



**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

1995-96

(session year)

Assembly

(Assembly, Senate or Joint)

**Committee on Insurance, Securities and
Corporate Policy...**

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Assembly

Assembly Bill 867

February 7, 1996

February 8, 1996

Record of Committee Proceedings

AN ACT relating to corporations that are investment companies. Introduced by Representatives Albers, Jensen, Cullen, Duff, Goetsch, La Fave, Lazich, Schneiders, Springer, Urban, Walker, Wasserman, and Ziegelbauer; cosponsored by Senators Darling, Farrow, Huelsman, Panzer, Rude, Shibilski, and Welch.

Referred to committee on Insurance, Securities & Corporate Policy.

PUBLIC HEARING HELD

Present: (13) Representatives Albers, Lorge, Lasee, Underheim, Kreibich, Lazich, Hoven, Green, Baldus, Notestein, Robson, Cullen, and Ziegelbauer

Absent: (0) None.

Appearances For the Bill

- ▶ Representative Sheryl Albers-50th Assembly District
- ▶ Charles Mulcahy-Strong Mutual Funds, 111 East Wisconsin Avenue, Milwaukee
- ▶ Tom Lemke-Strong Capitol Management, 100 Heritage Reserve, Menomonee Falls

Appearances Against the Bill

None

Appearances for Information Only

None

Registrations For the Bill

- ▶ Senator Alberta Darling-8th Senate District
- ▶ John Weitzer-Strong Capitol Management, 100 Heritage Reserve, Menomonee
- ▶ Joan Hansen-Wisconsin Manufacturers & Commerce, 501 E. Washington, Madison
- ▶ Senator Robert Welch-14th Senate District

Registrations Against the Bill

None

February 26, 1996

EXECUTIVE SESSION HELD

Present: (13) Representatives Albers, Lorge, Lasee, Underheim, Kreibich, Lazich, Hoven,

Green Baldus, Notestein,
Robson, Cullen, and
Ziegelbauer

Absent: (0) None.

Moved by Representative Underheim, seconded by
Representative Green, that AB 867 be recommended
for passage.

Ayes: (13) Representatives Albers,
Lorge, Lasee, Underheim,
Kreibich, Lazich, Hoven,
Green, Baldus, Notestein,
Robson, Cullen, and
Ziegelbauer

Noes: (0) None.

Absent: (0) None.

Motion carried: Passage recommended
PASSAGE: Ayes(13), Noes (0), Absent (0)

Darcy J. Demaske, Committee Clerk

Assembly Committee on Insurance, Securities, and Corporate Policy

DATE 2-26-96
 Moved by Underheim Seconded by Green
 AB 867 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 A _____ SR _____ Other _____
 A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

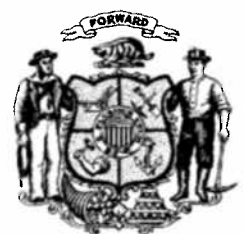
- Be recommended for:
- Passage
 - Introduction
 - Adoption
 - Rejection
 - Indefinite Postponement
 - Tabling
 - Concurrence
 - Nonconcurrence
 - Confirmation

	Committee Member	Aye	No	Absent	Not Voting
1.	Rep. Sheryl Albers, Chair	✓			
2.	Rep. William Lorge, Vice-Chair	✓			
3.	Rep. Gregg Underheim	✓			
4.	Rep. Robin Kreibich	✓			
5.	Rep. Mary Lazich	✓			
6.	Rep. Tim Hoven	✓			
7.	Rep. Frank Lasee	✓			
8.	Rep. Mark Green	✓			
9.	Rep. Al Baldus	✓			
10.	Rep. Barbara Notestein	✓			
11.	Rep. Judy Robson	✓			
12.	Rep. David Cullen	✓			
13.	Rep. Robert Ziegelbauer	✓			
14.					
15.					
16.					
17.					
18.					
Totals		12	0		

MOTION CARRIED MOTION FAILED



WISCONSIN STATE LEGISLATURE



WHYTE HIRSCHBOECK DUDEK S.C.

