

CHAPTER 551

WISCONSIN UNIFORM SECURITIES LAW

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SUBCHAPTER I

TITLE AND DEFINITIONS

551.01 Short title. This chapter shall be known and may be cited as the “Wisconsin Uniform Securities Law”.

551.02 Definitions. In this chapter, unless the context otherwise requires:

(1g) “Accredited investor” has the meaning given in [17 CFR 230.501](#) (a).

(1r) “Advertising” means any circular, prospectus, advertisement or other material or any communication by radio, television, pictures or similar means used in connection with a sale or purchase or an offer to sell or purchase any security.

(2) “Agent” means any individual other than a broker–dealer who represents a broker–dealer or issuer in effecting or attempting to effect transactions in securities. A partner, officer or director of a broker–dealer or issuer, or a person occupying a similar status or performing similar functions, is an agent if he or she is within this definition. “Agent” does not include an individual who represents an issuer in doing any of the following:

(a) Effecting transactions in a security exempted by [s. 551.22](#).

(b) Effecting transactions exempted by [s. 551.23](#), other than transactions exempted under [s. 551.23 \(8\) \(g\)](#), [\(10\)](#) or [\(19\)](#) in which the individual receives a commission or other remuneration directly or indirectly for soliciting or selling to any person in this state.

(c) Effecting other transactions if no commission or other remuneration is paid or given directly or indirectly for soliciting any person in this state.

(3) “Broker–dealer” means any person engaged in the business of effecting transactions in securities for the account of others or for the person’s own account. “Broker–dealer” does not include any of the following:

(a) An agent.

(b) An issuer.

(c) A bank, savings institution, or trust company, when effecting transactions for its own account or as agent under [s. 551.31 \(5\)](#).

(d) A personal representative, guardian, conservator, or pledgee.

(e) A person whose dealings in securities are limited to transactions exempt by [s. 551.23 \(5\)](#).

(f) A person licensed as a real estate broker under [ch. 452](#) and whose transactions in securities are isolated transactions incidental to that business.

(g) The investment board.

(h) Other persons not within the intent of this subsection whom the division by rule or order designates.

(4) “Division” means the division of securities.

(4g) “Federal covered adviser” means a person who is registered under section 203 of the Investment Advisers Act of 1940.

(4r) “Federal covered security” means any security that is a covered security under section 18 (b) of the Securities Act of 1933 or regulations promulgated under that act.

(5) “Fraud”, “deceit” and “defraud” are not limited to common law deceit.

(6) “Guaranteed” means guaranteed as to payment of principal, interest or dividends.

(7) “Investment adviser” means any person who, for compensation, engages in the business of advising others, either directly or through publications, writings or electronic means, as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. “Investment adviser” does not include any of the following:

(a) A bank, savings institution or trust company.

(b) A lawyer, accountant, engineer or teacher whose performance of these services is solely incidental to the practice of his or her profession.

(c) A broker–dealer or agent whose performance of these services is solely incidental to the conduct of his or her business as

a broker-dealer or agent and who receives no special compensation for them.

(d) A publisher of any bona fide newspaper, news magazine or business or financial publication with a regular and paid circulation or a publisher of any securities advisory newsletter with a regular and paid circulation which does not provide advice to subscribers on their specific investment situation.

(e) The investment board.

(ed) A federal covered adviser, unless the federal covered adviser is required to become licensed or qualify for an exclusion or exemption from licensure under s. 551.32 (1m) (c).

(eh) A person who is excluded from the definition of "investment adviser" under section 202 (a) (11) of the Investment Advisers Act of 1940.

(em) An investment adviser representative.

(f) Other persons not within the intent of this subsection whom the division by rule or order designates.

(7m) (a) "Investment adviser representative" means any of the following, unless excluded under par. (b):

1. A supervised person, as defined by the division by rule, of an investment adviser or a federal covered adviser, unless one of the following applies:

a. Not more than a percentage, specified by the division by rule, of the clients of the supervised person are natural persons who are not excepted persons, as defined by the division by rule.

b. The supervised person does not, on a regular basis, solicit, meet with or otherwise communicate with clients of the investment adviser or federal covered adviser.

c. The supervised person provides only impersonal investment advice, as defined by the division by rule.

2. A 3rd-party solicitor, as defined by the division by rule.

(b) "Investment adviser representative" does not include any person excluded by the division by rule or order.

(8) "Issuer" means any person who issues or proposes to issue any security and any promoter who acts for an issuer to be formed, except:

(a) With respect to certificates of deposit or trust certificates, "issuer" means the person performing the acts and assuming the duties of depositor, manager or trustee pursuant to the provisions of the trust or other instrument under which the security is issued; and

(b) With respect to certificates of interest or participation in oil, gas or mining titles or leases, "issuer" means the owner of any such title or lease who creates fractional interests therein for purposes of sale.

(9) "Nonissuer" means not directly or indirectly for the benefit of the issuer.

(10) "Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust where the interests of the beneficiaries are evidenced by a security, an unincorporated organization, a government, a political subdivision of a government or any other entity.

(11) (a) "Sale" or "sell" includes every sale, disposition or exchange, and every contract of sale of, or contract to sell, a security or interest in a security for value.

(b) "Offer" or "offer to sell" includes every attempt or offer to sell or dispose of, or solicitation of an offer to purchase, a security or interest in a security for value, but does not include solicitation by a licensed broker-dealer of tentative reservations of securities which shall not be binding upon the purchaser until ratified by the purchaser after the securities may legally be sold.

(c) Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing is considered to constitute part of the subject of the purchase and to have been offered and sold for value.

(d) Every sale or offer of a warrant or right to purchase or subscribe to another security of the same or another issuer, as well as

every sale or offer of a security which gives the holder a present or future right or privilege to convert into another security of the same or another issuer, is considered to include an offer of the other security.

(e) The terms defined in this subsection do not include any bona fide pledge or loan of a security.

(f) A securities broker-dealer or agent who effects a brokered securities transaction is considered to have effected a sale or purchase of a security.

(12) "Securities Act of 1933", "Securities Exchange Act of 1934", "Investment Company Act of 1940", "Investment Advisers Act of 1940" and "Internal Revenue Code" mean the federal statutes of those names as amended on January 1, 1998, including such later amendments as the division determines are not inconsistent with the purpose of this chapter.

(13) (a) "Security" means any stock; treasury stock; note; bond; debenture; evidence of indebtedness; share of beneficial interest in a business trust; certificate of interest or participation in any profit sharing agreement; collateral trust certificate; preorganization subscription; transferable share; investment contract; commodity futures contract; voting trust certificate; certificate of deposit for a security; limited partnership interest; certificate of interest or participation in an oil, gas or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as or having the incidents of a security or offered in the manner in which securities are offered; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of or option, warrant or right to subscribe to or purchase or sell, any of the foregoing.

(b) "Security" does not include any fixed or variable insurance or endowment policy or annuity contract under which an insurer promises to pay money either in a lump sum or periodically for life or some other specified period; any beneficial interest in any voluntary inter vivos trust not created for the purpose of carrying on any business or solely for the purpose of voting; or any beneficial interest in any testamentary trust; or any member's interest that includes all of the rights set forth in s. 183.0102 (11) in a limited liability company organized under ch. 183 if the aggregate number of members of the limited liability company, after the interest is sold, does not exceed 15, and the articles of organization do not vest management of the limited liability company in one or more managers.

(c) Except as provided in par. (b), "security" is presumed to include a member's interest in a limited liability company organized under ch. 183 if the articles of organization vest management of the limited liability company in, or if the operating agreement delegates the essential managerial responsibility of the limited liability company to, one or more managers who are not members, or if the aggregate number of members of the limited liability company, after the interest is sold, exceeds 35. "Security" is presumed not to include a member's interest in a limited liability company organized under ch. 183 if the aggregate number of members of the limited liability company, after the interest is sold, does not exceed 35 and the articles of organization do not vest management of the limited liability company in, nor does the operating agreement delegate the essential managerial responsibilities of the limited liability company to one or more managers who are not members.

(14) "State" means any state, territory or possession of the United States, the District of Columbia and Puerto Rico.

History: 1971 c. 84; 1977 c. 144; 1979 c. 102 s. 236 (3); 1981 c. 53 ss. 1 to 4, 43; 1983 a. 87, 216; 1985 a. 38; 1991 a. 145; 1993 a. 112; 1995 a. 27, 356, 400; 1997 a. 316; 2001 a. 44, 102, 103; 2003 a. 321.

A profit-sharing agreement between management and labor in exchange for wage concessions was not a security. *Fore Way Express, Inc. v. Bast*, 178 Wis. 2d 693, 505 N.W.2d 408 (Ct. App. 1993).

When a certificate of stock was mailed to the plaintiff in Wisconsin, and extensive solicitation was conducted by the defendants in Wisconsin, there was an "offer" within sub. (11) (b). Since the securities were neither registered in Wisconsin nor exempt from registration, the plaintiff was entitled to rescind the transaction and

recover the purchase price of the securities, plus costs. *Hardtke v. Love Tree Corp.* 386 F. Supp. 1085 (1975).

An “offer to sell” under sub. (1) (b) was made when the defendant gave an unexecuted partnership agreement to the plaintiff implicitly inviting the plaintiff to return it completed as to form and amount. *Feitler v. Midas Associates*, 418 F. Supp. 735 (1976).

State and federal regulation of condominiums. *Minahan*, 58 MLR 55.

When Does A Member’s Interest in an LLC Become a Security? *Briska*. Wis. Law. Sept. 1994.

SUBCHAPTER II

REGISTRATION AND NOTICE FILING PROCEDURES; SECURITIES

551.21 Registration requirement. (1) It is unlawful for any person to offer or sell any security in this state unless at least one of the following conditions is met:

(a) The security is registered under this chapter.

(b) The security or transaction is exempted under s. 551.22 or 551.23.

(c) The security is a federal covered security.

(2) It is unlawful for any issuer or registrant of any securities registered under this chapter, or any person in control of or controlled by or under common control with the issuer or registrant, to offer or sell any of the registered securities in this state if the issuer or registrant is in violation of this chapter, or any rule under this chapter, or any order under this chapter of which he or she has notice, or if the registration statement relating to the securities, as of the date of such offer or sale, is incomplete in any material respect or contains any statement which is false or misleading with respect to any material fact.

History: 1971 c. 84; 1981 c. 53 s. 43; 1985 a. 38; 1995 a. 356; 1997 a. 316.

Sub. (1) is violated through an offer to sell an unregistered security, even if no sale occurs. *State v. Johnson*, 2002 WI App 224, 257 Wis. 2d 736, 652 N.W.2d 642.

When a certificate of stock was mailed to the plaintiff in Wisconsin, and extensive solicitation was conducted by the defendants in Wisconsin, there was an “offer” within s. 551.02. (1) (b). Since the securities were neither registered in Wisconsin nor exempt from registration, the plaintiff was entitled to rescind the transaction and recover the purchase price of the securities, plus costs. *Hardtke v. Love Tree Corp.* 386 F. Supp. 1085 (1975).

Registration and reporting requirements for exempt transactions are discussed. *Feitler v. Midas Associates*, 418 F. Supp. 735 (1976).

The financing of corporate expansion through industrial revenue bonds. *Mulcahy & Guszowski*, 57 MLR 201.

551.22 Exempt securities. The following securities are exempt from registration under s. 551.21 (1):

(1) (a) Any security, including a revenue obligation, issued or guaranteed by the United States, any state, any political subdivision of a state or any agency or corporate or other instrumentality of one or more of the foregoing; or any certificate of deposit for any of the foregoing; but 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 only as provided under par. (b). A security, other than a security issued or guaranteed by the United States or an agency or corporate instrumentality of the United States and other than a revenue obligation, is exempt under this subsection only if the issuer’s financial statements are prepared according to generally accepted accounting principles or guidelines which the division designates by rule.

(b) Unless subject to a letter of credit of a bank, savings bank or savings and loan association as provided in this paragraph, a revenue obligation of an issuer specified under par. (a) that is 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 subject to rules adopted by the division. A revenue obligation is exempt from any filing under the rules of the division if it is the subject of an irrevocable letter of credit from a bank, savings bank or savings and loan association in favor of holders of the revenue obligations providing for payment of all principal of the revenue obligations and all accrued and unpaid interest to the date of an event of

default on the revenue obligations, and the letter of credit is accompanied by an opinion of counsel stating:

1. a. That payment of debt service will not constitute a preference under federal bankruptcy law if a petition in bankruptcy with respect to the enterprise is filed; or

b. That the letter of credit will provide for reimbursement to holders of the revenue obligations if they are required by order of a federal bankruptcy court to disgorge as a preference any payment of a debt service; and

2. That the enforceability of the letter of credit would not be materially affected by the filing of a petition under federal bankruptcy law with respect to the enterprise or any person obligated to reimburse the bank, savings bank or a savings and loan association for payments made under the letter of credit.

