

## 2007 SENATE BILL 483

February 13, 2008 – Introduced by Senators SULLIVAN and OLSEN, cosponsored by Representatives NEWCOMER and A. OTT, by request of Department of Financial Institutions. Referred to Committee on Veterans and Military Affairs, Biotechnology and Financial Institutions.

1     **AN ACT to amend** 19.42 (12), 20.144 (1) (i), 20.923 (8), 21.72 (1) (a) 12., 25.186  
2           (1) (a), 25.186 (1) (c), 25.186 (2) (a), 49.853 (1) (c) 6., 49.857 (1) (d) 12., 73.0301  
3           (1) (d) 6., 183.1303, 226.14 (8), 227.54, 421.202 (8), 422.501 (2) (b) 7., 552.01 (6)  
4           (c), 552.05 (2) (intro.), 560.036 (1) (fm) 2., 611.76 (11), 644.22, 893.66 (3), 946.79  
5           (1) (a), 946.82 (4) and 972.085; and **to repeal and recreate** chapter 551 of the  
6           statutes; **relating to:** repealing and recreating the Wisconsin Uniform  
7           Securities Law, granting rule-making authority, and providing penalties.

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

In 1969, this state enacted the current Wisconsin Uniform Securities Law, effective January 1, 1970, based upon the Uniform Securities Act of 1956. The Wisconsin Uniform Securities Law has been repeatedly amended, in part to incorporate changes to federal law, including changes made by 1997 Act 316 to conform state law to the federal National Securities Markets Improvement Act of 1996 (NSMIA). In the NSMIA, Congress preempted certain elements of state authority to regulate securities so that, subject to certain exceptions, state laws and regulations requiring registration or qualification of a security or of a securities transaction cannot apply to federal covered securities. The NSMIA defined federal “covered security” to include: 1) securities that are listed or authorized to be listed or traded on the New York Stock Exchange, the American Stock Exchange, the

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National Association of Securities Dealers Automated Quotation (NASDAQ) system, or a national securities exchange that has substantially similar listing requirements (exchange-listed securities); 2) securities of investment companies registered with the federal Securities and Exchange Commission (SEC), which are typically mutual funds; 3) securities offered or sold only to qualified purchasers, as defined by the SEC by rule; and 4) securities in certain other specified transactions. Congress also limited, in certain respects, state regulation of broker-dealers. Under the NSMIA, a state may not prohibit an agent for a registered broker-dealer in another state from effecting transactions with certain preexisting clients in the state if certain criteria are met. In the NSMIA, Congress made more significant changes with respect to investment advisers, preempting state registration, but not notice filing, of investment advisers that have assets under management in excess of \$25 million, that advise registered investment companies, that do not have a place of business in the state and have had fewer than six clients who are state residents in the preceding 12-month period, or that are otherwise registered with the SEC or exempt from the definition of investment adviser under federal law. After 1999, states cannot require registration of federal covered investment advisers that fail or refuse to pay state notice filing fees. The supervised persons of federal covered investment advisers are also to be regulated exclusively by the SEC, except that a state may register or qualify such an investment adviser representative who has a place of business within the state. The NSMIA also restricts, in part, the ability of a state to establish capital, custody, margin, financial responsibility, record keeping, bonding, or financial or operational requirements for broker-dealers and investment advisers. In the NSMIA, Congress further declared a policy of increasing federal and state cooperation in securities matters and instructed the SEC to cooperate, coordinate, and share information and to seek uniformity in federal and state regulatory standards, forms, and procedures.

This bill adopts the Uniform Securities Act (2002) (USA 2002), with certain modifications recommended by the Wisconsin Uniform Securities Act Study Group (WUSA Study Group). The USA 2002 primarily revises and updates the Uniform Securities Act of 1956, taking into consideration the little-adopted Revised Uniform Securities Act of 1985 and the fact that parts of the Uniform Securities Act of 1956 have been preempted by the NSMIA. The stated purpose of the USA 2002 is to modernize the 1956 Uniform Securities Act as a consequence of a combination of new federal preemptive legislation, significant recent changes in the technology of securities trading and regulation, and the increasingly interstate and international aspects of securities transactions. The USA 2002 identifies, in its preface, three overarching themes: 1) the objectives of uniformity and coordination of federal and state securities law, cooperation among relevant state and federal governments and other regulatory organizations, and investor protection; 2) achieving consistency with the NSMIA, particularly with respect to federal covered securities and federal covered investment advisers; and 3) facilitating electronic records, signatures, and filings, including filings through third-party central information depositories, such as the Central Registration Depository (Web-CRD) and the Investment Adviser Registration Depository (IARD). Thirteen states have adopted the USA 2002.

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In general, the form, structure, and mechanics of the USA 2002 are similar to current Wisconsin law and the changes the USA 2002 makes to current law are not dramatic. Also, this bill deviates in a number of ways from the USA 2002 to retain provisions of current law in Wisconsin.

***Securities registration***

Under current law, a person may not offer or sell any security in this state unless the security is registered with the Division of Securities in the Department of Financial Institutions (division), the security or transaction is exempt from registration, or the security is a federal covered security. In addition, a securities issuer or registrant, and certain control persons of the issuer or registrant, may not offer or sell registered securities in this state if the issuer or registrant is in violation of the state's securities laws. A "security" is defined broadly and includes any stock, note, bond, share in a business trust, investment contract, commodity futures contract, or limited partnership interest, as well as many other financial interests. A "security" also presumptively includes an interest in a limited liability company (LLC) if certain conditions are met, but does not include a fixed or variable insurance policy or annuity contract.

Under current law, a security may be registered with the division by coordination or by qualification. Registration by coordination may be used for any security for which a federal registration statement has been filed with the SEC in connection with the same offering and has not yet become effective. For registration by coordination, a registration statement must contain specified information, be accompanied by certain documents, such as the corresponding federal filings, and include a consent to service of process. Registration by coordination generally becomes effective automatically at the moment the federal registration statement becomes effective. Any security may be registered by qualification. For registration by qualification, the registration statement must contain specified information, be accompanied by a consent to service of process, and contain further information and documents required by the division. In addition to securities registration, the division may impose notice filing requirements on the issuer of any federal covered security except an exchange-listed security. The division may require the filing with the division of certain documents filed with the SEC related to the same federal covered security and the payment of a notice filing fee. Where a notice filing requirement can be imposed and is imposed, if the issuer fails to comply with the requirement, the division can prohibit offers and sales of the federal covered security in this state, if certain conditions are met.

Under current law, certain securities are exempt from registration with the division, including: securities of the United States or a state or political subdivision of a state; securities of a bank or public utility; securities listed, or approved for listing, on a securities exchange designated by the division; securities of certain nonprofit organizations; certain commercial paper with a maturity of nine months or less; investment contracts related to certain employee benefit plans; common stock of a service corporation or cooperative; certain security options and commodity futures contracts; securities issued by a broker-dealer to its officers or employees; certain securities issued in connection with an insurance corporation conversion to

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a mutual insurance corporation; and any security for which the division finds registration unnecessary for the protection of investors. In addition, even when a security is not exempt, a transaction involving the security may be exempt. Exempt securities transactions include the following: isolated nonissuer transactions; unsolicited nonissuer transactions through a broker-dealer; transactions between issuers and underwriters; nonissuer sales at a price reasonably related to the market price if the issuer is registered with the SEC or exempt from federal registration or if securities of the same class have been registered with the division within the preceding two years or registered with the SEC and certain other conditions are met; an offer or sale to the issuer, a bank or other financial institution, an insurer, a broker-dealer, an investment adviser or federal covered adviser, an investment company or pension or profit-sharing trust, state or federal or local government, or an accredited investor, as defined below (collectively “sophisticated investors”); certain transactions in debt secured by a mortgage and sold as a unit (mortgage-backed securities); an offer or sale of a preorganization subscription; an offer or sale of its securities by an issuer having its principal office in this state to not more than 25 persons, excluding sophisticated investors, if certain conditions are met; a transaction resulting from offers to not more than 25 persons in this state, excluding sophisticated investors, during a 12-month period, if certain conditions are met, regardless of the issuer’s presence in this state; a transaction resulting from an offer to the issuer’s existing security holders, if certain conditions are met; certain merger, reorganization, stock split, or stock dividend transactions; certain debt transactions of nonprofit organizations; certain offers, but not sales, of securities for which both federal and state registration statements have been filed; an offer or sale of securities made in reliance on the federal Regulation D, SEC Rule 505, exemption related to limited offerings not exceeding \$5,000,000, if certain conditions are met; and any other transaction as to which the division finds that registration is not necessary or appropriate for the protection of investors. An “accredited investor,” which is a type of sophisticated investor, is defined by federal and state law to include financial institutions, individuals with a specified minimum net worth or income, business entities with certain minimum assets, and corporate executives of a security’s issuer.

Current law authorizes the division, by order after certain required proceedings, to deny or revoke any security exemption or security transaction exemption or to issue a stop order denying effectiveness to, or suspending or revoking the effectiveness of, a registration statement under specified circumstances.

This bill, in adopting the USA 2002 with some modification, retains the general structure and content of current law with respect to securities registration. The bill continues to generally require offerings of securities that are not federal covered securities to be registered unless exempt, provides for registration by coordination and registration by qualification, provides for notice filing as to some federal covered securities, recognizes securities exemptions and securities transactions exemptions, and authorizes the division to modify certain of these general requirements and to deny or revoke exemptions and issue stop orders. However, the bill also includes a

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number of changes to current law with respect to securities registration and exemptions, including the following:

1. The bill makes some modifications to the definition of “security.” The bill expressly provides that a security may be uncertificated, that is, paperless. The bill modifies the definition of “security” with respect to an interest in an LLC and adds specific language related to interests in limited liability partnerships. The bill expressly includes viatical settlements of insurance contracts in the definition of “security.” The bill expands the definition of “security” with respect to certain derivatives and includes language to clarify when an investment in a common enterprise is a security. The bill also excludes from the definition of “security” interests in pension plans subject to the Employee Retirement Income Security Act of 1974. The bill authorizes the division to exclude certain investment contracts from the definition of “security.”

2. The bill makes certain modifications with respect to exempt securities. The bill modifies and broadens the exemption for federal covered securities and derivative securities, such as options. The bill exempts securities issued by insurance companies. The bill modifies the exemption for securities issued by nonprofit organizations, providing greater discretionary authority to the division with respect to such securities, and exempts certain equipment trust certificates. The bill eliminates specific exemptions related to commercial paper, employee pension plans, common stock of service corporations, securities issued by broker–dealers, and commodity futures contracts.

3. The bill makes certain modifications with respect to exempt securities transactions. Instead of the sophisticated investors exemption under current law, the bill provides a transaction exemption for a sale or offer to an institutional investor, an accredited investor, a federal covered investment adviser, or any other person exempted by the division. The bill defines “institutional investor” to include, subject to certain limitations, all of the following: banks and other financial institutions; insurance companies; investment companies; registered broker–dealers; employee pension and profit–sharing plans, employee benefit plans of state and local governments, and trusts of financial institutions related to these plans; business and nonprofit entities, small business investment companies, and private business development companies, each with total assets in excess of \$10,000,000; federal covered investment advisers acting for their own accounts; qualified institutional buyers and major U.S. institutional investors, as defined by federal law, but generally including investment companies, financial institutions, insurance companies, investment advisers, and other entities that act for their own account and invest at least \$100,000,000 or have assets under management of at least \$100,000,000; any other entity of institutional character with total assets in excess of \$10,000,000; and any other person specified by the division. The bill includes various changes related to, and new exemptions for, nonissuer transactions, including those related to foreign issuers, SEC reporting companies, certain debt securities, and transactions by certain federal covered investment advisers. The bill includes new exemptions for certain security swaps, solicitations of interest prior to the effective date of a registration statement, and rescission offers and transactions.

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The bill modifies the exemption for certain mortgage-backed securities. The bill eliminates a transaction exemption related to nonprofit debt issues, so that nonprofit-related exemptions are entirely securities exemptions rather than transaction exemptions. The bill also eliminates the specific transaction exemption related to limited offerings under SEC Rule 505.

4. The bill modifies the definition of a securities “issuer.” The bill adds several new definitions, including definitions of “bank,” “depository institution,” “institutional investor,” and “international banking institution.” The bill also adds new definitions of “filing,” “record,” and “sign” to clearly recognize electronic information, documents, and filings.

The bill also varies from, or adopts optional language under, the USA 2002 in a number of respects. These variations, or the adoption of this optional language, are generally recommended by the WUSA Study Group to retain aspects of current law or current division rules with respect to certain matters, including: the definitions of “issuer,” “security,” and “viatical settlement investment”; the security exemption for government securities, relating to industrial revenue bonds; the security transaction exemption for unsolicited broker-dealer transactions, relating to documentation requirements; the security transaction exemption for sales to institutional investors, adding accredited investors; the security transaction exemptions for certain limited offerings and preorganization subscriptions; the security transaction exemption for offers to existing security holders, to add a ten-day notice filing requirement; division authority to deny or revoke exemptions; filing and reporting procedures for open-end mutual funds, and extension procedures for unit investment trusts and closed-end mutual funds; division authority relating to registration requirement waivers, reports by certain professionals, and division comment letters; escrow of securities and impoundment of proceeds; trust indentures for registered debt securities; and security merit review.

***Registration of securities professionals***

Under current law, unless exempt from licensing, a person may not transact business in this state as a broker-dealer or an agent unless the person is licensed as a broker-dealer or an agent, even if the person is also federally registered as such with the SEC. A “broker-dealer” is any person, whether an individual or an entity, engaged in the business of effecting transactions in securities for the account of others or for the person’s own account, but does not include any of the following: an agent; an issuer; a bank, savings institution, or trust company, when effecting transactions for its own account or executing orders as an agent for a purchaser or seller; a personal representative, guardian, conservator, or pledgee; a person whose dealings in securities are limited to transactions in mortgage-backed securities; a person licensed as a real estate broker who has only isolated and incidental transactions in securities; the State of Wisconsin Investment Board (SWIB); or any other person designated by the division. An “agent” is an individual other than a broker-dealer who represents a broker-dealer or a securities issuer in effecting or attempting to effect transactions in securities, but does not include an individual who represents an issuer in effecting transactions in an exempt security, in effecting

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most exempt transactions, or in effecting other transactions if no commission is paid for soliciting persons in this state. Current law provides a number of exemptions to the broker–dealer and agent licensing requirements, including exemptions for persons who effect transactions exclusively for sophisticated investors; persons who represent broker–dealers in effecting certain de minimus transactions for preexisting clients who were residents in the state where the agent is registered for at least 30 days in the previous one–year period; an agent acting exclusively for a securities issuer with respect to certain exempt transactions involving accredited investors; and persons who give group presentations at broker–dealer meetings or seminars where no solicitation, offer, or sale is made. A broker–dealer or issuer may not employ as an agent an individual who is not licensed or exempt from licensing. An agent generally may not represent more than one broker–dealer or issuer and may not simultaneously represent both a broker–dealer and an issuer. However, dual representation by an agent of issuers that are limited partnerships or investment companies is permissible if certain conditions are met.

Under current law, unless exempt from licensing, a person may not transact business in this state as an investment adviser unless the person is licensed as an investment adviser. An “investment adviser” is a person, whether an individual or an entity, that, for compensation, engages in the business of advising others, directly or through publications or electronically, as to the value of securities or as to the advisability of purchasing or selling securities or that, for compensation and as a part of a regular business, issues analyses or reports concerning securities, but does not include a bank, savings institution, or trust company; certain professionals, such as lawyers and accountants; broker–dealers or agents whose performance of these services is solely incidental to the conduct of their own business and who receive no special compensation for these services; newspaper, magazine, and other publishers; SWIB; federal covered advisers, unless they fail to pay applicable fees to the division; persons whose advice, analyses, or reports relate only to certain exempt government securities or who are otherwise identified by SEC rule as excluded from the definition of investment adviser; an investment adviser representative; or other persons designated by the division. A “federal covered adviser” is a person, whether an individual or an entity, that is registered with the SEC as an investment adviser. Investment advisers that have assets under management of at least \$25,000,000 or that are advisers to investment companies are federal covered advisers registered exclusively with the SEC. Current law provides a number of exemptions to the investment adviser licensing requirement, including exemptions for persons who are licensed as broker–dealers; persons whose only clients in this state are sophisticated investors; persons who do not have a place of business in this state and, during the preceding 12–month period, have had no more than five in–state clients who are not sophisticated investors.

Although federal covered advisers are excluded from the definition of “investment adviser” and state registration of federal covered advisers is preempted under the NSMIA, federal covered advisers are generally subject to notice filing requirements under current law. A federal covered adviser must comply with notice filing requirements to transact investment advisory business in this state unless the

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federal covered adviser's only clients who are residents of this state are sophisticated investors or the federal covered adviser does not have a place of business in this state and, during the preceding 12-month period, has advised no more than five in-state clients who are not sophisticated investors.

Under current law, unless exempt from licensing, a person may not transact business in this state as an investment adviser representative unless the person is licensed as an investment adviser representative. An "investment adviser representative" is, with certain exceptions, a "supervised person," as defined by the division by rule, of an investment adviser or federal covered adviser unless the supervised person does not regularly solicit or communicate with clients or provides only impersonal investment advice or is a third-party solicitor, as defined by the division by rule. Current law provides a number of exemptions to the investment adviser representative licensing requirement, including exemptions for persons who are licensed as agents; persons whose only clients in this state are sophisticated investors; and persons who do not have a place of business in this state and, during the preceding 12-month period, have had no more than five in-state clients who are not sophisticated investors.

Under current law, a licensed investment adviser may not employ as an investment adviser representative a person who is neither licensed nor exempt from licensing. A person employed or supervised by, or associated with, a federal covered adviser may not act as an investment adviser representative in this state unless the person is licensed or exempt from licensing.

Under current law, a broker-dealer, agent, investment adviser, or investment adviser representative may obtain a license by filing with the division, or with an organization designated by the division, such as Web-CRD or IARD, an application together with a consent to service of process. The application must contain all information required by the division by rule. Unless an exception applies, a federal covered adviser must file with the division a notice filing together with payment of a notice filing fee. The notice filing must consist either of a notice filing form prescribed by the division or a copy of documents filed with the SEC. The division may, upon appropriate proceedings, deny an application or suspend or revoke a license or censure a licensee under certain conditions, including if the applicant or licensee filed an application that is materially false or misleading with respect to any material fact; willfully violated state or federal securities laws; has been convicted of certain criminal offenses or has been enjoined by a court; has engaged in dishonest or unethical practices in the securities or investment advisory business or has taken unfair advantage of a customer; is insolvent; is unqualified; or has failed reasonably to supervise agents or employees.

Under current law, the division may prescribe standards of qualification with respect to training, experience, and knowledge of, and provide for examinations of, broker-dealers, agents, investment advisers, and investment adviser representatives. The division may also, subject to federal law, establish minimum net capital requirements for licensed broker-dealers and investment advisers and require licensed broker-dealers and investment advisers who have custody of or discretionary authority over client funds or securities to post bonds. The division



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must cooperate with other securities administrators and regulatory authorities to simplify and coordinate license application, notice filing, and renewal procedures. A licensed broker-dealer, agent, or investment adviser may not transact business in this state if it is in violation of the state's securities laws.

This bill, in adopting the USA 2002 with some modification, retains the general structure and content of current law with respect to securities professionals. Although the bill changes the terminology of regulation from "licensing" to "registration," the bill continues to require registration of entities and individuals in a similar manner, contains exemptions to registration, and retains similar administrative and supervisory authority by the division over these entities and individuals. However, the bill also includes a number of changes to current law with respect to securities professionals, including the following:

1. The bill eliminates specific exclusions under current law from the definition of a broker-dealer for a personal representative, guardian, conservator, or pledgee; a person whose dealings in securities are limited to transactions in mortgage-backed securities; a person licensed as a real estate broker who has only isolated and incidental transactions in securities; and SWIB. The bill also changes the specific exclusion for a bank, savings institution, or trust company, consistent with federal law under the Gramm-Leach-Bliley Act of 1999, so that the exclusion applies only to a bank or savings institution whose activities as a broker-dealer are limited to certain activities specified under federal law, such as third-party brokerage services, trust activities, custodial services, and de minimus transactions; buying or selling securities for its own account, including in a fiduciary capacity, but not as a part of a regular business; or buying or selling certain securities, under certain conditions, as specified under federal law. The bill also excludes from the definition of broker-dealer an international banking institution and a bank or savings institution that, in 1999, was a member of a national securities exchange and was required by SEC rule to comply with federal broker-dealer regulations.

2. The bill also makes changes to the exemptions to broker-dealer registration. The bill eliminates the group presentation exemption under current law and changes the exemption for transactions exclusively for sophisticated investors. The bill creates several new exemptions to broker-dealer registration. Under the bill, a broker-dealer is exempt from registration if its only transactions effected in this state are with the following: the issuer of the securities involved in the transactions; a broker-dealer registered with the division or exempt from registration; institutional investors, as defined above; accredited investors, as defined above, but not including individuals; a nonaffiliated federal covered investment adviser with investments under management in excess of \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; a bona fide preexisting customer whose principal place of residence is not in the state if the broker-dealer is registered with the SEC or with the state in which the customer maintains a principal place of residence; a bona fide preexisting customer whose principal place of residence is in this state if the broker-dealer was not present in this state when the customer relationship was established, if the broker-dealer is registered with the SEC or with the state in which the customer relationship was established and

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the customer maintained his or her residence, and if, with certain exceptions, the broker–dealer files an application for registration within 45 days after the customer’s first transaction in this state and no further transaction is effected more than 75 days later; or any other person exempted by the division. In addition, the division may permit a broker–dealer registered in a foreign jurisdiction that does not have a place of business in this state to effect certain transactions, including with individuals from the same jurisdiction who are temporarily present in this state and with whom the broker–dealer had a bona fide customer relationship before the individual entered the United States, and may permit an agent to effect these transactions for the broker–dealer.

3. The bill eliminates all specific exclusions under current law from the definition of agent but provides the division with authority to exclude individuals from this definition. The bill also makes changes to the exemptions to agent registration. The bill changes the exemptions for transactions exclusively for sophisticated investors and transactions involving accredited investors. The bill makes a slight change in the wording related to the exemption for de minimus transactions for certain preexisting clients. The bill creates several new exemptions to agent registration, including exempting from agent registration an individual who represents an exempt broker–dealer; represents an issuer with respect to an offer or sale of the issuer’s own securities and who receives no commission; represents an issuer in effecting most exempt transactions; with exceptions, represents an issuer that effects transactions solely in federal covered securities; represents a broker–dealer registered with the division or exempt from registration in the offer and sale of securities for an account of a nonaffiliated federal covered investment adviser with investments under management in excess of \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; represents an issuer in connection with the purchase of the issuer’s own securities; represents an issuer or broker–dealer and who restricts participation to performing clerical or ministerial acts; represents a broker–dealer and effects transactions in this state exclusively with certain customers (those whose transactions with a broker–dealer do not require the broker dealer to be registered); and is otherwise exempted by the division.

4. The bill eliminates specific exclusions under current law from the definition of “investment adviser” for trust companies that are not banks and for SWIB. The bill also modifies the exclusion under current law related to federal covered advisers, so that a federal covered adviser is excluded regardless of whether it pays to the division notice filing fees. The bill specifically provides that “investment adviser” includes a financial planner that provides investment advice for compensation. The bill also makes changes to the exemptions to investment adviser registration. The bill eliminates the specific exemption for a licensed broker–dealer and changes the exemptions for persons whose only clients in this state are sophisticated investors and persons who do not have a place of business in this state and, during the preceding 12–month period, have had no more than five in–state clients who are not sophisticated investors. Under the bill, the following persons are exempt from investment adviser registration: persons whose only clients in this state are federal

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covered investment advisers, investment advisers registered with the division, broker-dealers registered with the division, institutional investors, or accredited investors other than individuals; persons whose only clients in this state are bona fide preexisting clients whose principal places of residence are not in this state if the investment adviser is registered or exempt from registration in the state in which the clients maintain principal places of residence; persons whose only clients in this state are clients exempted by the division; persons who do not have a place of business in this state and who have had, during the preceding 12 months, no more than five in-state clients in addition to the institutional investors, accredited investors, federal covered investment advisers, registered investment advisers or broker-dealers, or bona fide preexisting clients to which another exemption applies; and any other person exempted by the division.

5. The bill completely eliminates the current law definition of “investment adviser representative” and creates a new definition. Under the bill, an “investment adviser representative” is an individual employed by or associated with an investment adviser or federal covered investment adviser who makes recommendations or gives investment advice regarding securities, manages accounts or portfolios of clients, determines which recommendation or advice regarding securities should be given, provides investment advice, receives compensation to solicit, offer, or sell investment advice, or supervises employees who perform any of these activities. However, “investment adviser representative” includes an individual employed by or associated with a federal covered investment adviser only if the individual has a place of business in this state and the individual is either an “investment adviser representative,” as defined under a particular provision of federal law, or is not a supervised person, as defined under a particular provision of federal law. “Investment adviser representative” also does not include an individual who performs only clerical or ministerial acts; is an agent whose performance of investment advice is solely incidental to the conduct of his or her own business and who receive no special compensation for investment advisory services; or is excluded by the division. The bill also makes changes to the exemptions to investment adviser representative registration. The bill eliminates all specific exemptions to registration under current law and instead provides exemptions from investment adviser registration for an individual who is employed by or associated with an investment adviser that is exempt from registration or a federal covered investment adviser that is excluded from notice filing requirements; an individual who is employed by or associated with an investment adviser or a federal covered investment adviser and has in this state only certain clients (those whose business with an investment adviser do not require the investment adviser to be registered); and any other individual exempted by the division.