Suite 2100
111 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202
Telephone (414) 273-2100
Facsimile (414) 223-5000

FACSIMILE COVER SHEET

TO: Att: Darcey

COMPANY: Representative Sheryl Albers Office

FAX/PHONE #: 608-266-7038

FROM: Karyn Johnson, Office of Charles C. Mulcahy

DATE: February 2, 1996

Total # of Pages 2 (including cover sheet)

285

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COMMENTS:

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If there are any problems during transmission, please call: (414) 273-2100.

OFFICE OF THE DEAN, COLLEGE OF BUSINESS ADMINISTRATION

January 23, 1996



Governor Tommy Thompson
Office of the Governor
State Capital
P. O. Box 7863
Madison, WI 53702

Dear Governor Thompson:

Several members of the mutual fund industry contacted me to seek my reaction and opinion relative to two proposed changes in the Wisconsin Business Corporation Law related to mutual funds. As a long-time scholar in the area of consumer financial management and as Dean of the State's largest private business school, I am pleased contribute my input to the deliberations.

The first change would allow mutual funds to issue an unlimited number of shares without shareholder approval. Since the shares are open-end and new shares are sold at net asset value, I believe that there is no way that shareholders can suffer dilution or other ill effects from this change.

The second change would allow mutual funds to change their names without shareholder approval. Here, the issue is whether Federal securities law provides sufficient protection to shareholders so that a fund's name continues to convey its purpose. My understanding is that name changes must be approved by the SEC which monitors compliance with 40-Act provisions relating name to purpose. If this is true, state laws mandating additional protection through shareholder approval is superfluous.

My concern in this matter is that the mutual funds industry is important to Milwaukee and the State of Wisconsin. Many of our best students find rewarding careers in this industry and I look to it as a source of future economic growth and job opportunities. However, there are few barriers to geographic mobility and many states competing for relatively high-paying, environmentally clean industries such as this. Therefore, I would strongly favor the passage of any measures that would strengthen the competitive position of this industry without weakening the protection provided to consumers.

Please contact me if you or a member of your staff would like to discuss this matter further or if you would like additional information.

Sincerely,

Lewis Mandell
Dean

SHERYL ALBERS TESTIMONY**INSURANCE, SECURITIES, AND CORPORATE POLICY COMMITTEE**

AB 867 was introduced to provide support and assistance to the mutual fund industry as well as the many thousands of investors in those funds. The mutual fund industry has become an important part of the continued economic vitality of our state. The industry has grown and prospered over the last several years. Thousands of investors in our state as well as the other states place their money in these funds. These funds are constantly searching for new and more effective means to achieve superior investment results for their stockholders.

Unlike other states, Wisconsin law requires that mutual funds organized in our state must have shareholder meetings to authorize additional shares and to change the names of the various funds. This process is very expensive as conducting mutual fund shareholder meetings can involve hundreds of thousands of dollars. These shareholder meetings require the mutual funds to hire proxy solicitation firms to obtain the necessary proxies to conduct a meeting.

When additional shares are authorized in an open end mutual fund, any additional shares are sold at the market value on that date. All shareholders in these funds are free to buy and sell their stock at will and always at the market price on the date the transaction takes place. Open end mutual funds should also be able to change their names to more accurately reflect the type of investments in the funds without again having time consuming and expensive shareholder meetings. Forcing mutual funds to conduct costly shareholder meetings to authorize more shares does not provide any real protection to shareholders. Rather the requirement of shareholder meetings makes these funds less competitive.

The proposed changes in this bill would allow open end mutual funds to:

1. authorize additional shares; and
2. change the fund names;

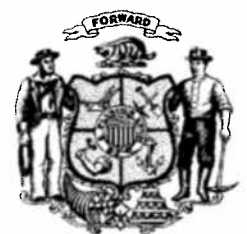
with notification to shareholders in advance and approval by the Board of Directors. The States of Maryland, Massachusetts and Delaware all have procedures where these changes can be made without having shareholder meetings.

This is a bi-partisan bill. The savings resulting from these changes will go directly to the shareholders, as the cost of proxy solicitations is a fund expense. The savings will result in higher investment of returns to the shareholder through lower fund expenses. These proposed changes are supported by Wisconsin based Strong Funds, Firststar, Wisconsin Manufacturers & Commerce and Dean Lewis Mandell of the College of Business Administration of Marquette University. A copy of a letter from Dean Mandell to Governor Thompson is enclosed with your materials.