(2) Any security, excluding a revenue obligation, issued or guaranteed by Canada, any Canadian province, any political subdivision of any such province, any agency or corporate or other instrumentality of one or more of the foregoing, or any other foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or guarantor.

(3) Any security issued by and representing an interest in or a debt of, or guaranteed by, any bank organized under the laws of the United States, or any bank, savings institution or trust company organized under the laws of any state and subject to regulation in respect of the issuance or guarantee of its securities by a governmental authority of that state.

(4) Any security issued by and representing an interest in or a debt of, or guaranteed by, any federal savings bank or federal savings and loan association, or any savings bank or savings and loan or similar association organized under the laws of any state and licensed to do business in this state, but not including the capital stock of a state-chartered capital stock savings bank or savings and loan association.

(5) Any security issued or guaranteed by any federal credit union, or any credit union or similar association organized and supervised under the laws of this state.

(6) Any security issued or guaranteed by any railroad, other common carrier, public service corporation, public utility or public utility holding company, which is subject to regulation in respect of the issuance or guarantee of the security by a governmental authority of the United States, any state, Canada or any Canadian province.

(7) Any security listed, or approved for listing upon notice of issuance, on a securities exchange designated by rule of the division, subject to rules that the division may promulgate under this subsection; any security of the same issuer which is of senior or substantially equal rank to the security listed, designated or approved for listing or designation; any security called for by subscription rights or warrants so listed, approved or designated; or any warrant or right to purchase or subscribe to any of the foregoing.

(8) Any security issued to its members by a domestic corporation organized and operated not for private profit but exclusively for religious, educational, benevolent, charitable, fraternal, social, athletic or reformatory purposes; and any evidences of debt issued by any such corporation to nonmembers in compliance with rules adopted by the division.

(9) Any commercial paper meeting the requirements established by rule of the division and which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidences an obligation to pay cash within 9 months of the date of issuance, exclusive of days of grace, or any renewal of such paper which is likewise limited, or any guarantee of such paper or of any such renewal.

(10) Any investment contract or other security issued in connection with an employee’s stock purchase, savings, pension, profit sharing or similar benefit plan if, in the case of plans which are not qualified under section 401 of the internal revenue code

and which provide for contribution by employees, there is filed with the division prior to any offer or sale a notice specifying the terms of the plan and any additional information required under s. 551.24 (6), and the division does not by order disallow the exemption within 10 days after the date of filing the notice or, if additional information is required under s. 551.24 (6), within 10 days after the date of filing that information.

(11) Any shares of common stock issued by a service corporation organized under ss. 180.1901 to 180.1921.

(12) Any securities of a cooperative corporation organized under ch. 185.

(13) Any option to put or call any outstanding security transactions in which are exempted under s. 551.23 (3).

(14) Any security issued by a licensed broker–dealer to its officers, partners or employees, subject to rules adopted by the division.

(15) Any contract for the sale or purchase of a commodity for future delivery, if it is traded or executed on a contract market designated under 7 USC 7.

(16) Contribution notes issued under s. 611.33 (2) (b), 613.33 (2) or 614.33, and any debt securities approved by the commissioner of insurance and issued under s. 611.75 (2) in connection with the conversion of a stock insurance corporation to a mutual, or under s. 613.75 or 614.76 in connection with the conversion of a service insurance corporation or fraternal to a mutual.

(17) Any security as to which the division by rule or order finds that registration is not necessary or appropriate for the protection of investors.

History: 1971 c. 84, 260; 1973 c. 265; 1975 c. 359; 1977 c. 144; 1979 c. 102; 1981 c. 53; 1983 a. 216; 1987 a. 27, 381; 1989 a. 303, 336; 1991 a. 145, 221; 1995 a. 27, 356; 1997 a. 316.

Cross Reference: See also ss. DFI–Sec 2.01 and 2.03, Wis. adm. code.

551.23 Exempt transactions. The following transactions are exempt from registration under s. 551.21 (1):

(1) Any isolated nonissuer transaction, whether effected through a broker–dealer or not.

(2) Any nonissuer transaction effected by or through a licensed broker–dealer pursuant to an unsolicited order or offer to purchase; but the division may by rule require that the records of the broker–dealer confirm that the order or offer to purchase was unsolicited.

(3) Any sale of any outstanding security by or on behalf of a person not the issuer and not in control of the issuer or controlled by the issuer or under common control with the issuer at a price reasonably related to the current market price if any of the following conditions are met:

(a) 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) or 12 (g) (3) of that act, or the issuer is an investment company registered under the Investment Company Act of 1940.

(b) Securities of the same class have been registered under this chapter under a registration statement becoming effective within 2 years preceding the sale and the registration has not been revoked or suspended.

(c) Securities of the same class have been registered under the Securities Act of 1933 and there is filed with the division prior to any offer or sale a notice of the proposed sale, other information as the division by rule requires and any additional information required under s. 551.24 (6), and the division does not by order disallow the exemption within 10 days after the date of filing the notice or, if additional information is required under s. 551.24 (6), within 10 days after the date of filing that information.

(d) The issuer or applicant files with the division such information, and an undertaking to file such reports, as the division by rule requires and any additional information required under s. 551.24 (6), and the division does not by order disallow the exemption within 10 days after the date of filing such information required

by rule or, if additional information is required under s. 551.24 (6), within 10 days after the date of filing that information.

(4) Any transaction between the issuer or other person on whose behalf the offering is made and an underwriter or among underwriters.

(5) Any transaction in a bond or other evidence of indebtedness secured by a real or chattel mortgage or deed of trust, or by an agreement for the sale of real estate or chattels, if the entire mortgage, deed of trust or agreement, together with all the bonds or other evidences of indebtedness secured thereby, is offered and sold as a unit.

(6) Any judicial sale or any transaction by a personal representative, sheriff, marshal, receiver, trustee in bankruptcy, guardian, or conservator.

(7) Any transaction executed by a bona fide pledgee without any purpose of evading this chapter.

(8) Any offer or sale of a security to any of the following:

(a) The issuer of the security.

(b) A bank, savings institution, savings bank, credit union, trust company, insurer, broker–dealer, investment adviser, federal covered adviser or savings and loan association, if the purchaser or prospective purchaser is acting for itself or as trustee with investment control.

(c) An investment company as defined under 15 USC 80a–3 or a pension or profit–sharing trust, except that an offer or sale of a security to a pension or profit–sharing trust or to an individual retirement plan, including a self–employed individual retirement plan, is not exempt under this paragraph unless the trust or plan is administered by a bank, savings institution, savings bank, credit union, trust company, insurer, broker–dealer, investment adviser, federal covered adviser or savings and loan association that has investment control.

(d) This state or any of its agencies or political subdivisions.

(e) The federal government or any of its agencies or instrumentalities.

(f) Any financial institution or institutional investor designated by rule or order of the division.

(g) An accredited investor.

(9) Any offer or sale of a preorganization subscription, if no commission or other remuneration is paid or given directly or indirectly for soliciting any subscriber in this state and no advertising is published or circulated unless it has been permitted by the division, and if the subscription is not binding and no payment is made by any subscriber until the securities subscribed for may legally be sold.

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

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

(b) The division may by rule or order, as to any security or transaction or any type of security or transaction, withdraw or further condition this exemption, or increase or decrease the number of offerees permitted, or waive the conditions in par. (a), and may require reports of sales under this exemption.

(12) Any transaction pursuant to an offer to existing security holders of the issuer, other than an entity designated in s. 551.52 (1) (b), or of a corporation which, prior to the offer, owned substantially all of the voting stock of the issuer or whose controlling persons organized the issuer for the purpose of the offer, if no commission or other remuneration other than a standby commission is paid or given directly or indirectly for soliciting any security holder in this state, and if, prior to any offer or sale, the issuer files a notice specifying the terms of the offer, all other information which the division by rule requires and any additional information required under s. 551.24 (6), and the division does not by order disallow the exemption within 10 days after the date of filing the notice or, if additional information is required under s. 551.24 (6), within 10 days after the date of filing that information. In this subsection, “security holder” includes a person who at the time of the transaction is a holder of convertible securities or nontransferable warrants or a holder of transferable warrants that are exercisable within not more than 90 days of their issuance but does not include a person who at the time of the transaction is a holder of only transferable warrants that are exercisable for more than 90 days after their issuance.

(13) Any transaction incident to a class vote by stockholders, pursuant to the articles of incorporation or the applicable corporation statute, on a merger, consolidation, share exchange, reclassification of securities, or sale of corporate assets in consideration of the issuance of securities of another corporation; or any transaction incident to a judicially approved reorganization in which a security is issued in exchange for one or more outstanding securities, claims or property interests, or partly in such exchange and partly for cash.

(14) Any stock split and any stock dividend by a corporation, and any share split or share dividend by a business trust, whether the corporation or business trust distributing the dividend is the issuer or not, if nothing of value is given for the dividend other than the surrender of a right to a cash or property dividend when each stockholder or shareholder may elect to take the dividend in cash or property or in stock or shares.

(15) Any offer or sale of an evidence of debt issued by a corporation organized and operated not for private profit but exclusively for religious, educational, benevolent or charitable purposes if the security qualifies under this exemption, and if there has been filed with the division prior to any offer or sale a notice identifying the security and the basis of its qualification under this exemption together with any further information as the division by rule or order requires, and any additional information required under s. 551.24 (6), and if the division does not by order disallow the exemption within 10 days after the date of filing the notice or, if additional information is required under s. 551.24 (6), within 10 days after the date of filing that information. The security qualifies under this exemption if the issuer and any predecessor have not defaulted within the current fiscal year or the 3 preceding fiscal years in any fixed interest or principal obligation; and the issuer complies with rules of the division with respect to trust indentures and the use of a prospectus; and the security qualifies under either of the following:

(a) The issuer and its predecessors have not been in existence for 3 years, and the securities proposed to be sold are secured by a mortgage or deed of trust upon land and buildings which is or will become a first lien at or prior to the issuance of such evidences of debt or provision satisfactory to the division is made for impounding the proceeds from their sale until such first lien is established, and the total amount of such securities does not exceed 50% of the then fair market value of the land and buildings included in such mortgage or deed of trust, less the amount of any unpaid special assessment taxes; or

(b) The issuer or its predecessors have had an excess of revenues over expenses, excluding interest expense, provision for depreciation and extraordinary items, for each of the 2 fiscal years next preceding such offer or sale, or average net revenues for the last 3 fiscal years next preceding such offer or sale, of not less than

1 1/2 times the aggregate annual interest requirements on the issue of securities to be sold under this subsection and all securities of equal or prior rank to be outstanding immediately after such sale.

(16) Any offer, but not a sale, of a security for which registration statements have been filed under both this chapter and the Securities Act of 1933 if no stop order or denial order is in effect and no proceeding is pending under either law.

(17) Any offer or sale of warrants for or rights to subscribe to any security, provided the sale of the security deliverable on exercise of the warrant or right is in compliance with this chapter.

(18) Any other transaction as to which the division by rule or order finds that registration is not necessary or appropriate for the protection of investors.

(19) (a) Any offer or sale of securities made in reliance on the exemption provided by Rule 505 of Regulation D under the Securities Act of 1933 and the conditions and definitions provided by Rules 501 to 503 thereunder, if the offer or sale also satisfies the additional conditions and limitations in pars. (b) to (f).

(b) No commission or other remuneration may be paid or given, directly or indirectly, to any person for soliciting or selling to any person in this state in reliance on the exemption under par. (a), except to broker–dealers and agents licensed in this state or exempt from licensure under s. 551.31 (1).

(c) 1. Unless the cause for disqualification is waived under subd. 2., no exemption under par. (a) is available for the securities of an issuer unless the issuer did not know and in the exercise of reasonable care could not have known that any of the following apply to any of the persons described in 17 CFR 230.262 (a), (b) or (c):

a. The person has filed a registration statement which is the subject of an effective order entered against the issuer, its officers, directors, general partners, controlling persons or affiliates thereof, pursuant to any state’s law within 5 years before the filing of a notice required under par. (d) denying effectiveness to, or suspending or revoking the effectiveness of, the registration statement.

b. The person has been convicted of any felony or misdemeanor in connection with the offer, sale or purchase of any security or franchise, or any felony involving fraud or deceit, including but not limited to forgery, embezzlement, obtaining money under false pretenses, larceny or conspiracy to defraud.

c. The person is subject to an effective administrative order or judgment entered by a state securities administrator within 5 years before the filing of a notice required under par. (d), which prohibits, denies or revokes the use of any exemption from securities registration, which prohibits the transaction of business by the person as a broker–dealer or agent, or which is based on fraud, deceit, an untrue statement of a material fact or an omission to state a material fact.

d. The person is subject to any order, judgment or decree of any court entered within 5 years before the filing of a notice required under par. (d), temporarily, preliminarily or permanently restraining or enjoining the person from engaging in or continuing any conduct or practice in connection with the offer, sale or purchase of any security, or the making of any false filing with any state.