6. Other than a change in terminology from “federal covered adviser” to “federal covered investment adviser,” the bill makes no significant definitional change with respect to these advisers. The bill makes changes to the exemptions to notice filing for federal covered investment advisers. The bill changes the exemptions for federal covered investment advisers whose only clients in this state are sophisticated investors and for such advisers who do not have a place of business in this state and,

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during the preceding 12-month period, have had no more than five in-state clients who are not sophisticated investors. Under the bill, federal covered investment advisers that do not have a place of business in this state are exempt from notice filing if their only clients in this state are any of the following: federal covered investment advisers; investment advisers registered with the division; broker-dealers registered with the division; institutional investors; accredited investors other than individuals; bona fide preexisting clients whose principal places of residence are not in this state; or other clients specified by the division. Federal covered investment advisers that do not have a place of business in this state are also exempt from notice filing if they have had, during the preceding 12 months, no more than five in-state clients in addition to the institutional investors, accredited investors, federal covered investment advisers, registered investment advisers or broker-dealers, or bona fide preexisting clients to which another exemption applies. The division may also exempt from notice filing any other federal covered investment adviser.

7. The bill provides for qualified immunity for broker-dealers, agents, investment advisers, federal covered investment advisers, and investment adviser representatives related to statements they make in records required by the division.

The bill also varies from, or adopts optional language under, the USA 2002 in a number of respects. These variations, or the adoption of this optional language, are generally recommended by the WUSA Study Group to retain aspects of current law or current division rules with respect to certain matters, including: broker-dealer registration exemptions relating to location of the broker-dealer's place of business, transactions with entity-type accredited investors, unsolicited liquidation transactions for bona fide preexisting customers, de minimis exemptions, and governmental securities dealers; commissions paid to broker-dealers; limited dual-agent registration for limited partnerships or investment companies; investment adviser registration exemptions with respect to entity-type accredited investors, bona fide clients residing out-of-state, and reliance; limits on employment by investment advisers; investment adviser referral fees; federal covered investment adviser notice filing exemptions related to entity-type accredited investors and notice filing expiration; filing of registration applications with third-party organizations designated by the division; the effective date of registration applications; and registration application requirements related to a change of control of a broker-dealer or investment adviser.

***Securities fraud, enforcement, and administration***

Current law includes numerous provisions prohibiting fraud, in various forms, in connection with securities transactions or the offering or sale of securities, including: making any untrue statement of a material fact or omitting a material fact necessary to make a statement not misleading in connection with the offer, sale, or purchase of a security; engaging in market manipulation; publishing, circulating, or using false advertising or, with exceptions, advertising not filed with the division; and making material false or misleading statements or misleading omissions in documents filed with the division. Broker-dealers and advisers also may not engage in fraud or employ manipulative, deceptive, or fraudulent devices.

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Under current law, the division administers and enforces the state's securities laws, has investigative and subpoena powers, may conduct hearings and enter orders, may bring injunction actions, may summarily take action against a licensee or summarily take action to prohibit conduct, may impose administrative assessments for securities law violations, and may promulgate rules and prescribe forms. The division's orders are generally subject to judicial review. Administrative assessments imposed by the division are appropriated for the division's investor education program.

Under current law, a person who violates the state's securities laws may be subject to criminal or civil liability or both. A person who willfully violates the state's securities laws, with certain exceptions, is guilty of a Class H felony, punishable by a maximum fine of \$10,000 or a maximum term of imprisonment of six years or both. The division may refer violations for criminal prosecution to the attorney general or a district attorney. A person who violates the state's securities laws by offering or selling a security, by purchasing a security, or by willfully participating in market manipulation activity, may be civilly liable to, respectively, the purchaser or seller for specified damages, including interest and reasonable attorney fees, or equitable relief. Certain persons may also be held civilly liable for the violations of others. However, a civil action must be commenced within three years after the act or transaction constituting the violation, but this period of limitation may be extended under certain circumstances. A purchaser or seller also may not commence an action if, before suit is commenced, the purchaser or seller receives a written rescission offer providing specified information about the violation and offering to resolve liability for the violation.

This bill, in adopting the USA 2002 with some modification, retains the general structure and content of current law with respect to securities fraud, enforcement, and administration. However, the bill also includes a number of changes to current law, including the following:

1. The bill authorizes the division to use some new enforcement techniques, such as cease and desist orders, asset freezes, and rescission orders. The bill also expands the division's authority to assist securities regulators in other jurisdictions. The bill also authorizes the division to seek assistance from district attorneys, the attorney general, or appropriate federal authorities in judicially enforcing subpoenas and further authorizes courts to enforce the division's cease and desist orders.

2. The bill modifies the statute of limitations in actions to impose civil liability. Under the bill, a person must bring an action for relief based upon sale of an unregistered security or sale by an unregistered securities professional within one year after the violation. For other claims, a person must bring an action for relief within the earlier of two years after discovery of the facts constituting the violation or five years after the violation.

3. With regard to some securities professionals, such as agents, the bill turns definitional exclusions under current law into registration exemptions, which results in an expansion of the scope of antifraud provisions; while these individuals

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still would not be required to register with the division, they would be subject to the antifraud provisions of the bill.

4. The bill modifies current law relating to rescission offers arising from asserted liability for violations, and recognizes a transaction exemption for rescission offers made in compliance with this rescission offer provision.

5. The bill modifies current law relating to confidentiality of certain information and documents of the division.

6. The bill slightly changes the division's current investor education program to an investor education and training program.

The bill also varies from, or adopts optional language under, the USA 2002 in a number of respects. These variations, or the adoption of this optional language, are generally recommended by the WUSA Study Group to retain aspects of current law or current division rules with respect to certain matters, including: fee provisions for division filings; the division's investigative authority related to acting on broker-dealer and investment adviser registration applications; division authority related to grounds for discipline, censure, penalties, and negotiated settlements in disciplinary actions; continuing education requirements for registered persons; penalty provisions for criminal securities law violations; certain aspects of civil liability; administrative assessments by the division and the investor education and training program; the division's injunctive authority; confidential information and records of the division; judicial review of summarily issued orders of the division; and the state's jurisdiction with regard to offers not directed to or received in this state.

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

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

1           **SECTION 1.** 19.42 (12) of the statutes is amended to read:

2           19.42 (12) "Security" has the meaning given under s. ~~551.02 (13)~~ 551.102 (28),  
3 except that the term does not include a certificate of deposit or a deposit in a savings  
4 and loan association, savings bank, credit union or similar association organized  
5 under the laws of any state.

6           **SECTION 2.** 20.144 (1) (i) of the statutes is amended to read:

7           20.144 (1) (i) *Investor education and training fund*. The amounts in the  
8 schedule for educating residents of this state about securities and franchise

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1 investments as provided in ss. ~~551.605 (2)~~ 551.601 (4) and 553.605 (2) and for any  
2 other purpose specified in s. 551.601 (4). All moneys received from administrative  
3 assessments under ss. ~~551.605 (1)~~ 551.604 (4) and 553.605 (1) shall be credited to this  
4 appropriation. If the unencumbered balance in this appropriation account exceeds  
5 \$100,000 immediately before the end of any fiscal year, the excess shall lapse to the  
6 general fund at the end of that fiscal year.

7 **SECTION 3.** 20.923 (8) of the statutes is amended to read:

8 20.923 (8) DEPUTIES. Salaries for deputies appointed pursuant to ss. 13.94 (3)  
9 (b), 15.04 (2) and ~~551.51~~ 551.601 (1) shall be set by the appointing authority. The  
10 salary shall not exceed the maximum of the salary range one range below the salary  
11 range of the executive salary group to which the department or agency head is  
12 assigned. The positions of assistant secretary of state, assistant state treasurer and  
13 associate director of the historical society shall be treated as unclassified deputies  
14 for pay purposes under this subsection.

15 **SECTION 4.** 21.72 (1) (a) 12. of the statutes is amended to read:

16 21.72 (1) (a) 12. A license or certificate of registration issued by the department  
17 of financial institutions, or a division of it, under ss. 138.09, 138.12, 217.06, 218.0101  
18 to 218.0163, 218.02, 218.04, 218.05, 224.72, or 224.93 or subch. III ~~IV~~ of ch. 551.

19 **SECTION 5.** 25.186 (1) (a) of the statutes is amended to read:

20 25.186 (1) (a) “Broker–dealer” has the meaning given in s. ~~551.02 (3)~~ 551.102  
21 (4).

22 **SECTION 6.** 25.186 (1) (c) of the statutes is amended to read:

23 25.186 (1) (c) “Security” has the meaning given in s. ~~551.02 (13)~~ 551.102 (28).

24 **SECTION 7.** 25.186 (2) (a) of the statutes is amended to read:

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1           25.186 (2) (a) Of the total funds that are expended by the board for securities  
2 trading brokerage commissions in any fiscal year, the board shall pay at least 5% of  
3 the total funds in securities trading brokerage commissions to broker-dealers that  
4 are licensed registered under s. ~~551.31~~ 551.406, that are headquartered in this state  
5 and whose principal business operations are located in this state.

6           **SECTION 8.** 49.853 (1) (c) 6. of the statutes is amended to read:

7           49.853 (1) (c) 6. A broker-dealer, as defined in s. ~~551.02 (3)~~ 551.102 (4).

8           **SECTION 9.** 49.857 (1) (d) 12. of the statutes is amended to read:

9           49.857 (1) (d) 12. A license or certificate of registration issued under ss. 138.09,  
10 138.12, 217.06, 218.0101 to 218.0163, 218.02, 218.04, 218.05, 224.72, 224.93 or  
11 subch. ~~III~~ IV of ch. 551.

12           **SECTION 10.** 73.0301 (1) (d) 6. of the statutes is amended to read:

13           73.0301 (1) (d) 6. A license or certificate of registration issued by the  
14 department of financial institutions, or a division of it, under ss. 138.09, 138.12,  
15 217.06, 218.0101 to 218.0163, 218.02, 218.04, 218.05, 224.72, 224.93 or under subch.  
16 ~~III~~ IV of ch. 551.

17           **SECTION 11.** 183.1303 of the statutes is amended to read:

18           **183.1303 Securities law application.** An interest in a limited liability  
19 company may be a security, as defined in ss. ~~551.02 (13) (b) and (c)~~ specified in s.  
20 551.102 (28) (e).

21           **SECTION 12.** 226.14 (8) of the statutes is amended to read:

22           226.14 (8) Every such trust issuing or selling, or offering for sale, beneficial  
23 certificates in this state, shall be subject to ~~the~~ any applicable restrictions and  
24 limitations provided in ch. 551.



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1           **SECTION 13.** 227.54 of the statutes, as affected by 2007 Wisconsin Act 20, is  
2 amended to read:

3           **227.54 Stay of proceedings.** The institution of the proceeding for review  
4 shall not stay enforcement of the agency decision. The reviewing court may order a  
5 stay upon such terms as it deems proper, except as otherwise provided in ss. 49.17  
6 (7), 96.43, and 448.02 (9) ~~and 551.62.~~

7           **SECTION 14.** 421.202 (8) of the statutes is amended to read:

8           421.202 (8) Transactions in securities accounts or securities transactions by or  
9 with a broker-dealer, as defined in s. ~~551.02 (3), licensed 551.102 (4), registered~~  
10 under ch. 551.

11           **SECTION 15.** 422.501 (2) (b) 7. of the statutes is amended to read:

12           422.501 (2) (b) 7. A broker-dealer or agent ~~licensed~~ registered under s. ~~551.31~~  
13 551.406 if the broker-dealer or agent is acting within the course and scope of that  
14 license.

15           **SECTION 16.** Chapter 551 of the statutes is repealed and recreated to read:

16   **CHAPTER 551**

17   **WISCONSIN UNIFORM SECURITIES LAW**

18   SUBCHAPTER I

19   GENERAL PROVISIONS

20           **551.101 Short title.** This chapter shall be known and may be cited as the  
21 “Wisconsin Uniform Securities Law.”

22           **551.102 Definitions.** In this Chapter, unless the context otherwise requires:

23           **(1m)** “Administrator” means the administrator of the division of securities in  
24 the department of financial institutions.

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1           **(2)** “Agent” means an individual, other than a broker–dealer, who represents  
2 a broker–dealer in effecting or attempting to effect purchases or sales of securities  
3 or represents an issuer in effecting or attempting to effect purchases or sales of the  
4 issuer’s securities. But a partner, officer, or director of a broker–dealer or issuer, or  
5 an individual having a similar status or performing similar functions, is an agent  
6 only if the individual otherwise comes within the term. The term does not include  
7 an individual excluded by rule adopted or order issued under this chapter.

8           **(3)** “Bank” means any of the following:

9           (a) A banking institution organized under the laws of the United States.

10           (b) A member bank of the Federal Reserve System.

11           (c) Any other banking institution, whether incorporated or not, doing business  
12 under the laws of a state or of the United States, a substantial portion of the business  
13 of which consists of receiving deposits or exercising fiduciary powers similar to those  
14 permitted to be exercised by national banks under the authority of the Comptroller  
15 of the Currency pursuant to section 1 of Public Law 87–722 (12 USC 92a), and which  
16 is supervised and examined by a state or federal agency having supervision over  
17 banks, and which is not operated for the purpose of evading this chapter.

18           (d) A receiver, conservator, or other liquidating agent of any institution or firm  
19 included in par. (a), (b), or (c).

20           **(4)** “Broker–dealer” means a person engaged in the business of effecting  
21 transactions in securities for the account of others or for the person’s own account.

22 The term does not include any of the following:

23           (a) An agent.

24           (b) An issuer.

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1 (c) A bank or savings institution if its activities as a broker–dealer are limited  
2 to those specified in sections 3 (a) (4) and 3 (a) (5) of the Securities Exchange Act of  
3 1934 (15 USC 78c (a) (4) and (5)), or a bank that satisfies the conditions specified in  
4 section 3 (a) (4) (E) of the Securities Exchange Act of 1934 (15 USC Section 78c (a)  
5 (4)).

6 (d) An international banking institution.

7 (e) A person excluded by rule adopted or order issued under this chapter.

8 **(5)** “Depository institution” means any of the following:

9 (a) A bank.

10 (b) A savings institution, trust company, credit union, or similar institution  
11 that is organized or chartered under the laws of a state or of the United States,  
12 authorized to receive deposits, and supervised and examined by an official or agency  
13 of a state or the United States if its deposits or share accounts are insured to the  
14 maximum amount authorized by statute by the Federal Deposit Insurance  
15 Corporation, the National Credit Union Share Insurance Fund, or a successor  
16 authorized by federal law. The term does not include any of the following:

17 1. An insurance company or other organization primarily engaged in the  
18 business of insurance.

19 2. A Morris Plan bank.

20 3. An industrial loan company.

21 **(5m)** “Division of securities” or “division” means the division of securities in the  
22 department of financial institutions.

23 **(6)** “Federal covered investment adviser” means a person registered under the  
24 Investment Advisers Act of 1940.

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1           **(7)** “Federal covered security” means a security that is, or upon completion of  
2 a transaction will be, a covered security under section 18 (b) of the Securities Act of  
3 1933 (15 USC 77r (b)) or rules or regulations adopted pursuant to that provision.

4           **(8)** “Filing” means the receipt under this chapter of a record by the  
5 administrator or a designee of the administrator.

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

7           **(10)** “Guaranteed” means guaranteed as to payment of all principal and all  
8 interest.

9           **(11)** “Institutional investor” means any of the following, whether acting for  
10 itself or for others in a fiduciary capacity:

11           (a) A depository institution or international banking institution.

12           (b) An insurance company.

13           (c) A separate account of an insurance company.

14           (d) An investment company as defined in the Investment Company Act of 1940.

15           (e) A broker–dealer registered under the Securities Exchange Act of 1934.

16           (f) An employee pension, profit–sharing, or benefit plan if the plan has total  
17 assets in excess of \$10,000,000 or its investment decisions are made by a named  
18 fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that  
19 is a broker–dealer registered under the Securities Exchange Act of 1934, an  
20 investment adviser registered or exempt from registration under the Investment  
21 Advisers Act of 1940, an investment adviser registered under this chapter, a  
22 depository institution, or an insurance company.

23           (g) A plan established and maintained by a state, a political subdivision of a  
24 state, or an agency or instrumentality of a state or a political subdivision of a state  
25 for the benefit of its employees, if the plan has total assets in excess of \$10,000,000

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1 or its investment decisions are made by a duly designated public official or by a  
2 named fiduciary, as defined in the Employee Retirement Income Security Act of  
3 1974, that is a broker–dealer registered under the Securities Exchange Act of 1934,  
4 an investment adviser registered or exempt from registration under the Investment  
5 Advisers Act of 1940, an investment adviser registered under this chapter, a  
6 depository institution, or an insurance company.

7 (h) A trust, if it has total assets in excess of \$10,000,000, its trustee is a  
8 depository institution, and its participants are exclusively plans of the types  
9 identified in par. (f) or (g), regardless of the size of their assets, except a trust that  
10 includes as participants self–directed individual retirement accounts or similar  
11 self–directed plans.

12 (i) An organization described in section 501 (c) (3) of the Internal Revenue Code  
13 (26 USC 501 (c) (3)), corporation, Massachusetts trust or similar business trust,  
14 limited liability company, or partnership, not formed for the specific purpose of  
15 acquiring the securities offered, with total assets in excess of \$10,000,000.

16 (j) A small business investment company licensed by the Small Business  
17 Administration under section 301 (c) of the Small Business Investment Act of 1958  
18 (15 USC 681 (c)) with total assets in excess of \$10,000,000.

19 (k) A private business development company as defined in section 202 (a) (22)  
20 of the Investment Advisers Act of 1940 (15 USC 80b–2 (a) (22)) with total assets in  
21 excess of \$10,000,000.

22 (L) A federal covered investment adviser acting for its own account.

23 (m) A qualified institutional buyer, as defined in Rule 144A (a) (1), other than  
24 Rule 144A (a) (1) (i) (H), adopted under the Securities Act of 1933 (17 CFR 230.144A).

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1           (n) A major U.S. institutional investor, as defined in Rule 15a-6 (b) (4) (i)  
2 adopted under the Securities Exchange Act of 1934 (17 CFR 240.15a-6).

3           (o) Any other person, other than an individual, of institutional character with  
4 total assets in excess of \$10,000,000 not organized for the specific purpose of evading  
5 this chapter.

6           (p) Any other person specified by rule adopted or order issued under this  
7 chapter.

8           **(12)** “Insurance company” means a company organized as an insurance  
9 company whose primary business is writing insurance or reinsuring risks  
10 underwritten by insurance companies and which is subject to supervision by the  
11 insurance commissioner or a similar official or agency of a state.

12           **(13)** “Insured” means insured as to payment of all principal and all interest.

13           **(14)** “International banking institution” means an international financial  
14 institution of which the United States is a member and whose securities are exempt  
15 from registration under the Securities Act of 1933.

16           **(15)** “Investment adviser” means a person that, for compensation, engages in  
17 the business of advising others, either directly or through publications, writings, or  
18 electronic means, as to the value of securities or the advisability of investing in,  
19 purchasing, or selling securities or that, for compensation and as a part of a regular  
20 business, issues or promulgates analyses or reports concerning securities. The term  
21 includes a financial planner or other person that, as an integral component of other  
22 financially related services, provides investment advice regarding securities to  
23 others for compensation as part of a business or that holds itself out as providing  
24 investment advice regarding securities to others for compensation. The term does  
25 not include any of the following:

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- 1           (a) An investment adviser representative.
- 2           (b) A lawyer, accountant, engineer, or teacher whose performance of  
3 investment advice is solely incidental to the practice of the person's profession.
- 4           (c) A broker-dealer or its agents whose performance of investment advice is  
5 solely incidental to the conduct of business as a broker-dealer and that does not  
6 receive special compensation for the investment advice.
- 7           (d) A publisher of a bona fide newspaper, news magazine, or business or  
8 financial publication of general and regular circulation.
- 9           (e) A federal covered investment adviser.
- 10          (f) A bank or savings institution.
- 11          (g) Any other person that is excluded by the Investment Advisers Act of 1940  
12 from the definition of investment adviser.
- 13          (h) Any other person excluded by rule adopted or order issued under this  
14 chapter.
- 15          **(16)** "Investment adviser representative" means an individual employed by or  
16 associated with an investment adviser or federal covered investment adviser and  
17 who makes any recommendations or otherwise gives investment advice regarding  
18 securities, manages accounts or portfolios of clients, determines which  
19 recommendation or advice regarding securities should be given, provides investment  
20 advice or holds herself or himself out as providing investment advice, receives  
21 compensation to solicit, offer, or negotiate for the sale of or for selling investment  
22 advice, or supervises employees who perform any of the foregoing. The term does not  
23 include any of the following:
- 24          (a) An individual who performs only clerical or ministerial acts.

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1 (b) An individual who is an agent whose performance of investment advice is  
2 solely incidental to the individual acting as an agent and who does not receive special  
3 compensation for investment advisory services.

4 (c) An individual who is employed by or associated with a federal covered  
5 investment adviser, unless the individual has a “place of business” in this state, as  
6 that term is defined by rule adopted under section 203A of the Investment Advisers  
7 Act of 1940 (15 USC 80b-3a) , and, in addition to the place of business, any of the  
8 following apply to the individual:

9 1. The individual is an “investment adviser representative,” as that term is  
10 defined by rule adopted under section 203A of the Investment Advisers Act of 1940  
11 (15 USC 80b-3a).

12 2. The individual is not a supervised person, as defined in section 202 (a) (25)  
13 of the Investment Advisers Act of 1940 (15 USC 80b-2 (a) (25)).

14 (d) An individual who is excluded by rule adopted or order issued under this  
15 chapter.

16 **(17)** “Issuer” means a person that issues or proposes to issue a security, subject  
17 to the following:

18 (a) The issuer of a voting trust certificate, collateral trust certificate, certificate  
19 of deposit for a security, or share in an investment company without a board of  
20 directors or individuals performing similar functions is the person performing the  
21 acts and assuming the duties of depositor or manager pursuant to the trust or other  
22 agreement or instrument under which the security is issued.

23 (b) The issuer of an equipment trust certificate or similar security serving the  
24 same purpose is the person by which the property is or will be used or to which the



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1 property or equipment is or will be leased or conditionally sold or that is otherwise  
2 contractually responsible for assuring payment of the certificate.

3 (c) The issuer of a fractional undivided interest in an oil, gas, or other mineral  
4 lease or in payments out of production under a lease, right, or royalty is the owner  
5 of an interest in the lease or in payments out of production under a lease, right, or  
6 royalty, whether whole or fractional, that creates fractional interests for the purpose  
7 of sale.

8 (d) With respect to a fractional or pool interest in a viatical settlement  
9 investment, “issuer” means every person who creates the fractional or pool interest  
10 for the purpose of offering or selling the interest.

11 (e) With respect to a viatical settlement investment that is not a fractional or  
12 pool interest, “issuer” means the viatical settlement provider, as defined in s. 632.68  
13 (1) (e), or the person who purchases or otherwise acquires the viatical settlement  
14 from a viatical settlement provider and then offers or sells viatical settlement  
15 investments therein except that, under this paragraph, “issuer” does not include a  
16 broker–dealer or agent registered under this chapter and does not include the viator  
17 of the insurance policy, certificate of insurance, or death benefit underlying the  
18 viatical settlement investment.

19 **(18)** “Nonissuer transaction” or “nonissuer distribution” means a transaction  
20 or distribution not directly or indirectly for the benefit of the issuer.

21 **(19)** “Offer to purchase” includes an attempt or offer to obtain, or solicitation  
22 of an offer to sell, a security or interest in a security for value. The term does not  
23 include a tender offer that is subject to section 14 (d) of the Securities Exchange Act  
24 of 1934 (15 USC 78n (d)).

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1           **(20)** “Person” means an individual; corporation; business trust; estate; trust;  
2           partnership; limited liability company; association; joint venture; government;  
3           governmental subdivision, agency, or instrumentality; public corporation; or any  
4           other legal or commercial entity.

5           **(21)** “Place of business” of a broker–dealer, an investment adviser, or a federal  
6           covered investment adviser means any of the following:

7           (a) An office at which the broker–dealer, investment adviser, or federal covered  
8           investment adviser regularly provides brokerage or investment advice or solicits,  
9           meets with, or otherwise communicates with customers or clients.

10          (b) Any other location that is held out to the general public as a location at  
11          which the broker–dealer, investment adviser, or federal covered investment adviser  
12          provides brokerage or investment advice or solicits, meets with, or otherwise  
13          communicates with customers or clients.

