

him as an employe, or from labor otherwise performed by him in connection with the raising or harvesting of agricultural commodities, shall not be taken into account in determining need in the manner and to the extent such income and resources are permitted to be exempted by the Federal Social Security Act as amended.

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CHAPTER 557.

AN ACT to renumber 189.07 (14) to be 189.07 (15); to create 189.07 (14), 189.08 (5) and 189.17 (9); and to amend 189.02 (7), 189.04 (1) (b), 189.07 (1) (a) and (b), (10) and (13), 189.08 (1) (a) (introductory paragraph), (d) 4, and (f) (introductory paragraph), 189.09 (1) (d) 2, 189.10 (3), 189.13 (9), 189.14 (4) and 189.32 of the statutes, relating to the securities law.

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

SECTION 1. 189.02 (7) of the statutes is amended to read:

189.02 (7) "Agent" includes every individual, not a dealer, who in this state represents or acts for a dealer or issuer in the sale of any security except a security exempted by section 189.05, but does not include any pledgee making a sale under * * * section 189.07 (8) or any person whose dealings in securities are limited to sales exempted by * * * section 189.07 (3) or (4) or officers, directors, or regular employes of issuers who may sell its securities as an incident to their other duties.

SECTION 2. 189.04 (1) (b) of the statutes is amended to read:

189.04 (1) (b) If the applicant is a foreign corporation it shall be licensed to do business * * * under chapter 226 or shall file, in such form as the department may prescribe, its written instrument irrevocably appointing the director and deputy director, and each of them, its true and lawful attorneys upon whom may be served any summons, complaint, pleading, process, order or notice in any action or proceeding against such applicant in connection with any matters arising out of this chap-

ter or out of transactions by such applicant as a dealer, and if the applicant is a nonresident and not a corporation it shall file, in such form as the department may prescribe, its written instrument irrevocably appointing the director and deputy director, and each of them, its true and lawful attorneys upon whom may be served any summons, complaint, pleading, process, order or notice in any action or proceedings against such applicant in connection with any matters arising out of this chapter or out of transactions by such applicant as a dealer or agent.

SECTION 3. 189.07 (1) (a) and (b), (10) and (13) of the statutes are amended to read:

189.07 (1) (a). The sale by a domestic corporation of its securities if the aggregate number of holders of all its securities, after the securities to be issued are sold, does not exceed 15, and no commission, profit or other compensation is or has been paid for the sale of any securities of such corporation, and the total organization and promotion expense in connection with the issue of all securities of such corporation, exclusive of statutory fees, does not exceed 3 per cent of the aggregate sale price of all such securities or * * * \$250, whichever is greater.

(b) The sale by any partnership, pool or association; having its principal place of business in this state, of interests therein, if the aggregate number of holders of all interests in such partnership pool, or association, after such sale, does not exceed 15, and no commission, profit or other compensation is or has been paid in connection with the sale of any interests in such partnership, pool or association, and the total organization and promotion expense in connection with the issue of all interests in such partnership, pool or association, exclusive of statutory fees, does not exceed 3 per cent of the total invested capital thereof or * * * \$250 whichever is greater.

(10) The sale of securities to the issuer thereof, or to any officer or director of the issuer thereof, or to any dealer, bank, trust company or insurance company, or any corporation or association engaged in the business of purchasing or holding securities.

(13) The issuance of securities by a person to his security holders or creditors, * * * provided, * * * such security holders or creditors do not give any consideration for the securities so issued other than the securities of or the claims against such issuer * * * and provided further that *no such exchange shall be solicited unless:*

(a) such issuer or (a) licensed dealer, * * * prior to solicitation of any such exchange, shall file with the department detailed information concerning such issuance, exchange or solicitation—and such further information, statements, copies of papers and instruments as the department may require in order to be in position to determine whether or not the proposed exchange of securities may be unfair, inequitable or fraudulent, or whether or not registration of such security under section 189.13 is necessary or appropriate in the public interest or for the protection of investors, and

(b) the department shall have advised such issuer or licensed dealer in writing that the proposed issuance, exchange and solicitation constitute exempt transactions under subsection (13).