2. a. Any disqualification under this paragraph involving a broker–dealer or agent is waived if the broker–dealer or agent is or continues to be licensed in this state as a broker–dealer or agent after notifying the division of the act or event causing disqualification.

b. The division may waive any disqualification under this paragraph upon a showing of good cause that it is not necessary under the circumstances that use of the exemption be denied.

(d) Not later than the earlier of the date on which the first use of an offering document or the first sale is made in this state in reliance on the exemption under par. (a), there is filed with the division a notice comprised of offering material in compliance with the requirements of Rule 502 of Regulation D under the

Securities Act of 1933, a completed Form D as prescribed by Rule 503 of Regulation D under the Securities Act of 1933, and a fee of \$200. Material amendments to the offering document shall be filed with the division not later than the date of their first use in this state.

(e) 1. As to all sales in this state, the issuer shall reasonably believe immediately before making any sale that:

- a. The investment is suitable for the purchaser; and
- b. The purchaser, either alone or with the purchaser's representative, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the prospective investment.

2. The failure to satisfy the conditions of subd. 1. as to a purchaser shall not affect the availability of the exemption under par. (a) as to other purchasers.

(f) The division may, by order, increase the number of purchasers or waive any other conditions of the exemption under par. (a) for a particular offering. The division shall not require the filing of advertising used in connection with offers or sales in reliance on the exemption. The exemption may be revoked by order of the division, but only if the offering constitutes or would constitute a violation of s. 551.31 and notice thereof has been received by the issuer, or constitutes or would constitute a violation of s. 551.41.

History: 1971 c. 84; 1977 c. 144; 1979 c. 102 s. 236 (3); 1981 c. 53 ss. 6, 7, 43; 1981 c. 314; 1983 a. 27, 87, 216; 1985 a. 38; 1987 a. 381, 403; 1991 a. 145, 221; 1993 a. 67; 1995 a. 27, 356, 415; 1997 a. 316; 2001 a. 44, 102.

Cross Reference: See also s. DFI–Sec 4.10, Wis. adm. code.

When a certificate of stock was mailed to the plaintiff in Wisconsin, and extensive solicitation was conducted by the defendants in Wisconsin, there was an "offer" within s. 551.02 (11) (b). Since the securities were neither registered in Wisconsin nor exempt from registration, the plaintiff was entitled to rescind the transaction and recover the purchase price of the securities, plus costs. *Hardtke v. Love Tree Corp.* 386 F. Supp. 1085 (1975).

Registration and reporting requirements for exempt transactions are discussed. *Fietler v. Midas Associates.* 418 F. Supp. 735 (1976).

Has securities law regulation in the private capital markets become a deterrent to capital growth: a critical review. *Coles.* 58 MLR 395.

551.24 Exemption proceedings. (1) The division may by order deny or revoke any exemption under s. 551.22 or 551.23 with respect to a specified security or transaction.

(2) If the public interest and the protection of investors so require, the division may by order summarily deny or revoke any exemption under s. 551.22 or 551.23 with respect to a specified security or transaction. Upon entry of the order, the division shall serve upon all named parties a copy of the order and notify the parties of their right to request a hearing.

(3) No order under this section may operate retroactively.

(4) A person who offers or sells a security pursuant to an exemption under s. 551.22 or 551.23 after the exemption is denied or revoked by an order of the division does not violate s. 551.21 (1) if:

- (a) The person was not given notice of the order; and
- (b) The person sustains the burden of proof to establish that he or she was not given notice and did not know and, in the exercise of reasonable care, could not have known of the order.

(5) In any proceeding under this chapter, the burden of proving an exemption or an exception from a definition is upon the person claiming it.

(6) With respect to an exemption under s. 551.22 or 551.23 that is perfected if a notice or other information is filed with the division and the division does not disallow the exemption within a specified period after the filing, the division may, within 10 days after the filing date of the notice or other information, require that additional information reasonably related to the offering be filed. If the division requires additional information, the date by which the division may disallow the exemption is 10 days after the date of filing that information.

History: 1971 c. 84; 1975 c. 57, 199; 1981 c. 53; 1985 a. 38; 1987 a. 381; 1995 a. 27, 356.

551.25 Registration by coordination. (1) Registration by coordination may be used for any security for which a registration

statement has been filed under the Securities Act of 1933 in connection with the same offering and has not become effective.

(2) A registration statement under this section shall contain all of the following information and be accompanied by the following documents in addition to the information specified in s. 551.27 (2) and the consent to service of process required by s. 551.65 (1):

(a) Three copies of the latest form of prospectus filed under the Securities Act of 1933.

(b) If the division by rule or otherwise requires, a copy of the articles of incorporation and bylaws 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 or copy of the security.

(c) If the division requires, any other information, or copies of any documents, filed under the Securities Act of 1933.

(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 division permits.

(3) (a) Unless waived in writing by the applicant before federal effectiveness, a registration statement under this section automatically becomes effective at the moment the federal registration statement becomes effective if all of the following conditions are met:

1. No stop order is in effect and no proceeding is pending under s. 551.28.

2. The registration statement has been on file with the division for at least 10 days.

3. A statement of the maximum and minimum proposed offering prices and the maximum underwriting discounts and commissions has been on file for 2 full business days or such shorter period as the division permits, and the offering is made within these limitations.

(b) The registrant shall promptly notify the division by telephone or telegram of the date and time when the federal registration statement became effective and the content of the price amendment, if any, and shall promptly file a post-effective amendment containing the information and documents in the price amendment. "Price amendment" means the final federal amendment which includes a statement of the offering price, underwriting and selling discounts or commissions, amount of proceeds, conversion rates, call prices and other matters dependent upon the offering price. Upon failure to receive the required notification and post-effective amendment with respect to the price amendment, the division may enter a stop order, without notice or hearing, retroactively denying effectiveness to the registration statement or suspending its effectiveness until compliance with this subsection is effected, if the division promptly notifies the registrant by telephone or telegram of the issuance of the order. If the registrant proves compliance with the requirements of this subsection as to notice and post-effective amendment, the stop order shall be vacated. The division may by rule or otherwise waive any of the conditions specified in par. (a). If the federal registration statement becomes effective before all the conditions in this subsection are satisfied and they are not waived, the registration statement automatically becomes effective as soon as all the conditions are satisfied. If the registrant advises the division of the date when the federal registration statement is expected to become effective, the division shall promptly advise the registrant by telephone or telegram, at the registrant's expense, whether all the conditions are satisfied and whether the division then contemplates the institution of a proceeding under s. 551.28; but this advice by the division does not preclude the institution of such a proceeding at any time.

History: 1981 c. 53 s. 43; 1983 a. 216; 1995 a. 27; 1997 a. 316.

Cross Reference: See also ch. DFI–Sec 3, Wis. adm. code.

551.26 Registration by qualification. (1) Any security may be registered by qualification.

(2) A registration statement under this section shall contain the information specified in s. 551.27 (2), shall be accompanied by the consent to service of process required by s. 551.65 (1), and shall contain such further information and be accompanied by such further documents as the division by rule or otherwise requires. For this purpose the division may classify issuers and types of securities.

(3) Registration under this section becomes effective when the division so orders. If a registration statement has been on file for at least 30 days and all information required by the division has been furnished, the person filing the statement may at any time file a written request that the division take action within 10 days following the filing of such request. If a request is filed, and the division takes no action within the period, the registration becomes effective at the end of the 10-day period.

(4) The division may by rule or order require as a condition of registration under this section that a prospectus containing any designated part of the information contained in the registration statement or filed with it be sent or given to each person to whom an offer is made before or concurrently with the first written offer made to the person, otherwise than by means of a public advertisement, 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 taken by him or her as a participant in the distribution; or the confirmation of any sale made by or for the account of any person; or the payment pursuant to any sale; or the delivery of the security pursuant to any sale; whichever first occurs.

History: 1981 c. 53; 1995 a. 27.

Cross Reference: See also ch. DFI–Sec 3, Wis. adm. code.

551.27 General registration provisions. (1) A registration statement may be filed by the issuer, any other person on whose behalf the offering is to be made or a licensed broker-dealer, but the division may in specific cases require that it be executed by the issuer.

(2) Every registration statement shall specify:

(a) The amount of securities to be offered in this state, if the issuer is not subject to s. 551.52 (1) (b);

(b) The states in which a registration statement or application in connection with the offering has been or is to be filed; and

(c) Any adverse order, judgment or decree entered in connection with the offering by the regulatory authorities in any state or by any court or the securities and exchange commission, or any withdrawal of a registration statement or application relating to the offering.

(3) Any document filed under this chapter or a predecessor law within 5 years preceding the filing of a registration statement may be incorporated by reference in the registration statement to the extent that the document is currently accurate.

(4) The division may by rule or otherwise permit the omission of any item of information or document from any registration statement.

(5) The division may by rule or order require as a condition of registration, and at the expense of the applicant or registrant, that a report by an accountant, engineer, appraiser or other professional person be filed. The division may also designate one of the division's employees to make an examination of the business and records of an issuer of securities for which a registration statement has been filed by qualification or coordination, at the expense of the applicant or registrant.

(6) In the case of a nonissuer distribution, information may not be required under s. 551.26 (2) or 551.27 (12) unless it is known to the person filing the registration statement or to the persons on whose behalf the distribution is to be made, or can be furnished by them without unreasonable effort or expense.

(8) The division may by rule require that securities of designated classes shall be issued under a trust indenture containing such provisions as the division determines.

(9) The division may by rule or order require as a condition of registration that any security registered be sold only on a specified form of subscription or sale contract, and that a signed or conformed copy of each contract be filed with the division or preserved for any period up to 3 years.

(10) The division may by rule or order impose other conditions under which a security registered by qualification or coordination may be sold, if these conditions are reasonable and in the public interest.

(11) A registration statement is effective for one year from its effective date unless extended by rule or order of the division. All outstanding securities of the same class as a registered security are considered to be registered for the purpose of any transaction by or on behalf of a person not the issuer and not in control of the issuer or controlled by the issuer or under common control with the issuer, so long as the registration statement is effective, unless otherwise prescribed by order. A registration statement may not be withdrawn after its effective date if any of the securities registered have been sold in this state, unless permitted by rule or order of the division. No registration statement is effective during the time a stop order is in effect under s. 551.28.

(12) During the effective period of a registration statement, the division may by rule or order require the person who filed the registration statement to file reports, not more often than quarterly, to keep reasonably current the information contained in the registration statement and to disclose the progress of the offering. If any of the securities registered have been sold in the state, the division may by rule or order extend the period for filing the reports for an additional period not exceeding 2 years from the date the registration became effective or the date of its last amendment or extension.

(13) (a) Securities issued or guaranteed by an insurer authorized by the commissioner of insurance, or by a person whose business consists principally of owning or controlling the securities of any such insurer, may not be registered without the prior approval of the commissioner of insurance. Issuance of an organization permit under s. 611.13, 613.13 or 614.13 constitutes such approval for the securities described in the permit, and also precludes application of s. 551.28 (1) (d).

(b) No issuer which is being organized in this state or elsewhere solely or partly for the purpose of organizing a corporation under ch. 611, 613 or 614 may register or sell its securities in this state unless it obtains an organization permit under s. 611.13, 613.13 or 614.13. No security may be registered or sold in this state if there is any representation that an insurer will be organized or purchased in this state with the proceeds of the sale, unless the issuer obtains an organization permit under s. 611.13, 613.13 or 614.13.

(14) A registration statement relating to securities issued by any class of financial institutions, which the division by rule determines, may be amended after its effective date so as to increase the specified amount of securities proposed to be offered. The amendment becomes effective when the division so orders.

(15) No warrant or right to purchase or subscribe to another security and no security convertible into another security shall be registered unless it appears to the division that both the warrant or right or convertible security and the securities deliverable on the exercise of the warrant or right or conversion privilege comply with this chapter.

History: 1971 c. 84, 260; 1979 c. 102; 1981 c. 53 ss. 10, 43; 1983 a. 27, 216; 1987 a. 381; 1995 a. 27, 356.

Cross Reference: See also ch. DFI–Sec 3, Wis. adm. code.

Blue sky law: Is there merit in the merit requirements? Goodkind, 1976 WLR 79.