14          **(22)** “Predecessor act” means ch. 551, 2005 stats.

15          **(23)** “Price amendment” means the amendment to a registration statement  
16          filed under the Securities Act of 1933 or, if an amendment is not filed, the prospectus  
17          or prospectus supplement filed under the Securities Act of 1933 that includes a  
18          statement of the offering price, underwriting and selling discounts or commissions,  
19          amount of proceeds, conversion rates, call prices, and other matters dependent upon  
20          the offering price.

21          **(24)** “Principal place of business” of a broker–dealer or an investment adviser  
22          means the executive office of the broker–dealer or investment adviser from which the  
23          officers, partners, or managers of the broker–dealer or investment adviser direct,  
24          control, and coordinate the activities of the broker–dealer or investment adviser.

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1           **(25)** “Record,” except in the phrases “of record,” “official record,” and “public  
2 record,” means information that is inscribed on a tangible medium or that is stored  
3 in an electronic or other medium and is retrievable in perceivable form.

4           **(26)** “Sale” includes every contract of sale, contract to sell, or disposition of a  
5 security or interest in a security for value, and “offer to sell” includes every attempt  
6 or offer to dispose of, or solicitation of an offer to purchase, a security or interest in  
7 a security for value. Both terms include all of the following:

8           (a) A security given or delivered with, or as a bonus on account of, a purchase  
9 of securities or any other thing constituting part of the subject of the purchase and  
10 having been offered and sold for value.

11           (b) A gift of assessable stock involving an offer and sale.

12           (c) A sale or offer of a warrant or right to purchase or subscribe to another  
13 security of the same or another issuer and a sale or offer of a security that gives the  
14 holder a present or future right or privilege to convert the security into another  
15 security of the same or another issuer, including an offer of the other security.

16           **(27)** “Securities and Exchange Commission” means the United States  
17 Securities and Exchange Commission.

18           **(28)** “Security” means a note; stock; treasury stock; security future; bond;  
19 debenture; evidence of indebtedness; limited partnership interest; viatical  
20 settlement investment or similar agreement; certificate of interest or participation  
21 in a profit-sharing agreement; collateral trust certificate; preorganization  
22 certificate or subscription; transferable share; investment contract; voting trust  
23 certificate; certificate of deposit for a security; fractional undivided interest in oil,  
24 gas, or other mineral rights; put, call, straddle, option, or privilege on a security,  
25 certificate of deposit, or group or index of securities, including an interest therein or

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1 based on the value thereof; put, call, straddle, option, or privilege entered into on a  
2 national securities exchange relating to foreign currency; or, in general, an interest  
3 or instrument commonly known as a “security”; or a certificate of interest or  
4 participation in, temporary or interim certificate for, receipt for, guarantee of, or  
5 warrant or right to subscribe to or purchase, any of the foregoing. The term:

6 (a) Includes both a certificated and an uncertificated security.

7 (b) Does not include an insurance or endowment policy or annuity contract  
8 under which an insurance company promises to pay a fixed or variable sum of money  
9 either in a lump sum or periodically for life or other specified period.

10 (c) Does not include an interest in a contributory or noncontributory pension  
11 or welfare plan subject to the Employee Retirement Income Security Act of 1974.

12 (d) Subject to the exception in par. (e), includes all of the following:

13 1. An investment in a common enterprise with the expectation of profits to be  
14 derived through the essential managerial efforts of someone other than the investor.  
15 For purposes of this subdivision, a “common enterprise” is an enterprise in which the  
16 fortunes of the investor are tied to the efficacy of the efforts of those seeking the  
17 investment or a third party.

18 2. Any investment by which an offeree furnishes initial value to an offeror, and  
19 a portion of this initial value is subjected to the risks of the enterprise, and the  
20 furnishing of the initial value is induced by the offeror’s promises or representations  
21 which give rise to a reasonable understanding that a valuable benefit of some kind  
22 over and above the initial value will accrue to the offeree as a result of the operation  
23 of the enterprise, and the offeree does not receive the right to exercise practical and  
24 actual control over the managerial decisions of the enterprise.

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1 (e) Includes as an “investment contract,” among other contracts, an interest in  
2 a limited liability partnership and in a limited liability company; except an interest,  
3 or class or series thereof, in a limited liability partnership or limited liability  
4 company is not an “investment contract” if any of the following apply:

5 1. Each holder of an interest, or class or series thereof, is actively engaged in  
6 the management of the limited liability partnership or limited liability company.  
7 However, evidence that partners or members vote or have the right to vote, or the  
8 right to information concerning the business and affairs of the limited liability  
9 partnership or limited liability company, or the right to participate in management,  
10 shall not establish, without more, that all partners or members are actively engaged  
11 in the management of the limited liability partnership or limited liability company.

12 2. Each holder of an interest, or class or series thereof, is authorized under  
13 applicable law or under the partnership, operating, or other governing agreement or  
14 document to act for and bind the limited liability partnership or limited liability  
15 company and the total number of holders of all interests in the limited liability  
16 partnership or limited liability company does not exceed 15.

17 (f) Does not include a time share created and marketed in accordance with ch.  
18 707 if the requirements under s. 707.11 are satisfied.

19 (g) Does not include a membership interest in a domestic mutual holding  
20 company, as provided under s. 644.22.

21 (h) Does not include as an “investment contract” any contract excluded by rule  
22 adopted or order issued under this chapter.

23 **(29)** “Self-regulatory organization” means a national securities exchange  
24 registered under the Securities Exchange Act of 1934, a national securities  
25 association of broker-dealers registered under the Securities Exchange Act of 1934,

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1 a clearing agency registered under the Securities Exchange Act of 1934, or the  
2 Municipal Securities Rulemaking Board established under the Securities Exchange  
3 Act of 1934.

4 **(30)** “Sign” means to do any of the following, with present intent to  
5 authenticate or adopt a record:

6 (a) To execute or adopt a tangible symbol.

7 (b) To attach or logically associate with the record an electronic symbol, sound,  
8 or process.

9 **(31)** “State” means a state of the United States, the District of Columbia,  
10 Puerto Rico, the United States Virgin Islands, or any territory or insular possession  
11 subject to the jurisdiction of the United States.

12 **(32)** “Viatical settlement investment” means the entire interest or any  
13 fractional or pool interest in a life insurance policy or certificate of insurance or in  
14 the death benefit thereunder that is the subject of a viatical settlement, as defined  
15 in s. 632.68 (1) (b), but does not include any of the following:

16 (a) The assignment, transfer, sale, devise or bequest of a death benefit, life  
17 insurance policy, or certificate of insurance by the viator to a viatical settlement  
18 provider pursuant to s. 632.68.

19 (b) The exercise of accelerated benefits pursuant to the life insurance policy or  
20 certificate and consistent with applicable law.

21 **551.103 References to federal statutes.** “Securities Act of 1933” (15 USC  
22 77a et seq.), “Securities Exchange Act of 1934” (15 USC 78a et seq.), “Public Utility  
23 Holding Company Act of 1935” (15 USC 79 et seq.), “Investment Company Act of  
24 1940” (15 USC 80a–1 et seq.), “Investment Advisers Act of 1940” (15 USC 80b–1 et  
25 seq.), “Employee Retirement Income Security Act of 1974” (29 USC 1001 et seq.),

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1 “National Housing Act” (12 USC 1701 et seq.), “Commodity Exchange Act” (7 USC  
2 1 et seq.), “Internal Revenue Code” (26 USC 1 et seq.), “Securities Investor Protection  
3 Act of 1970” (15 USC 78aaa et seq.), “Securities Litigation Uniform Standards Act  
4 of 1998” (112 Stat. 3227), “Small Business Investment Act of 1958” (15 USC 661 et  
5 seq.), and “Electronic Signatures in Global and National Commerce Act” (15 USC  
6 7001 et seq.) mean those statutes and the rules and regulations adopted under those  
7 statutes, as in effect on the date of enactment of this chapter, or as later amended.

8 **551.104 References to federal agencies.** A reference in this chapter to an  
9 agency or department of the United States is also a reference to a successor agency  
10 or department.

11 **551.105 Electronic records and signatures.** This chapter modifies, limits,  
12 and supersedes the federal Electronic Signatures in Global and National Commerce  
13 Act, but does not modify, limit, or supersede section 101 (c) of that act (15 USC 7001  
14 (c)) or authorize electronic delivery of any of the notices described in section 103 (b)  
15 of that act (15 USC 7003 (b)). This chapter authorizes the filing of records and  
16 signatures, when specified by provisions of this chapter or by a rule adopted or order  
17 issued under this chapter, in a manner consistent with section 104 (a) of that act (15  
18 USC 7004 (a)).

19 SUBCHAPTER II

20 EXEMPTIONS FROM REGISTRATION

21 OF SECURITIES

22 **551.201 Exempt securities.** The following securities are exempt from the  
23 requirements of ss. 551.301 to 551.306 and 551.504:

24 **(1)** (a) A security, including a revenue obligation or a separate security as  
25 defined in Rule 131 (17 CFR 230.131) adopted under the Securities Act of 1933,

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1 issued, insured, or guaranteed by the United States; by a state; by a political  
2 subdivision of a state; by a public authority, agency, or instrumentality of one or more  
3 states; by a political subdivision of one or more states; or by a person controlled or  
4 supervised by and acting as an instrumentality of the United States under authority  
5 granted by the Congress; or a certificate of deposit for any of the foregoing but any  
6 revenue obligation payable from payments to be made in respect of property or  
7 money used under a lease, sale, or loan arrangement by or for a nongovernmental  
8 industrial or commercial enterprise is exempt only as provided under par. (b).

9 (b) Unless subject to a letter of credit of a bank, savings bank, or savings and  
10 loan association as provided in this paragraph, a revenue obligation of an issuer  
11 specified under par. (a) that is payable from payments to be made in respect of  
12 property or money used under a lease, sale, or loan arrangement by or for a  
13 nongovernmental industrial or commercial enterprise is exempt subject to rules  
14 adopted by the division of securities. A revenue obligation is exempt from any filing  
15 under the rules of the division if it is the subject of a guarantee or an irrevocable letter  
16 of credit from a depository institution in favor of holders of the revenue obligations  
17 providing for payment of all principal of the revenue obligations and all accrued and  
18 unpaid interest to the date of an event of default on the revenue obligations, and the  
19 letter of credit is accompanied by an opinion of counsel stating all of the following:

20 1. Either that payment of debt service will not constitute a preference under  
21 federal bankruptcy law if a petition in bankruptcy with respect to the enterprise is  
22 filed or that the guarantee or letter of credit will provide for reimbursement to  
23 holders of the revenue obligations if they are required by order of a federal  
24 bankruptcy court to disgorge as a preference any payment of a debt service.



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1           2. That the enforceability of the guarantee or letter of credit would not be  
2 materially affected by the filing of a petition under federal bankruptcy law with  
3 respect to the enterprise or any person obligated to reimburse the depository  
4 institution for payments made under the guarantee or letter of credit.

5           **(2)** A security issued, insured, or guaranteed by a foreign government with  
6 which the United States maintains diplomatic relations, or any of its political  
7 subdivisions, if the security is recognized as a valid obligation by the issuer, insurer,  
8 or guarantor.

9           **(3)** A security issued by and representing or that will represent an interest in  
10 or a direct obligation of, or be guaranteed by, any of the following:

11           (a) An international banking institution.

12           (b) A banking institution organized under the laws of the United States; a  
13 member bank of the Federal Reserve System; or a depository institution a  
14 substantial portion of the business of which consists or will consist of receiving  
15 deposits or share accounts that are insured to the maximum amount authorized by  
16 statute by the Federal Deposit Insurance Corporation, the National Credit Union  
17 Share Insurance Fund, or a successor authorized by federal law or exercising  
18 fiduciary powers that are similar to those permitted for national banks under the  
19 authority of the Comptroller of Currency pursuant to Section 1 of Public Law 87-722  
20 (12 USC 92a).

21           (c) Any other depository institution, unless by rule or order the administrator  
22 proceeds under s. 551.204.

23           **(4)** A security issued by and representing an interest in, or a debt of, or insured  
24 or guaranteed by, an insurance company authorized to do business in this state.

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1           **(5)** A security issued or guaranteed by a railroad, other common carrier, public  
2 utility, or public utility holding company that is any of the following:

3           (a) Regulated in respect to its rates and charges by the United States or a state.

4           (b) Regulated in respect to the issuance or guarantee of the security by the  
5 United States, a state, Canada, or a Canadian province or territory.

6           (c) A public utility holding company registered under the Public Utility Holding  
7 Company Act of 1935 or a subsidiary of such a registered holding company within the  
8 meaning of that act.

9           **(6)** A federal covered security specified in section 18 (b) (1) of the Securities Act  
10 of 1933 (15 USC 77r (b) (1)) or by rule adopted under that provision or a security listed  
11 or approved for listing on another securities market specified by rule under this  
12 chapter; a put or a call option contract; a warrant; a subscription right on or with  
13 respect to such securities; or an option or similar derivative security on a security or  
14 an index of securities or foreign currencies issued by a clearing agency registered  
15 under the Securities Exchange Act of 1934 and listed or designated for trading on a  
16 national securities exchange, a facility of a national securities exchange, or a facility  
17 of a national securities association registered under the Securities Exchange Act of  
18 1934 or an offer or sale, of the underlying security in connection with the offer, sale,  
19 or exercise of an option or other security that was exempt when the option or other  
20 security was written or issued; or an option or a derivative security designated by the  
21 Securities and Exchange Commission under section 9 (b) of the Securities Exchange  
22 Act of 1934 (15 USC 78i (b)).

23           **(7)** A security issued by a person organized and operated exclusively for  
24 religious, educational, benevolent, fraternal, charitable, social, athletic, or  
25 reformatory purposes, or as a chamber of commerce, and not for pecuniary profit, no

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1 part of the net earnings of which inures to the benefit of a private stockholder or other  
2 person, or a security of a company that is excluded from the definition of an  
3 investment company under section 3 (c) (10) (B) of the Investment Company Act of  
4 1940 (15 USC 80a-3 (c) (10) (B)); except that with respect to the offer or sale of a note,  
5 bond, debenture, or other evidence of indebtedness issued by such a person, a rule  
6 may be adopted under this chapter limiting the availability of this exemption by  
7 classifying securities, persons, and transactions, imposing different requirements  
8 for different classes, specifying with respect to par. (b) the scope of the exemption and  
9 the grounds for denial or suspension, and requiring an issuer to do any of the  
10 following:

11 (a) To file a notice specifying the material terms of the proposed offer or sale  
12 and copies of any proposed sales and advertising literature to be used and provide  
13 that the exemption becomes effective if the administrator does not disallow the  
14 exemption within the period established by the rule.

15 (b) To file a request for exemption authorization for which a rule under this  
16 chapter may specify the scope of the exemption, the requirement of an offering  
17 statement, the filing of sales and advertising literature, the filing of consent to  
18 service of process complying with s. 551.611, and grounds for denial or suspension  
19 of the exemption.

20 (c) To register under s. 551.304.

21 **(8)** A member's or owner's interest in, or a retention certificate or like security  
22 given in lieu of a cash patronage dividend issued by, a cooperative organized and  
23 operated as a nonprofit membership cooperative under the cooperative laws of a  
24 state, but not a member's or owner's interest, retention certificate, or like security  
25 sold to persons other than bona fide members of the cooperative.

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1           **(9)** An equipment trust certificate with respect to equipment leased or  
2 conditionally sold to a person, if any security issued by the person would be exempt  
3 under this section or would be a federal covered security under section 18 (b) (1) of  
4 the Securities Act of 1933 (15 USC 77r (b) (1)).

5           **551.202 Exempt transactions.** The following transactions are exempt from  
6 the requirements of ss. 551.301 to 551.306 and 551.504:

7           **(1)** An isolated nonissuer transaction, whether effected by or through a  
8 broker–dealer or not.

9           **(2)** A nonissuer transaction by or through a broker–dealer registered or exempt  
10 from registration under this chapter, and a resale transaction by a sponsor of a unit  
11 investment trust registered under the Investment Company Act of 1940, in a  
12 security of a class that has been outstanding in the hands of the public for at least  
13 90 days if, at the date of the transaction, all of the following apply:

14           **(a)** The issuer of the security is engaged in business, the issuer is not in the  
15 organizational stage or in bankruptcy or receivership, and the issuer is not a blank  
16 check, blind pool, or shell company that has no specific business plan or purpose or  
17 has indicated that its primary business plan is to engage in a merger or combination  
18 of the business with, or an acquisition of, an unidentified person.

19           **(b)** The security is sold at a price reasonably related to its current market price.

20           **(c)** The security does not constitute the whole or part of an unsold allotment to,  
21 or a subscription or participation by, the broker–dealer as an underwriter of the  
22 security or a redistribution.

23           **(d)** A nationally recognized securities manual or its electronic equivalent  
24 designated by rule adopted or order issued under this chapter or a record filed with

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1 the Securities and Exchange Commission that is publicly available contains all of the  
2 following:

- 3 1. A description of the business and operations of the issuer.
- 4 2. The names of the issuer's executive officers and the names of the issuer's  
5 directors, if any.
- 6 3. An audited balance sheet of the issuer as of a date within 18 months before  
7 the date of the transaction or, in the case of a reorganization or merger when the  
8 parties to the reorganization or merger each had an audited balance sheet, a pro  
9 forma balance sheet for the combined organization.
- 10 4. An audited income statement for each of the issuer's 2 immediately previous  
11 fiscal years or for the period of existence of the issuer, whichever is shorter, or, in the  
12 case of a reorganization or merger when each party to the reorganization or merger  
13 had audited income statements, a pro forma income statement.

14 (e) Any of the following requirements is met:

- 15 1. The issuer of the security has a class of equity securities listed on a national  
16 securities exchange registered under section 6 of the Securities Exchange Act of 1934  
17 or designated for trading on the National Association of Securities Dealers  
18 Automated Quotation System.
- 19 2. The issuer of the security is a unit investment trust registered under the  
20 Investment Company Act of 1940.
- 21 3. The issuer of the security, including its predecessors, has been engaged in  
22 continuous business for at least 3 years.
- 23 4. The issuer of the security has total assets of at least \$2,000,000 based on an  
24 audited balance sheet as of a date within 18 months before the date of the transaction  
25 or, in the case of a reorganization or merger when the parties to the reorganization

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1 or merger each had such an audited balance sheet, a pro forma balance sheet for the  
2 combined organization.

3 (3) A nonissuer transaction by or through a broker–dealer registered or exempt  
4 from registration under this chapter in a security of a foreign issuer that is a margin  
5 security defined in regulations or rules adopted by the Board of Governors of the  
6 Federal Reserve System.

7 (4) A nonissuer transaction by or through a broker–dealer registered or exempt  
8 from registration under this chapter in an outstanding security if the guarantor of  
9 the security files reports with the Securities and Exchange Commission under the  
10 reporting requirements of section 13 or 15 (d) of the Securities Exchange Act of 1934  
11 (15 USC 78m or 78o (d)).

12 (5) A nonissuer transaction by or through a broker–dealer registered or exempt  
13 from registration under this chapter in a security to which any of the following  
14 applies:

15 (a) The security is rated at the time of the transaction by a nationally  
16 recognized statistical rating organization in one of its 4 highest rating categories.

17 (b) The security has a fixed maturity or a fixed interest or dividend, if all of the  
18 following apply:

19 1. A default has not occurred during the current fiscal year or within the 3  
20 previous fiscal years, or during the existence of the issuer and any predecessor if less  
21 than 3 fiscal years, in the payment of principal, interest, or dividends on the security.

22 2. The issuer is engaged in business, is not in the organizational stage or in  
23 bankruptcy or receivership, and is not and has not been within the previous 12  
24 months a blank check, blind pool, or shell company that has no specific business plan

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1 or purpose or has indicated that its primary business plan is to engage in a merger  
2 or combination of the business with, or an acquisition of, an unidentified person.

3 **(6)** A nonissuer transaction by or through a broker–dealer registered or exempt  
4 from registration under this chapter effecting an unsolicited order or offer to  
5 purchase, but with respect to a nonissuer transaction involving a security that is not  
6 a federal covered security the administrator may require by rule that the records of  
7 the broker–dealer confirm that the order or offer to purchase was unsolicited.

8 **(7)** A nonissuer transaction executed by a bona fide pledgee without the  
9 purpose of evading this chapter.

10 **(8)** A nonissuer transaction by a federal covered investment adviser with  
11 investments under management in excess of \$100,000,000 acting in the exercise of  
12 discretionary authority in a signed record for the account of others.

13 **(9)** A transaction in a security, whether or not the security or transaction is  
14 otherwise exempt, in exchange for one or more bona fide outstanding securities,  
15 claims, or property interests, or partly in such exchange and partly for cash, if the  
16 terms and conditions of the issuance and exchange or the delivery and exchange and  
17 the fairness of the terms and conditions have been approved by the administrator  
18 after a hearing.

19 **(10)** A transaction between the issuer or other person on whose behalf the  
20 offering is made and an underwriter, or among underwriters.

21 **(11)** A transaction in a note, bond, debenture, or other evidence of indebtedness  
22 secured by a mortgage or other security agreement if all of the following apply:

23 (a) The note, bond, debenture, or other evidence of indebtedness is offered and  
24 sold with the mortgage or other security agreement as a unit.

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1 (b) A general solicitation or general advertisement of the transaction is not  
2 made.

3 (c) A commission or other remuneration is not paid or given, directly or  
4 indirectly, to a person not registered under this chapter as a broker–dealer or as an  
5 agent.

6 **(12)** A transaction by an executor, administrator of an estate, sheriff, marshal,  
7 receiver, trustee in bankruptcy, guardian, or conservator.

8 **(13)** A sale or offer to sell to any of the following:

9 (a) An institutional investor.

10 (am) An accredited investor, as defined in Rule 501 (a) adopted under the  
11 Securities Act of 1933 (17 CFR 230.501 (a)), provided that prior to the sale in this  
12 state to an accredited investor described in Rule 501 (a) (5) or (6) adopted under the  
13 Securities Act of 1933, the seller files a consent to service of process with the  
14 administrator in the form required under s. 551.611. Failure to file the consent as  
15 required is a cause for administrative action by the administrator under s. 551.604  
16 but does not result in the loss of this exemption. This consent is not required to be  
17 filed if any of the following apply:

18 1. The issuer of the securities to be sold has its principal place of business or  
19 a majority of its full–time employees located in this state.

20 2. The issuer or seller of the securities files or has previously filed a consent to  
21 service of process with the administrator.

22 3. The seller is a broker–dealer or agent of the issuer registered under this  
23 chapter.

24 (b) A federal covered investment adviser.



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1 (c) Any other person exempted by rule adopted or order issued under this  
2 chapter.

3 **(14)** (a) Subject to par. (b), any transaction pursuant to an offer directed by the  
4 offeror to not more than 25 persons in this state excluding those persons designated  
5 in sub. (13) but including persons exempt under sub. (24), during any period of 12  
6 consecutive months whether or not the offeror or any of the offerees is then present  
7 in this state if all of the following apply:

8 1. No general solicitation or general advertising is made in connection with the  
9 offer to sell or sale of the securities unless it has been permitted by the administrator.

10 2. No commission or other remuneration is paid or given, directly or indirectly,  
11 to a person other than a broker-dealer registered under this chapter or an agent  
12 registered under this chapter for soliciting any person in this state other than those  
13 persons designated in sub. (13).

14 3. The offeror reasonably believes that all the purchasers in this state, other  
15 than those designated in sub. (13), are purchasing for investment.

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

20 **(15)** A transaction under an offer to existing security holders of the issuer,  
21 including persons that at the date of the transaction are holders of convertible  
22 securities, options, or warrants, if a commission or other remuneration, other than  
23 a standby commission, is not paid or given, directly or indirectly, for soliciting a  
24 security holder in this state and if, prior to any offer or sale of any security that is  
25 not a federal covered security, the issuer files a notice specifying the terms of the offer,

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1 all other information that the administrator by rule requires, and any additional  
2 information reasonably related to the offering required to be filed by the  
3 administrator within 10 days after the filing date of the notice, and the administrator  
4 does not by order disallow the exemption within 10 days after the date of filing the  
5 notice or, if additional information is required, within 10 days after the date of filing  
6 that information.

7 **(16)** An offer to sell, but not a sale, of a security not exempt from registration  
8 under the Securities Act of 1933 if all of the following apply:

9 (a) A registration or offering statement or similar record as required under the  
10 Securities Act of 1933 has been filed, but is not effective, or the offer is made in  
11 compliance with Rule 165 adopted under the Securities Act of 1933 (17 CFR 230.165).

12 (b) A stop order of which the offeror is aware has not been issued against the  
13 offeror by the administrator or the Securities and Exchange Commission, and an  
14 audit, inspection, or proceeding that is public and that may culminate in a stop order  
15 is not known by the offeror to be pending.

16 **(17)** An offer to sell, but not a sale, of a security exempt from registration under  
17 the Securities Act of 1933 if all of the following apply:

18 (a) A registration statement has been filed under this chapter, but is not  
19 effective.