SECTION 4. 189.07 (14) of the statutes is renumbered to be 189.07 (15).

SECTION 5. 189.07 (14) of the statutes is created to read:

189.07 (14) The issuance of securities by a person taking over substantially all the assets and continuing the business of another person to the security holders or creditors of such other person, provided such security holders or creditors do not give any consideration for the securities so issued other than the securities of or the claims against such other person, and provided further that no such exchange shall be solicited unless:

(a) such issuer or a licensed dealer prior to solicitation of any such exchange shall file with the department detailed information concerning such issuance, exchange or solicitation and such further information, statements, and copies of papers and instruments as the department may require in order to be in position to determine whether or not the proposed exchange of securities may be unfair, inequitable or fraudulent, or whether or not registration of such security under section 189.13 is necessary or appropriate in the public interest or for the protection of investors, and unless

(b) the department shall have advised such issuer or licensed dealer in writing that the proposed issuance, exchange and solicitation constitute exempt transactions under subsection (14).

SECTION 6. 189.08 (1) (a) (introductory paragraph), (d) 4, and (f) (introductory paragraph) of the statutes are amended to read:

189.08 (1) (a) (Introductory paragraph) Evidences of debt (not exempt under * * * section 189.06 (3) or (5) issued by

any corporation operating a railroad or public utility, and securities senior thereto, if the issuance of its securities is regulated by a commission or other similar body of the United States, of any state, territory or insular possession of the United States, of the District of Columbia or of the Dominion of Canada or any province thereof, and if:

(d) 4, Such stock is not sold by, for or on behalf of an issuer as defined in * * * section 189.07 (5) and is not part of an initial distribution of a new issue, and not less than 6 months have intervened since the most recent initial public offering of any stock of the same class by, for or on behalf of an issuer as defined in * * * section 189.07 (5); provided, however, that any permission granted by this paragraph to sell any stock without registration under section 189.13 shall terminate upon a public offering of a new issue of stock of the same class other than by way of a stock dividend or a stock split-up. For the purposes of this paragraph the term "stock" shall not include shares of beneficial interest in a business trust or the securities of any person primarily engaged in the business of investing and reinvesting in securities. *The term "public offering" as used in this subsection shall not include the sale by, for or on behalf of an issuer of securities of the same class in an amount during any prior 12 months' period not exceeding 5 per cent of the maximum amount of such securities outstanding during such 12 months' period.*

(f) Obligations (Introductory paragraph) (not exempt under * * * section 189.06 (6)), issued by any state or by any county, city, village, town, district or other subdivision thereof, * * * or by any agency of one or more of the foregoing, the entire issue of which matures not later than 30 years from the date of sale or *the date of issuance whichever is later* and which are payable from revenues derived from the operation by the issuer or any agency thereof of any toll bridge, turnpike, public market, or any plant or equipment for the furnishing of transportation or sewerage facilities, the transmission of telephone messages or the production, transmission, delivery or furnishing of heat, light, water or power, or combination thereof, directly or indirectly, to or for the public, provided *such state, county, city, village, town, district or other subdivision thereof has a population of not less than 10,000 or such project serves an aggregate of not less than 2,500 customers, and provided further no default of inter-*

est or principal exists in respect of said obligations, and * * * that the operation of such project, whether by the issuer or any agency thereof or by others, has, in each of the 3 fiscal years next preceding the sale of said obligations hereunder, yielded net profits available for payment of interest amounting to not less than the greater of either.

SECTION 7. 189.08 (5) of the statutes is created to read:

189.08 (5) If the securities desired to be sold under this section shall have attached thereto or delivered therewith purchase warrants, or rights to subscribe to stock, or shall be convertible into other securities at the option of the holder, the department shall, by order, prohibit such sale even though such securities are otherwise eligible for sale under this section, unless it shall appear to the department that such warrants, rights or conversion privilege and the securities to be delivered in fulfillment thereof, comply with the provisions of section 189.13. A notice pursuant to subsection (2) in respect of securities carrying warrants, rights or conversion privilege, shall be deemed to include the securities to be delivered in accordance with the terms of such warrants, rights or conversion privilege, and such notice shall contain a description of the securities so to be delivered and, if they are eligible for sale under this section, a statement of the basis of such eligibility and, if they are not eligible for sale under this section, such notice shall be accompanied by information with reference to such securities similar to that required in the case of registration under section 189.13.