551.28 Denial, suspension and revocation of registrations. (1) The division may issue a stop order denying effective-

ness to, or suspending or revoking the effectiveness of, any registration statement if the division finds that the order is in the public interest and that:

(a) The registration statement as of its effective date or as of any earlier date in the case of an order denying effectiveness, or any amendment filed under s. 551.27 (14) as of its effective date, or any report under s. 551.27 (12) is incomplete in any material respect or contains any statement which was, in the light of the circumstances under which it was made, false or misleading with respect to any material fact;

(b) Any provision of this chapter or any rule, order or condition lawfully imposed under this chapter has been willfully violated, in connection with the offering, by the person filing the registration statement; the issuer, any partner, officer or director of the issuer, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling or controlled by the issuer, but only if the person filing the registration statement is directly or indirectly controlled by the issuer; or any broker–dealer or other person involved directly or indirectly in the offering;

(c) The securities are the subject of an administrative stop order or similar order or a permanent or temporary injunction of any court of competent jurisdiction entered under any other federal or state act applicable to the offering, but the division may not institute a proceeding against an effective registration statement under this paragraph more than one year from the date of the order or injunction relied on, and the division may not enter an order under this paragraph on the basis of an order or injunction entered under any other state act unless that order or injunction was based on facts which would currently constitute a ground for a stop order under this section;

(d) The issuer's enterprise or method of business includes or would include activities which are illegal where performed;

(e) The issuance or sale of the securities has worked or tended to work a fraud upon purchasers or would so operate;

(g) The applicant or registrant has failed to pay the proper filing fee; but the division may enter only a denial order under this paragraph and the division shall vacate any such order when the deficiency has been corrected;

(h) Advertising prohibited by s. 551.53 has been used in connection with the sale or offering of the securities; or

(2) The division may not institute a stop order proceeding against an effective registration statement on the basis of a fact or transaction known to the division when the registration statement became effective unless the proceeding is instituted within 180 days after the effective date.

(3) In a proceeding for registration by qualification, the applicant or registrant has the burden of satisfying the requirements of sub. (1). In a proceeding for registration by coordination, the division has the burden of establishing the existence of one of the causes enumerated in sub. (1).

(4) If the public interest and the protection of investors so require, the division may, by order, summarily deny, postpone, suspend or revoke the effectiveness of the registration statement. Upon the entry of the order, the division shall serve upon all named parties a copy of the order and notify the parties of their right to request a hearing.

(5) No stop order may be entered under this section, except under sub. (4), unless s. 551.61 (1) is complied with and appropriate prior notice is given to the applicant or registrant, the issuer and the person on whose behalf the securities are to be or have been offered.

(6) The division may vacate or modify a stop order if the division finds that the conditions which prompted its entry have changed or that it is otherwise in the public interest to do so.

History: 1971 c. 84; 1977 c. 144; 1981 c. 53 ss. 11, 43; 1983 a. 27; 1993 a. 197; 1995 a. 27, 356.

Cross Reference: See also ch. DFI–Sec 3, Wis. adm. code.

Adverse consequences of blue sky regulation of public offering expenses. Mofsky, 1972 WLR 1010.

551.29 Federal covered securities. (1) With respect to a federal covered security that is a covered security under section 18 (b) (2) of the Securities Act of 1933, the division may, by rule or order, require the filing of any of the following:

(a) Not later than the initial offer of the federal covered security in this state, a copy of each document that is part of its registration statement filed with the federal securities and exchange commission under the Securities Act of 1933, which may, at the option of the issuer, be accompanied by a form containing the information specified by the division by rule. If a filing is required under this paragraph, the filing shall be accompanied by a consent to service of process signed by the issuer and a notice filing fee under s. 551.52 (1) (a). Any notice filing required under this paragraph is effective upon receipt by the division of the documents and fees required under this paragraph, or upon the effectiveness of the registration statement under the Securities Act of 1933, whichever is later.

(b) After the initial offer of a federal covered security in this state, a copy of each document that is part of an amendment to its registration statement filed with the federal securities and exchange commission under the Securities Act of 1933, concurrent with the federal filing, which may, at the option of the issuer, be accompanied by a form containing the information specified by the division by rule. If a filing is required under this paragraph and the amendment relates either to a name change of the issuer, or a change in the designation of the federal covered security, the filing shall be accompanied by a fee in the amount prescribed by the rule or order requiring the filing. Unless the issuer requests a later effective date, an amendment filing required under this paragraph is effective upon receipt by the division of the documents and fees required under this paragraph.

(c) For a unit investment trust or closed–end investment company to extend its offering beyond a one–year period, a notice of extension, together with any filing fee prescribed by rule or order, at the time prescribed by rule or order.

(1m) If the division promulgates rules under sub. (1) (c) for unit investment trusts or closed–end investment companies, the division shall restate in those rules the statutory annual reporting and fee requirements that are applicable to an open–end management company or a face amount certificate company under s. 551.52 (1) (b) 2.

(2) With respect to a federal covered security that is a covered security under section 18 (b) (4) (D) of the Securities Act of 1933, the division may, by rule or order, require the issuer to file a notice consisting of a completed Form D as prescribed by Rule 503 of Regulation D under the Securities Act of 1933, signed by the issuer, not later than 15 days after the first sale of the federal covered security in this state. Any filing required under this subsection shall be accompanied by a fee in the amount prescribed by the rule or order requiring the filing. The filing shall be effective upon receipt by the division of the filing and the fee.

(3) With respect to a federal covered security that is a covered security under section 18 (b) (3) or (4) of the Securities Act of 1933, the division may, by rule or order, require the filing, for purpose of providing notice to the division, of any document filed with the federal securities and exchange commission under the Securities Act of 1933, together with a fee prescribed in the rule or order. The filing is effective upon receipt by the division of the documents and fee required under the rule or order.

(4) To the extent not prohibited by federal law, if the issuer of a federal covered security does not pay a fee required under this chapter with respect to that security and the nonpayment or underpayment of that fee has not been remedied within 10 days of receipt by the issuer of a written or electronically transmitted notification from the division, the federal covered security may not be offered or sold in this state unless it is registered under this chapter

or qualifies for an exemption from registration under s. 551.22 or 551.23.

(5) The division may issue an order suspending offers and sales of a federal covered security in this state, except a federal covered security under section 18 (b) (1) of the Securities Act of 1933, if the order is in the public interest and the division has reason to believe that there has been a failure to comply with this section or a rule or order issued under this section. The division may issue an order suspending offers and sales of a federal covered security in this state if the order is in the public interest and the division has reason to believe that the security is being or has been offered or sold in this state in violation of s. 551.41.

(6) The division may, by rule or order, waive any requirement under this section or under rules promulgated, or orders issued, under this section.

History: 1997 a. 316; 1999 a. 32.

Cross Reference: See also ss. DFI–Sec 2.01, 2.027, 2.028, 2.03, and 2.04, Wis. adm. code.

SUBCHAPTER III

LICENSING AND NOTICE FILING PROCEDURES; BROKER–DEALERS, AGENTS, INVESTMENT ADVISERS AND INVESTMENT ADVISER REPRESENTATIVES

551.31 Licensing and notice filing requirements.

(1) Unless exempt from licensing under this subsection, it is unlawful for any person to transact business in this state as a broker–dealer unless licensed under this chapter as a broker–dealer. Unless exempt from licensing under this subsection, it is unlawful for any person to transact business in this state as an agent unless licensed under this chapter as an agent. All of the following persons are exempt from licensing under this subsection:

(a) A person who effects transactions in this state exclusively for the account of or exclusively in offers to sell or sales to persons specified in s. 551.23 (8) (a) to (f).

(b) A person who gives a group presentation relating to an issuer or the securities of an issuer at a meeting or seminar sponsored by a broker–dealer licensed under this chapter, if the person makes no solicitations, offers or sales of the issuer’s securities on an individual basis with any person in this state and if the person does not in any other way transact business in this state as an agent.

(c) A person who represents a broker–dealer in effecting transactions, if the person meets the requirements under section 15 (h) (2) of the Securities Exchange Act of 1934 and the person’s transactions in this state are limited to those transactions described in section 15 (h) (3) of the Securities Exchange Act of 1934.

(d) An agent who is acting exclusively as an agent representing an issuer of securities and who makes offers and sales of the issuer’s securities in transactions that are exempt under s. 551.23 (8) (g) or under a rule of the division promulgated under s. 551.23 (18) that specifically exempts transactions involving accredited investors and that is based on a model accredited investor exemption adopted by the North American Securities Administrators Association.

(2) (a) It is unlawful for any broker–dealer or issuer to employ an agent to represent it in this state unless at least one of the following conditions is met:

1. The agent is licensed for that broker–dealer or issuer in this state.
2. The agent is exempted from the licensing requirement under sub. (1).
3. The agent is not required under sub. (7) to obtain a separate license to represent that issuer.

(b) An agent may not at any time represent in this state more than one broker–dealer or issuer and may not simultaneously represent both a broker–dealer and an issuer, except an agent may represent any of the following:

1. Licensed broker–dealers or issuers of securities registered under this chapter, or both, who are affiliated by direct or indirect common control.

2. More than one broker–dealer or more than one issuer, or both, if an application that complies with par. (c) is filed with the division and the division, in writing, permits the representation.

(c) The division shall by rule specify the required contents and form of an application filed under par. (b) 2.

(d) When an agent who is required to be licensed under sub. (1) terminates employment with a broker–dealer or issuer, or terminates those activities which make that individual an agent, or transfers employment between licensed broker–dealers, the agent, the broker–dealer or the issuer shall promptly file a notice in accordance with rules adopted by the division.

(3) Unless exempt from licensing under this subsection, it is unlawful for a person to transact business in this state as an investment adviser unless licensed under this chapter as an investment adviser. All of the following persons are exempt from licensing under this subsection:

(a) A person who is licensed as a broker–dealer under this chapter.

(b) A person whose only clients in this state are persons described under s. 551.23 (8) (a) to (f).

(c) A person who has no place of business in this state and, during the preceding 12–month period, has not had more than 5 clients who are residents of this state, exclusive of clients described under s. 551.23 (8) (a) to (f).

(3m) Unless exempt from licensing under this subsection, it is unlawful for a person to transact business in this state as an investment adviser representative for an investment adviser unless licensed under this chapter as an investment adviser representative. All of the following persons are exempt from licensing under this subsection:

(a) A person who is licensed as an agent under this chapter.

(b) A person whose only clients in this state are persons described under s. 551.23 (8) (a) to (f).

(c) A person who has no place of business in this state and, during the preceding 12–month period, has not had more than 5 clients who are residents of this state, exclusive of clients described under s. 551.23 (8) (a) to (f).

(4) (a) It is unlawful for any investment adviser who is required to be licensed under this chapter to employ an investment adviser representative to represent the investment adviser in this state, unless the investment adviser representative either is licensed for that investment adviser in this state or is a person described under sub. (3m) (a), (b) or (c).

(b) It is unlawful for any person having a place of business located in this state who is employed or supervised by, or is associated with, a federal covered adviser, to act as an investment adviser representative in this state, unless the investment adviser representative either is licensed in this state or is a person described under sub. (3m) (a), (b) or (c).

(c) 1. When an investment adviser representative licensed in this state employed by an investment adviser who is required to be licensed under this chapter terminates his or her employment, the investment adviser shall promptly file a notice with the division in accordance with rules promulgated by the division.

2. When an investment adviser representative licensed in this state employed by a federal covered adviser terminates his or her employment, the investment adviser representative shall promptly file a notice with the division in accordance with rules promulgated by the division.

(4m) It is unlawful for any federal covered adviser to transact investment advisory business in this state unless one of the following conditions is met:

(a) The federal covered adviser’s only clients who are residents of this state are described under s. 551.23 (8) (a) to (f).

(b) The federal covered adviser has no place of business in this state, and, during the preceding 12-month period, the adviser has not had more than 5 clients who are residents of this state, exclusive of clients described under s. 551.23 (8) (a) to (f).

(c) The federal covered adviser has complied with the notice filing provisions under s. 551.32 (1m).

(5) 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 accordance with rules adopted by the division.

(6) It is unlawful for any licensed broker–dealer, agent or investment adviser, or any person directly or indirectly controlling a licensed broker–dealer or investment adviser, to transact business in this state if the licensee is in violation of this chapter, or any rule under this chapter, or any order under this chapter of which the licensee or person has notice, or if the information contained in the licensee’s or person’s application for license, as of the date of such transactions, is incomplete in any material respect or is false or misleading with respect to any material fact.

(7) An agent may make offers and sales of securities for more than one issuer that is a limited partnership or for more than one issuer that is an investment company without obtaining a separate license for each limited partnership or investment company represented by the agent if all of the following conditions are satisfied:

(a) The limited partnerships have the same general partner, or the investment companies have the same investment adviser.

(b) An application to amend the agent’s license to name each additional limited partnership or investment company as the agent’s employer is filed with and approved by the division before the agent makes any offers or sales in this state on behalf of the additional limited partnership or investment company.

History: 1971 c. 84; 1977 c. 144; 1981 c. 53; 1983 a. 216; 1987 a. 381; 1991 a. 145; 1995 a. 27, 356; 1997 a. 316; 2001 a. 44.

