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15 **SECTION 16.** Chapter 551 of the statutes is repealed and recreated to read:

CHAPTER 551**WISCONSIN UNIFORM SECURITIES LAW****SUBCHAPTER I****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)).

SUBCHAPTER II

EXEMPTIONS FROM REGISTRATION

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.