20 (b) A solicitation of interest is provided in a record to offerees in compliance  
21 with a rule adopted by the administrator under this chapter.

22 (c) A stop order of which the offeror is aware has not been issued by the  
23 administrator under this chapter and an audit, inspection, or proceeding that may  
24 culminate in a stop order is not known by the offeror to be pending.

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1           **(18)** A transaction involving the distribution of the securities of an issuer to the  
2 security holders of another person in connection with a merger, consolidation,  
3 exchange of securities, sale of assets, or other reorganization to which the issuer, or  
4 its parent or subsidiary and the other person, or its parent or subsidiary, are parties.

5           **(19)** A rescission offer, sale, or purchase under s. 551.511.

6           **(20)** An offer or sale of a security to a person not a resident of this state and not  
7 present in this state if the offer or sale does not constitute a violation of the laws of  
8 the state or foreign jurisdiction in which the offeree or purchaser is present and is  
9 not part of an unlawful plan or scheme to evade this chapter.

10           **(21)** Employees' stock purchase, savings, option, profit-sharing, pension, or  
11 similar employees' benefit plan, including any securities, plan interests, and  
12 guarantees issued under a compensatory benefit plan or compensation contract,  
13 contained in a record, established by the issuer, its parents, its majority-owned  
14 subsidiaries, or the majority-owned subsidiaries of the issuer's parent, for the  
15 participation of their employees including offers or sales of such securities to all of  
16 the following:

17           (a) Directors; general partners; trustees, if the issuer is a business trust;  
18 officers; consultants; and advisors.

19           (b) Family members who acquire such securities from those persons through  
20 gifts or domestic relations orders.

21           (c) Former employees, directors, general partners, trustees, officers,  
22 consultants, and advisors if those individuals were employed by or providing services  
23 to the issuer when the securities were offered.

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1 (d) Insurance agents who are exclusive insurance agents of the issuer, or the  
2 issuer's subsidiaries or parents, or who derive more than 50 percent of their annual  
3 income from those organizations.

4 **(22)** A transaction involving any of the following:

5 (a) A stock dividend or equivalent equity distribution, whether the corporation  
6 or other business organization distributing the dividend or equivalent equity  
7 distribution is the issuer or not, if nothing of value is given by stockholders or other  
8 equity holders for the dividend or equivalent equity distribution other than the  
9 surrender of a right to a cash or property dividend if each stockholder or other equity  
10 holder may elect to take the dividend or equivalent equity distribution in cash,  
11 property, or stock.

12 (b) An act incident to a judicially approved reorganization in which a security  
13 is issued in exchange for one or more outstanding securities, claims, or property  
14 interests, or partly in such exchange and partly for cash.

15 (c) The solicitation of tenders of securities by an offeror in a tender offer in  
16 compliance with Rule 162 adopted under the Securities Act of 1933 (17 CFR 230.162).

17 **(23)** A nonissuer transaction in an outstanding security by or through a  
18 broker-dealer registered or exempt from registration under this chapter, if the issuer  
19 is a reporting issuer in a foreign jurisdiction designated by this subsection or by rule  
20 adopted or order issued under this chapter; has been subject to continuous reporting  
21 requirements in the foreign jurisdiction for not less than 180 days before the  
22 transaction; and the security is listed on the foreign jurisdiction's securities  
23 exchange that has been designated by this subsection or by rule adopted or order  
24 issued under this chapter, or is a security of the same issuer that is of senior or  
25 substantially equal rank to the listed security or is a warrant or right to purchase

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1 or subscribe to any of the foregoing. For purposes of this subsection, Canada,  
2 together with its provinces and territories, is a designated foreign jurisdiction and  
3 The Toronto Stock Exchange, Inc. and the TSX Venture Exchange, Inc. are  
4 designated securities exchanges. After an administrative hearing in compliance  
5 with ch. 227, the administrator, by rule adopted or order issued under this chapter,  
6 may revoke the designation of a securities exchange under this subsection, if the  
7 administrator finds that revocation is necessary or appropriate in the public interest  
8 and for the protection of investors.

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

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

22 **551.203 Additional exemptions and waivers.** A rule adopted or order  
23 issued under this chapter may exempt a security, transaction, or offer; a rule under  
24 this chapter may exempt a class of securities, transactions, or offers from any or all  
25 of the requirements of ss. 551.301 to 551.306 and 551.504; and an order under this

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1 chapter may waive, in whole or in part, any or all of the conditions for an exemption  
2 or offer under ss. 551.201 and 551.202.

3 **551.204 Denial, suspension, revocation, condition, or limitation of**  
4 **exemptions; burden of proof; additional information. (1)** ENFORCEMENT  
5 RELATED POWERS. Except with respect to a federal covered security or a transaction  
6 involving a federal covered security, an order under this chapter may deny, suspend  
7 application of, condition, limit, or revoke an exemption created under s. 551.201 or  
8 551.202 or an exemption or waiver created under s. 551.203 with respect to a specific  
9 security, transaction, or offer, except to the extent limited by the National Securities  
10 Markets Improvement Act of 1996. An order under this section may be issued only  
11 pursuant to the procedures in s. 551.306 (4) or s. 551.604 and only prospectively.

12 **(2)** KNOWLEDGE OF ORDER REQUIRED. A person does not violate s. 551.301,  
13 551.303 to 551.306, 551.504, or 551.511 by an offer to sell, offer to purchase, sale, or  
14 purchase effected after the entry of an order issued under this section if the person  
15 did not know, and in the exercise of reasonable care could not have known, of the  
16 order.

17 **(3)** ADDITIONAL INFORMATION REQUIRED. With respect to an exemption under s.  
18 551.201 or 551.202 that is perfected if a notice or other information is filed with the  
19 division of securities and the division does not disallow the exemption within a  
20 specified period after the filing, the division may, within 10 days after the filing date  
21 of the notice or other information, require that additional information reasonably  
22 related to the offering be filed. If the division requires additional information, the  
23 date by which the division may disallow the exemption is 10 days after the date of  
24 filing that information.

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## SUBCHAPTER III

## REGISTRATION OF SECURITIES AND

## NOTICE FILING OF FEDERAL COVERED SECURITIES

**551.301 Securities registration requirement.** It is unlawful for a person to offer or sell a security in this state unless any of the following apply:

(1) The security is a federal covered security.

(2) The security, transaction, or offer is exempted from registration under this chapter.

(3) The security is registered under this chapter.

**551.302 Notice filing. (1) REQUIRED FILING OF RECORDS.** With respect to a federal covered security, as defined in section 18 (b) (2) of the Securities Act of 1933 (15 USC 77r (b) (2)), that is not otherwise exempt under ss. 551.201 to 551.203, a rule adopted by the administrator or an order issued under this chapter may require the filing of any or all of the following records:

(a) *Prior to offer.* 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 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 administrator 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. 551.614. Any notice filing required under this paragraph is effective upon receipt by the administrator 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.

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1           (b) *After offer.* After the initial offer of the federal covered security in this state,  
2 a copy of each document that is part of an amendment to its registration statement  
3 filed with the Securities and Exchange Commission under the Securities Act of 1933,  
4 concurrent with the federal filing, which may, at the option of the issuer, be  
5 accompanied by a form containing the information specified by the administrator by  
6 rule. If a filing is required under this paragraph and the amendment relates either  
7 to a name change of the issuer or a change in the designation of the federal covered  
8 security, the filing shall be accompanied by a fee in the amount prescribed by the rule  
9 or order requiring the filing. Unless the issuer requests a later effective date, an  
10 amendment filing required under this paragraph is effective upon receipt by the  
11 administrator of the documents and fees required under this paragraph.

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

16           **(3) NOTICE FILINGS FOR CERTAIN FEDERAL COVERED SECURITIES.** With respect to a  
17 security that is a federal covered security under section 18 (b) (4) (D) of the Securities  
18 Act of 1933 (15 USC 77r (b) (4) (D)), a rule under this chapter may require a notice  
19 filing by or on behalf of an issuer to include a copy of Form D, including the Appendix,  
20 as promulgated by the Securities and Exchange Commission, and a consent to  
21 service of process complying with s. 551.611 signed by the issuer not later than 15  
22 days after the first sale of the federal covered security in this state and the payment  
23 of a fee as provided in s. 551.614 or by rule of the administrator; and the payment  
24 of a fee as provided in s. 551.614 or by rule of the administrator for any late filing.



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1           **(4) STOP ORDERS.** Except with respect to a federal covered security under section  
2           18 (b) (1) of the Securities Act of 1933 (15 USC 77r (b) (1)), if the administrator finds  
3           that there is a failure to comply with a notice or fee requirement of this section, the  
4           administrator may issue a stop order suspending the offer and sale of a federal  
5           covered security in this state. If the deficiency is corrected, the stop order is void as  
6           of the time of its issuance and no penalty may be imposed by the administrator.

7           **(5) WAIVER.** The administrator may, by rule or order, waive or further condition  
8           any waiver of a requirement under this section or under any rule promulgated by the  
9           administrator, or order issued, under this section.

10           **551.303 Securities registration by coordination. (1) REGISTRATION**  
11           **PERMITTED.** A security for which a registration statement has been filed under the  
12           Securities Act of 1933 in connection with the same offering may be registered by  
13           coordination under this section.

14           **(2) REQUIRED RECORDS.** A registration statement and accompanying records  
15           under this section must contain or be accompanied by all of the following records in  
16           addition to the information specified in s. 551.305 and a consent to service of process  
17           complying with s. 551.611:

18           (a) A copy of the latest form of prospectus filed under the Securities Act of 1933.

19           (b) A copy of the articles of incorporation and bylaws or their substantial  
20           equivalents currently in effect; a copy of any agreement with or among underwriters;  
21           a copy of any indenture or other instrument governing the issuance of the security  
22           to be registered; and a specimen, copy, or description of the security that is required  
23           by rule adopted or order issued under this chapter.

24           (c) Copies of any other information or any other records filed by the issuer under  
25           the Securities Act of 1933 requested by the administrator.

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1 (d) An undertaking to forward each amendment to the federal prospectus,  
2 other than an amendment that delays the effective date of the registration  
3 statement, promptly after it is filed with the Securities and Exchange Commission.

4 **(3) CONDITIONS FOR EFFECTIVENESS OF REGISTRATION STATEMENT.** A registration  
5 statement under this section becomes effective simultaneously with or subsequent  
6 to the federal registration statement when all the following conditions are satisfied:

7 (a) A stop order under sub. (4) or s. 551.306 or issued by the Securities and  
8 Exchange Commission is not in effect and a proceeding is not pending against the  
9 issuer under s. 551.306.

10 (b) The registration statement has been on file for at least 20 days or a shorter  
11 period provided by rule adopted or order issued under this chapter.

12 **(4) NOTICE OF FEDERAL REGISTRATION STATEMENT EFFECTIVENESS.** The registrant  
13 shall promptly notify the administrator in a record of the date when the federal  
14 registration statement becomes effective and the content of any price amendment  
15 and shall promptly file a record containing the price amendment. If the notice is not  
16 timely received, the administrator may issue a stop order, without prior notice or  
17 hearing, retroactively denying effectiveness to the registration statement or  
18 suspending its effectiveness until compliance with this section. The administrator  
19 shall promptly notify the registrant of an order by telecopy, telephone, or electronic  
20 means and promptly confirm this notice by a record. If the registrant subsequently  
21 complies with the notice requirements of this section, the stop order is void as of the  
22 date of its issuance.

23 **(5) EFFECTIVENESS OF REGISTRATION STATEMENT.** If the federal registration  
24 statement becomes effective before each of the conditions in this section is satisfied  
25 or is waived by the administrator, the registration statement is automatically

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1 effective under this chapter when all the conditions are satisfied or waived. If the  
2 registrant notifies the administrator of the date when the federal registration  
3 statement is expected to become effective, the administrator shall promptly notify  
4 the registrant by telecopy, telephone, or electronic means and promptly confirm this  
5 notice by a record, indicating whether all the conditions are satisfied or waived and  
6 whether the administrator intends the institution of a proceeding under s. 551.306.  
7 The notice by the administrator does not preclude the institution of such a  
8 proceeding.

9 **551.304 Securities registration by qualification. (1) REGISTRATION**  
10 **PERMITTED.** A security may be registered by qualification under this section.

11 **(2) REQUIRED RECORDS.** A registration statement under this section must  
12 contain the information or records specified in s. 551.305, a consent to service of  
13 process complying with s. 551.611, and, if required by rule adopted under this  
14 chapter, any, or any combination of, the following information or records:

15 (a) With respect to the issuer and any significant subsidiary, its name, address,  
16 and form of organization; the state or foreign jurisdiction and date of its organization;  
17 the general character and location of its business; a description of its physical  
18 properties and equipment; and a statement of the general competitive conditions in  
19 the industry or business in which it is or will be engaged.

20 (b) With respect to each director and officer of the issuer, and other person  
21 having a similar status or performing similar functions, the person's name, address,  
22 and principal occupation for the previous 5 years; the amount of securities of the  
23 issuer held by the person as of the 30th day before the filing of the registration  
24 statement; the amount of the securities covered by the registration statement to  
25 which the person has indicated an intention to subscribe; and a description of any

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1 material interest of the person in any material transaction with the issuer or a  
2 significant subsidiary effected within the previous 3 years or proposed to be effected.

3 (c) With respect to persons covered by par. (b), the aggregate sum of the  
4 remuneration paid to those persons during the previous 12 months and estimated  
5 to be paid during the next 12 months, directly or indirectly, by the issuer, and all  
6 predecessors, parents, subsidiaries, and affiliates of the issue.

7 (d) With respect to a person owning of record or owning beneficially, if known,  
8 10 percent or more of the outstanding shares of any class of equity security of the  
9 issuer, the information specified in par. (b) other than the person's occupation.

10 (e) With respect to a promoter, if the issuer was organized within the previous  
11 3 years, the information or records specified in par. (b), any amount paid to the  
12 promoter within that period or intended to be paid to the promoter, and the  
13 consideration for the payment.

14 (f) With respect to a person on whose behalf any part of the offering is to be made  
15 in a nonissuer distribution, the person's name and address; the amount of securities  
16 of the issuer held by the person as of the date of the filing of the registration  
17 statement; a description of any material interest of the person in any material  
18 transaction with the issuer or any significant subsidiary effected within the previous  
19 3 years or proposed to be effected; and a statement of the reasons for making the  
20 offering.

21 (g) The capitalization and long term debt, on both a current and pro forma  
22 basis, of the issuer and any significant subsidiary, including a description of each  
23 security outstanding or being registered or otherwise offered, and a statement of the  
24 amount and kind of consideration, whether in the form of cash, physical assets,  
25 services, patents, goodwill, or anything else of value, for which the issuer or any

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1 subsidiary has issued its securities within the previous 2 years or is obligated to issue  
2 its securities.

3 (h) The kind and amount of securities to be offered; the proposed offering price  
4 or the method by which it is to be computed; any variation at which a proportion of  
5 the offering is to be made to a person or class of persons other than the underwriters,  
6 with a specification of the person or class; the basis on which the offering is to be made  
7 if otherwise than for cash; the estimated aggregate underwriting and selling  
8 discounts or commissions and finders' fees, including separately cash, securities,  
9 contracts, or anything else of value to accrue to the underwriters or finders in  
10 connection with the offering or, if the selling discounts or commissions are variable,  
11 the basis of determining them and their maximum and minimum amounts; the  
12 estimated amounts of other selling expenses, including legal, engineering, and  
13 accounting charges; the name and address of each underwriter and each recipient  
14 of a finder's fee; a copy of any underwriting or selling group agreement under which  
15 the distribution is to be made or the proposed form of any such agreement whose  
16 terms have not yet been determined; and a description of the plan of distribution of  
17 any securities that are to be offered otherwise than through an underwriter.

18 (i) The estimated monetary proceeds to be received by the issuer from the  
19 offering; the purposes for which the proceeds are to be used by the issuer; the  
20 estimated amount to be used for each purpose; the order or priority in which the  
21 proceeds will be used for the purposes stated; the amounts of any funds to be raised  
22 from other sources to achieve the purposes stated; the sources of the funds; and, if  
23 a part of the proceeds is to be used to acquire property, including goodwill, otherwise  
24 than in the ordinary course of business, the names and addresses of the vendors, the  
25 purchase price, the names of any persons that have received commissions in

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1 connection with the acquisition, and the amounts of the commissions and other  
2 expenses in connection with the acquisition, including the cost of borrowing money  
3 to finance the acquisition.

4 (j) A description of any stock options or other security options outstanding, or  
5 to be created in connection with the offering, and the amount of those options held  
6 or to be held by each person required to be named in par. (b), (d), (e), (f), or (h) and  
7 by any person that holds or will hold 10 percent or more in the aggregate of those  
8 options.

9 (k) The dates of, parties to, and general effect concisely stated of each  
10 managerial or other material contract made or to be made otherwise than in the  
11 ordinary course of business to be performed in whole or in part at or after the filing  
12 of the registration statement or that was made within the previous 2 years, and a  
13 copy of the contract.

14 (L) A description of any pending litigation, action, or proceeding to which the  
15 issuer is a party and that materially affects its business or assets, and any litigation,  
16 action, or proceeding known to be contemplated by governmental authorities.

17 (m) A copy of any prospectus, pamphlet, circular, form letter, advertisement,  
18 or other sales literature intended as of the effective date to be used in connection with  
19 the offering and any solicitation of interest used in compliance with s. 551.202 (17)  
20 (b).

21 (n) A specimen or copy of the security being registered, unless the security is  
22 uncertificated; a copy of the issuer's articles of incorporation and bylaws or their  
23 substantial equivalents, in effect; and a copy of any indenture or other instrument  
24 covering the security to be registered.

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1           (o) A signed or conformed copy of an opinion of counsel concerning the legality  
2 of the security being registered, with an English translation if it is in a language  
3 other than English, which states whether the security when sold will be validly  
4 issued, fully paid, and nonassessable and, if a debt security, a binding obligation of  
5 the issuer.

6           (p) A signed or conformed copy of a consent of any accountant, engineer,  
7 appraiser, or other person whose profession gives authority for a statement made by  
8 the person, if the person is named as having prepared or certified a report or  
9 valuation, other than an official record, that is public, which is used in connection  
10 with the registration statement.

11           (q) A balance sheet of the issuer as of a date within 4 months before the filing  
12 of the registration statement; a statement of income and a statement of cash flows  
13 for each of the 3 fiscal years preceding the date of the balance sheet and for any period  
14 between the close of the immediately previous fiscal year and the date of the balance  
15 sheet, or for the period of the issuer's and any predecessor's existence if less than 3  
16 years; and, if any part of the proceeds of the offering is to be applied to the purchase  
17 of a business, the financial statements that would be required if that business were  
18 the registrant.

19           (r) Any additional information or records required by rule adopted or order  
20 issued under this chapter, including, without limitation, a report by accountants,  
21 engineers, appraisers, or another professional person as deemed necessary by the  
22 administrator.

23           **(3) CONDITIONS FOR EFFECTIVENESS OF REGISTRATION STATEMENT.** A registration  
24 statement under this section becomes effective 30 days, or any shorter period  
25 provided by rule adopted or order issued under this chapter, after the date the

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1 registration statement or the last amendment other than a price amendment is filed,  
2 if all of the following apply:

3 (a) A stop order is not in effect and a proceeding is not pending under s. 551.306.

4 (b) The administrator has not issued an order under s. 551.306

5 (c) The applicant or registrant has not requested that effectiveness be delayed.

6 **(4) DELAY OF EFFECTIVENESS OF REGISTRATION STATEMENT.** The administrator may  
7 delay effectiveness once for not more than 90 days if the administrator determines  
8 and notifies via comment letter or other letter that the registration statement is not  
9 complete in all material respects and promptly notifies the applicant or registrant  
10 of that determination, which may be by means of a comment letter or correspondence  
11 and not an order. The administrator may also further delay effectiveness for a  
12 further period of not more than 30 days if the administrator determines that the  
13 delay is necessary or appropriate.

14 **(5) PROSPECTUS DISTRIBUTION MAY BE REQUIRED.** A rule adopted or order issued  
15 under this chapter may require as a condition of registration under this section that  
16 a prospectus containing a specified part of the information or record specified in sub.  
17 (2) be sent or given to each person to which an offer is made, before or concurrently,  
18 with the earliest of the following:

19 (a) The first offer made in a record to the person otherwise than by means of  
20 a public advertisement, by or for the account of the issuer or another person on whose  
21 behalf the offering is being made or by an underwriter or broker-dealer that is  
22 offering part of an unsold allotment or subscription taken by the person as a  
23 participant in the distribution.

24 (b) The confirmation of a sale made by or for the account of the person.

25 (c) Payment pursuant to such a sale.



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1 (d) Delivery of the security pursuant to such a sale.

2 **551.305 Securities registration filings. (1) WHO MAY FILE.** A registration  
3 statement may be filed by the issuer, a person on whose behalf the offering is to be  
4 made, or a broker–dealer registered under this chapter.

5 **(2) FILING FEE.** A person filing a registration statement shall pay a filing fee  
6 as provided in s. 551.614 or as may be supplemented by rule of the administrator.  
7 If a registration statement is withdrawn before the effective date or a preeffective  
8 stop order is issued under s. 551.306, the administrator shall retain the fee as  
9 provided in s. 551.614 or as may be supplemented by rule of the administrator.

10 **(3) STATUS OF OFFERING.** A registration statement filed under s. 551.303 or  
11 551.304 must specify all of the following:

12 (a) The amount of securities to be offered in this state.

13 (b) The states in which a registration statement or similar record in connection  
14 with the offering has been or is to be filed.

15 (c) Any adverse order, judgment, or decree issued in connection with the  
16 offering by a state securities regulator, the Securities and Exchange Commission, or  
17 a court.

18 **(4) INCORPORATION BY REFERENCE.** A record filed under this chapter or the  
19 predecessor act within 5 years preceding the filing of a registration statement may  
20 be incorporated by reference in the registration statement to the extent that the  
21 record is currently accurate.

22 **(5) NONISSUER DISTRIBUTION.** In the case of a nonissuer distribution,  
23 information or a record may not be required under sub. (9) or s. 551.304, unless it is  
24 known to the person filing the registration statement or to the person on whose

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1       behalf the distribution is to be made or unless it can be furnished by those persons  
2       without unreasonable effort or expense.

3           **(7) FORM OF SUBSCRIPTION.** A rule adopted or order issued under this chapter  
4       may require as a condition of registration that a security registered under this  
5       chapter be sold only on a specified form of subscription or sale contract and that a  
6       signed or conformed copy of each contract be filed under this chapter or preserved  
7       for a period specified by the rule or order, which may not be longer than 5 years.

8           **(8) EFFECTIVE PERIOD.** Except while a stop order is in effect under s. 551.306,  
9       a registration statement is effective for one year after its effective date, or for any  
10      longer period designated in an order under this chapter during which the security  
11      is being offered or distributed in a nonexempted transaction by or for the account of  
12      the issuer or other person on whose behalf the offering is being made or by an  
13      underwriter or broker–dealer that is still offering part of an unsold allotment or  
14      subscription taken as a participant in the distribution. For the purposes of a  
15      nonissuer transaction, all outstanding securities of the same class identified in the  
16      registration statement as a security registered under this chapter are considered to  
17      be registered while the registration statement is effective. If any securities of the  
18      same class are outstanding, a registration statement may not be withdrawn until one  
19      year after its effective date. A registration statement may be withdrawn only with  
20      the approval of the administrator.

21           **(9) PERIODIC REPORTS.** While a registration statement is effective, a rule  
22      adopted or order issued under this chapter may require the person that filed the  
23      registration statement to file reports, not more often than quarterly, to keep the  
24      information or other record in the registration statement reasonably current and to  
25      disclose the progress of the offering.

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1           **(10) POSTEFFECTIVE AMENDMENTS.** A registration statement may be amended  
2 after its effective date. The posteffective amendment becomes effective when the  
3 administrator so orders. If a posteffective amendment is made to increase the  
4 number of securities specified to be offered or sold, the person filing the amendment  
5 shall pay a registration fee as provided in s. 551.614 or as may be supplemented by  
6 rule of the administrator. A posteffective amendment relates back to the date of the  
7 offering of the additional securities being registered if, within one year after the date  
8 of the sale, the amendment is filed and the additional registration fee is paid.

9           **(11) INDENTURES.** The administrator may by rule require that securities be  
10 issued under a trust indenture, unless this requirement is waived by the  
11 administrator.

12           **551.306 Denial, suspension, and revocation of securities registration.**

13           **(1) STOP ORDERS.** The administrator may issue a stop order denying effectiveness to,  
14 or suspending or revoking the effectiveness of, a registration statement if the  
15 administrator finds that the order is in the public interest and that any of the  
16 following apply:

17           (a) The registration statement as of its effective date or before the effective date  
18 in the case of an order denying effectiveness, an amendment under s. 551.305 (10)  
19 as of its effective date, or a report under s. 551.305 (9), is incomplete in a material  
20 respect or contains a statement that, in the light of the circumstances under which  
21 it was made, was false or misleading with respect to a material fact.