Violators of subs. (1) and (3) are subject to strict liability. What constitutes transacting business as an investment advisor in violation of sub. (3) is discussed. *Garretto v. Elite Advisory Services, Inc.*, 793 F.2d 796 (1992).

551.32 Licensing and notice filing procedure. (1) (a) A broker–dealer, agent, investment adviser or investment adviser representative may obtain an initial or renewal license by filing with the division, or an organization which the division by rule designates, an application together with a consent to service of process under s. 551.65 (1).

(b) An application under par. (a) shall contain whatever information the division by rule requires concerning the applicant’s form and place of organization, proposed method of doing business and financial condition, the qualifications and business history of the applicant, including, in the case of a broker–dealer or investment adviser, the qualifications and business history of any partner, officer, director, or any person occupying a similar status or performing similar functions or any controlling person, any injunction or administrative order or conviction of a misdemeanor involving securities and any conviction of a felony, and any other matters which the division determines are relevant to the application. The division may by rule or order require an applicant for an initial license to publish an announcement of the application in one or more specified newspapers published in this state.

(bm) 1. In addition to information required under par. (b) and except as provided in par. (bs), an application under par. (a) shall contain the following:

a. In the case of an individual, the individual’s social security number.

b. In the case of a person who is not an individual, the person’s federal employer identification number.

2. The division may not disclose any information received under subd. 1. to any person except as follows:

a. The division may disclose information under subd. 1. to the department of revenue for the sole purpose of requesting certifications under s. 73.0301.

b. The division may disclose information under subd. 1. a. to the department of workforce development in accordance with a memorandum of understanding under s. 49.857.

(bs) 1. If an applicant for the issuance or renewal of a license under this section is an individual who does not have a social security number, the applicant, as a condition of applying for or applying to renew the license, shall submit a statement made or subscribed under oath or affirmation to the division that the applicant does not have a social security number. The form of the statement shall be prescribed by the department of workforce development.

2. Any license issued or renewed in reliance upon a false statement submitted by an applicant under subd. 1. is invalid.

(c) Licensing under this subchapter is effective 30 days after an application is filed, other than for an application for license as an agent for an issuer of securities exempted under s. 551.23 (10) or (19) in which case licensing is effective 10 business days after the application is filed or such earlier time as the division permits, except:

1. Licensing is not effective if an order is in effect, or a proceeding is pending, under s. 551.34;

2. If the division makes a written request for additional information relevant to the application within 30 days after the application is filed, the licensing is not effective until 30 days after the information is filed in response to that written request or in response to any subsequent written request for information by the division within 30 days after a response to a written request is filed;

3. If an amendment to a pending application is filed, licensing is effective 30 days after the amendment is filed; and

4. The division may by rule or order specify an earlier effective date.

(1m) (a) If required under s. 551.31 (4m), a federal covered adviser shall file with the division a notice filing together with the fee prescribed under s. 551.52 (2). The notice filing shall consist either of a notice filing form prescribed by the division by rule or a copy of those documents that have been filed with the federal securities and exchange commission as the division, by rule or order, may require.

(b) An initial notice filing is effective upon receipt by the division of the documents and fee required in par. (a). A renewal notice filing is effective upon the expiration under sub. (8) (a) of the prior notice filing, or upon receipt by the division of the documents and fee required under par. (a), whichever is later.

(c) To the extent not prohibited by federal law, a federal covered adviser, for whom a nonpayment or underpayment of any required fee to the division has not been remedied within 10 days of the receipt by the adviser of written notification from the division of the nonpayment or underpayment, shall either become licensed or qualify for an exclusion or exemption from licensure. The written notification by the division under this paragraph may be transmitted electronically.

(1s) The division shall cooperate with other securities administrators and regulatory authorities to simplify and coordinate license application, notice filing and renewal procedures.

(2) Before action on an application the division may designate an employee to make an examination of the books, records and affairs of the applicant at the applicant’s expense.

(3) A licensed broker–dealer or investment adviser may file an application for licensing of a successor, and a federal covered adviser may file a notice filing for a successor, whether or not the successor is then in existence, for the unexpired portion of the year. There shall be no filing fee.

(4) The division may by rule prescribe standards of qualification with respect to training, experience and knowledge of the securities business and provide for an examination, which may be written or oral or both, to be taken by any class of or all applicants and the division may by order require an examination of a licensed

broker–dealer, agent, investment adviser or investment adviser representative for due cause.

(5) The division may, by rule or order, establish a minimum net capital requirement for licensed broker–dealers, subject to the limitations of section 15 of the Securities Exchange Act of 1934 and may establish a minimum net capital requirement for licensed investment advisers, subject to the limitations of section 222 of the Investment Advisers Act of 1940.

(6) The division may, by rule or order, require licensed broker–dealers and investment advisers who have custody of or discretionary authority over client funds or securities, to post bonds in amounts as the division may prescribe by rule or order, subject to the limitations of section 15 of the Securities Exchange Act of 1934 for broker–dealers and section 222 of the Investment Advisers Act of 1940 for investment advisers, and may determine the conditions of the bonds. No bond may be required of any licensee whose net capital exceeds the amount prescribed by rule or order of the division. Every bond required by rules promulgated under this subsection shall provide for suit on the bond by any person who has a cause of action under s. 551.59 and, if the division by rule or order requires, by any person who has a cause of action not arising under this chapter. Every bond required by rules promulgated under this subsection shall provide that no suit may be maintained to enforce any liability on the bond unless the suit is brought within the time limitations of s. 551.59 (5).

(7) The division may by rule or order impose other conditions or limitations in connection with the issuance of licenses under this chapter as the division deems appropriate in the public interest or for the protection of investors.

(8) (a) Every license or notice filing under this section expires on December 31 unless one of the following occurs:

1. The license or notice filing is renewed.
2. The license or notice filing is limited or extended for not more than 6 months, and the licensee or notice filer pays a fee, adjusted proportionately by the division by rule or order.
3. The division specifies a different expiration date by rule or order.

(b) No license or notice filing under this section is effective after its expiration. The expiration of a license or notice filing for which a renewal application has not been filed constitutes an application for withdrawal under sub. (9).

(9) (a) Withdrawal from the status of a licensed broker–dealer, agent, investment adviser or investment adviser representative becomes effective 30 days after receipt by the division or by an organization designated by rule of the division under sub. (1) (a) of an application to withdraw or within such shorter period as the division determines, unless a revocation or suspension proceeding is pending when the application is filed or a proceeding to revoke or suspend or to impose conditions upon the withdrawal is instituted within 30 days after the application is filed. If a proceeding is pending or instituted, withdrawal becomes effective at such time and upon such conditions as the division by order determines. If no proceeding is pending or instituted and withdrawal automatically becomes effective, the division may institute a revocation or suspension proceeding for the grounds specified under s. 551.34 (1) (b), (g), (m) or (n) within one year after withdrawal became effective and enter a revocation or suspension order as of the last date on which the license was in effect.

(b) Termination of a notice filing under s. 551.32 (1m) is effective upon receipt by the division of written notification of termination.

History: 1981 c. 53; 1983 a. 87; 1995 a. 27, 415; 1997 a. 191, 237; 1997 a. 316 ss. 42 to 51, 60; 1999 a. 9, 32.

Cross Reference: See also chs. DFI–Sec 4 and 5, Wis. adm. code.

551.33 Post–licensing provisions. (1) Every licensed broker–dealer, agent and investment adviser shall make and keep all accounts, correspondence, memoranda, papers, books and other records which the division prescribes by rule or order, subject to the limitations of section 15 of the Securities Exchange Act

of 1934 for broker–dealers and section 222 of the Investment Advisers Act of 1940 for investment advisers. All records required shall be preserved for the period prescribed by the division by rule or order. All required records shall, at the request of the division, be made available at any time for examination by the division either in the principal office of the licensee or by production of exact copies thereof in this state.

(2) Every licensed broker–dealer and investment adviser shall file such reports as the division prescribes by rule or order, subject to the limitations of section 15 of the Securities Exchange Act of 1934 for broker–dealers and section 222 of the Investment Advisers Act of 1940 for investment advisers.

(3) If the information contained in any application for a license or other document filed with the division or an organization designated under s. 551.32 (1) (a) is or becomes inaccurate or incomplete in any material respect, the licensee filing the application or document shall promptly file a correcting amendment, except that a federal covered adviser shall file a correcting amendment when it is required to be filed with the securities and exchange commission, unless notification of the correction has been given under s. 551.32 (9) (a).

(4) The division shall make periodic examinations, within or without this state, of the business and records of each licensed broker–dealer and investment adviser, at such times and in such scope as the division determines. The examinations may be made without prior notice to the broker–dealer or investment adviser. The expense reasonably attributable to any such examination shall be paid by the broker–dealer or investment adviser whose business is examined, but the expense so payable shall not exceed an amount which the division by rule prescribes. For the purpose of avoiding unnecessary duplication of examinations, the division, insofar as it is practicable in administering this subsection, may cooperate with securities administrators of other states, the securities and exchange commission, and any national securities exchange or national securities association registered under the Securities Exchange Act of 1934. The division shall not make public the information obtained in the course of examinations, except when the division's duty under this chapter requires the division to take action regarding any broker–dealer or investment adviser or to make the information available to one of the organizations specified in this subsection, or except when called as a witness in any criminal or civil proceeding.

(5) The division may by rule prohibit unreasonable charges, profits, commissions or other compensation of broker–dealers and investment advisers.

(6) The division may by rule establish standards for the conduct of business by broker–dealers, agents, investment advisers and clearing corporations as defined in s. 408.102 (1) (e).

(7) No licensed broker–dealer shall be subject to s. 138.05 (1) (a) with respect to any debit balance in a customer account if the debit balance is payable on demand and the only collateral for the balance is securities.

(8) With respect to investment advisers, the division may, by rule or order, require that certain information be furnished or disseminated as necessary or appropriate in the public interest or for the protection of investors and advisory clients. If the division promulgates rules or issues orders under this subsection requiring that information be furnished or disseminated, the division may, in its discretion, permit investment advisers to satisfy requirements of these rules or orders in whole or in part by furnishing clients or prospective clients information that would satisfy the requirements of the Investment Advisers Act of 1940.

History: 1971 c. 84; 1975 c. 107, 199; 1977 c. 144; 1981 c. 53; 1983 a. 189 s. 329 (24); 1985 a. 237 s. 119; 1995 a. 27; 1997 a. 297, 316.

Cross Reference: See also ch. DFI–Sec 4 and ss. DFI–Sec 5.03, 5.035, and 5.05, Wis. adm. code.

551.34 Denial, suspension and revocation of licenses.

(1) The division may by order deny an application for, or postpone the effective date of, a license or suspend or revoke any license or may censure the licensee, if the division finds that the

order is in the public interest and that the applicant or licensee or, in the case of a broker–dealer or investment adviser, any partner, officer or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker–dealer or investment adviser:

(a) Has filed an application for license which as of its effective date, or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained any statement which was, in light of the circumstances under which it was made, false or misleading with respect to any material fact;

(b) Has willfully violated or willfully failed to comply with any provision of this chapter or a predecessor law or the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, or any rule under any of such statutes or any order thereunder of which he or she has notice;

(c) Subject to ss. 111.321, 111.322 and 111.335, has been convicted, within the past 10 years, of any misdemeanor involving a security or any aspect of the securities business, or any felony;

(d) Is permanently or temporarily enjoined by any court of competent jurisdiction from engaging in or continuing any conduct or practice involving any aspect of the securities business;

(e) Is the subject of an order of the division denying an application or suspending or revoking a license as a broker–dealer, agent or investment adviser;

(f) Is the subject of an order entered within the past 5 years by the securities administrator of any other state or by the securities and exchange commission denying, suspending or revoking the person's registration or license as a broker–dealer, agent, investment adviser or federal covered adviser, or is the subject of an order of the securities and exchange commission or of a securities exchange or association registered under the Securities Exchange Act of 1934 suspending or expelling such person from a securities exchange or association or forbidding the association or affiliation of the person with a broker–dealer or investment adviser, or is the subject of a U.S. postal service fraud order. The division may not institute a revocation or suspension proceeding under this paragraph more than one year from the date of the order relied on, and the division may not enter an order under this paragraph on the basis of an order under another state law or federal law unless the order was based on facts which would currently constitute a ground for an order under this section;

(g) Has engaged in dishonest or unethical practices in the securities or investment advisory business or has taken unfair advantage of a customer;

(h) Is insolvent, in the sense that liabilities exceed assets or that the person cannot meet obligations as they mature, or is in such financial condition that the person cannot continue in business with safety to customers, or the person does not have sufficient financial responsibility to carry out the obligations incident to the person's operations;

(i) Is not qualified on the basis of such factors as training, experience and knowledge of the securities business;

(j) Has failed reasonably to supervise agents or, in the case of an investment adviser, employees, to assure their compliance with this chapter, but no person may be deemed to have failed in such supervision if there have been established written procedures, and a system for applying such procedures, which would reasonably be expected to prevent and detect, insofar as practicable, any violations of statutes, rules or orders and if the person has reasonably discharged the duties incumbent upon the person by reason of such procedures and system;

(k) Has failed to pay the proper filing fee, but the division shall vacate any such order when the deficiency has been corrected;

(L) Is selling or has sold, or is offering or has offered for sale, in this state securities through any unlicensed agent or for any dealer or issuer with knowledge that the dealer or issuer has not complied with this chapter;

(m) Has made any material misrepresentation to or withheld or concealed any material fact from the division, or has refused to furnish information reasonably requested by the division; or

(n) Has not complied with the conditions or limitations of a license issued under this chapter.

