a partner, officer or director of any broker-dealer or shall be a qualified representative or partner, officer or director of any other investment adviser unless such other broker-dealer or investment adviser is affiliated with the investment adviser by reason of direct or indirect common control.

SECTION 198. Wis. Adm. Code section SEC 5.05(6) is created to read:

SEC 5.05(6) The aggregate ownership by all partners, officers, directors or qualified representatives of a licensed investment adviser, or groups of which they are members, may not exceed 5% of the voting interest in any other investment adviser or in any broker-dealer, or in any entity controlling or under common control with the other investment adviser or broker-dealer, unless the other investment adviser or broker-dealer is affiliated with the investment adviser by reason of direct or indirect common control, or unless permitted by order of the commissioner. This provision shall not prohibit any person from owning any equity security of an investment adviser or broker-dealer whose securities may be sold in transactions exempt from registration under section 551.23(3), Wis. Stats.

SECTION 199. Wis. Adm. Code section SEC 5.06 (Intro.) is created to read:

SEC 5.06 Prohibited business practices. The following are deemed "dishonest or unethical business practices" or "taking unfair advantage of a customer" by an investment adviser under section 551.34(1)(g), Wis. Stats., without limiting those terms to the practices specified herein:

SECTION 200. Wis. Adm. Code sections SEC 5.06(1) and (2) are created to read:

SEC 5.06(1) Exercising any discretionary power in placing an order for the purchase or sale of securities for the account of a customer without first obtaining written discretionary authority from the customer; or

(2) Placing an order for the purchase or sale of a security pursuant to discretionary authority if the purchase or sale is in violation of chapter 551, Wis. Stats., or any rule thereunder.

SECTION 201. Wis. Adm. Code section SEC 5.07(1) is created to read:

SEC 5.07 License period. (1) The initial license of an investment adviser expires December 31 of each year. The qualification of an investment adviser representative expires on the same day as that of the investment adviser which such person represents. The commissioner may by order limit the period of, or specify an earlier expiration date for, any license.

SECTION 202. Wis. Adm. Code section SEC 5.07(2) is created to read:

SEC 5.07(2) The qualification of an investment adviser representative is not effective during any period when the investment adviser which that person represents is not licensed.

SECTION 203. Wis. Adm. Code section SEC 5.08(1) is created to read:

SEC 5.08 Withdrawal of licenses. (1) An application for withdrawal from the status of a licensed investment adviser under section 551.34(6), Wis. Stats., shall be filed by the licensee on a form prescribed by the commissioner, and shall include a report on the status of all customer accounts of the licensee in this state and any additional information the commissioner may require.

SECTION 204. Wis. Adm. Code section SEC 5.08(2) is created to read:

SEC 5.08(2) An application for withdrawal from the status of a qualified investment adviser representative shall be filed by the investment adviser which the person represents within 10 days of the termination of the representative's employment on a form prescribed by the commissioner.

SECTION 205. Wis. Adm. Code section SEC 5.09 is created to read:

SEC 5.09 Denial, suspension, revocation and censure. Any order denying, suspending or revoking the license of an investment adviser or censuring a licensee may include such other sanctions as the commissioner finds appropriate.

Chapter SEC 6

FRAUDULENT PRACTICES

SECTION 206. Wis. Adm. Code section SEC 6.05(1) (Intro.)

is amended to read: *

SEC 6.05 Going private transactions. (1) An issuer whose equity securities of any class ~~are-or~~ have been registered under chapter 551, Wis. Stats., or predecessor laws or s. 12 of the securities exchange act of 1934, and which, on the date of the initial offer, notice or solicitation relating to the proposed transaction, are held of record by 100 or more persons in this state, which number of holders constitutes 20% or more of the total number of holders of record of ~~such~~ the securities, or any affiliated person of ~~such~~ the issuer, is deemed to employ a "device, scheme or artifice to defraud" holders of ~~such~~ the securities, or to engage in an "act, practice or course of business which operates or would operate as a fraud or deceit" upon ~~such~~ the holders, within the meaning of section 551.41, Wis. Stats., if ~~such~~ the issuer or person enters into any transaction (including a series of transactions) in this state involving a purchase of any equity security of the issuer, other than an arm's length purchase by a person not affiliated with the issuer, which transaction has, or ~~is-intended-to~~ have may have, either of the effects described in subsection (2) hereof, unless:

SECTION 207. Wis. Adm. Code section SEC 6.05(1)(e) is amended to read:

SEC 6.05(1)(e) The commissioner does not disallow the transaction by order within 15 days of the filing of the description of the transaction required by subsection (1)(b), upon a finding that the transaction constitutes a device, scheme or artifice to defraud or tends to operate as a fraud or deceit upon holders of the securities, or would so operate.