22           (b) This chapter or a rule adopted or order issued under this chapter or a  
23 condition imposed under this chapter has been willfully violated, in connection with  
24 the offering, by the person filing the registration statement; by the issuer, a partner,  
25 officer, or director of the issuer or a person having a similar status or performing a

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1 similar function; a promoter of the issuer; or a person directly or indirectly  
2 controlling or controlled by the issuer; but only if the person filing the registration  
3 statement is directly or indirectly controlled by or acting for the issuer; or by an  
4 underwriter.

5 (c) The security registered or sought to be registered is the subject of a  
6 permanent or temporary injunction of a court of competent jurisdiction or an  
7 administrative stop order or similar order issued under any federal, foreign, or state  
8 law other than this chapter applicable to the offering, but the administrator may not  
9 institute a proceeding against an effective registration statement under this  
10 paragraph more than one year after the date of the order or injunction on which it  
11 is based, and the administrator may not issue an order under this paragraph on the  
12 basis of an order or injunction issued under the securities act of another state unless  
13 the order or injunction was based on conduct that would constitute, as of the date of  
14 the order, a ground for a stop order under this section.

15 (d) The issuer's enterprise or method of business includes or would include  
16 activities that are unlawful where performed.

17 (e) With respect to a security sought to be registered under s. 551.303, there has  
18 been a failure to comply with the undertaking required by s. 551.303 (2) (d).

19 (f) The applicant or registrant has not paid the filing fee, but the administrator  
20 shall void the order if the deficiency is corrected.

21 (g) The offering will work or tend to work a fraud upon purchasers or would so  
22 operate.

23 **(3) INSTITUTION OF STOP ORDER.** The administrator may not institute a stop order  
24 proceeding against an effective registration statement on the basis of conduct or a  
25 transaction known to the administrator when the registration statement became

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1 effective unless the proceeding is instituted within 30 days after the registration  
2 statement became effective.

3 (4) SUMMARY PROCESS. The administrator may summarily revoke, deny,  
4 postpone, or suspend the effectiveness of a registration statement pending final  
5 determination of an administrative proceeding. Upon the issuance of the order, the  
6 administrator shall promptly notify each person specified in sub. (5) that the order  
7 has been issued, the reasons for the revocation, denial, postponement, or suspension,  
8 and that within 10 days after the receipt of a request in a record from the person the  
9 matter will be scheduled for a hearing. If a hearing is not requested and none is  
10 ordered by the administrator, within 30 days after the date of service of the order, the  
11 order becomes final. If a hearing is requested or ordered, the administrator, after  
12 notice of and opportunity for hearing for each person subject to the order, may modify  
13 or vacate the order or extend the order until final determination.

14 (5) PROCEDURAL REQUIREMENTS FOR STOP ORDER. A stop order may not be issued  
15 under this chapter without all of the following:

16 (a) Appropriate notice to the applicant or registrant, the issuer, and the person  
17 on whose behalf the securities are to be or have been offered.

18 (b) An opportunity for hearing.

19 (c) Findings of fact and conclusions of law in a record in accordance with ch. 227.

20 (6) MODIFICATION OR VACATION OF STOP ORDER. The administrator may modify  
21 or vacate a stop order issued under this section if the administrator finds that the  
22 conditions that caused its issuance have changed or that it is necessary or  
23 appropriate in the public interest or for the protection of investors.

24 **551.307 Waiver and modification.** The administrator may waive or modify,  
25 in whole or in part, any or all of the requirements of ss. 551.302, 551.303, and 551.304

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1 (2) or the requirement of any information or record in a registration statement or in  
2 a periodic report filed pursuant to s. 551.305 (9).

## SUBCHAPTER IV

## BROKER-DEALERS, AGENTS,

## INVESTMENT ADVISERS, INVESTMENT

## ADVISER REPRESENTATIVES, AND

## FEDERAL COVERED INVESTMENT ADVISERS

**551.401 Broker-dealer registration requirement and exemptions. (1)**

9 REGISTRATION REQUIREMENT. It is unlawful for a person to transact business in this  
10 state as a broker-dealer unless the person is registered under this chapter as a  
11 broker-dealer or is exempt from registration as a broker-dealer under sub. (2) or (4).

12 **(2) EXEMPTIONS FROM REGISTRATION.** A broker-dealer is exempt from the  
13 registration requirement of sub. (1) if its only transactions effected in this state are  
14 with the following:

15 (a) The issuer of the securities involved in the transactions.

16 (b) A broker-dealer registered as a broker-dealer under this chapter or not  
17 required to be registered as a broker-dealer under this chapter.

18 (c) Institutional investors.

19 (cm) Accredited investors as defined in Rule 501 (a) (1), (2), (3), (7) or (8) adopted  
20 under the Securities Act of 1933.

21 (d) A nonaffiliated federal covered investment adviser with investments under  
22 management in excess of \$100,000,000 acting for the account of others pursuant to  
23 discretionary authority in a signed record.

24 (e) A bona fide preexisting customer whose principal place of residence is not  
25 in this state and the person is registered as a broker-dealer under the Securities

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1 Exchange Act of 1934 or not required to be registered under the Securities Exchange  
2 Act of 1934 and is registered under the securities act of the state in which the  
3 customer maintains a principal place of residence.

4 (f) A bona fide preexisting customer whose principal place of residence is in this  
5 state but was not present in this state when the customer relationship was  
6 established, if all of the following apply:

7 1. The broker–dealer is registered under the Securities Exchange Act of 1934  
8 or not required to be registered under the Securities Exchange Act of 1934 and is  
9 registered under the securities laws of the state in which the customer relationship  
10 was established and where the customer had maintained a principal place of  
11 residence.

12 2. Within 45 days after the customer’s first transaction in this state, the person  
13 files an application for registration as a broker–dealer in this state and a further  
14 transaction is not effected more than 75 days after the date on which the application  
15 is filed, or, if earlier, the date on which the administrator notifies the person that the  
16 administrator has granted registration or denied the application for registration or  
17 has stayed the pendency of the application for good cause; provided the person may  
18 effect unsolicited orders to liquidate open positions in existing customer accounts if  
19 no commission or other remuneration is paid or given directly or indirectly for  
20 effecting such transactions.

21 (h) Any other person exempted by rule adopted or order issued under this  
22 chapter.

23 **(3) LIMITS ON EMPLOYMENT OR ASSOCIATION.** It is unlawful for a broker–dealer,  
24 or for an issuer engaged in offering, offering to purchase, purchasing, or selling  
25 securities in this state, directly or indirectly, to employ or associate with an

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1 individual to engage in an activity related to securities transactions in this state if  
2 the registration of the individual is denied or suspended or revoked or the individual  
3 is barred from employment or association with a broker–dealer, an issuer, an  
4 investment adviser, or a federal covered investment adviser by an order of the  
5 administrator under this chapter, the Securities and Exchange Commission, or a  
6 self–regulatory organization. A broker–dealer or issuer does not violate this  
7 subsection if the broker–dealer or issuer did not know, and in the exercise of  
8 reasonable care could not have known, of the denial, suspension, revocation, or bar.  
9 Upon request from a broker–dealer or issuer and for good cause, an order under this  
10 chapter may modify or waive, in whole or in part, the application of the prohibitions  
11 of this subsection to the broker–dealer.

12 **(4) FOREIGN TRANSACTIONS.** A rule adopted or order issued under this chapter  
13 may permit any of the following:

14 (a) A broker–dealer that is registered in Canada or other foreign jurisdiction  
15 and that does not have a place of business in this state to effect transactions in  
16 securities with or for, or attempt to effect the purchase or sale of any securities by,  
17 any of the following:

18 1. An individual from Canada or other foreign jurisdiction who is temporarily  
19 present in this state and with whom the broker–dealer had a bona fide customer  
20 relationship before the individual entered the United States.

21 2. An individual from Canada or other foreign jurisdiction who is present in this  
22 state and whose transactions are in a self–directed tax advantaged retirement plan  
23 of which the individual is the holder or contributor in that foreign jurisdiction.



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1           3. An individual who is present in this state, with whom the broker–dealer  
2 customer relationship arose while the individual was temporarily or permanently  
3 resident in Canada or the other foreign jurisdiction.

4           (b) An agent who represents a broker–dealer that is exempt under this  
5 subsection to effect transactions in securities or attempt to effect the purchase or sale  
6 of securities in this state as permitted for a broker–dealer described in par. (a).

7           **551.402 Agent registration requirement and exemptions. (1)**

8           REGISTRATION REQUIREMENT. It is unlawful for an individual to transact business in  
9 this state as an agent unless the individual is registered under this chapter as an  
10 agent or is exempt from registration as an agent under sub. (2).

11           (2) EXEMPTIONS FROM REGISTRATION. The following individuals are exempt from  
12 the registration requirement of sub. (1):

13           (a) An individual who represents a broker–dealer in effecting transactions in  
14 this state limited to those described in section 15 (h) (2) of the Securities Exchange  
15 Act of 1934 (15 USC 78o (h) (2)).

16           (b) An individual who represents a broker–dealer that is exempt under s.  
17 551.401 (2) or (4).

18           (c) An individual who represents an issuer with respect to an offer or sale of the  
19 issuer’s own securities or those of the issuer’s parent or any of the issuer’s  
20 subsidiaries, and who is not compensated in connection with the individual’s  
21 participation by the payment of commissions or other remuneration based, directly  
22 or indirectly, on transactions in those securities.

23           (d) An individual who represents an issuer and who effects transactions in the  
24 issuer’s securities exempted by s. 551.202, other than s. 551.202 (11), (14) or (24).

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1 (e) An individual who represents an issuer that effects transactions solely in  
2 federal covered securities of the issuer, but an individual who effects transactions in  
3 a federal covered security under section 18 (b) (3) or 18 (b) (4) (D) of the Securities  
4 Act of 1933 (15 USC 77r (b) (3) or 77r (b) (4) (D)) is not exempt if the individual is  
5 compensated in connection with the agent's participation by the payment of  
6 commissions or other remuneration based, directly or indirectly, on transactions in  
7 those securities.

8 (f) An individual who represents a broker-dealer registered in this state under  
9 s. 551.401 (1) or exempt from registration under s. 551.401 (2) in the offer and sale  
10 of securities for an account of a nonaffiliated federal covered investment adviser with  
11 investments under management in excess of \$100,000,000 acting for the account of  
12 others pursuant to discretionary authority in a signed record.

13 (g) An individual who represents an issuer in connection with the purchase of  
14 the issuer's own securities.

15 (h) An individual who represents an issuer or broker-dealer and who restricts  
16 participation to performing clerical or ministerial acts.

17 (hm) An individual who represents a broker-dealer and effects transactions in  
18 this state exclusively with customers listed under s. 551.401 (2) (a) to (d) and (h).

19 (i) Any other individual exempted by rule adopted or order issued under this  
20 chapter.

21 **(3)** REGISTRATION EFFECTIVE ONLY WHILE EMPLOYED OR ASSOCIATED. The  
22 registration of an agent is effective only while the agent is employed by or associated  
23 with a broker-dealer registered under this chapter or an issuer that is offering,  
24 selling, or purchasing its securities in this state.

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1           **(4) LIMIT ON EMPLOYMENT OR ASSOCIATION.** It is unlawful for a broker–dealer, or  
2 an issuer engaged in offering, selling, or purchasing securities in this state, to employ  
3 or associate with an agent who transacts business in this state on behalf of  
4 broker–dealers or issuers unless the agent is registered under sub. (1) for the  
5 broker–dealer or issuer or exempt from registration under sub. (2).

6           **(5) LIMIT ON AFFILIATIONS.** Except as permitted under sub. (6), an individual  
7 may not act as an agent for more than one broker–dealer or one issuer at a time,  
8 unless the broker–dealers or the issuers for which the agent acts are affiliated by  
9 direct or indirect common control or are authorized by rule or order under this  
10 chapter.

11           **(6) DUAL REPRESENTATION.** An agent may make offers and sales of securities for  
12 more than one issuer that is a limited partnership or for more than one issuer that  
13 is an investment company without obtaining a separate registration for each limited  
14 partnership or investment company represented by the agent if all of the following  
15 conditions are satisfied:

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

18           (b) An application to amend the agent’s registration to name each limited  
19 partnership or investment company as the agent’s employer is filed with and  
20 approved by the administrator before the agent makes any offer or sale in the state  
21 on behalf of the additional limited partnership or investment company.

**551.403 Investment adviser registration requirement and exemptions.**

22           **(1) REGISTRATION REQUIREMENT.** It is unlawful for a person to transact business in this  
23 state as an investment adviser unless the person is registered under this chapter as  
24

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1 an investment adviser or is exempt from registration as an investment adviser under  
2 sub. (2).

3 **(2) EXEMPTIONS FROM REGISTRATION.** The following persons are exempt from the  
4 registration requirement of sub. (1):

5 (a) A person whose only clients in this state are:

6 1. Federal covered investment advisers, investment advisers registered under  
7 this chapter, or broker–dealers registered under this chapter.

8 2. Institutional investors.

9 2m. Accredited investors as defined in Rule 501 (a) (1), (2), (3), (7) or (8) adopted  
10 under the Securities Act of 1933.

11 3. Bona fide preexisting clients whose principal places of residence are not in  
12 this state if the investment adviser is registered or exempt from registration under  
13 the securities act of the state in which the clients maintain principal places of  
14 residence.

15 4. Any other client exempted by rule adopted or order issued under this chapter.

16 (b) A person without a place of business in this state if the person has had,  
17 during the preceding 12 months, not more than 5 clients that are resident in this  
18 state in addition to those specified under par. (a).

19 (c) Any other person exempted by rule adopted or order issued under this  
20 chapter.

21 **(3) LIMITS ON EMPLOYMENT OR ASSOCIATION.** It is unlawful for an investment  
22 adviser, directly or indirectly, to employ or associate with an individual to engage in  
23 an activity related to investment advice in this state if the registration of the  
24 individual is denied or suspended or revoked or the individual is barred from  
25 employment or association with an investment adviser, federal covered investment

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1 adviser, or broker–dealer by an order under this chapter, the Securities and  
2 Exchange Commission, or a self–regulatory organization, unless the investment  
3 adviser did not know, and in the exercise of reasonable care could not have known,  
4 of the denial, suspension, revocation, or bar. Upon request from the investment  
5 adviser and for good cause, the administrator, by order, may waive, in whole or in  
6 part, the application of the prohibitions of this subsection to the investment adviser.

7 **(4) INVESTMENT ADVISER REPRESENTATIVE REGISTRATION REQUIRED.** It is unlawful  
8 for an investment adviser to employ or associate with an individual required to be  
9 registered under this chapter as an investment adviser representative who transacts  
10 business in this state on behalf of the investment adviser unless the individual is  
11 registered under s. 551.404 (1) or is exempt from registration under s. 551.404 (2).

12 **551.404 Investment adviser representative registration requirement**  
13 **and exemptions. (1) REGISTRATION REQUIREMENT.** It is unlawful for an individual  
14 to transact business in this state as an investment adviser representative unless the  
15 individual is registered under this chapter as an investment adviser representative  
16 or is exempt from registration as an investment adviser representative under sub.  
17 (2).

18 **(2) EXEMPTIONS FROM REGISTRATION.** The following individuals are exempt from  
19 the registration requirement of sub. (1):

20 (a) An individual who is employed by or associated with an investment adviser  
21 that is exempt from registration under s. 551.403 (2) or a federal covered investment  
22 adviser that is excluded from the notice filing requirements of s. 551.405.

23 (am) An individual who is employed by or associated with an investment  
24 adviser or a federal covered investment adviser and whose clients in the state are  
25 exclusively those clients listed in s. 551.403 (2) (a) 1. to 2m. and 4.

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1 (b) Any other individual exempted by rule adopted or order issued under this  
2 chapter.

3 **(3) REGISTRATION EFFECTIVE ONLY WHILE EMPLOYED OR ASSOCIATED.** The  
4 registration of an investment adviser representative is effective only while the  
5 investment adviser representative is employed by or associated with an investment  
6 adviser registered under this chapter or a federal covered investment adviser that  
7 has made or is required to make a notice filing under s. 551.405.

8 **(4) LIMIT ON AFFILIATIONS.** An individual may transact business as an  
9 investment adviser representative for more than one investment adviser or federal  
10 covered investment adviser unless a rule adopted or order issued under this chapter  
11 prohibits or limits an individual from acting as an investment adviser representative  
12 for more than one investment adviser or federal covered investment adviser.

13 **(5) LIMITS ON EMPLOYMENT OR ASSOCIATION.** It is unlawful for an individual  
14 acting as an investment adviser representative, directly or indirectly, to conduct  
15 business in this state on behalf of an investment adviser or a federal covered  
16 investment adviser if the registration of the individual as an investment adviser  
17 representative is suspended or revoked or the individual is barred from employment  
18 or association with an investment adviser or a federal covered investment adviser  
19 by an order under this chapter, the Securities and Exchange Commission, or a  
20 self-regulatory organization. Upon request and for good cause, the administrator,  
21 by order issued, may waive, in whole or in part, the application of the requirements  
22 of this subsection.

23 **(6) REFERRAL FEES.** An investment adviser registered or exempt from  
24 registration under this chapter, a federal covered investment adviser that has filed  
25 a notice under s. 551.405 or is exempt from such notice filing requirement, or a

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1 broker-dealer registered or exempt from registration under this chapter is not  
2 required to employ or associate with an individual as an investment adviser  
3 representative if the only compensation paid to the individual for a referral of  
4 investment advisory clients is paid to an investment adviser registered or exempt  
5 from registration under this chapter, a federal covered investment adviser that has  
6 filed a notice or is exempt from filing a notice under s. 551.405, or a broker-dealer  
7 registered or exempt from registration under this chapter with which the individual  
8 is employed or associated as an investment adviser representative.

9 **551.405 Federal covered investment adviser notice filing requirement.**

10 **(1) NOTICE FILING REQUIREMENT.** Except with respect to a federal covered investment  
11 adviser described in sub. (2), it is unlawful for a federal covered investment adviser  
12 to transact business in this state as a federal covered investment adviser unless the  
13 federal covered investment adviser complies with sub. (3).

14 **(2) NOTICE FILING REQUIREMENT NOT REQUIRED.** The following federal covered  
15 investment advisers are not required to comply with sub. (3):

16 **(a)** A federal covered investment adviser without a place of business in this  
17 state if its only clients in this state are:

18 1. Federal covered investment advisers, investment advisers registered under  
19 this chapter, and broker-dealers registered under this chapter.

20 2. Institutional investors.

21 2m. Accredited investors as defined and listed in 17 CFR 230.501 (a) (1), (2),  
22 (3), (7), or (8) under Regulation D under the Securities Act of 1933.

23 3. Bona fide preexisting clients whose principal places of residence are not in  
24 this state.

25 4. Other clients specified by rule adopted or order issued under this chapter.

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1 (b) A federal covered investment adviser without a place of business in this  
2 state if the person has had, during the preceding 12 months, not more than 5 clients  
3 that are resident in this state in addition to those specified under par. (a).

4 (c) Any other person excluded by rule adopted or order issued under this  
5 chapter.

6 **(3) NOTICE FILING PROCEDURE.** A person acting as a federal covered investment  
7 adviser, not excluded under sub. (2), shall file a notice, a consent to service of process  
8 complying with s. 551.611, and such records as have been filed with the Securities  
9 and Exchange Commission under the Investment Advisers Act of 1940 required by  
10 rule adopted or order issued under this chapter and pay the fees specified in s.  
11 551.614 (2).

12 **(4) EFFECTIVENESS OF FILING.** The notice under sub. (3) becomes effective upon  
13 its filing and expires on December 31 unless any of the following occurs:

14 (a) The notice filing is renewed.

15 (b) The notice filing is limited or extended for not more than 6 months and the  
16 notice filer pays a fee, adjusted proportionately by the administrator by rule or order.

17 (c) The administrator specifies a different expiration date by rule or order.

18 **551.406 Registration by broker–dealer, agent, investment adviser, and**  
19 **investment adviser representative. (1) APPLICATION FOR INITIAL REGISTRATION.**  
20 A person shall register as a broker–dealer, agent, investment adviser, or investment  
21 adviser representative by filing with the administrator, or an organization which the  
22 administrator by rule designates, an application and a consent to service of process  
23 complying with s. 551.611, and paying the fee specified in s. 551.614 and any  
24 reasonable fees charged by the designee of the administrator for processing the  
25 filing. The application must contain all of the following:



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1 (a) The information or record required for the filing of a uniform application.

2 (b) Upon request by the administrator, any other financial or other information  
3 or record that the administrator determines is appropriate.

4 **(2) AMENDMENT.** If the information or record contained in an application filed  
5 under sub. (1) is or becomes inaccurate or incomplete in a material respect, the  
6 registrant shall promptly file a correcting amendment.

7 **(3) EFFECTIVENESS OF REGISTRATION.** (a) If an order is not in effect and a  
8 proceeding is not pending under s. 551.412, registration is effective 30 days from the  
9 filing of the application or at the earliest of the following times prior to the expiration  
10 of 30 days from the filing of the application, whichever is earlier, unless the  
11 registration is denied:

12 1. The date that the administrator issues registration to the applicant.

13 2. The date that approval of registration status is transmitted by the  
14 administrator to the applicant through the central registration depository of the  
15 National Association of Securities Dealers, Inc.

16 3. On January 1 for any renewal application filed during December of the  
17 preceding year with the central registration depository, unless the administrator  
18 makes a written request for additional information relevant to the application prior  
19 to January 1.

20 (b) A rule adopted or order issued under this chapter may set an earlier  
21 effective date or may defer the effective date until noon on the 45th day after the  
22 filing of any amendment completing the application.

23 **(4) REGISTRATION RENEWAL.** A registration is effective until midnight on  
24 December 31 of the year for which the application for registration is filed. Unless an  
25 order is in effect under s. 551.412, a registration may be automatically renewed each

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1 year by filing such records as are required by rule adopted or order issued under this  
2 chapter, by paying the fee specified in s. 551.614, and by paying costs charged by the  
3 designee of the administrator for processing the filings.

4 **(5) ADDITIONAL CONDITIONS OR WAIVERS.** A rule adopted or order issued under  
5 this chapter may impose other conditions, not inconsistent with the National  
6 Securities Markets Improvement Act of 1996. An order issued under this chapter  
7 may waive, in whole or in part, specific requirements in connection with registration  
8 as are in the public interest and for the protection of investors.

9 **(6) ADDITIONAL INFORMATION REQUIRED.** (a) In addition to the information  
10 required elsewhere under this section, an application for registration shall contain,  
11 in the case of an individual, the individual's social security number and, in the case  
12 of a person who is not an individual, the person's federal employer identification  
13 number. The administrator may not disclose any information received under this  
14 paragraph to any person except the following:

15 1. The department of revenue, for the sole purpose of requesting certifications  
16 under s. 73.0301.

17 2. The department of children and families in accordance with a memorandum  
18 of understanding under s. 49.857.

19 (b) If an applicant for the issuance or renewal of a registration under this  
20 section is an individual who does not have a social security number, the applicant,  
21 as a condition of applying for or applying to renew the registration, shall submit a  
22 statement made or subscribed under oath or affirmation to the administrator that  
23 the applicant does not have a social security number. The form of the statement shall  
24 be prescribed by the department of children and families.

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1 (c) Any license issued or renewed in reliance upon a false statement submitted  
2 by an applicant under par. (a) or (b) is invalid.

3 **551.407 Succession and change in registration of broker-dealer or**  
4 **investment adviser. (1) SUCCESSION.** A broker-dealer or investment adviser may  
5 succeed to the current registration of another broker-dealer or investment adviser  
6 or a notice filing of a federal covered investment adviser, and a federal covered  
7 investment adviser may succeed to the current registration of an investment adviser  
8 or notice filing of another federal covered investment adviser, by filing as a successor  
9 an application for registration pursuant to s. 551.401 or 551.403 or a notice pursuant  
10 to s. 551.405 for the unexpired portion of the current registration or notice filing.

11 **(2) ORGANIZATIONAL CHANGE.** A broker-dealer or investment adviser that  
12 changes its form of organization or state of incorporation or organization may  
13 continue its registration by filing an amendment to its registration if the change does  
14 not involve a change in control. The amendment becomes effective when filed or on  
15 a date designated by the registrant in its filing. The new organization is a successor  
16 to the original registrant for the purposes of this chapter. If there is a change in  
17 control, the broker-dealer or investment adviser shall file a new application for  
18 registration. A predecessor registered under this chapter shall stop conducting its  
19 securities business other than winding down transactions and shall file for  
20 withdrawal of broker-dealer or investment adviser registration within 45 days after  
21 filing its amendment to effect succession.

22 **(3) NAME CHANGE.** A broker-dealer or investment adviser that changes its  
23 name may continue its registration by filing an amendment to its registration. The  
24 amendment becomes effective when filed or on a date designated by the registrant.

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1           **(4) CHANGE OF CONTROL.** A change of control of a broker–dealer or investment  
2 adviser may be made in accordance with a rule adopted or order issued under this  
3 chapter.