(1m) (a) The division shall deny an application for the issuance or renewal of a license if any of the following applies:

1. The applicant fails to provide any information required under s. 551.32 (1) (bm) 1.

2. The department of revenue certifies under s. 73.0301 that the applicant is liable for delinquent taxes. An applicant whose application for the issuance or renewal of a license is denied under this subdivision for delinquent taxes is entitled to a notice under s. 73.0301 (2) (b) 1. b. and hearing under s. 73.0301 (5) (a) but is not entitled to any other notice, hearing or review under this subchapter.

3. The applicant is an individual who fails to comply, after appropriate notice, with a subpoena or warrant issued by the department of workforce development or a county child support agency under s. 59.53 (5) and related to paternity or child support proceedings or who is delinquent in making court–ordered payments of child or family support, maintenance, birth expenses, medical expenses or other expenses related to the support of a child or former spouse, as provided in a memorandum of understanding entered into under s. 49.857. An applicant whose application is denied under this subdivision for delinquent payments is entitled to a notice and hearing under s. 49.857 but is not entitled to any other notice or hearing under this section.

(b) Unless s. 551.32 (1) (bs) 1. applies to the licensee, the division shall restrict or suspend a license under this subchapter if the licensee is an individual who fails to provide his or her social security number. The division shall restrict or suspend a license under this subchapter if the licensee is an individual who fails to comply, after appropriate notice, with a subpoena or warrant issued by the department of workforce development or a county child support agency under s. 59.53 (5) and related to paternity or child support proceedings or who is delinquent in making court–ordered payments of child or family support, maintenance, birth expenses, medical expenses or other expenses related to the support of a child or former spouse, as provided in a memorandum of understanding entered into under s. 49.857. A licensee whose license is restricted or suspended under this paragraph is entitled to a notice and hearing under s. 49.857 but is not entitled to any other notice or hearing under this section.

(c) The division shall revoke a license if the department of revenue certifies under s. 73.0301 that the licensee is liable for delinquent taxes. A licensee whose license is revoked under this paragraph for delinquent taxes is entitled to a notice under s. 73.0301 (2) (b) 1. b. and hearing under s. 73.0301 (5) (a) but is not entitled to any other notice, hearing or review under this subchapter.

(2) The enumeration of the causes stated in sub. (1) shall not be exclusive and the division may deny an application or suspend or revoke any license or censure any licensee for any cause whether similar to or different from these causes when necessary or appropriate in the public interest or for the protection of investors.

(3) The division may not institute a suspension or revocation proceeding on the basis of a fact or transaction known to the division when the license was issued unless the proceeding is instituted within 180 days following issuance of the license.

(4) If the public interest or the protection of investors so requires, the division may by order summarily deny or suspend a license or postpone the effective date of a license. Upon the entry of the order, the division shall serve upon all named parties a copy of the order and notify the parties of their right to request a hearing.

(5) If the division finds that any licensee or applicant is no longer in existence or has ceased to do business as a broker–dealer, agent, investment adviser or investment adviser representative, or is subject to an adjudication of mental incompetence or to the con-

trol of a committee, conservator or guardian, or cannot be located after reasonable search, the division may on order issued summarily revoke the license or deny the application.

(7) No order may be entered under this section except under sub. (4) or (5) without appropriate prior notice to the applicant or licensee, as well as the employer or prospective employer if the applicant or licensee is an agent. In cases of denial orders written findings of fact and conclusions of law are required only if requested by the applicant.

History: 1971 c. 84; 1977 c. 125, 144; 1981 c. 53 ss. 19 to 21, 43; 1981 c. 334 s. 25 (1); 1983 a. 216 ss. 11, 18; 1995 a. 27, 415; 1997 a. 191, 237, 316; 1999 a. 9.

Cross Reference: See also ss. DFI–Sec 4.06 and 5.06, Wis. adm. code.

SUBCHAPTER IV

FRAUDULENT PRACTICES

551.41 Sales and purchases. It is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly:

(1) To employ any device, scheme or artifice to defraud;

(2) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or

(3) To engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

Cross Reference: See also ch. DFI–Sec 6 and ss. DFI–Sec 4.05 and 5.05, Wis. adm. code.

Intent to defraud is not a necessary element under sub. (2). *State v. Temby*, 108 Wis. 2d 521, 322 N.W.2d 522 (Ct. App. 1982).

The meaning of “sale” is discussed. *State v. Mattes*, 175 Wis. 2d 572, 499 N.W.2d 711 (Ct. App. 1993).

Whether a representation is material under sub. (2) is determined based on the objective standard of whether the omitted or misrepresented fact would have made a difference to a reasonable investor’s decision to invest. *State v. Johnson*, 2002 WI App 224, 257 Wis. 2d 736, 652 N.W.2d 642.

Lack of reliance is a defense to all claims based on a misrepresentation theory. The application of s. 551.59 (1) (b) does not restrict the defense to claims under s. 551.41 (2). *Carney v. Mantuano*, 204 Wis. 2d 527, 554 N.W.2d 854 (Ct. App. 1996).

Section 551.41 does not create a private right of action. Section 551.59 (1) contains a civil remedy for a violation of s. 551.41 (2), and the limitation period in s. 551.59 (5) applies. *Colonial Bank & Trust Co. v. American Bankshares*, 478 F. Supp. 1186 (1979).

Actions under ss. 551.41 and 551.59 survive the death of the wrongdoer. *Continental Assurance Co. v. American Bankshares Corp.*, 483 F. Supp. 175 (1980).

Proof that the defendant entered into investment contracts with a purpose or intent to defraud investors is not required for a violation of sub. (3). The state need only prove that the accused willfully engaged in conduct that operates or would operate as a fraud or deceit upon a person. The nature of the act is dispositive, not the actor’s state of mind. *Van Duyse v. Israel*, 486 F. Supp. 1382 (1980).

551.42 Market manipulation. It is unlawful for any person, directly or indirectly, in this state:

(1) To effect any transaction in a security which involves no change in the beneficial ownership thereof, or to enter any order or orders for the purchase or sale of any security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale or purchase of the security, have been or will be entered by or for the same or affiliated persons, for the purpose of creating a false or misleading appearance of active trading in the security or a false or misleading appearance with respect to the market for the security;

(2) To effect, alone or with one or more other persons, a series of transactions in any security creating actual or apparent active trading in the security or raising or depressing the price of the security, for the purpose of inducing the purchase or sale of the security by others; or

(3) To induce the purchase or sale of any security by the circulation or dissemination of information to the effect that the price of the security will or is likely to rise or fall because of market operations of any one or more persons conducted for the purpose of raising or depressing the price of the security, if he or she is selling or offering to sell or purchasing or offering to purchase the

security or is receiving a consideration, directly or indirectly, from any such person.

History: 1981 c. 53 s. 43.

551.43 Broker–dealer activities. It is unlawful for a broker–dealer to effect in this state any transaction in, or to induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance, including any fictitious quotation. The division may by rule define the terms “manipulative, deceptive or other fraudulent device or contrivance”.

History: 1995 a. 27.

Cross Reference: See also ss. DFI–Sec 4.05 and 6.04, Wis. adm. code.

551.44 Advisory activities. It is unlawful for any person who receives any consideration from another person primarily for advising the other person as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise, in this state, to employ any device, scheme or artifice to defraud the other person; or engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon the other person. The division may adopt rules defining the terms used in this section.

History: 1981 c. 53; 1995 a. 27; 1997 a. 316.

SUBCHAPTER V

GENERAL PROVISIONS

551.51 Administration. (1) This chapter shall be administered by the division.

(2) It is unlawful for the division or any officers or employees of the division to use for personal benefit any information which is filed with or obtained by the division or an organization designated under s. 551.32 (1) (a) and which is not generally available to the public. Nothing in this chapter authorizes the division or any officers or employees of the division to disclose any confidential information except among themselves or to other securities administrators or regulatory authorities or when necessary or appropriate in a proceeding or investigation under this chapter. No provision of this chapter either creates or derogates from any privilege which exists at common law or otherwise when documentary or other evidence is sought under a subpoena directed to the division or any officers or employees of the division.

History: 1971 c. 84; 1977 c. 418; 1981 c. 53; 1995 a. 27.

Cross Reference: See also DFI–Sec and ch. DFI–Sec 7, Wis. adm. code.

551.52 Fees and expenses. (1) (a) There shall be a filing fee of \$750 for every registration statement filed under s. 551.25 or 551.26, and for every notice filing under s. 551.29 (1) (a). If a registration statement is denied or withdrawn before the effective date or a pre–effective stop order is entered under s. 551.28, or a notice filing is withdrawn, the filing fee shall be retained.

(b) 1. An indefinite amount of securities shall be registered for offer and sale in this state under a registration statement relating to redeemable securities issued by an open–end management company or a face amount certificate company, as defined in the Investment Company Act of 1940, and the applicant shall pay the fee under par. (a). The registrant also shall, within 60 days after the end of each fiscal year during which its registration statement is effective and within 60 days after the registration is terminated, file a report on a form prescribed by rule of the division. The form shall require the registrant to do one of the following:

a. Elect not to include the information under subd. 1. b. and instead pay a fee of \$1,500.

b. Report the amount of securities sold to persons in this state during the preceding fiscal year or, if the registration is terminated, during the portion of the preceding fiscal year during which the registration was effective, and pay a fee of 0.05% of the dollar amount of the securities sold to persons in this state, but not less than \$150 nor more than \$1,500.

2. An indefinite amount of securities is eligible for offer and sale in this state resulting from a notice filing under s. 551.29 (1) (a) for the initial offer of a federal covered security under section 18 (b) (2) of the Securities Act of 1933, if the filing party has notified the division of the issuer's fiscal year, and the filing party pays the fee under par. (a). The filing party shall also, within 90 days after the end of each fiscal year following the filing under s. 551.29 (1) (a), and within 90 days after sales in this state have terminated, file a report to allow the division to determine that the amount of the fee paid is correct. The report shall be on a form prescribed by rule of the division and shall require the filing party to do one of the following:

a. Elect not to include the information under subd. 2. b. and instead pay a fee of \$1,500.

b. Report the amount of securities sold to persons in this state during the preceding fiscal year or, if sales have terminated, during the portion of the preceding fiscal year during which sales were made, and pay a fee of 0.05% of the dollar amount of the securities sold to persons in this state, but not less than \$150 nor more than \$1,500.

(2) Every applicant for an initial or renewal license under s. 551.32 shall pay a filing fee of \$200 in the case of a broker–dealer or investment adviser and \$30 in the case of an agent representing a broker–dealer or issuer or an investment adviser representative. Every federal covered adviser in this state that is required to make a notice filing under s. 551.32 (1m) shall pay an initial or renewal notice filing fee of \$200. A broker–dealer, investment adviser, or federal covered adviser maintaining a branch office within this state shall pay an additional filing fee of \$30 for each branch office. When an application is denied, or an application or a notice filing is withdrawn, the filing fee shall be retained.

(3) The expenses reasonably attributable to the examination of any matter arising under this chapter shall be charged to the applicant, registrant or licensee involved, but the expenses so charged shall not exceed such maximum amounts as the division by rule prescribes.

(4) The division may by rule require the payment of prescribed fees for delinquent or materially deficient filings of information or documents required under this chapter to be filed with the division or an organization designated under s. 551.32 (1) (a).

(5) All fees and expenses collected under this section shall be paid into the state treasury.

History: 1973 c. 333; 1977 c. 418; 1981 c. 53; 1983 a. 27; 1987 a. 381; 1995 a. 27; 1997 a. 316.

Cross Reference: See also s. DFI–Sec 7.01, Wis. adm. code.

551.53 Advertising. (1) It is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, to publish, circulate or use any advertising:

(a) That contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(b) That has not been filed with the division not later than the date of publication or circulation, except for advertising relating to a federal covered security or except as the division may otherwise provide by rule or order.