SECTION 8. 189.09 (1) (d) 2 of the statutes is amended to read:

189.09 (1) (d) 2. The net profits of such corporation or predecessor * * * for each of the 2 fiscal years next preceding such sale, or the average annual net profits * * * for a period of not less than 4 nor more than 8 fiscal years next preceding such sale, *plus interest charges during such years for all interest-bearing securities of such corporation or predecessor, other than for current debt, less the annual interest requirements on all funded debt and the annual dividends on all preferred stock to be outstanding after such sale*, amount to not less than 8 per cent of the amount of all common stock to be outstanding immediately after such sale, computed at the price for which such sale is to be made.

SECTION 9. 189.10 (3) of the statutes is amended to read:

189.10 (3) The department may call, or by order direct the calling of, a meeting of the security holders or the creditors or both affected by any exchange referred to in * * * section 189.07 (13) and (14), to be held at such time and place and upon such notice and for the consideration of such matters as the department may approve.

SECTION 10. 189.13 (9) of the statutes is amended to read:

189.13 (9) If securities for which registration is sought shall have attached thereto or delivered therewith purchase warrants, or rights to subscribe to stock, or shall be convertible into other securities at the option of the holder, the department shall not register such securities even though they otherwise comply with the requirements for registration, unless it shall appear to the department that such warrants, rights or conversion privilege and the securities to be delivered in fulfillment thereof, comply with the provisions of this section. * * * *If the securities carrying the warrants, rights or conversion privilege are registered, no further registration shall be required either at the time of the sale of such securities carrying the warrants, rights or conversion privileges, or at any time thereafter, for the delivery of the securities in accordance with the terms of such purchase warrants, subscription rights or conversion privilege.* If the department shall have reason to believe that the holders of such warrants, rights, or conversion privilege are being solicited to exercise the same in such manner or under such circumstances that a fraud or imposition may be worked upon them, or that such solicitation may be or tend to be unfair, inequitable or fraudulent, the department may by order prohibit further solicitation or negotiation for an exercise of such warrants, rights or conversion privilege.

SECTION 11. 189.14 (4) of the statutes is amended to read:

189.14 (4) Subsections (2) and (3) * * * 189.08 (2) shall not apply to lists or quotations published without comment or to advertisements which do no more than state from whom advertising matter may be obtained, identify the security offered for sale and state the price thereof and the names of dealers having an interest in the sale thereof, *or to reprints of factual information from financial publications on the approved list issued from time to time by the department.*

SECTION 12. 189.17 (9) of the statutes is created to read:

189.17 (9) The department shall keep all papers, records or documents coming into its possession for a period of 10 years. Any such paper, record, or document may be destroyed after the passage of such period, except that no file containing an application and the supporting information and papers upon which registration has been granted shall be destroyed while such registration is in effect or until the expiration of the period for applying for renewal of such registration.

SECTION 13. 189.32 of the statutes is amended to read:

189.32 Every registration of securities in effect under the law existing prior to the effective date of this chapter (July 2, 1941) shall continue in force and shall be deemed to be a registration of such securities under section 189.13 without further application, subject, however, to such terms and conditions as the department may prescribe with respect thereto and to expiration and renewal as provided in section 189.15, and all the provisions of this chapter with respect to revocation of registration or of the right to sell securities in this state and with respect to any of the powers of the department in regard thereto shall apply to such registration and the securities covered thereby, in the same manner as though such securities had been registered after the effective date of this chapter. Licenses of dealers, agents, banks and trust companies exercising banking powers, in effect under the law existing prior to the effective date of this chapter shall continue in force and shall expire on December 31, 1941, subject, however, to all the provisions of this chapter relative to such licenses and to revocation as herein provided in * * * *the* same manner as though such licenses had been granted after the effective date of this chapter.

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