SECTION 208. Wis. Adm. Code section SEC 6.05(2) (Intro.) is amended to read:

SEC 6.05(2) The provisions of subsection (1) apply to a transaction which has, or ~~is intended to have~~ may have, either of the following effects:

Chapter SEC 7

GENERAL PROVISIONS

SECTION 209. Wis. Adm. Code section SEC 7.01, as renumbered, is repealed and recreated to read:

SEC 7.01 Fees. The following fees are prescribed for the expenses of examination of various matters arising under chapter 551, Wis. Stats., are chargeable to the applicant, registrant or licensee, and are payable unless otherwise provided at the time an application or notice is filed:

(1) Examination of registration matters:

(a) Application for post-effective amendment of a registration statement -----\$100.

(b) Application for extension of a registration statement -----\$100.

(c) Field examination pursuant to section 551.27(5), Wis. Stats. of application for registration under section 551.26, Wis. Stats. -----\$50 per day per examiner.

(2) Examination of exemption matters:

(a) Application for exemption from registration by order under sections 551.23(11) or (18), Wis. Stats. -----\$100.

(b) Application for exclusion from a definition by order under sections 551.02(3) (i) or 551.02(7) (h), Wis. Stats. -----\$100.

(c) Application for opinion confirming an exemption or an exclusion from a definition -----\$50.

(d) Notice filed under section 551.22(10) or (14), Wis. Stats., or under section 551.23(12), Wis. Stats., or under Wis. Adm. Code sections SEC 2.02(11) (b), (c) or (d) -----\$50.

(e) Notice filed under section 551.22(8), Wis. Stats., or under sections 551.23(3), (10), (11) or (15), Wis. Stats., or under Wis. Adm. Code section SEC 6.05 -----\$100.

(f) Notice filed under Wis. Adm. Code section SEC 2.01(1) (a)1. or 2. -----\$50.

(g) Notice filed under Wis. Adm. Code section SEC 2.01(1) (a)3. -----\$100.

(3) Examination of licensing matters:

(a) Application for initial license of a broker-dealer or investment adviser or a successor under section 551.32(1) or (3), Wis. Stats. -----\$50.

(b) Application for order waiving a licensing provision -----\$100.

(c) Notice of transfer of control of a broker-dealer or investment adviser under Wis. Adm. Code section SEC 4.04(2) -----\$50.

(d) Examination of an agent applicant or a person representing an investment adviser under section 551.32(4), Wis. Stats. -----\$10.

(e) Field examination of applicant for initial license as broker-dealer or investment adviser -----\$50 per day per examiner.

(f) Periodic examination of a broker-dealer or investment adviser under section 551.33(4), Wis. Stats. -----An amount not exceeding in any year the aggregate amount of filing fees of the broker-dealer and its agents or the investment adviser, payable upon completion of the examination.

(4) Examination of advertising:

(a) Advertising filed with a notice or application under sections 551.22, 551.23, 551.25 or 551.26, Wis. Stats. -----No charge.

(b) Advertising filed by a licensee or registrant under section 551.53, Wis. Stats. -----\$5 per item, but not exceeding in any year the aggregate amount of \$100 for each licensee or registrant if paid in advance.

(c) Advertising filed by a person not a licensee or registrant under section 551.53, Wis. Stats. -----\$10 per item.

(d) Prospectus filed by a registered investment company or finance company under Wis. Adm. Code section SEC 3.27(2) -----\$50.

(5) Examination of other matters:

(a) Certification of any document or entry under section 551.64(4), Wis. Stats. -----\$20 plus \$1 per page.

(b) Issuance of an interpretive opinion under section 551.64(5), Wis. Stats. -----100.

(6) Photocopying fee -----\$.25 per page for the first 10 pages and \$.10 per page for any additional pages.

(7) The commissioner may by order require the payment of a fee of no more than \$100 for delinquent or materially deficient filings of information or documents required to be filed in connection with the examination of any matter under this chapter.