(2) The division may by rule or order prohibit the publication, circulation or use of any advertising deemed false or misleading.

History: 1971 c. 84; 1975 c. 57; 1981 c. 53; 1983 a. 216; 1995 a. 27; 1997 a. 316.

Cross Reference: See also ss. DFI–Sec 4.05, 5.05 and 7.02, Wis. adm. code.

551.54 Misleading filings. It is unlawful for any person to make or cause to be made, in any document filed with the division or filed under s. 551.32 (1) (a) with an organization designated by the division or in any proceeding under this chapter, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect or, in connection with such statement, to omit to state a material fact

necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

History: 1981 c. 53; 1995 a. 27.

551.55 Unlawful representations. Neither the fact that a notice filing, registration statement or an application for a license has been filed nor the fact that a security is effectively registered or a person is licensed constitutes a finding by the division that any document filed under this chapter is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the division has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the foregoing.

History: 1995 a. 27; 1997 a. 316.

551.56 Investigations and subpoenas. (1) The division may:

(a) Make such public or private investigations within or without this state as are necessary to determine whether any person has violated or is about to violate this chapter or any rule or order under this chapter, or to aid in the enforcement of this chapter or in the prescribing of rules and forms under this chapter;

(b) Require or permit any person to file a statement in writing, under oath or otherwise as the division determines, as to all the facts and circumstances concerning the matter being investigated;

(c) Publish information concerning any violation of this chapter or any rule or order under this chapter or concerning securities, or practices in the sale of securities, which appear or tend to be unfair, inequitable or fraudulent; and

(d) Hold hearings, upon reasonable notice, and issue orders on the basis thereof, in respect of any matter arising out of the administration of this chapter.

(2) For the purpose of any investigation, hearing or proceeding under this chapter, the division or any officer designated by the division may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence and require the production of any books, papers, correspondence, memoranda, agreements or other documents or records which the division deems relevant or material to the inquiry. Failure to obey a subpoena or give evidence may be dealt with in accordance with s. 885.12.

(3) (a) No person is excused from attending and testifying or from producing any document or record before the division, or in obedience to the subpoena of the division or any officer designated by the division, or in any proceeding instituted by the division, on the ground that the testimony or evidence required of the person may tend to incriminate him or her or subject the person to a penalty or forfeiture; but no individual may be prosecuted or subjected to any penalty or forfeiture for or on account of his or her testimony or evidence, after claiming his or her privilege against self–incrimination, except that the individual testifying is not exempt from prosecution and punishment for perjury or contempt committed in testifying.

(b) The immunity provided under par. (a) is subject to the restrictions under s. 972.085.

History: 1975 c. 57; 1981 c. 53 ss. 27, 43; 1989 a. 122; 1995 a. 27.

551.57 Injunctions. Whenever it appears to the division that any person has engaged or is about to engage in any act or practice constituting a violation of this chapter or any rule or order hereunder, the division may bring an action in the name of the state in the circuit court of the appropriate county to enjoin the acts or practices and to enforce compliance with this chapter or any rule or order hereunder, or the division may refer the matter to the attorney general or the district attorney of the appropriate county. Upon a proper showing, the court may grant a permanent or temporary injunction or restraining order, or may appoint a receiver

for the defendant or the defendant's assets, or may order rescission of any sales or purchases of securities determined to be unlawful under this chapter or any rule or order hereunder. The court may not require the division to post a bond.

History: 1971 c. 84; 1981 c. 53 s. 43; 1995 a. 27.

551.58 Criminal penalties. (1) Any person who willfully violates any provision of this chapter except s. 551.54, or any rule under this chapter, or any order of which the person has notice, or who violates s. 551.54 knowing or having reasonable cause to believe that the statement made was false or misleading in any material respect, is guilty of a Class H felony. Each of the acts specified shall constitute a separate offense and a prosecution or conviction for any one of such offenses shall not bar prosecution or conviction for any other offense.

(2) The division may refer such evidence as is available concerning violations of this chapter or of any rule or order under this chapter to the attorney general or the district attorney of the appropriate county, who may, with or without any reference, institute the appropriate criminal proceedings under this chapter. If referred to a district attorney, the district attorney shall, within 90 days, file with the division a statement concerning any action taken or, if no action has been taken, the reasons therefor.

(3) Nothing in this chapter limits the power of the state to punish any person for any conduct which constitutes a crime under any other statute.

History: 1981 c. 53; 1995 a. 27; 1997 a. 283; 2001 a. 109.

That sub. (1) does not require a person to know his or her actions are unlawful does not render the statute unconstitutional. *Mueller v. Sullivan*, 141 F.3d 1232 (1998).

551.59 Civil liabilities. (1) (a) Any person who offers or sells a security in violation of s. 551.21, 551.31, 551.41 or 551.55 or any rule relating thereto, or any condition imposed under s. 551.26 or 551.27 or any order under this chapter of which the person has notice is liable to the person purchasing the security from him or her. The person purchasing the security may sue either at law or in equity to recover the consideration paid for the security, together with interest at the legal rate under s. 138.04 from the date of payment, and reasonable attorney fees, less the amount of any income received on the security, upon the tender of the security, or for damages if the person no longer owns the security. Damages are the amount that would be recoverable upon a tender less the value of the security when the purchaser disposed of it and interest at the legal rate under s. 138.04 from the date of disposition. Tender shall require only notice of willingness to exchange the security for the amount specified. Any notice may be given by service as in civil actions or by certified mail addressed to the last-known address of the person liable.

(b) A person who offers or sells a security in violation of s. 551.41 (2) is not liable under par. (a) if the purchaser knew of the untrue statement of a material fact or omission of a statement of a material fact or the person sustains the burden of proof to establish that he or she did not know and in the exercise of reasonable care could not have known of the untrue statement or omission.

(2) (a) Any person who purchases a security in violation of s. 551.41 (2) is liable to the person selling the security to him or her, who may sue either at law or in equity to recover the security and reasonable attorney fees, plus any income received by the purchaser thereon, upon tender of the consideration received, or for damages and reasonable attorney fees if the purchaser no longer owns the security. Damages are the excess of the value of the security when the purchaser disposed of it, plus interest at the legal rate under s. 138.04 from the date of disposition, over the consideration paid for the security. Tender requires only notice of willingness to pay the amount specified in exchange for the security. Any notice may be given by service as in civil actions or by certified mail to the last-known address of the person liable.

(b) A person who purchases a security in violation of s. 551.41 (2) is not liable under par. (a) if the seller knew of the untrue statement of a material fact or omission of a statement of a material fact

or the person sustains the burden of proof to establish that he or she did not know and in the exercise of reasonable care could not have known of the untrue statement or omission.

(3) Any person who willfully participates in any act or transaction in violation of s. 551.42 shall be liable to any other person who purchases or sells any security at a price which was affected by the act or transaction for the damages sustained as a result of such act or transaction. Damages shall be the difference between the price at which the other person purchased or sold securities and the market value which the securities would have had at the time of his or her purchase or sale in the absence of the act or transaction, plus interest at the legal rate under s. 138.04 and reasonable attorney fees.

(4) Every person who directly or indirectly controls a person liable under sub. (1), (2) or (3), every partner, principal executive officer or director of such person, every person occupying a similar status or performing similar functions, every employee of such person who materially aids in the act or transaction constituting the violation, and every broker-dealer or agent who materially aids in the act or transaction constituting the violation, are also liable jointly and severally with and to the same extent as such person, unless the person liable hereunder proves that he or she did not know, and in the exercise of reasonable care could not have known, of the existence of the facts by reason of which the liability is alleged to exist. There is contribution as in cases of contract among the several persons so liable.

(5) No action shall be maintained under this section unless commenced before the expiration of 3 years after the act or transaction constituting the violation, but the time specified for commencing such action shall be extended by reason of any fact and for the time specified in ss. 893.13 and 893.16 to 893.23.

(6) (a) No purchaser may commence an action under this section if, before suit is commenced, the purchaser has received a written offer stating the respect in which liability under this section may have arisen and fairly advising the purchaser of his or her rights; offering to repurchase the security for cash payable on delivery of the security equal to the consideration paid, together with interest at the legal rate under s. 138.04 from the date of payment, less the amount of any income received thereon or, if the purchaser no longer owns the security, offering to pay the purchaser upon acceptance of the offer an amount in cash equal to the damages computed in accordance with sub. (1); and stating that the offer may be accepted by the purchaser at any time within a specified period of not less than 30 days after the date of receipt thereof or such shorter period as the division may by rule prescribe; and the purchaser has failed to accept such offer in writing within the specified period.

(b) No seller may commence an action under this section if, before suit is commenced, the seller has received a written offer stating the respect in which liability under this section may have arisen and fairly advising the seller of his or her rights; offering to return the security plus the amount of any income received thereon upon payment of the consideration received, or, if the purchaser no longer owns the security, offering to pay the seller upon acceptance of the offer an amount in cash equal to the damages computed in accordance with sub. (2); and providing that the offer may be accepted by the seller at any time within a specified period of not less than 30 days after the date of receipt thereof; and the seller has failed to accept the offer in writing within the specified period.

(c) Offers shall be in the form and contain the information the division by rule prescribes. Every offer under this subsection shall be delivered to the offeree or sent by certified mail addressed to the offeree at the offeree's last-known address. If an offer is not performed in accordance with its terms, suit by the offeree under this section shall be permitted without regard to this subsection.

(7) No person who has made or engaged in the performance of any contract in violation of this chapter or any rule or order hereunder, or who has acquired any purported right under any

contract with knowledge of the facts by reason of which its making or performance was in violation, may base any suit on the contract.

(8) Any condition, stipulation or provision binding any person acquiring any security to waive compliance with any provision of this chapter or any rule or order hereunder is void.

(9) The rights and remedies under this chapter are in addition to any other rights or remedies that may exist at law or in equity.

History: 1979 c. 323 s. 33; 1981 c. 53 ss. 29 to 33, 43; 1983 a. 216; 1995 a. 27.
Cross Reference: See also s. DFI–Sec 7.03, Wis. adm. code.

Chapter 551 is not the exclusive remedy for securities fraud. It does not preempt common law fraud remedies. *Esser Distributing v. Steidl*, 149 Wis. 2d 64, 437 N.W.2d 884 (1989).

Sub. (7) is operative only when an innocent party elects rescission and restitution and waives a breach of contract remedy. *Criticare Systems, Inc. v. Sentek, Inc.* 159 Wis. 2d 639, 465 N.W.2d 216 (Ct. App. 1990).

Lack of reliance is a defense to all claims based on a misrepresentation theory. The application of sub. (1) (b) does not restrict the defense to claims under s. 551.41 (2). *Carney v. Mantuano*, 204 Wis. 2d 527, 554 N.W.2d 854 (Ct. App. 1996).

A civil action brought in Wisconsin under federal law is subject to the limitation under sub. (5). *Cahill v. Ernst & Ernst*, 625 F. 2d 151 (1980).

An arbitration clause in a securities brokerage contract was enforceable under the federal arbitration act. Sub. (8) was in “actual conflict” with the act and was preempted. *Kroog v. Mait*, 712 F. 2d 1148 (1983).

Section 551.59 (5) applies to actions arising out of sales of securities under SEC rules, rather than s. 893.19 (7) [now 893.93 (1) (b)]. *Kramer v. Loewi & Co., Inc.* 357 F. Supp. 83 (1973).

Actions under ss. 551.41 and 551.59 survive the death of the wrongdoer. *Continental Assurance Co. v. American Bankshares Corp.* 483 F. Supp. 175 (1980).

The limitation period under sub. (5) begins to run when the defrauded party is in possession of essential facts that will, if diligently investigated, disclose the fraud. *Gieringer v. Silverman*, 539 F. Supp. 498 (1982).

A defrauded party may not recover any indirect or consequential damages under sub. (1) (a). *Jersild v. Aker*, 775 F. Supp. 1198 (1991).

551.60 Miscellaneous powers. (1) The division may by rule or order require any issuer of securities registered or exempted by order of the division under this chapter or predecessor laws to file with the division and distribute to its security holders in this state at least annually specified financial or other information concerning the issuer.

(2) (a) If the division has reason to believe that any offer or sale of an unregistered security is, has been or would be fraudulent to offerees or purchasers, the division may by order summarily prohibit further offers or sales of such security in this state until it is registered under this chapter.

(b) If the division has reason to believe that any security is being or has been offered or sold in this state by any unlicensed person in violation of this chapter or any rule or order hereunder, the division may by order summarily prohibit such person from further offers or sales of securities in this state until licensed under this chapter.

(c) If the division has reason to believe that any unlicensed person is transacting or has transacted business in this state as an investment adviser in violation of this chapter or any rule or order promulgated under this chapter, the division may by order summarily prohibit such person from further engaging in such activity in this state until licensed under this chapter.