Representatives of the mutual fund industry are attending this meeting and are available for questions at this time.



WISCONSIN STATE LEGISLATURE





**Wisconsin
Manufacturers
&
Commerce**

Memo

**TO: Members of the Assembly Committee on Insurance,
Securities and Corporate Policy**

FROM: Joan Hansen, Director, Tax & Corporate Policy

DATE: February 8, 1996

RE: Assembly Bill 867

Wisconsin Manufacturers & Commerce supports Assembly Bill 867 (AB 867), introduced by Representative Sheryl Albers, which relates to corporations that are investment companies. Current Wisconsin corporate law requires open-end mutual funds to change the fund name and add additional shares to the fund through shareholder approval only.

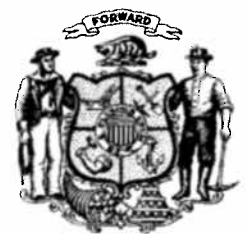
AB 867 allows open-end mutual funds to authorize additional shares and change the fund names without a shareholder meeting, but with appropriate notice to shareholders.

This is not a new policy. Other states have adopted similar laws. Open-end mutual funds need the flexibility of changing their fund names without the expense of shareholder meetings. By authorizing additional shares, there will be little or no impact on investors in open-end mutual funds. New shareholders will continue to purchase their shares at the fair market value on the date of purchase, and there is no diminishment of shareholder ownership rights when new shares are sold.

Savings resulting from this bill go directly to shareholders, thus spurring higher investments and continued economic growth. WMC strongly supports AB 867.



WISCONSIN STATE LEGISLATURE



SB
529

FEB 13 1996

Companion to
AB 867

STRONG CAPITAL MANAGEMENT, INC.

One Hundred Heritage Reserve • P.O. Box 2936 • Milwaukee, Wisconsin 53201 • 414-359-3400

February 12, 1996

*Ins Committee
Files*

The Honorable Sheryl Albers
Wisconsin Assembly
State Capitol
P. O. Box 8952
Madison, WI 53708

Dear Ms. Albers:

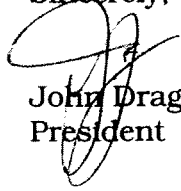
On behalf of Strong Funds, including our approximately 650 employees in Wisconsin, as well as our hundreds of shareholders, I want to thank you for co-sponsoring LRB 5104/1.

This proposed statutory change, if adopted, will save unnecessary expenses in calling shareholder meetings for the purpose of merely authorizing more shares or changing fund names. The legislation will make Wisconsin a more user-friendly state for mutual funds.

Many fine investment management firms operate mutual funds in our state. Thanks to your leadership in this matter, the Wisconsin-based mutual fund industry will benefit, and, hopefully, additional firms will reach the conclusion that it makes good business sense to incorporate their funds in Wisconsin. Finally, this legislation represents an opportunity to offer more cost effective and efficient services for mutual fund shareholders.

If you would like to visit our company at any time in the future, I would be pleased to arrange a personal tour and briefing. Thank you again for your interest in this important legislation.

Sincerely,

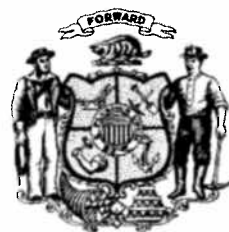


John Dragisic
President

JD/nb



WISCONSIN STATE LEGISLATURE



WHYTE HIRSCHBOECK DUDEK S.C.

Suite 2100
111 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202
Telephone (414) 273-2100
Facsimile (414) 223-5000

FACSIMILE COVER SHEET

TO: Darcey Demaske, Office of Sheryl Albers
COMPANY: State Capitol
FAX/PHONE #: 608-266-7038
FROM: Charles C. Mulcahy
DATE: March 4, 1996
Total # of Pages 2 (including cover sheet)

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COMMENTS:

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If there are any problems during transmission, please call: (414) 273-2100.

WHYTE HIRSCHBOECK DUDEK S.C.