SECTION 210. Wis. Adm. Code section SEC 7.02 is amended to read:

SEC 7.02 Advertising. (1) The following advertising used in connection with the offer, sale or purchase of any security in this state is exempted from filing under section 551.53, Wis. Stats.:

(a) a prospectus published or circulated in connection with an offering of a security for which a registration

statement has been filed under sections 551.25 or 551.26, Wis. Stats., that has not become effective; or an offering of a security for which a notice or application for exemption, including such prospectus, has been filed under sections 551.22 or 551.23, Wis. Stats.; ~~or an offering of a security exempted under Wis. Adm. Code section SEC 2.01(2);~~

(b) advertising published or circulated relating to a security exempted under section 551.22, Wis. Stats., except under Wis. Adm. Code section ~~SEC 2.01(2)~~ 2.01(4) (a); or relating to a transaction exempted under sections 551.23(4), (5), (6), (7) or (8), Wis. Stats.; or relating to a transaction exempted under sections 551.23(12), (13) or (14), Wis. Stats., if the issuer has any securities registered under section 12 of the securities exchange act of 1934 or exempted from registration by section 12(g)(2)(G) thereof or is an investment company registered under the investment company act of 1940; or relating to a transaction subject to the filing requirements of section 14(d) of the securities exchange act of 1934; provided the transaction does not and cannot have, nor is intended to have, either of the effects described in Wis. Adm. Code section ~~SEC 5.05(2)~~ 6.05(2);

(c) advertising which does no more than state from whom a prospectus may be obtained, identify the security offered for sale and state the price thereof and the names of broker-dealers having an interest in the sale thereof, or

advertising meeting the requirements of rule 134 under the securities act of 1933;

(d) ~~Advertising published by a licensed broker-dealer or investment adviser concerning the qualifications or business of the licensee, the general advisability of investing in securities or market quotations or other factual information relating to particular securities or issuers, provided such advertising contains no recommendation concerning the purchase or sale of particular securities~~ advertising published or circulated by a broker-dealer or investment adviser licensed in this state, or by an investment company registered under chapter 551, Wis. Stats., unless the commissioner otherwise provides by order;

(e) advertising, including but not limited to annual reports and proxy statements, published by an issuer specified in sections 551.22(3), (4), (5) or (6), Wis. Stats., or registered under section 12 of the securities exchange act of 1934, or exempted from registration by section 12(g)(2)(G) thereof, relating to transactions exempted under section 551.23, Wis. Stats.; provided that with respect to any of the foregoing, the transaction does not and cannot have, nor is intended to have, either of the effects described in Wis. Adm. Code section ~~SEC 5.05(2)~~ 6.05(2); and

(f) any other advertising which the commissioner may specify by order.

(2) All advertising required to be filed by a licensee or registrant shall be filed with the commissioner not later

than the date of use. All advertising required to be filed by any other person shall be filed in duplicate not less than 10 days prior to the date of use or such shorter period as the commissioner may permit, and shall not be used in this state until ~~a copy thereof, marked with allowance for use, has been received from the commissioner~~ the commissioner has allowed its use.

~~(3) -- Every filing with the commissioner of sales literature of an investment company registered under the investment company act of 1940 shall indicate the date of its filing with the National Association of Securities Dealers, Inc., or the securities and exchange commission and the action taken thereon. -- Any such literature which is materially misleading within the meaning of the statement of policy of the securities and exchange commission, as amended November 5, 1957, is deemed "false or misleading advertising" within the meaning of section 551.53, Wis. Stats.~~

SECTION 211. Wis. Adm. Code sections SEC 7.04, 7.05, 7.06 and 7.07 are renumbered SEC 7.03, 7.04, 7.05 and 7.06, respectively.

SECTION 212. Wis. Adm. Code section SEC 7.04, as renumbered, is amended to read:

SEC 7.04 Annual reports. ~~(1)~~ Unless otherwise required by rule or order of the commissioner, every issuer of equity securities which are held by more than 100 stockholders of record in this state, registered under chapter 551, Wis. Stats., or any predecessor law, whose securities have been

registered under chapter 551, Wis. Stats., or any predecessor law and are held of record by 100 or more persons in this state, but not none of whose securities are registered under section 12 of the securities exchange act of 1934 or exempted from registration by section 12(g)(2)(B) or (G) thereof, shall distribute to such the stockholders security holders not more than 120 days after the end of each fiscal year of the issuer a balance sheet of the issuer as of the end of such fiscal year and an-income-statement-and statements of income and changes in financial position and an analysis of surplus for such the fiscal year meeting the requirements of Wis. Adm. Code section SEC 6-07 7.06, and shall concurrently file copies of those financial statements with the commissioner.