4           **551.408 Termination of employment or association of agent and**  
5 **investment adviser representative and transfer of employment or**  
6 **association. (1) NOTICE OF TERMINATION.** If an agent registered under this chapter  
7 terminates employment by or association with a broker–dealer or issuer, or if an  
8 investment adviser representative registered under this chapter terminates  
9 employment by or association with an investment adviser or federal covered  
10 investment adviser, or if either registrant terminates activities that require  
11 registration as an agent or investment adviser representative, the broker–dealer,  
12 issuer, investment adviser, or federal covered investment adviser shall promptly file  
13 a notice of termination. If the registrant learns that the broker–dealer, issuer,  
14 investment adviser, or federal covered investment adviser has not filed the notice,  
15 the registrant may do so.

16           **(2) TRANSFER OF EMPLOYMENT OR ASSOCIATION.** If an agent registered under this  
17 chapter terminates employment by or association with a broker–dealer registered  
18 under this chapter and begins employment by or association with another  
19 broker–dealer registered under this chapter; or if an investment adviser  
20 representative registered under this chapter terminates employment by or  
21 association with an investment adviser registered under this chapter or a federal  
22 covered investment adviser that has filed a notice under s. 551.405 and begins  
23 employment by or association with another investment adviser registered under this  
24 chapter or a federal covered investment adviser that has filed a notice under s.  
25 551.405; then upon the filing by or on behalf of the registrant, within 30 days after

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1 the termination, of an application for registration that complies with the  
2 requirement of s. 551.406 (1) and payment of the filing fee required under s. 551.614,  
3 the registration of the agent or investment adviser representative is:

4 (a) Immediately effective as of the date of the completed filing, if the agent's  
5 Central Registration Depository record or successor record or the investment adviser  
6 representative's Investment Adviser Registration Depository record or successor  
7 record does not contain a new or amended disciplinary disclosure within the previous  
8 12 months.

9 (b) Temporarily effective as of the date of the completed filing, if the agent's  
10 Central Registration Depository record or successor record or the investment adviser  
11 representative's Investment Adviser Registration Depository record or successor  
12 record contains a new or amended disciplinary disclosure within the preceding 12  
13 months.

14 **(3) WITHDRAWAL OF TEMPORARY REGISTRATION.** The administrator may withdraw  
15 a temporary registration if there are or were grounds for discipline as specified in s.  
16 551.412 and the administrator does so within 30 days after the filing of the  
17 application. If the administrator does not withdraw the temporary registration  
18 within the 30-day period, registration becomes automatically effective on the 31st  
19 day after filing.

20 **(4) POWER TO PREVENT REGISTRATION.** The administrator may prevent the  
21 effectiveness of a transfer of an agent or investment adviser representative under  
22 sub. (2) (a) or (b) based on the public interest and the protection of investors.

23 **(5) TERMINATION OF REGISTRATION OR APPLICATION FOR REGISTRATION.** If the  
24 administrator determines that a registrant or applicant for registration is no longer  
25 in existence or has ceased to act as a broker-dealer, agent, investment adviser, or

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1 investment adviser representative, or is the subject of an adjudication of incapacity  
2 or is subject to the control of a committee, conservator, or guardian, or cannot  
3 reasonably be located, a rule adopted or order issued under this chapter may require  
4 the registration be canceled or terminated or the application denied. The  
5 administrator may reinstate a canceled or terminated registration, with or without  
6 hearing, and may make the registration retroactive.

7 **551.409 Withdrawal of registration of broker-dealer, agent,**  
8 **investment adviser, and investment adviser representative.** Withdrawal of  
9 registration by a broker-dealer, agent, investment adviser, or investment adviser  
10 representative becomes effective 60 days after the filing of the application to  
11 withdraw or within any shorter period as provided by rule adopted or order issued  
12 under this chapter unless a revocation or suspension proceeding is pending when the  
13 application is filed. If a proceeding is pending, withdrawal becomes effective when  
14 and upon such conditions as required by rule adopted or order issued under this  
15 chapter. The administrator may institute a revocation or suspension proceeding  
16 under s. 551.412 within one year after the withdrawal became effective  
17 automatically and issue a revocation or suspension order as of the last date on which  
18 registration was effective if a proceeding is not pending.

19 **551.411 Postregistration requirements. (1) FINANCIAL REQUIREMENTS.**  
20 Subject to section 15 (h) of the Securities Exchange Act of 1934 (15 USC 78o (h)) or  
21 section 222 of the Investment Advisers Act of 1940 (15 USC 80b-18a), a rule adopted  
22 or order issued under this chapter may establish minimum financial requirements  
23 for broker-dealers registered or required to be registered under this chapter and  
24 investment advisers registered or required to be registered under this chapter.

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1           **(2) FINANCIAL REPORTS.** Subject to section 15 (h) of the Securities Exchange Act  
2 of 1934 (15 USC 78o (h)) or section 222 (b) of the Investment Advisers Act of 1940 (15  
3 USC 80b–18a), a broker–dealer registered or required to be registered under this  
4 chapter and an investment adviser registered or required to be registered under this  
5 chapter shall file such financial reports as are required by a rule adopted or order  
6 issued under this chapter. If the information contained in a record filed under this  
7 subsection is or becomes inaccurate or incomplete in a material respect, the  
8 registrant shall promptly file a correcting amendment.

9           **(3) RECORD KEEPING.** Subject to section 15 (h) of the Securities Exchange Act  
10 of 1934 (15 USC 78o (h)) or section 222 of the Investment Advisers Act of 1940 (15  
11 USC 80b–18a):

12           (a) A broker–dealer registered or required to be registered under this chapter  
13 and an investment adviser registered or required to be registered under this chapter  
14 shall make and maintain the accounts, correspondence, memoranda, papers, books,  
15 and other records required by rule adopted or order issued under this chapter.

16           (b) Broker–dealer records required to be maintained under par. (a) may be  
17 maintained in any form of data storage acceptable under section 17 (a) of the  
18 Securities Exchange Act of 1934 (15 USC 78q (a)) if they are readily accessible to the  
19 administrator.

20           (c) Investment adviser records required to be maintained under par. (a) may  
21 be maintained in any form of data storage required by rule adopted or order issued  
22 under this chapter.

23           **(4) AUDITS OR INSPECTIONS.** The records of a broker–dealer registered or  
24 required to be registered under this chapter and of an investment adviser registered  
25 or required to be registered under this chapter are subject to such reasonable

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1 periodic, special, or other audits or inspections by a representative of the  
2 administrator, within or without this state, as the administrator considers necessary  
3 or appropriate in the public interest and for the protection of investors. The  
4 administrator may also conduct an examination of the books, records, and affairs of  
5 an applicant for registration as a broker–dealer or investment adviser. An audit or  
6 inspection may be made at any time and without prior notice. The administrator  
7 may copy, and remove for audit or inspection copies of, all records the administrator  
8 reasonably considers necessary or appropriate to conduct the audit or inspection.  
9 The administrator may assess a reasonable charge for conducting an audit or  
10 inspection under this subsection.

11 **(5) CUSTODY AND DISCRETIONARY AUTHORITY BOND OR INSURANCE.** Subject to  
12 section 15 (h) of the Securities Exchange Act of 1934 (15 USC 78o (h)) or section 222  
13 of the Investment Advisers Act of 1940 (15 USC 80b–18a), a rule adopted or order  
14 issued under this chapter may require a broker–dealer or investment adviser that  
15 has custody of or discretionary authority over funds or securities of a customer or  
16 client to obtain insurance or post a bond or other satisfactory form of security in an  
17 amount prescribed by the administrator by rule. The administrator may determine  
18 the requirements of the insurance, bond, or other satisfactory form of security.  
19 Insurance or a bond or other satisfactory form of security may not be required of a  
20 broker–dealer registered under this chapter whose net capital exceeds, or of an  
21 investment adviser registered under this chapter whose minimum financial  
22 requirements exceed, the amounts required by rule or order under this chapter. The  
23 insurance, bond, or other satisfactory form of security must permit an action by a  
24 person to enforce any liability on the insurance, bond, or other satisfactory form of  
25 security if instituted within the time limitations in s. 551.509 (10) (b).



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1           **(6) REQUIREMENTS FOR CUSTODY.** Subject to section 15 (h) of the Securities  
2 Exchange Act of 1934 (15 USC 78o (h)) or section 222 of the Investment Advisers Act  
3 of 1940 (15 USC 80b-18a), an agent may not have custody of funds or securities of  
4 a customer except under the supervision of a broker-dealer and an investment  
5 adviser representative may not have custody of funds or securities of a client except  
6 under the supervision of an investment adviser or a federal covered investment  
7 adviser. A rule adopted or order issued under this chapter may prohibit, limit, or  
8 impose conditions on a broker-dealer regarding custody of funds or securities of a  
9 customer and on an investment adviser regarding custody of securities or funds of  
10 a client.

11           **(7) INVESTMENT ADVISER BROCHURE RULE.** With respect to an investment adviser  
12 registered or required to be registered under this chapter, a rule adopted or order  
13 issued under this chapter may require that information or other record be furnished  
14 or disseminated to clients or prospective clients in this state as necessary or  
15 appropriate in the public interest and for the protection of investors and advisory  
16 clients.

17           **(8) CONTINUING EDUCATION.** A rule adopted or order issued under this chapter  
18 may require an individual registered under s. 551.402 or 551.404 to participate in  
19 a continuing education program approved by the administrator and administered by  
20 a self-regulatory organization or, in the absence of such a program, a rule adopted  
21 or order issued under this chapter may require continuing education for an  
22 individual registered under s. 551.404.

23           **(9) INTEREST RATE ON CUSTOMER ACCOUNTS.** No registered broker-dealer shall  
24 be subject to s. 138.05 (1) (a) with respect to any debit balance in a customer account

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1 if the debit balance is payable on demand and the only collateral for the balance is  
2 securities.

3 **551.412 Denial, revocation, suspension, censure, withdrawal,**  
4 **restriction, condition, or limitation of registration. (1) DISCIPLINARY**  
5 **CONDITIONS – APPLICANTS.** If the administrator finds that the order is in the public  
6 interest and sub. (4) authorizes the action, an order issued under this chapter may  
7 deny an application, or may condition or limit registration of an applicant, to be a  
8 broker–dealer, agent, investment adviser, or investment adviser representative and,  
9 if the applicant is a broker–dealer or investment adviser, of a partner, officer,  
10 director, person having a similar status or performing similar functions, or person  
11 directly or indirectly in control of the broker–dealer or investment adviser.

12 **(2) DISCIPLINARY CONDITIONS – REGISTRANTS.** If the administrator finds that the  
13 order is in the public interest and sub. (4) authorizes the action, an order issued  
14 under this chapter may revoke, suspend, censure, condition, or limit the registration  
15 of a registrant and, if the registrant is a broker–dealer or investment adviser, of a  
16 partner, officer, director, person having a similar status or performing similar  
17 functions, or person directly or indirectly in control of the broker–dealer or  
18 investment adviser. However, the administrator may not do any of the following:

19 (a) Institute a revocation or suspension proceeding under this subsection based  
20 on an order issued under a law of another state that is reported to the administrator  
21 or a designee of the administrator more than one year after the date of the order on  
22 which it is based.

23 (b) Under sub. (4) (e) 1. or 2., issue an order on the basis of an order issued under  
24 the securities act of another state unless the other order was based on conduct for  
25 which sub. (4) would authorize the action had the conduct occurred in this state.

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1           **(3) DISCIPLINARY PENALTIES – REGISTRANTS.** If the administrator finds that the  
2 order is in the public interest and sub. (4) (a) to (f), (h), (i), (j), (L), (m), or (o) to (r)  
3 authorizes the action, an order under this chapter may censure, impose a bar, or  
4 impose a civil penalty in an amount not to exceed a maximum of \$10,000 for a single  
5 violation or \$100,000 for more than one violation, or in such amount as agreed to by  
6 the parties, on a registrant and, if the registrant is a broker–dealer or investment  
7 adviser, a partner, officer, director, person having a similar status or performing  
8 similar functions, or person directly or indirectly in control of the broker–dealer or  
9 investment adviser.

10           **(4) GROUNDS FOR DISCIPLINE.** A person may be disciplined under subs. (1) to (3)  
11 if the person:

12           (a) Has filed an application for registration in this state under this chapter or  
13 the predecessor act within the previous 10 years, which, as of the effective date of  
14 registration or as of any date after filing in the case of an order denying effectiveness,  
15 was incomplete in any material respect or contained a statement that, in light of the  
16 circumstances under which it was made, was false or misleading with respect to a  
17 material fact.

18           (b) Willfully violated or willfully failed to comply with this chapter or the  
19 predecessor act or a rule adopted or order issued under this chapter or the  
20 predecessor act within the previous 10 years.

21           (c) Has been convicted of a felony or within the previous 10 years has been  
22 convicted of a misdemeanor involving a security, a commodity future or option  
23 contract, or an aspect of a business involving securities, commodities, investments,  
24 franchises, insurance, banking, or finance.

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1 (d) Is enjoined or restrained by a court of competent jurisdiction in an action  
2 instituted by the administrator under this chapter or the predecessor act, a state, the  
3 Securities and Exchange Commission, or the United States from engaging in or  
4 continuing an act, practice, or course of business involving an aspect of a business  
5 involving securities, commodities, investments, franchises, insurance, banking, or  
6 finance.

7 (e) Is the subject of an order, issued after notice and opportunity for hearing,  
8 by any of the following:

9 1. The securities or other financial services regulator of a state or the Securities  
10 and Exchange Commission or other federal agency denying, revoking, barring, or  
11 suspending registration as a broker–dealer, agent, investment adviser, federal  
12 covered investment adviser, or investment adviser representative.

13 2. The securities regulator of a state or the Securities and Exchange  
14 Commission against a broker–dealer, agent, investment adviser, investment adviser  
15 representative, or federal covered investment adviser.

16 3. The Securities and Exchange Commission or a self–regulatory organization  
17 suspending or expelling the registrant from membership in the self–regulatory  
18 organization.

19 4. A court adjudicating a United States Postal Service fraud order.

20 5. The insurance regulator of a state denying, suspending, or revoking  
21 registration as an insurance agent.

22 6. A depository institution or financial services regulator suspending or barring  
23 the person from the depository institution or other financial services business.

24 (f) Is the subject of an adjudication or determination, after notice and  
25 opportunity for hearing, by the Securities and Exchange Commission; the

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1 Commodity Futures Trading Commission; the Federal Trade Commission; a federal  
2 depository institution regulator, or a depository institution, insurance, or other  
3 financial services regulator of a state that the person willfully violated the Securities  
4 Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of  
5 1940, the Investment Company Act of 1940, or the Commodity Exchange Act, the  
6 securities or commodities law of a state, or a federal or state law under which a  
7 business involving investments, franchises, insurance, banking, or finance is  
8 regulated.

9 (g) Is insolvent, either because the person's liabilities exceed the person's assets  
10 or because the person cannot meet the person's obligations as they mature, but the  
11 administrator may not enter an order against an applicant or registrant under this  
12 paragraph without a finding of insolvency as to the applicant or registrant.

13 (h) Refuses to allow or otherwise impedes the administrator from conducting  
14 an audit or inspection under s. 551.411 (4) or refuses access to a registrant's office to  
15 conduct an audit or inspection under s. 551.411 (4).

16 (i) Has failed to reasonably supervise an agent, investment adviser  
17 representative, or other individual, if the agent, investment adviser representative,  
18 or other individual was subject to the person's supervision and committed a violation  
19 of this chapter or the predecessor act or a rule adopted or order issued under this  
20 chapter or the predecessor act within the previous 10 years.

21 (j) Has not paid the proper filing fee within 30 days after having been notified  
22 by the administrator of a deficiency, but the administrator shall vacate an order  
23 under this paragraph when the deficiency is corrected.

24 (k) After notice and opportunity for a hearing, has been found within the  
25 previous 10 years:

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1           1. By a court of competent jurisdiction to have willfully violated the laws of a  
2 foreign jurisdiction under which the business of securities, commodities, investment,  
3 franchises, insurance, banking, or finance is regulated.

4           2. To have been the subject of an order of a securities regulator of a foreign  
5 jurisdiction denying, revoking, or suspending the right to engage in the business of  
6 securities as a broker–dealer, agent, investment adviser, investment adviser  
7 representative, or similar person.

8           3. To have been suspended or expelled from membership by or participation in  
9 a securities exchange or securities association operating under the securities laws  
10 of a foreign jurisdiction.

11           (L) Is the subject of a cease and desist order issued by the Securities and  
12 Exchange Commission or issued under the securities, commodities, investment,  
13 franchise, banking, finance, or insurance laws of a state.

14           (m) Has engaged in dishonest or unethical practices in the securities,  
15 commodities, investment, franchise, banking, finance, or insurance business within  
16 the previous 10 years.

17           (n) Is not qualified on the basis of factors such as training, experience, and  
18 knowledge of the securities business. However, in the case of an application by an  
19 agent for a broker–dealer that is a member of a self–regulatory organization or by  
20 an individual for registration as an investment adviser representative, a denial  
21 order may not be based on this paragraph if the individual has successfully  
22 completed all examinations required by sub. (5). The administrator may require an  
23 applicant for registration under s. 551.402 or 551.404 who has not been registered  
24 in a state within the 2 years preceding the filing of an application in this state to  
25 successfully complete an examination.

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1           (o) Is the subject of an order of the administrator denying an application or  
2           suspending or revoking a registration as a broker–dealer, agent, or investment  
3           adviser.

4           (p) Is selling or has sold, or is offering or has offered for sale, in the state  
5           securities through any unlicensed agent or for any broker–dealer or issuer with  
6           knowledge that the broker–dealer or issuer has not complied with this chapter.

7           (q) Has made any material misrepresentation to or withheld or concealed any  
8           material fact from the administrator, or has refused to furnish information  
9           reasonably requested by the administrator.

10          (r) Has not complied with the conditions or limitations of a registration issued  
11          under this chapter.

12          **(4g)** ADDITIONAL GROUNDS FOR DENIAL OF APPLICATION. (a) The administrator  
13          shall deny an application for the issuance or renewal of a registration if any of the  
14          following applies:

15           1. The applicant fails to provide any information required under s. 551.406 (6)

16          (a) 1. or 2.

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

22           3. The applicant is an individual who fails to comply, after appropriate notice,  
23          with a subpoena or warrant issued by the department of children and families or a  
24          county child support agency under s. 59.53 (5) and related to paternity or child  
25          support proceedings or who is delinquent in making court–ordered payments of child

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1 or family support, maintenance, birth expenses, medical expenses or other expenses  
2 related to the support of a child or former spouse, as provided in a memorandum of  
3 understanding entered under s. 49.857. An applicant whose application is denied  
4 under this subdivision for delinquent payments is entitled to a notice and hearing  
5 under s. 49.857 but is not entitled to any other notice or hearing under this  
6 subchapter.

7 (b) Unless s. 551.406 (6) (b) applies to the registrant, the administrator shall  
8 restrict or suspend a registration under this subchapter if the registrant is an  
9 individual who fails to provide his or her social security number. The administrator  
10 shall restrict or suspend a registration under this subchapter if the registrant is an  
11 individual who fails to comply, after appropriate notice, with a subpoena or warrant  
12 issued by the department of children and families or a county child support agency  
13 under s. 59.53 (5) and related to paternity or child support proceedings or who is  
14 delinquent in making court-ordered payments of child or family support,  
15 maintenance, birth expenses, medical expenses or other expenses related to the  
16 support of a child or former spouse, as provided in a memorandum of understanding  
17 entered into under s. 49.857. A registrant whose registration is restricted or  
18 suspended under this paragraph is entitled to a notice and hearing under s. 49.857  
19 but is not entitled to any other notice or hearing under this subchapter.

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



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1           **(4r)** ENUMERATION OF CLAUSES NOT EXCLUSIVE. The enumeration of the causes  
2           stated in sub. (4) shall not be exclusive and the administrator may deny an  
3           application or suspend or revoke any registrant or censure any registrant for any  
4           cause whether similar to or different from these causes when necessary or  
5           appropriate in public interest or for the protection of investors.

6           **(5)** EXAMINATIONS. A rule adopted or order issued under this chapter may  
7           require that an examination, including an examination developed or approved by an  
8           organization of securities regulators, be successfully completed by a class of  
9           individuals or all individuals. An order issued under this chapter may waive, in  
10          whole or in part, an examination as to an individual and a rule adopted under this  
11          chapter may waive, in whole or in part, an examination as to a class of individuals  
12          if the administrator determines that the examination is not necessary or appropriate  
13          in the public interest and for the protection of investors.

14          **(6)** SUMMARY PROCESS. The administrator may suspend or deny an application  
15          summarily; restrict, condition, limit, or suspend a registration; or censure, bar, or  
16          impose a civil penalty on a registrant before final determination of an administrative  
17          proceeding. Upon the issuance of an order, the administrator shall promptly notify  
18          each person subject to the order that the order has been issued, the reasons for the  
19          action, and that within 15 days after the receipt of a request in a record from the  
20          person the matter will be scheduled for a hearing. If a hearing is not requested and  
21          none is ordered by the administrator within 30 days after the date of service of the  
22          order, the order becomes final by operation of law. If a hearing is requested or  
23          ordered, the administrator, after notice of and opportunity for hearing to each person  
24          subject to the order, may modify or vacate the order or extend the order until final  
25          determination.

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1           **(7) PROCEDURAL REQUIREMENTS.** An order issued may not be issued under this  
2 section, except under sub. (6), without all of the following:

3           (a) Appropriate notice to the applicant or registrant.

4           (b) Opportunity for hearing.

5           (c) Findings of fact and conclusions of law in a record in accordance with ch. 227.

6           **(8) CONTROL PERSON LIABILITY.** A person that controls, directly or indirectly, a  
7 person not in compliance with this section may be disciplined by order of the  
8 administrator under subs. (1) to (3) to the same extent as the noncomplying person,  
9 unless the controlling person did not know, and in the exercise of reasonable care  
10 could not have known, of the existence of conduct that is a ground for discipline under  
11 this section.

12           **(9) LIMIT ON INVESTIGATION OR PROCEEDING.** The administrator may not institute  
13 a proceeding under sub. (1), (2), or (3) based solely on material facts actually known  
14 by the administrator unless an investigation or the proceeding is instituted within  
15 one year after the administrator actually acquires knowledge of the material facts.

**SUBCHAPTER V****FRAUD AND LIABILITIES**

16  
17  
18           **551.501 General fraud.** It is unlawful for a person, in connection with the  
19 offer, sale, or purchase of a security, directly or indirectly, to do any of the following:

20           **(1)** To employ a device, scheme, or artifice to defraud.

21           **(2)** To make an untrue statement of a material fact or to omit to state a material  
22 fact necessary in order to make the statements made, in light of the circumstances  
23 under which they were made, not misleading.

24           **(3)** To engage in an act, practice, or course of business that operates or would  
25 operate as a fraud or deceit upon another person.

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1           **551.502 Prohibited conduct in providing investment advice. (1) FRAUD**  
2           IN PROVIDING INVESTMENT ADVICE. It is unlawful for a person that advises others for  
3           compensation, either directly or indirectly or through publications or writings, as to  
4           the value of securities or the advisability of investing in, purchasing, or selling  
5           securities or that, for compensation and as part of a regular business, issues or  
6           promulgates analyses or reports relating to securities, to do any of the following:

7           (a) To employ a device, scheme, or artifice to defraud another person.

8           (b) To engage in an act, practice, or course of business that operates or would  
9           operate as a fraud or deceit upon another person.

10           **(2) RULES DEFINING FRAUD.** A rule adopted under this chapter may define an act,  
11           practice, or course of business of an investment adviser or an investment adviser  
12           representative, other than a supervised person, as defined in section 202 (a) (25) of  
13           the Investment Advisers Act of 1940 (15 USC 80b-2 (a) (25)), of a federal covered  
14           investment adviser, as fraudulent, deceptive, or manipulative, and prescribe means  
15           reasonably designed to prevent investment advisers and investment adviser  
16           representatives, other than supervised persons, as defined in section 202 (a) (25) of  
17           the Investment Advisers Act of 1940 (15 USC 80b-2 (a) (25)), of a federal covered  
18           investment adviser, from engaging in acts, practices, and courses of business defined  
19           as fraudulent, deceptive, or manipulative.

20           **(3) RULES SPECIFYING CONTENTS OF ADVISORY CONTRACT.** A rule adopted under  
21           this chapter may specify the contents of an investment advisory contract entered  
22           into, extended, or renewed by an investment adviser.

23           **551.503 Evidentiary burden. (1) CIVIL.** In a civil action or administrative  
24           proceeding under this chapter, a person claiming an exemption, exception,  
25           preemption, or exclusion has the burden to prove the applicability of the claim.

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1           **(2) CRIMINAL.** In a criminal proceeding under this chapter, a person claiming  
2 an exemption, exception, preemption, or exclusion has the burden of going forward  
3 with evidence of the claim.

4           **551.504 Filing of sales and advertising literature. (1) FILING**  
5 **REQUIREMENT.** Except as otherwise provided in sub. (2), a rule adopted or order issued  
6 under this chapter may require the filing of a prospectus, pamphlet, circular, form  
7 letter, advertisement, sales literature, or other advertising record relating to a  
8 security or investment advice, addressed or intended for distribution to prospective  
9 investors, including clients or prospective clients of a person registered or required  
10 to be registered as an investment adviser under this chapter.