Law Offices

CHARLES C. MULCAHY
DIRECT DIAL (414) 274-3988Suite 2100
111 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

March 4, 1996

(414) 273-2100
Fax: (414) 223-5000Via Facsimile: 608-264-6910Mr. Chris Wolle
Office of the Assembly Speaker
State Capitol
Madison, WIOFFICES IN MILWAUKEE, MADISON,
MENOMONEE FALLS, MANTOWOC
AND ZURICH, SWITZERLAND

Dear Chris:

This fax is a follow up to our discussion this afternoon relative to SB 529. SB 529 and AB 867 are identical bills which involve amendments to the Wisconsin corporation law to authorize mutual fund to issue additional shares and to change the names of those fund with the approval of the board of directors rather than the shareholders.

AB 867 was unanimously approved by the Assembly Insurance, Securities and Corporate Policy Committee on February 8, 1996. SB 529 was unanimously approved by the Senate Education and Financial Institutions Committee on February 14, 1996. SB 529 is scheduled for action by the Senate tomorrow, March 5, 1996.

If and when the Senate approves SB 529, we are requesting your assistance in discussing this matter with Dave Prosser. I spoke with Tom Reilly in Senator Darling's office and Darcey Demaske in Representative Albers office concerning this bill. Apparently the SB 529 could be substituted for AB 867 in the Assembly. The bill could then be acted on under suspension of the rules by the Assembly or referred to the Assembly Insurance, Securities and Corporate Policy Committee. I will be in Madison on March 5, 1996 when the Senate takes action on SB 529. Perhaps we could discuss the situation at that time.

Enclosed with this fax is a summary sheet which provides additional background on the legislation. To date there has been no opposition as the primary beneficiary of the changes are the investors as lower operating costs result in greater investment return as the fund managers have set fees. Also enclosed is a letter from Dean Lewis Mandell of the College of Business Administration at Marquette University supporting the legislation.

Please contact me if you have questions or need additional information. Please extend my best wishes to Dave Prosser and thank him for his consideration of this matter.

Sincerely



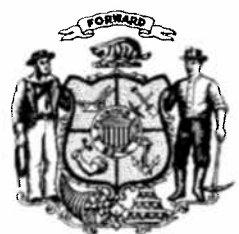
Charles C. Mulcahy

Enclosures

cc: Tom Reilly, Office of Senator Alberta Darling
Darcey Demaske, Office of Representative Sheryl Albers



WISCONSIN STATE LEGISLATURE



SB
929

Companion
to AB 867

Summary

In some instances Wisconsin corporate law recognizes that mutual funds and regular business corporations should be treated differently. For example, mutual funds are not required to have annual meetings under certain circumstances.

However, the distinction between mutual funds and regular corporations has not been carried through in certain administrative provisions of our statutes.

Current Wisconsin corporate law requires that open end mutual funds may only change the fund name and add additional shares to the fund through shareholder approval. The proposed legislation would simply authorize that the board of directors of the fund make these changes after appropriate notice to the shareholders.

The requirement of shareholder approval for these types of changes in open end mutual funds does not make practical sense. Open end mutual funds need the flexibility of changing their fund names without the expense of a shareholder meeting.

Authorizing additional shares has little or no impact on investors in open end mutual funds. Investors are always free to redeem their shares and "walk with their feet". New shareholders purchase their shares at the fair market value on the date of purchase. There is no diminishment of the ownership rights of any other shareholders when new shares are sold.

Other states have recognized these distinctions and have adopted corporate laws that are designed for open end mutual funds and do not require shareholder approval for these changes.

The rationale supporting these proposed amendments include the following:

- 1. The amendments make this area more uniform with mutual fund laws in other comparable states.
- 2. The amendments will make the various Wisconsin mutual funds more competitive in the marketplace.
- 3. The amendments will produce additional revenue for the State of Wisconsin through increased filing fees.
- 4. The amendments will give shareholders of the fund significant monies as the cost of proxy solicitations, as a part of shareholder meetings, is charged to shareholder income.

For all of the above reasons, these minor changes should be included in the Wisconsin corporate law.

Competitive
Level
Playing
field

hw - grad school - Bus. school
Applied Securities

State Bar - Bus Law Committee: Chris Williams, chair
Feb 23
Klinker on committee