~~(2)--Every-domestic-corporation-and-every-foreign corporation-licensed-in-this-state-and-not-registered-under section-12-of-the-securities-exchange-act-of-1934-or-exempted from-registration-by-section-12(g)(2)(G)-thereof, shall indicate-on-its-annual-report-filed-with-the-secretary-of state-pursuant-to-sections-180.793-or-180.833, Wis.-Stats., the-number-of-stockholders-of-record-in-this-state-of-each class-of-its-equity-securities.~~

SECTION 213. Wis. Adm. Code section SEC 7.05 is repealed and recreated to read:

SEC 7.05 Files and Records. (1) Except as otherwise provided by law or as specified in subsection (2), any record or document in the commissioner's possession or control of which the commissioner is the legal custodian,

may be inspected or copied by any person during regular business hours.

(2) The following records may be excluded from disclosure under this section if the commissioner finds the public interest in nondisclosure outweighs the benefits of open access:

(a) personnel files of office employees, former employees and job applicants;

(b) communications with legal counsel;

(c) records obtained under a pledge or reasonable expectation of confidentiality;

(d) memoranda and work papers of employees, the commissioner or the deputy commissioner prepared with the reasonable expectation of confidentiality.

(3) With respect to records described in subsection (2)(c) the commissioner shall, and with respect to any other records the commissioner may, prior to producing the records for inspection or copying, call a hearing (with notice to interested persons) for the purpose of determining whether the records should be produced.

(4) A request for records shall be addressed to the commissioner, who shall produce the records or a written refusal with specific reasons therefor within ten business days after the request is received (except records described in subsection (2)(c) as to which a hearing has been called).

SECTION 214. Wis. Adm. Code section SEC 7.06 is amended to read:

SEC 7.06 Financial statements. (1) All financial statements required by chapter 551, Wis. Stats., or these rules shall be:

(a) prepared in accordance with generally accepted accounting principles ~~applied-on-a-consistent-basis~~; and

(b) ~~Certified~~ examined and reported upon by an independent certified public accountant, provided that this requirement may be waived by the commissioner ~~in-particular-cases-for good-cause-shown~~ and does not apply to interim financial statements unless otherwise required by the commissioner in particular cases. The accountant's report shall meet the requirements of rule 2-02 of regulation S-X of the U. S. securities and exchange commission and shall accompany the financial statements included in the prospectus.

(2) Financial statements meeting the requirements of regulation S-X ~~of-the-securities-and-exchange-commission~~ are deemed to satisfy the requirements of subsection (1) ~~of-this rule.~~

(3) The commissioner may ~~upon-the-request-of-the registrant-and-where-appropriate-for-the-protection-of investors~~, permit the omission of one or more of the statements herein required or the filing in substitution therefor of appropriate statements of comparable character. The commissioner may also require the filing of other statements ~~in-addition-to,-or-in-substitution-for,-the-statements herein-required-in-any-case-where-such-statements-are~~ when necessary or appropriate for an adequate presentation of the

financial condition of any issuer or person whose financial statements are required, or whose statements are otherwise necessary for the protection of investors.

SECTION 215. Wis. Adm. Code Chapter SEC 8 is repealed and recreated to read:

Chapter SEC 8

ADMINISTRATIVE PROCEDURE

SEC 8.01 Petitions for hearing. Every request for a hearing shall be in the form of a petition filed with the commissioner. A petition for a hearing to review an order shall plainly admit or deny each specific allegation, finding or conclusion in the order and incorporated papers (unless the petitioner lacks sufficient knowledge or information to permit an admission or denial, in which case the petition shall so state, and such statement shall have the effect of a denial), and shall state all affirmative defenses.

SEC 8.02 Notices of hearing and answers. A notice of hearing shall state the names of the parties to the hearing and the name of the hearing examiner. Unless otherwise provided in the notice of hearing, the decision of the hearing examiner shall be the final decision of the commissioner. Every party so directed in the notice of hearing shall file an answer plainly admitting or denying each specific allegation and setting forth affirmative defenses. Unless a different time is provided in the notice of hearing, or by the designated hearing examiner for cause shown, every answer shall be filed not later than 10 business days

before the date of the hearing, or if a prehearing conference has been scheduled, not later than five business days before the date of the prehearing conference. Affirmative defenses not raised by answer as herein provided may be deemed waived.