(3) If the public interest and the protection of investors so require, the division may by order summarily suspend all trading in this state by broker–dealers and agents in any security for any period specified. No broker–dealer or agent may effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state in which trading is so suspended, except in performance of a contract previously entered into. At any time after the issuance of an order under this subsection, any interested person may in writing request that the suspension of trading be vacated. Upon the receipt of a written request, the matter shall be noticed for hearing and a hearing shall be held in the manner provided in s. 551.61 (2). After the hearing, the division may order the suspension to be continued until modified or vacated by further order upon a finding that trading in the security will tend to work a fraud upon the purchasers or sellers of the security. Otherwise, the division shall vacate the suspension of trading and no further order may be entered under this subsection with respect to

the same security in the absence of changed circumstances justifying an order.

(4) Every corporation, partnership or association having its principal office in this state or whose securities have been registered under this chapter or predecessor laws shall, within 20 days after receipt of written request from the division made in connection with any investigation under s. 551.56 (1), furnish the division with a list of all or part of its security holders as the division requests, showing the amount of securities held by each security holder and the date of issuance of such securities and information reasonably related thereto, signed by the president, secretary or partner of the issuer or a person occupying a similar status or performing similar functions.

(5) The division may take such action as is authorized under 7 USC 13a–2, as amended.

History: 1971 c. 84; 1975 c. 57, 199; 1977 c. 144; 1981 c. 53 ss. 34, 35, 43; 1983 a. 216; 1995 a. 27, 356.

551.605 Administrative assessments; investor education. (1) IMPOSING ADMINISTRATIVE ASSESSMENT WITH CERTAIN ORDERS. (a) The division or any officer designated by the division may impose an administrative assessment in the amount provided in par. (b) on any person who is subject to an order that is issued under s. 551.24, 551.28, 551.34, 551.53, 551.60 or 551.63 (1) and (2) in any of the following circumstances:

1. Following a hearing under s. 551.61 if the notice delivered to all interested parties includes notice of the division’s authority to impose an administrative assessment under this subsection.

2. Pursuant to an order that is issued under any of the sections referred to in this paragraph and that is stipulated to by each person subject to the administrative assessment.

(b) The amount of an administrative assessment imposed on any person under this subsection may not exceed \$5,000 for each act or omission that constitutes the basis for issuing the order under any of the sections referred to in par. (a), except that the amount of the administrative assessment may not exceed \$50,000 for any person subject to the order.

(c) The division shall include any administrative assessment imposed under this subsection in the order issued under any of the sections referred to in par. (a) in the manner described in par. (a) 1. or 2.

(d) Upon the request of the division, the department of justice may bring a civil action in the circuit court for Dane County to compel payment of any unpaid administrative assessment, unless payment of the administrative assessment is stayed under s. 227.54.

(e) The administrative assessment under this subsection is in addition to any other penalty, remedy or sanction under this chapter.

(2) INVESTOR EDUCATION. All moneys collected from the administrative assessment under sub. (1) shall be credited to the appropriation under s. 20.144 (1) (i). Subject to s. 20.144 (1) (i), the division shall use moneys credited to that appropriation to provide information to residents of this state about investments in securities to help investors and potential investors evaluate their investment decisions, protect themselves from unfair, inequitable or fraudulent offerings, choose their broker–dealers, agents or investment advisers more carefully, be alert for false or misleading advertising or other harmful practices, and know their rights as investors.

History: 1987 a. 381; 1995 a. 27.

551.61 Hearings and judicial review. (1) No order, other than an order issued summarily subject to sub. (2), may be entered by the division under s. 551.24, 551.28, 551.34 or 551.53 (2) without appropriate prior notice to all interested parties, opportunity for a hearing and, except as provided by s. 551.34 (7), written findings of fact and conclusions of law.

(2) Within 30 days after the division has issued an order summarily, an interested party may file a written request with the divi-

sion for a hearing in respect to any matters determined by the order, except a party may file a request for a hearing regarding an order issued under s. 551.60 (3) at any time. Within 10 days after an interested person files a written request with the division for a hearing, the matter shall be noticed for hearing, and a hearing shall be held within 60 days after notice, unless extended by the division for good cause. During the pendency of any hearing requested under this subsection, the order issued summarily shall remain in effect unless vacated or modified by the division.

(3) After a hearing, the division may issue a final order as appropriate. The final order may affirm, vacate or modify an order issued summarily in effect during the pendency of the hearing as appropriate, or may include such other sanctions as are provided for under s. 551.24, 551.28 or 551.34. An order issued summarily against a party becomes a final order if the party fails to request a hearing under sub. (2) or if the party defaults after requesting a hearing.

(4) Hearings and rehearings shall be public.

(5) Orders of the division are subject to judicial review under ch. 227 but orders originally entered without a hearing may be reviewed only if the party seeking review has requested a hearing within the time provided by sub. (2).

History: 1971 c. 84; 1975 c. 57, 199, 414; 1981 c. 53; 1995 a. 27.
Cross Reference: See also ch. DFI–Sec 8, Wis. adm. code.

551.62 Stay of proceedings. (1) No permanent or temporary injunction, stay, restraining order or other order shall issue in any proceeding under s. 551.56 or 551.61 suspending or staying any order of the division, except upon application to the circuit court of the appropriate county, notice of which shall be given to the division and other parties to the proceeding, and except after opportunity for hearing thereon. No permanent or temporary injunction, stay, restraining order or other order shall issue in any other proceeding or action, in any court, which shall have the effect of delaying or preventing any such order from becoming effective, unless the parties to the proceeding before the division are also parties to the court proceeding or action, and except after notice and opportunity for hearing thereon.

(2) No permanent or temporary injunction, stay, restraining order or other order shall issue in any proceeding under s. 551.56 or 551.61 or in any other proceeding or action, in any court, suspending or staying any order of the division or having the effect of delaying or preventing any such order from becoming effective, unless an undertaking is entered into on the part of the petitioner or plaintiff, with a surety and in the sum the court or the presiding judge thereof directs or approves to the effect that the petitioner or plaintiff will pay all damages which any party sustains by the suspension or stay of the order or the delay or prevention of the order from becoming effective, and to such other effect as the court or judge directs, and no order or judgment in any proceeding or action shall be stayed on appeal therefrom unless a like undertaking is entered into by the petitioner or plaintiff in addition to the undertaking under s. 808.07.

History: 1971 c. 84; Sup. Ct. Order, 67 Wis. 2d 585, 776 (1975); 1977 c. 187 s. 135; 1983 a. 216; 1995 a. 27.

551.63 Rules, forms and orders. (1) The division may make, amend and rescind any rules, forms and orders that are necessary to carry out this chapter, including rules and forms governing registration statements, notice filings, applications and reports, and defining any terms, whether or not used in this chapter, insofar as the definitions are not inconsistent with this chapter or federal statutes or regulations. For the purpose of rules and forms, the division may classify securities, persons and matters within the division's jurisdiction, and prescribe different requirements for different classes. Rules shall be made and published in accordance with ch. 227.

(2) No rule, form or order may be made, amended or rescinded unless the division finds that the action is necessary or appropriate in the public interest and for the protection of investors. In prescribing rules and forms the division may cooperate with the securities

administrators of other states and the securities and exchange commission with a view to achieving maximum uniformity in the form and content of registration statements, notice filings, applications and reports wherever practicable.

(3) Subject to section 15 of the Securities Exchange Act of 1934 and section 222 of the Investment Advisers Act of 1940, the division may by rule or order prescribe the form and content of financial statements required under this chapter, the circumstances under which consolidated financial statements shall be filed, and whether any required financial statements shall be certified by independent or certified public accountants. All financial statements shall be prepared in accordance with generally accepted accounting practices unless otherwise permitted by rule or order.

(4) No provision of this chapter imposing any liability applies to any act done or omitted in good faith in conformity with any rule, form or order of the division, notwithstanding that the rule, form or order may later be amended or rescinded or be determined to be invalid for any reason.

History: 1981 c. 53 s. 43; 1995 a. 27; 1997 a. 316.

Cross Reference: See also ch. DFI–Sec 9, Wis. adm. code.

551.64 Administrative files and opinions. (1) A document is filed when it is received by the division or, if authorized under s. 551.32 (1) (a), an organization designated by the division.

(2) The division shall keep a register of all licenses, notice filings and registration statements which are or have ever been effective under this chapter and predecessor laws and all denial, suspension and revocation orders which have been entered under this chapter and predecessor laws. The register shall be open for public inspection.

(3) The information contained in or filed with any registration statement, notice filing, application or report shall be made available to the public in accordance with rules adopted by the division.

(4) The division upon request shall furnish to any person at a reasonable charge photostatic or other copies, certified by the division if certification is requested, of any entry in the register or any order or other document on file with the division. Any copy so certified is admissible in evidence under s. 889.18.

(5) The division may honor requests from interested persons for interpretative opinions.

History: 1981 c. 53 ss. 40, 43; 1995 a. 27; 1997 a. 316.

551.65 Service of process. (1) Every applicant for license or registration under this chapter, every person filing a notice filing under this chapter and every issuer that proposes to offer a security in this state through any person acting as agent shall file with the division or, if applying for a license, with the organization designated by the division under s. 551.32 (1) (a), an irrevocable consent appointing the division to be his or her attorney to receive service of any lawful process in any noncriminal suit, action, or proceeding against him or her or a successor or personal representative that arises under this chapter or any rule or order under this chapter after the consent has been filed, with the same validity as if served personally on the person filing the consent. The consent shall be in the form the division by rule prescribes. The consent need not be filed by a person who has filed a consent in connection with a previous registration or notice filing or license that is then in effect. Service may be made by leaving a copy of the process at the office of the division, but it is not effective unless the plaintiff, who may be the division in a suit, action, or proceeding instituted by the division, promptly sends notice of the service and a copy of the process by registered or certified mail to the defendant or respondent at the person's last address on file with the division, and the plaintiff's affidavit of compliance with this subsection is filed in the case on or before the return day of the process, or within such time as the court allows.

(2) When any person, including any nonresident of this state, engages in conduct prohibited or made actionable by this chapter or any rule or order under this chapter, and the person has not filed a consent to service of process under sub. (1) and personal juris-

diction over the person cannot otherwise be obtained in this state, that conduct shall be considered equivalent to the person's appointment of the division to be his or her attorney to receive service of any lawful process in any noncriminal suit, action, or proceeding against the person or the person's successor or personal representative that arises out of that conduct and that is brought under this chapter or any rule or order under this chapter, with the same validity as if served on him or her personally. Service may be made by leaving a copy of the process at the office of the division, but it is not effective unless the plaintiff, who may be the division in a suit, action, or proceeding instituted by the division, promptly sends notice of the service and a copy of the process by registered or certified mail to the defendant or respondent at the person's last-known address or takes other steps that are reasonably calculated to give actual notice, and the plaintiff's affidavit of compliance with this subsection is filed in the case on or before the return day of the process, or within such time as the court allows.

(3) When process is served under this section the court, or the division in a proceeding before the division, shall order such continuance as is necessary to afford the defendant or respondent reasonable opportunity to defend.

History: 1981 c. 53 ss. 41, 43; 1995 a. 27; 1997 a. 316; 1999 a. 32; 2001 a. 102.

551.66 Scope of chapter. (1) The provisions of this chapter concerning sales and offers to sell apply when a sale or offer to sell is made in this state or when an offer to purchase is made and accepted in this state. The provisions concerning purchases and offers to purchase apply when a purchase or offer to purchase is made in this state or an offer to sell is made and accepted in this

state.

(2) For the purpose of this section, an offer to sell or to purchase is made in this state, whether or not either party is then present in this state, when the offer originates from this state or is directed by the offeror to this state and received by the offeree in this state, but for the purpose of s. 551.21, an offer to sell which is not directed to or received by the offeree in this state is not made in this state.

(3) For the purpose of this section, an offer to purchase or to sell is accepted in this state when acceptance is communicated to the offeror in this state, and has not previously been communicated to the offeror, orally or in writing, outside this state; and acceptance is communicated to the offeror in this state, whether or not either party is then present in this state, when the offeree directs it to the offeror in this state reasonably believing the offeror to be in this state and it is received by the offeror in this state.

(4) An offer to sell or to purchase is not made in this state when the publisher circulates or there is circulated on the publisher's behalf in this state any bona fide newspaper or other publication of general, regular and paid circulation which is not published in this state, or a radio or television program originating outside this state is received in this state.

History: 1971 c. 84; 1981 c. 53.

This section focuses on locus of certain actions, regardless of either party's presence. *Feitler v. Midas Associates*, 418 F. Supp. 735 (1976).

551.67 Statutory policy. This chapter shall be so construed as to effectuate its general purpose to make uniform the law of those states which enact the "Uniform Securities Act" and to coordinate the interpretation and administration of this chapter with related federal regulation.