11           **(2) EXCLUDED COMMUNICATIONS.** This section does not apply to sales and  
12 advertising literature specified in sub. (1) which relates to a federal covered security,  
13 a federal covered investment adviser, or a security or transaction exempted by s.  
14 551.201, 551.202, or 551.203 except as required pursuant to s. 551.201 (7).

15           **551.505 Misleading filings.** It is unlawful for a person to make or cause to  
16 be made, in a record that is used in an action or proceeding or filed under this chapter,  
17 a statement that, at the time and in the light of the circumstances under which it is  
18 made, is false or misleading in a material respect, or, in connection with the  
19 statement, to omit to state a material fact necessary to make the statement made,  
20 in the light of the circumstances under which it was made, not false or misleading.

21           **551.506 Misrepresentations concerning registration or exemption.**  
22 The filing of an application for registration, a registration statement, a notice filing  
23 under this chapter, the registration of a person, the notice filing by a person, or the  
24 registration of a security under this chapter does not constitute a finding by the  
25 administrator that a record filed under this chapter is true, complete, and not

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1 misleading. The filing or registration or the availability of an exemption, exception,  
2 preemption, or exclusion for a security or a transaction does not mean that the  
3 administrator has passed upon the merits or qualifications of, or recommended or  
4 given approval to, a person, security, or transaction. It is unlawful to make, or cause  
5 to be made, to a purchaser, customer, client, or prospective customer or client a  
6 representation inconsistent with this section.

7 **551.507 Qualified immunity.** A broker–dealer, agent, investment adviser,  
8 federal covered investment adviser, or investment adviser representative is not  
9 liable to another broker–dealer, agent, investment adviser, federal covered  
10 investment adviser, or investment adviser representative for defamation relating to  
11 a statement that is contained in a record required by the administrator, or designee  
12 of the administrator, the Securities and Exchange Commission, or a self–regulatory  
13 organization, unless the person knew, or should have known at the time that the  
14 statement was made, that it was false in a material respect or the person acted in  
15 reckless disregard of the statement’s truth or falsity.

16 **551.508 Criminal penalties. (1) CRIMINAL PENALTIES.** A person that willfully  
17 violates this chapter, or a rule adopted or order issued under this chapter, except s.  
18 551.504 or the notice filing requirements of s. 551.302 or 551.405, or that willfully  
19 violates s. 551.505 knowing the statement made to be false or misleading in a  
20 material respect, upon conviction, shall be guilty of a Class H felony. An individual  
21 convicted of violating a rule or order under this chapter may be fined, but may not  
22 be imprisoned, if the individual did not have knowledge of the rule or order. Each  
23 of the acts specified shall constitute a separate offense and a prosecution or  
24 conviction for any one of such offenses shall not bar prosecution or conviction for any  
25 other offense.

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1           **(2) CRIMINAL REFERENCE NOT REQUIRED.** The attorney general or the district  
2 attorney of the appropriate county, with or without a reference from the  
3 administrator, may institute criminal proceedings under this chapter.

4           **(3) NO LIMITATION ON OTHER CRIMINAL ENFORCEMENT.** This chapter does not limit  
5 the power of this state to punish a person for conduct that constitutes a crime under  
6 other laws of this state.

7           **551.509 Civil liability. (1) SECURITIES LITIGATION UNIFORM STANDARDS ACT.**  
8 Enforcement of civil liability under this section is subject to the Securities Litigation  
9 Uniform Standards Act of 1998.

10           **(2) LIABILITY OF SELLER TO PURCHASER.** A person is liable to the purchaser if the  
11 person sells a security in violation of s. 551.301 or 551.501 and, as to s. 551.501 (2),  
12 the purchaser did not know the untruth or omission and the seller cannot sustain the  
13 burden of proof that the seller did not know and, in the exercise of reasonable care,  
14 could not have known of the untruth or omission. An action under this subsection  
15 is governed by the following:

16           (a) The purchaser may maintain an action to recover the consideration paid for  
17 the security, less the amount of any income received on the security, and interest at  
18 the legal rate under s. 138.04 from the date of the purchase, costs, and reasonable  
19 attorney fees determined by the court, upon the tender of the security, or for actual  
20 damages as provided in par. (c).

21           (b) The tender referred to in par. (a) may be made any time before entry of  
22 judgment. Tender requires only notice in a record of ownership of the security and  
23 willingness to exchange the security for the amount specified. A purchaser that no  
24 longer owns the security may recover actual damages as provided in par. (c).

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1 (c) Actual damages in an action arising under this subsection are the amount  
2 that would be recoverable upon a tender less the value of the security when the  
3 purchaser disposed of it, and interest at the legal rate under s. 138.04 from the date  
4 of the purchase, costs, and reasonable attorney fees determined by the court.

5 **(3) LIABILITY OF PURCHASER TO SELLER.** A person is liable to the seller if the  
6 person buys a security in violation of s. 551.501 and, as to s. 551.501 (2), the seller  
7 did not know the untruth or omission and the purchaser cannot sustain the burden  
8 of proof that the purchaser did not know and, in the exercise of reasonable care, could  
9 not have known of the untruth or omission. An action under this subsection is  
10 governed by the following:

11 (a) The seller may maintain an action to recover the security, and any income  
12 received on the security, costs, and reasonable attorney fees determined by the court,  
13 upon the tender of the purchase price, or for actual damages as provided in par. (c).

14 (b) The tender referred to in par. (a) may be made any time before entry of  
15 judgment. Tender requires only notice in a record of the present ability to pay the  
16 amount tendered and willingness to take delivery of the security for the amount  
17 specified. If the purchaser no longer owns the security, the seller may recover actual  
18 damages as provided in par. (c).

19 (c) Actual damages in an action arising under this subsection are the difference  
20 between the price at which the security was sold and the value the security would  
21 have had at the time of the sale in the absence of the purchaser's conduct causing  
22 liability, and interest at the legal rate under s. 138.04 from the date of the sale of the  
23 security, costs, and reasonable attorney fees determined by the court.

24 **(4) LIABILITY OF UNREGISTERED BROKER-DEALER AND AGENT.** A person acting as  
25 a broker-dealer or agent that sells or buys a security in violation of s. 551.401 (1),

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1 551.402 (1), or 551.506 is liable to the customer. The customer, if a purchaser, may  
2 maintain an action for recovery of actual damages as specified in sub. (2) (a) to (c),  
3 or, if a seller, for a remedy as specified in sub. (3) (a) to (c).

4 **(5) LIABILITY OF UNREGISTERED INVESTMENT ADVISER AND INVESTMENT ADVISER**  
5 **REPRESENTATIVE.** A person acting as an investment adviser or investment adviser  
6 representative that provides investment advice for compensation in violation of s.  
7 551.403 (1), 551.404 (1), or 551.506 is liable to the client. The client may maintain  
8 an action to recover the consideration paid for the advice, interest at the legal rate  
9 under s. 138.04 from the date of payment, costs, and reasonable attorney fees  
10 determined by the court.

11 **(6) LIABILITY FOR INVESTMENT ADVICE.** A person that receives directly or  
12 indirectly any consideration for providing investment advice to another person and  
13 that employs a device, scheme, or artifice to defraud the other person or engages in  
14 an act, practice, or course of business that operates or would operate as a fraud or  
15 deceit on the other person is liable to the other person. An action under this  
16 subsection is governed by the following:

17 (a) The person defrauded may maintain an action to recover the consideration  
18 paid for the advice and the amount of any actual damages caused by the fraudulent  
19 conduct, interest at the legal rate under s. 138.04 from the date of the fraudulent  
20 conduct, costs, and reasonable attorney fees determined by the court, less the  
21 amount of any income received as a result of the fraudulent conduct.

22 (b) This subsection does not apply to a broker–dealer or its agents if the  
23 investment advice provided is solely incidental to transacting business as a  
24 broker–dealer and no special compensation is received for the investment advice.



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1           **(7) JOINT AND SEVERAL LIABILITY.** The following persons are liable jointly and  
2 severally with and to the same extent as persons liable under subs. (2) to (6):

3           (a) A person that directly or indirectly controls a person liable under subs. (2)  
4 to (6), unless the controlling person sustains the burden of proof that the person did  
5 not know, and in the exercise of reasonable care could not have known, of the  
6 existence of conduct by reason of which the liability is alleged to exist.

7           (b) An individual who is a managing partner, executive officer, or director of a  
8 person liable under subs. (2) to (6), including an individual having a similar status  
9 or performing similar functions, unless the individual sustains the burden of proof  
10 that the individual did not know, and in the exercise of reasonable care could not have  
11 known, of the existence of conduct by reason of which the liability is alleged to exist.

12           (c) An individual who is an employee of or associated with a person liable under  
13 subs. (2) to (6) and who materially aids the conduct giving rise to the liability, unless  
14 the individual sustains the burden of proof that the individual did not know, and in  
15 the exercise of reasonable care could not have known, of the existence of conduct by  
16 reason of which the liability is alleged to exist.

17           (d) A person that is a broker–dealer, agent, investment adviser, or investment  
18 adviser representative that materially aids the conduct giving rise to the liability  
19 under subs. (2) to (6), unless the person sustains the burden of proof that the person  
20 did not know, and in the exercise of reasonable care could not have known, of the  
21 existence of conduct by reason of which liability is alleged to exist.

22           **(8) RIGHT OF CONTRIBUTION.** A person liable under this section has a right of  
23 contribution as in cases of contract against any other person liable under this section  
24 for the same conduct.

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1           **(9) SURVIVAL OF CAUSE OF ACTION.** A cause of action under this section survives  
2 the death of an individual who might have been a plaintiff or defendant.

3           **(10) STATUTE OF LIMITATIONS.** A person may not obtain relief:

4           (a) Under sub. (2) for violation of s. 551.301, or under sub. (4) or (5), unless the  
5 action is instituted within one year after the violation occurred.

6           (b) Under sub. (2), other than for violation of s. 551.301, or under sub. (3) or (6),  
7 unless the action is instituted within the earlier of 2 years after discovery of the facts  
8 constituting the violation or 5 years after the violation.

9           **(11) NO ENFORCEMENT OF VIOLATIVE CONTRACT.** A person that has made, or has  
10 engaged in the performance of, a contract in violation of this chapter or a rule adopted  
11 or order issued under this chapter, or that has acquired a purported right under the  
12 contract with knowledge of conduct by reason of which its making or performance  
13 was in violation of this chapter, may not base an action on the contract.

14           **(12) NO CONTRACTUAL WAIVER.** A condition, stipulation, or provision binding a  
15 person purchasing or selling a security or receiving investment advice to waive  
16 compliance with this chapter or a rule adopted or order issued under this chapter is  
17 void.

18           **(13) SURVIVAL OF OTHER RIGHTS OR REMEDIES.** The rights and remedies provided  
19 by this chapter are in addition to any other rights or remedies that may exist, but this  
20 chapter does not create a cause of action not specified in this section or s. 551.411 (5).

21           **551.511 Rescission offers.** A purchaser, seller, or recipient of investment  
22 advice may not maintain an action under s. 551.509 if all of the following apply:

23           **(1)** The purchaser, seller, or recipient of investment advice receives in a record,  
24 before the action is instituted, an offer stating the respect in which liability under  
25 s. 551.509 may have arisen and fairly advising the purchaser, seller, or recipient of

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1 investment advice of that person's rights in connection with the offer, and any  
2 financial or other information necessary to correct all material misrepresentations  
3 or omissions in the information that was required by this chapter to be furnished to  
4 that person at the time of the purchase, sale, or investment advice, and any of the  
5 following:

6 (a) If the basis for relief under this section may have been a violation of s.  
7 551.509 (2), an offer to repurchase the security for cash, payable on delivery of the  
8 security, equal to the consideration paid, and interest at the legal rate under s. 138.04  
9 from the date of the purchase, less the amount of any income received on the security,  
10 or, if the purchaser no longer owns the security, an offer to pay the purchaser upon  
11 acceptance of the offer damages in an amount that would be recoverable upon a  
12 tender, less the value of the security when the purchaser disposed of it, and interest  
13 at the legal rate under s. 138.04 from the date of the purchase in cash equal to the  
14 damages computed in the manner provided in this subsection.

15 (b) If the basis for relief under this section may have been a violation of s.  
16 551.509 (3), an offer to tender the security, on payment by the seller of an amount  
17 equal to the purchase price paid, less income received on the security by the  
18 purchaser and interest at the legal rate under s. 138.04 from the date of the sale, or,  
19 if the purchaser no longer owns the security, an offer to pay the seller upon  
20 acceptance of the offer, in cash, damages in the amount of the difference between the  
21 price at which the security was purchased and the value the security would have had  
22 at the time of the purchase in the absence of the purchaser's conduct that may have  
23 caused liability and interest at the legal rate under s. 138.04 from the date of the sale.

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1           (c) If the basis for relief under this section may have been a violation of s.  
2 551.509 (4), and if the customer is a purchaser, an offer to pay as specified in par. (a),  
3 or, if the customer is a seller, an offer to tender or to pay as specified in par. (b).

4           (d) If the basis for relief under this section may have been a violation of s.  
5 551.509 (5), an offer to reimburse in cash the consideration paid for the advice and  
6 interest at the legal rate under s. 138.04 from the date of payment.

7           (e) If the basis for relief under this section may have been a violation of s.  
8 551.509 (6), an offer to reimburse in cash the consideration paid for the advice, the  
9 amount of any actual damages that may have been caused by the conduct, and  
10 interest at the legal rate under s. 138.04 from the date of the violation causing the  
11 loss.

12           **(2)** The offer under sub. (1) states that it must be accepted by the purchaser,  
13 seller, or recipient of investment advice within 30 days after the date of its receipt  
14 by the purchaser, seller, or recipient of investment advice or any shorter period, of  
15 not less than 3 days, that the administrator, by order, specifies.

16           **(3)** The offeror has the present ability to pay the amount offered or to tender  
17 the security under sub. (1).

18           **(4)** The offer under sub. (1) is delivered to the purchaser, seller, or recipient of  
19 investment advice, or sent in a manner that ensures receipt by the purchaser, seller,  
20 or recipient of investment advice.

21           **(5)** The purchaser, seller, or recipient of investment advice that accepts the  
22 offer under sub. (1) in a record within the period specified under sub. (2) is paid in  
23 accordance with the terms of the offer.

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## SUBCHAPTER VI

## ADMINISTRATION AND JUDICIAL

## REVIEW

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4       **551.601 Administration. (1) ADMINISTRATION.** The administrator shall  
5 administer this chapter.

6       **(2) UNLAWFUL USE OF RECORDS OR INFORMATION.** It is unlawful for the  
7 administrator or an officer, employee, or designee of the administrator to use for  
8 personal benefit or the benefit of others records or other information obtained by or  
9 filed with the administrator that are not public under s. 551.607 (2). This chapter  
10 does not authorize the administrator or an officer, employee, or designee of the  
11 administrator to disclose the record or information, except in accordance with s.  
12 551.602, 551.607 (3), or 551.608.

13       **(3) NO PRIVILEGE OR EXEMPTION CREATED OR DIMINISHED.** This chapter does not  
14 create or diminish a privilege or exemption that exists at common law, by statute or  
15 rule, or otherwise.

16       **(4) INVESTOR EDUCATION.** The administrator may develop and implement  
17 investor education initiatives to inform the public about investing in securities, with  
18 particular emphasis on the prevention and detection of securities fraud. In  
19 developing and implementing these initiatives, the administrator may collaborate  
20 with public and nonprofit organizations with an interest in investor education. The  
21 administrator may accept a grant or donation from a person that is not affiliated with  
22 the securities industry or from a nonprofit organization, regardless of whether the  
23 organization is affiliated with the securities industry, to develop and implement  
24 investor education initiatives. This subsection does not authorize the administrator

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1 to require participation or monetary contributions of a registrant in an investor  
2 education program.

3 **(5) SECURITIES INVESTOR EDUCATION AND TRAINING FUNDING.** All moneys collected  
4 from the administrative assessment under s. 551.604 (4) shall be credited to the  
5 appropriation under s. 20.144 (1) (i). Subject to s. 20.144 (1) (i), the division shall use  
6 moneys credited to that appropriation for the purposes specified in sub. (4) and s.  
7 20.144 (1) (i).

8 **551.602 Investigations and subpoenas. (1) AUTHORITY TO INVESTIGATE.** The  
9 administrator may do any of the following:

10 (a) Conduct public or private investigations within or outside of this state  
11 which the administrator considers necessary or appropriate to determine whether  
12 a person has violated, is violating, or is about to violate this chapter or a rule adopted  
13 or order issued under this chapter, or to aid in the enforcement of this chapter or in  
14 the adoption of rules and forms under this chapter.

15 (b) Require or permit a person to testify, file a statement, or produce a record,  
16 under oath or otherwise as the administrator determines, as to all the facts and  
17 circumstances concerning a matter to be investigated or about which an action or  
18 proceeding is to be instituted.

19 (c) Publish a record concerning an action, proceeding, or an investigation  
20 under, or a violation of, this chapter or a rule adopted or order issued under this  
21 chapter.

22 **(2) ADMINISTRATOR POWERS TO INVESTIGATE.** For the purpose of an investigation  
23 under this chapter, the administrator or its designated officer may administer oaths  
24 and affirmations, subpoena witnesses, seek compulsion of attendance, take

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1 evidence, require the filing of statements, and require the production of any records  
2 that the administrator considers relevant or material to the investigation.

3 **(3) PROCEDURE AND REMEDIES FOR NONCOMPLIANCE.** If a person does not appear  
4 or refuses to testify, file a statement, produce records, or otherwise does not obey a  
5 subpoena as required by the administrator under this chapter, the administrator  
6 may apply to, or may refer the matter to the attorney general, district attorney of the  
7 appropriate county, or appropriate federal authority who may apply to, the circuit  
8 court of of the appropriate county or a court of another state to enforce compliance.  
9 The court may do any of the following:

10 (a) Hold the person in contempt.

11 (b) Order the person to appear before the administrator.

12 (c) Order the person to testify about the matter under investigation or in  
13 question.

14 (d) Order the production of records.

15 (e) Grant injunctive relief, including restricting or prohibiting the offer or sale  
16 of securities or the providing of investment advice.

17 (f) Impose a civil penalty of not less than \$5,000 and not greater than \$250,000  
18 for each violation.

19 (g) Grant any other necessary or appropriate relief.

20 **(4) APPLICATION FOR RELIEF.** This section does not preclude a person from  
21 applying to the circuit court of the appropriate county or a court of another state for  
22 relief from a request to appear, testify, file a statement, produce records, or obey a  
23 subpoena.

24 **(5) USE IMMUNITY PROCEDURE.** (a) An individual is not excused from attending,  
25 testifying, filing a statement, producing a record or other evidence, or obeying a

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1 subpoena of the administrator under this chapter or in an action or proceeding  
2 instituted by the administrator under this chapter on the ground that the required  
3 testimony, statement, record, or other evidence, directly or indirectly, may tend to  
4 incriminate the individual or subject the individual to a criminal fine, penalty, or  
5 forfeiture. If the individual refuses to testify, file a statement, or produce a record  
6 or other evidence on the basis of the individual's privilege against self-incrimination,  
7 the administrator may apply to the circuit court of the appropriate county to compel  
8 the testimony, the filing of the statement, the production of the record, or the giving  
9 of other evidence. The testimony, record, or other evidence compelled under such an  
10 order may not be used, directly or indirectly, against the individual in a criminal case,  
11 except in a prosecution for perjury or contempt or otherwise failing to comply with  
12 the order.

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

15 **(6) ASSISTANCE TO SECURITIES REGULATOR OF ANOTHER JURISDICTION.** At the  
16 request of the securities regulator of another state or a foreign jurisdiction, the  
17 administrator may provide assistance if the requesting regulator states that it is  
18 conducting an investigation to determine whether a person has violated, is violating,  
19 or is about to violate a law or rule of the other state or foreign jurisdiction relating  
20 to securities matters that the requesting regulator administers or enforces. The  
21 administrator may provide the assistance by using the authority to investigate and  
22 the powers conferred by this section as the administrator determines is necessary or  
23 appropriate. The assistance may be provided without regard to whether the conduct  
24 described in the request would also constitute a violation of this chapter or other law  
25 of this state if occurring in this state. In deciding whether to provide the assistance,



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1 the administrator may consider whether the requesting regulator is permitted and  
2 has agreed to provide assistance reciprocally within its state or foreign jurisdiction  
3 to the administrator on securities matters when requested; whether compliance with  
4 the request would violate or prejudice the public policy of this state; and the  
5 availability of resources and employees of the administrator to carry out the request  
6 for assistance.

7 **551.603 Civil enforcement. (1)** CIVIL ACTION INSTITUTED BY ADMINISTRATOR.  
8 If the administrator believes that a person has engaged, is engaging, or is about to  
9 engage in an act, practice, or course of business constituting a violation of this  
10 chapter or a rule adopted or order issued under this chapter or that a person has, is,  
11 or is about to engage in an act, practice, or course of business that materially aids a  
12 violation of this chapter or a rule adopted or order issued under this chapter, the  
13 administrator may maintain, or may refer the matter to the attorney general or  
14 district attorney of the appropriate county who may maintain, an action in the circuit  
15 court of the appropriate county to enjoin the act, practice, or course of business and  
16 to enforce compliance with this chapter or a rule adopted or order issued under this  
17 chapter.

18 **(2) RELIEF AVAILABLE.** In an action under this section and on a proper showing,  
19 the court may do any of the following:

20 (a) Issue a permanent or temporary injunction, restraining order, or  
21 declaratory judgment.

22 (b) Order other appropriate or ancillary relief, which may include any of the  
23 following:

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1           1. An asset freeze, accounting, writ of attachment, writ of general or specific  
2 execution, and appointment of a receiver or conservator, that may be the  
3 administrator, for the defendant or the defendant's assets.

4           2. Ordering the administrator to take charge and control of a defendant's  
5 property, including investment accounts and accounts in a depository institution,  
6 rents, and profits; to collect debts; and to acquire and dispose of property.

7           3. Imposing a civil penalty up to \$5,000 for a single violation or up to \$250,000  
8 for more than one violation; an order of rescission, restitution, or disgorgement  
9 directed to a person that has engaged in an act, practice, or course of business  
10 constituting a violation of this chapter or the predecessor act or a rule adopted or  
11 order issued under this chapter or the predecessor act.

12           4. Ordering the payment of prejudgment and postjudgment interest.

13           (c) Order such other relief as the court considers appropriate.

14           **(3) NO BOND REQUIRED.** The administrator may not be required to post a bond  
15 in an action or proceeding under this chapter.

16           **551.604 Administrative enforcement. (1) ISSUANCE OF AN ORDER OR NOTICE.**

17 If the administrator determines that a person has engaged, is engaging, or is about  
18 to engage in an act, practice, or course of business constituting a violation of this  
19 chapter or a rule adopted or order issued under this chapter or that a person has  
20 materially aided, is materially aiding, or is about to materially aid an act, practice,  
21 or course of business constituting a violation of this chapter or a rule adopted or order  
22 issued under this chapter, the administrator may do any of the following:

23           (a) Issue an order directing the person to cease and desist from engaging in the  
24 act, practice, or course of business or to take other action necessary or appropriate  
25 to comply with this chapter.

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1           (b) Issue an order denying, suspending, revoking, or conditioning the  
2 exemptions for a broker–dealer under s. 551.401 (2) (d) or (f) or an investment adviser  
3 under s. 551.403 (2) (a) 3.

4           (c) Issue an order under s. 551.204.

5           **(2) SUMMARY PROCESS.** An order under sub. (1) is effective on the date of  
6 issuance. Upon issuance of the order, the administrator shall promptly serve each  
7 person subject to the order with a copy of the order and a notice that the order has  
8 been entered. The order must include a statement of any civil penalty or costs of  
9 investigation the administrator will seek, a statement of the reasons for the order,  
10 and notice that, within 15 days after receipt of a request in a record from the person,  
11 the matter will be scheduled for a hearing. If a person subject to the order does not  
12 request a hearing and none is ordered by the administrator within 30 days after the  
13 date of service of the order, the order, including the imposition of a civil penalty or  
14 requirement for payment of the costs of investigation sought in a statement in the  
15 order, becomes final as to that person by operation of law. If a hearing is requested  
16 or ordered, the administrator, after notice of and opportunity for hearing to each  
17 person subject to the order, may modify or vacate the order or extend it until final  
18 determination.

19           **(3) PROCEDURE FOR FINAL ORDER.** If a hearing is requested or ordered pursuant  
20 to sub. (2), a hearing must be held pursuant to ch. 227. A final order may not be  
21 issued unless the administrator makes findings of fact and conclusions of law in a  
22 record in accordance with ch. 227. The final order may make final, vacate, or modify  
23 the order issued under sub. (1).

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1           **(4) CIVIL PENALTY.** In a final order under sub. (3), the administrator may impose  
2 a civil penalty in the form of an administrative assessment up to \$5,000 for a single  
3 violation or up to \$250,000 for more than one violation.