SEC 8.03 Appearances and defaults. Each party shall appear at the hearing and any prehearing conference either in person or by a duly authorized representative. If any party, without good cause, fails to file an answer as provided in Wis. Adm. Code section SEC 8.02, or fails to appear at a hearing or prehearing conference of which the party has notice, such failure may be deemed a default and the hearing examiner may thereupon make a decision, enter an order, or otherwise dispose of the case.

SEC 8.04 Form of pleadings. All pleadings, briefs, decisions and orders filed or issued in connection with any administrative proceeding under this chapter shall be captioned "Before the Commissioner of Securities, State of Wisconsin" and shall be entitled "In the Matter of (name of party or parties), Petitioner (or Respondent)."

SEC 8.05 Record of hearings, transcripts, costs. (1) A stenographic, electronic or other record of oral proceedings shall be made in any case required by law.

(2) A written transcript of proceedings shall be prepared upon the request in writing (a) of any party for the purpose of seeking a rehearing or judicial review, or (b) of any person upon tender of the estimated costs of

transcription, adjusted to reflect the actual costs when determined.

(3) A copy of the written transcript of proceedings shall be provided upon the request in writing (a) of any party setting forth by affidavit filed with the commissioner the party's impecuniousness, or (b) of any person upon tender of the estimated costs of preparing the copy, adjusted to reflect the actual costs when determined.

SEC 8.06 Service of orders. A copy of every order issued without a hearing shall be sent promptly by certified mail to each party named in the order at his or her last known address or personally served upon the party or a legal representative.

SEC 8.07 Effectiveness of orders, notice. Every order is effective when signed. Mailing of any order, notice or other document under this chapter to the last known address of any person, or personal service, constitutes notice thereof to the person.

Chapter SEC 9

FORMS

SECTION 216. Wis. Adm. Code section SEC 9.01 Forms is amended to read:

SEC 9.01 Forms. (1) The following forms are prescribed for use ~~in this state~~ under chapter 551, Wis. Stats., and may be obtained from the office of the commissioner of securities, Madison, Wisconsin:

U-1. Uniform application to register securities.

U-2. Uniform consent to service of process.

U-3. Uniform application for license as broker-dealer or investment adviser.

U-4. Uniform application for securities and commodities industry representative and/or agent.

U-5. Uniform termination notice for securities industry representative and/or agent.

~~A-1---Application-to-register-securities-by-qualification-~~

~~A-2---Consent-to-service-of-process-by-issuer-or-applicant-~~

~~A-3---Consent-to-service-of-process-by-broker-dealer-or investment-adviser-~~

~~A-4---Renewal-application-for-broker-dealer-license-~~

~~A-5---Renewal-application-for-agent-license-~~

~~A-6---Renewal-application-for-investment-adviser-license-~~

~~A-7---Application-for-withdrawal-of-agent-license-~~

~~0-1---Registration-order-~~

~~0-2---Registration-order-for-investment-company-~~

~~0-3---Amendment-order-~~

~~0-4---Extension-order-~~

~~0-5---Exemption-order-~~

~~0-6---Exemption-order-for-secondary-trading-~~

BD. Uniform application for registration, license, or membership as a broker-dealer or to amend such application.

BDR(WI). Application for renewal of broker-dealer and agent license.

BDW(WI). Application for withdrawal from the status of a licensed broker-dealer.

IAR(WI). Application for renewal of investment adviser license and qualification of adviser representatives.

IAW(WI). Application for withdrawal from the status of a licensed investment adviser.

CSP. Consent to service of process by broker-dealer or investment adviser.

R-1 RS-BD. Broker-dealer report of sales.

R-2 RS-I. Issuer report of sales.

R-3 RS-IC. Investment company report of sales.

R-4 RS-FC. Finance company report of sales of notes.

R-5 RNC-BD. Broker-dealer report of net capital computation.

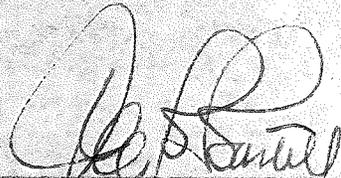
~~R-6---Issuer-report-of-sales-in-limited-offering-~~

(2) Any other application, form or notice ~~may-be-filed~~ containing under chapter 551, Wis. Stats., shall include the information specified in the applicable statutory section or rule, and may be filed with the commissioner in the form of a letter or memorandum.

EFFECTIVE DATE

The rules and amendments hereinabove shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in section 227.026(1), Wis. Stats.

Issued this 19th day of October, 1977
at Madison, Wisconsin.



JEFFREY B. BARTELL
Commissioner of Securities

(SEAL)