4           **(5) COSTS.** In a final order, the administrator may charge the actual cost of an  
5 investigation or proceeding for a violation of this chapter or a rule adopted or order  
6 issued under this chapter.

7           **(6) FILING OF CERTIFIED FINAL ORDER WITH COURT; EFFECT OF FILING.** If a petition  
8 for judicial review of a final order is not filed in accordance with s. 551.609, the  
9 administrator may file a certified copy of the final order with the clerk of a court of  
10 competent jurisdiction. The order so filed has the same effect as a judgment of the  
11 court and may be recorded, enforced, or satisfied in the same manner as a judgment  
12 of the court.

13           **(7) ENFORCEMENT BY COURT; FURTHER CIVIL PENALTY.** If a person does not comply  
14 with an order under this section, the administrator may petition a court of competent  
15 jurisdiction to enforce the order. The court may not require the administrator to post  
16 a bond in an action or proceeding under this section. If the court finds, after service  
17 and opportunity for hearing, that the person was not in compliance with the order,  
18 the court may adjudge the person in civil contempt of the order. The court may  
19 impose a further civil penalty against the person for contempt in an amount not less  
20 than \$5,000 but not greater than \$100,000 for each violation and may grant any  
21 other relief the court determines is just and proper in the circumstances.

22           **551.605 Rules, forms, orders, interpretative opinions, and hearings.**

23           **(1) ISSUANCE AND ADOPTION OF FORMS, ORDERS, AND RULES.** The administrator may do  
24 any of the following:

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1           (a) Issue forms and orders and, after notice and comment, adopt and amend  
2 rules necessary or appropriate to carry out this chapter, and repeal rules, including  
3 rules and forms governing registration statements, applications, notice filings,  
4 reports, and other records.

5           (b) By rule, define terms, whether or not used in this chapter, but those  
6 definitions may not be inconsistent with this chapter.

7           (c) By rule, classify securities, persons, and transactions and adopt different  
8 requirements for different classes.

9           **(2) FINDINGS AND COOPERATION.** Under this chapter, except as provided under  
10 s. 551.412 (4g) (b) and (c), a rule or form may not be adopted or amended, or an order  
11 issued or amended, unless the administrator finds that the rule, form, order, or  
12 amendment is necessary or appropriate in the public interest or for the protection  
13 of investors and is consistent with the purposes intended by this chapter. In  
14 adopting, amending, and repealing rules and forms, s. 551.608 applies in order to  
15 achieve uniformity among the states and coordination with federal laws in the form  
16 and content of registration statements, applications, reports, and other records,  
17 including the adoption of uniform rules, forms, and procedures.

18           **(3) FINANCIAL STATEMENTS.** Subject to section 15 (h) of the Securities Exchange  
19 Act and section 222 of the Investment Advisers Act of 1940, the administrator may  
20 require that a financial statement filed under this chapter be prepared in accordance  
21 with generally accepted accounting principles in the United States and comply with  
22 other requirements specified by rule adopted or order issued under this chapter. A  
23 rule adopted or order issued under this chapter may establish:

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1           (a) Subject to section 15 (h) of the Securities Exchange Act and section 222 of  
2 the Investment Advisers Act of 1940, the form and content of financial statements  
3 required under this chapter.

4           (b) Whether unconsolidated financial statements must be filed.

5           (c) Whether required financial statements must be audited by an independent  
6 certified public accountant.

7           **(4) INTERPRETATIVE OPINIONS.** The administrator may provide interpretative  
8 opinions or issue determinations that the administrator will not institute a  
9 proceeding or an action under this chapter against a specified person for engaging  
10 in a specified act, practice, or course of business if the determination is consistent  
11 with this chapter. A rule adopted or order issued under this chapter may establish  
12 a reasonable charge for interpretative opinions or determinations that the  
13 administrator will not institute an action or a proceeding under this chapter.

14           **(5) EFFECT OF COMPLIANCE.** A penalty under this chapter may not be imposed  
15 for, and liability does not arise from, conduct that is engaged in or omitted in good  
16 faith in conformity with a rule, form, or order of the administrator under this chapter.

17           **(6) PRESUMPTION FOR PUBLIC HEARINGS.** A hearing in an administrative  
18 proceeding under this chapter must be conducted in public unless the administrator  
19 for good cause consistent with this chapter determines that the hearing will not be  
20 so conducted.

21           **551.606 Administrative files and opinions. (1) PUBLIC REGISTER OF FILINGS.**  
22 The administrator shall maintain, or designate a person to maintain, a register of  
23 applications for registration of securities; registration statements; notice filings;  
24 applications for registration of broker-dealers, agents, investment advisers, and  
25 investment adviser representatives; notice filings by federal covered investment

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1 advisers that are or have been effective under this chapter or the predecessor act;  
2 notices of claims of exemption from registration or notice filing requirements  
3 contained in a record; orders issued under this chapter or the predecessor act; and  
4 interpretative opinions or no action determinations issued under this chapter.

5 (2) PUBLIC AVAILABILITY. The administrator shall make all rules, forms,  
6 interpretative opinions, and orders available to the public.

7 (3) COPIES OF PUBLIC RECORDS. The administrator shall furnish a copy of a record  
8 that is a public record or a certification that the public record does not exist to a  
9 person that so requests. A rule adopted under this chapter may establish a  
10 reasonable charge for furnishing the record or certification. A copy of the record  
11 certified or a certificate by the administrator of a record's nonexistence is prima facie  
12 evidence of a record or its nonexistence.

13 **551.607 Public records; confidentiality.** (1) PRESUMPTION OF PUBLIC  
14 RECORDS. Except as otherwise provided in sub. (2), records obtained by the  
15 administrator or filed under this chapter, including a record contained in or filed with  
16 a registration statement, application, notice filing, or report, are public records and  
17 are available for public examination.

18 (2) NONPUBLIC RECORDS. The following records are not public records and are  
19 not available for public examination under sub. (1):

20 (a) Information and records obtained by the administrator in connection with  
21 an audit or inspection under s. 551.411 (4) or a pending investigation under s.  
22 551.602.

23 (b) A part of a record filed in connection with a registration statement under  
24 ss. 551.301 and 551.303 to 551.305 or a record under s. 551.411 (4) that contains trade

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1 secrets or confidential information if the person filing the registration statement or  
2 record has asserted a claim of confidentiality or privilege that is authorized by law.

3 (c) A record that is not required to be provided to the administrator or filed  
4 under this chapter and is provided to the administrator only on the condition that  
5 the record will not be subject to public examination or disclosure.

6 (d) A nonpublic record received from a person specified in s. 551.608 (1).

7 (e) Subject to s. 551.406 (6) (a), any social security number, residential address  
8 unless used as a business address, and residential telephone number unless used as  
9 a business telephone number, contained in a record that is filed.

10 (f) A record obtained by the administrator through a designee of the  
11 administrator that a rule or order under this chapter determines has been  
12 appropriately expunged from the administrator's records by the designee.

13 **(3) ADMINISTRATOR DISCRETION TO DISCLOSE.** If disclosure is for the purpose of a  
14 civil, administrative, or criminal investigation, action, or proceeding or to a person  
15 specified in s. 551.608 (1), the administrator may disclose a record or information  
16 obtained in connection with an audit or inspection under s. 551.411 (4) or a record  
17 or information obtained in connection with a pending investigation under s. 551.602.

18 **551.608 Uniformity and cooperation with other agencies. (1) OBJECTIVE**  
19 **OF UNIFORMITY.** The administrator shall, in its discretion, cooperate, coordinate,  
20 consult, and, subject to s. 551.607, share records and information with the securities  
21 regulator of another state, Canada, a Canadian province or territory, a foreign  
22 jurisdiction, the Securities and Exchange Commission, the United States  
23 Department of Justice, the Commodity Futures Trading Commission, the Federal  
24 Trade Commission, the Securities Investor Protection Corporation, a self-regulatory  
25 organization, a national or international organization of securities regulators, a



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1 federal or state banking or insurance regulator, and a governmental law  
2 enforcement agency to effectuate greater uniformity in securities matters among the  
3 federal government, self-regulatory organizations, states, and foreign governments.

4 **(2) POLICIES TO CONSIDER.** In cooperating, coordinating, consulting, and sharing  
5 records and information under this section and in acting by rule, order, or waiver  
6 under this chapter, the administrator shall, in its discretion, take into consideration  
7 in carrying out the public interest the following general policies:

8 (a) Maximizing effectiveness of regulation for the protection of investors.

9 (b) Maximizing uniformity in federal and state regulatory standards.

10 (c) Minimizing burdens on the business of capital formation, without adversely  
11 affecting essentials of investor protection.

12 **(3) SUBJECTS FOR COOPERATION.** The cooperation, coordination, consultation,  
13 and sharing of records and information authorized by this section includes:

14 (a) Establishing or employing one or more designees as a central depository for  
15 registration and notice filings under this chapter and for records required or allowed  
16 to be maintained under this chapter.

17 (b) Developing and maintaining uniform forms.

18 (c) Conducting a joint examination or investigation.

19 (d) Holding a joint administrative hearing.

20 (e) Instituting and prosecuting a joint civil or administrative proceeding.

21 (f) Sharing and exchanging personnel.

22 (g) Coordinating registrations under ss. 551.301 and 551.401 to 551.404 and  
23 exemptions under s. 551.203.

24 (h) Sharing and exchanging records, subject to s. 551.607.

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1 (i) Formulating rules, statements of policy, guidelines, forms, and  
2 interpretative opinions and releases.

3 (j) Formulating common systems and procedures.

4 (k) Notifying the public of proposed rules, forms, statements of policy, and  
5 guidelines.

6 (L) Attending conferences and other meetings among securities regulators,  
7 which may include representatives of governmental and private sector organizations  
8 involved in capital formation, deemed necessary or appropriate to promote or achieve  
9 uniformity.

10 (m) Developing and maintaining a uniform exemption from registration for  
11 small issuers, and taking other steps to reduce the burden of raising investment  
12 capital by small businesses.

13 **551.609 Judicial review.** A final order issued by the administrator under this  
14 chapter is subject to judicial review in accordance with ch. 227, but administrative  
15 enforcement orders originally entered without hearing may be reviewed only if the  
16 party seeking review has requested a hearing within the time provided by s. 551.604  
17 (2).

18 **551.611 Service of process. (1) SIGNED CONSENT TO SERVICE OF PROCESS.** A  
19 consent to service of process complying with this section required by this chapter  
20 must be signed and filed in the form required by a rule or order under this chapter.  
21 A consent appointing the administrator the person's agent for service of process in  
22 a noncriminal action or proceeding against the person, or the person's successor or  
23 personal representative under this chapter or a rule adopted or order issued under  
24 this chapter after the consent is filed, has the same force and validity as if the service  
25 were made personally on the person filing the consent. A person that has filed a

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1 consent complying with this subsection in connection with a previous application for  
2 registration or notice filing need not file an additional consent.

3 **(2) CONDUCT CONSTITUTING APPOINTMENT OF AGENT FOR SERVICE.** If a person,  
4 including a nonresident of this state, engages in an act, practice, or course of business  
5 prohibited or made actionable by this chapter or a rule adopted or order issued under  
6 this chapter and the person has not filed a consent to service of process under sub.  
7 (1), the act, practice, or course of business constitutes the appointment of the  
8 administrator as the person's agent for service of process in a noncriminal action or  
9 proceeding against the person or the person's successor or personal representative.

10 **(3) PROCEDURE FOR SERVICE OF PROCESS.** Service under sub. (1) or (2) may be  
11 made by providing a copy of the process to the office of the administrator, but it is not  
12 effective unless all of the following apply:

13 (a) The plaintiff, which may be the administrator, promptly sends notice of the  
14 service and a copy of the process, return receipt requested, to the defendant or  
15 respondent at the address set forth in the consent to service of process or, if a consent  
16 to service of process has not been filed, at the last known address, or takes other  
17 reasonable steps to give notice.

18 (b) The plaintiff files an affidavit of compliance with this subsection in the  
19 action or proceeding on or before the return day of the process, if any, or within the  
20 time that the court, or the administrator in a proceeding before the administrator,  
21 allows.

22 **(4) SERVICE IN ADMINISTRATIVE PROCEEDINGS OR CIVIL ACTIONS BY ADMINISTRATOR.**  
23 Service pursuant to sub. (3) may be used in a proceeding before the administrator or  
24 by the administrator in a civil action in which the administrator is the moving party.

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1           **(5) OPPORTUNITY TO DEFEND.** If process is served under sub. (3), the court, or the  
2 administrator in a proceeding before the administrator, shall order continuances as  
3 are necessary or appropriate to afford the defendant or respondent reasonable  
4 opportunity to defend.

5           **551.613 Jurisdiction. (1) SALES AND OFFERS TO SELL.** Sections 551.301,  
6 551.302, 551.401 (1), 551.402 (1), 551.403 (1), 551.404 (1), 551.501, 551.506, 551.509,  
7 and 551.511 do not apply to a person that sells or offers to sell a security unless the  
8 offer to sell or the sale is made in this state or the offer to purchase or the purchase  
9 is made and accepted in this state.

10           **(2) PURCHASES AND OFFERS TO PURCHASE.** Sections 551.401 (1), 551.402 (1),  
11 551.403 (1), 551.404 (1), 551.501, 551.506, 551.509, and 551.511 do not apply to a  
12 person that purchases or offers to purchase a security unless the offer to purchase  
13 or the purchase is made in this state or the offer to sell or the sale is made and  
14 accepted in this state.

15           **(3) OFFERS IN THIS STATE.** For the purpose of this section, an offer to sell or to  
16 purchase a security is made in this state, whether or not either party is then present  
17 in this state, if the offer meets any of the following criteria:

18           (a) The offer originates from within this state.

19           (b) The offer is directed by the offeror to a place in this state and received at the  
20 place to which it is directed, but for purposes of s. 551.301, an offer to sell which is  
21 not directed to or received by the offeree in this state is not made in this state.

22           **(4) ACCEPTANCES IN THIS STATE.** For the purpose of this section, an offer to  
23 purchase or to sell is accepted in this state, whether or not either party is then  
24 present in this state, if the acceptance meets all of the following criteria:

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1           (a) The acceptance is communicated to the offeror in this state and the offeree  
2 reasonably believes the offeror to be present in this state and the acceptance is  
3 received at the place in this state to which it is directed.

4           (b) The acceptance has not previously been communicated to the offeror, orally  
5 or in a record, outside this state.

6           **(5) PUBLICATIONS, RADIO, TELEVISION, OR ELECTRONIC COMMUNICATIONS.** An offer  
7 to sell or to purchase is not made in this state when a publisher circulates or there  
8 is circulated on the publisher's behalf in this state a bona fide newspaper or other  
9 publication of general, regular, and paid circulation that is not published in this  
10 state, or that is published in this state but has had more than two-thirds of its  
11 circulation outside this state during the previous 12 months, or when a radio or  
12 television program or other electronic communication originating outside this state  
13 is received in this state. A radio, television program, or other electronic  
14 communication is considered as having originated in this state if either the broadcast  
15 studio or the originating source of transmission is located in this state, unless any  
16 of the following apply:

17           (a) The program or communication is syndicated and distributed from outside  
18 this state for redistribution to the general public in this state.

19           (b) The program or communication is supplied by a radio, television, or other  
20 electronic network with the electronic signal originating from outside this state for  
21 redistribution to the general public in this state.

22           (c) The program or communication is an electronic communication that  
23 originates outside this state and is captured for redistribution to the general public  
24 in this state by a community antenna or cable, radio, cable television, or other  
25 electronic system.

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1 (d) The program or communication consists of an electronic communication  
2 that originates in this state, but which is not intended for distribution to the general  
3 public in this state.

4 **(6) INVESTMENT ADVICE AND MISREPRESENTATIONS.** Sections 551.403 (1), 551.404  
5 (1), 551.405 (1), 551.502, 551.505, and 551.506 apply to a person if the person engages  
6 in an act, practice, or course of business instrumental in effecting prohibited or  
7 actionable conduct in this state, whether or not either party is then present in this  
8 state.

9 **551.614 Fees and expenses. (1) REGISTRATION AND NOTICE FILING FEES AND**  
10 **REPORTING.** (a) There shall be a filing fee of \$750 for every registration statement filed  
11 under s. 551.303 or 551.304, and for every notice filing under s. 551.302. If a  
12 registration statement is denied or withdrawn before the effective date or a  
13 pre-effective stop order is entered under s. 551.306, or a notice filing is withdrawn,  
14 the filing fee shall be retained.

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

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

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

6           2. An indefinite amount of securities is eligible for offer and sale in this state  
7 resulting from a notice filing under s. 551.302 for the initial offer of a federal covered  
8 security under section 18 (b) (2) of the Securities Act of 1933, if the filing party has  
9 notified the division of securities of the issuer's fiscal year, and the filing party pays  
10 the fee under par. (a). The filing party shall also, within 90 days after the end of each  
11 fiscal year following the filing under s. 551.302, and within 90 days after sales in this  
12 state have terminated, file a report to allow the division of securities to determine  
13 that the amount of the fee paid is correct. The report shall be on a form prescribed  
14 by rule of the division and shall require the filing party to do one of the following:

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

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

22           **(2) FEES RELATED TO BROKER-DEALERS, AGENTS, INVESTMENT ADVISERS, INVESTMENT**  
23 **ADVISER REPRESENTATIVES, AND FEDERAL COVERED ADVISERS.** Every applicant for an  
24 initial or renewal license under s. 551.401, 551.402, 551.403, or 551.404 shall pay a  
25 filing fee of \$200 in the case of a broker-dealer or investment adviser and \$30 in the

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1 case of an agent representing a broker–dealer or issuer or an investment adviser  
2 representative. Every federal covered adviser in this state that is required to make  
3 a notice filing under s. 551.405 shall pay an initial or renewal notice filing fee of \$200.  
4 A broker–dealer, investment adviser, or federal covered adviser maintaining a  
5 branch office within this state shall pay an additional filing fee of \$30 for each branch  
6 office. When an application is denied, or an application or a notice filing is  
7 withdrawn, the filing fee shall be retained.

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

12 **(4) OTHER FEES.** The division of securities may by rule require the payment of  
13 prescribed fees for delinquent or materially deficient filings of information or  
14 documents required under this chapter to be filed with the division or an  
15 organization designated under s. 551.406 (1) (intro.).

16 **(5) FEES PAID TO STATE.** All fees and expenses collected by the division under this  
17 section shall be deposited into the general fund and credited to the appropriation  
18 account under s. 20.144 (1) (g).

19 **551.615 Statutory policy.** This chapter shall be so construed as to effectuate  
20 its general purpose to make uniform the law of those states which enact the “Uniform  
21 Securities Act of 2002” and to coordinate the interpretation and administration of  
22 this chapter with related federal regulation.

## SUBCHAPTER VII

## TRANSITION



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1           **551.701 Effective date.** This chapter takes effect on the effective date of this  
2 section .... [revisor inserts date].

3           **551.703 Application of act to existing proceeding and existing rights**  
4 **and duties. (1)** APPLICABILITY OF PREDECESSOR ACT TO PENDING PROCEEDINGS AND  
5 EXISTING RIGHTS. The predecessor act exclusively governs all actions or proceedings  
6 that are pending on the effective date of this subsection .... [revisor inserts date], or  
7 may be instituted on the basis of conduct occurring before the effective date of this  
8 subsection .... [revisor inserts date], but a civil action may not be maintained to  
9 enforce any liability under the predecessor act unless instituted within any period  
10 of limitation that applied when the cause of action accrued or within 5 years after the  
11 effective date of this subsection .... [revisor inserts date], whichever is earlier.

12           **(2)** CONTINUED EFFECTIVENESS UNDER PREDECESSOR ACT. All effective  
13 registrations under the predecessor act, and all administrative orders relating to the  
14 registrations, rules, statements of policy, interpretative opinions, declaratory  
15 rulings, no action determinations, and conditions imposed on the registrations under  
16 the predecessor act, remain in effect while they would have remained in effect if this  
17 chapter had not been reenacted. They are considered to have been filed, issued, or  
18 imposed under this chapter, but are exclusively governed by the predecessor act.

19           **(3)** APPLICABILITY OF PREDECESSOR ACT TO OFFERS OR SALES. The predecessor act  
20 exclusively applies to an offer or sale made within one year after the effective date  
21 of this subsection .... [revisor inserts date], pursuant to an offering made in good faith  
22 before the effective date of this subsection .... [revisor inserts date], on the basis of  
23 an exemption available under the predecessor act.

24           **SECTION 17.** 552.01 (6) (c) of the statutes is amended to read:

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1           552.01 **(6)** (c) Whose equity securities of any class are or have been registered  
2 under ch. 551 or predecessor laws, or are registered under section 12 of the securities  
3 exchange act of 1934 or which is an entity identified in s. ~~551.22 (3), (4) or (5)~~ 551.201  
4 (3); and

5           **SECTION 18.** 552.05 (2) (intro.) of the statutes is amended to read:

6           552.05 **(2)** (intro.) The registration statement shall be filed on forms prescribed  
7 by the division, and shall be accompanied by a consent by the offeror to service of  
8 process specified in s. ~~551.65 (1)~~ 551.611 and the filing fee specified in s. 552.15 (1),  
9 and shall contain the following information and such additional information as the  
10 division by rule prescribes:

11           **SECTION 19.** 560.036 (1) (fm) 2. of the statutes is amended to read:

12           560.036 **(1)** (fm) 2. It serves as a manager, comanager or in any other  
13 underwriting capacity with regard to the sale of evidences of indebtedness or other  
14 obligations or as a broker–dealer as defined in s. ~~551.02 (3)~~ 551.102 (4).

15           **SECTION 20.** 611.76 (11) of the statutes is amended to read:

16           611.76 **(11)** SECURITY REGULATION. The filing with the division of securities of  
17 a certified copy of the plan of conversion as approved by the commissioner constitutes  
18 registration under s. ~~551.27~~ 551.305 of the securities authorized to be issued  
19 thereunder.

20           **SECTION 21.** 644.22 of the statutes is amended to read:

21           **644.22 Securities regulation.** A membership interest in a domestic mutual  
22 holding company shall not constitute a security, as defined in s. ~~551.02 (13)~~ 551.102  
23 (28).

24           **SECTION 22.** 893.66 (3) of the statutes is amended to read:

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1           893.66 **(3)** This section does not apply to actions subject to s. ~~551.59 (5)~~ 551.509  
2           (10) or 553.51 (4).

3           **SECTION 23.** 946.79 (1) (a) of the statutes is amended to read:

4           946.79 **(1)** (a) “Financial institution” means a bank, savings bank, savings and  
5           loan association, credit union, loan company, sales finance company, insurance  
6           premium finance company, community currency exchange, seller of checks,  
7           insurance company, trust company, securities broker–dealer, as defined in s. ~~551.02~~  
8           ~~(3)~~ 551.102 (4), mortgage banker, mortgage broker, pawnbroker, as defined in s.  
9           134.71 (1) (e), telegraph company, or dealer in precious metals, stones, or jewels.

10          **SECTION 24.** 946.82 (4) of the statutes is amended to read:

11          946.82 **(4)** “Racketeering activity” means any activity specified in 18 USC 1961  
12          (1) in effect as of April 27, 1982, or the attempt, conspiracy to commit, or commission  
13          of any of the felonies specified in: chs. 945 and 961, subch. V of ch. 551, and ss. 49.49,  
14          134.05, 139.44 (1), 180.0129, 181.0129, 185.825, 201.09 (2), 215.12, 221.0625,  
15          221.0636, 221.0637, 221.1004, ~~551.41, 551.42, 551.43, 551.44~~, 553.41 (3) and (4),  
16          553.52 (2), 940.01, 940.19 (4) to (6), 940.20, 940.201, 940.203, 940.21, 940.30,  
17          940.305, 940.31, 941.20 (2) and (3), 941.26, 941.28, 941.298, 941.31, 941.32, 942.09,  
18          943.01 (2), (2d), or (2g), 943.011, 943.012, 943.013, 943.02, 943.03, 943.04, 943.05,  
19          943.06, 943.10, 943.20 (3) (bf) to (e), 943.201, 943.203, 943.23 (1g), (2) and (3), 943.24  
20          (2), 943.27, 943.28, 943.30, 943.32, 943.34 (1) (bf), (bm), and (c), 943.38, 943.39,  
21          943.40, 943.41 (8) (b) and (c), 943.50 (4) (bf), (bm), and (c), 943.60, 943.70, 943.76,  
22          943.81, 943.82, 943.83, 943.84, 943.85, 943.86, 943.87, 943.88, 943.89, 943.90, 944.21  
23          (5) (c) and (e), 944.32, 944.33 (2), 944.34, 945.03 (1m), 945.04 (1m), 945.05 (1), 945.08,  
24          946.10, 946.11, 946.12, 946.13, 946.31, 946.32 (1), 946.48, 946.49, 946.61, 946.64,  
25          946.65, 946.72, 946.76, 946.79, 947.015, 948.05, 948.08, 948.12, and 948.30.

