



# State of Wisconsin


LEGISLATIVE REFERENCE BUREAU

## **RESEARCH APPENDIX -** **PLEASE DO NOT REMOVE FROM DRAFTING FILE**

Date Transfer Requested: 02/14/2008 (Per: ARG)





Appendix A ... Part 03 of 23

 The 2007 drafting file for LRB-1109/2

has been transferred to the drafting file for

**2007 LRB-3866** (SB 483)

 This cover sheet, the final request sheet, and the final version of the 2007 draft were copied on yellow paper, and returned to the original 2007 drafting file.

 The attached 2007 draft was incorporated into the new 2007 draft listed above. For research purposes, this cover sheet and the complete drafting file were transferred, as a separate appendix, to the 2007 drafting file. If introduced this section will be scanned and added, as a separate appendix, to the electronic drafting file folder.

SUBCHAPTER II

EXEMPTIONS FROM REGISTRATION OF SECURITIES

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

(1) (a) A security, including a revenue obligation or a separate security as defined in Rule 131 (17 CFR 230.131) adopted under the Securities Act of 1933, issued, insured, or guaranteed by the United States; by a state; by a political subdivision of a state; by a public authority, agency, or instrumentality of one or more states; by a political subdivision of one or more states; or by a person controlled or supervised by and acting as an instrumentality of the United States under authority granted by the Congress; or a certificate of deposit for any of the foregoing but any revenue obligation payable from payments to be made in respect of property or money used under a lease, sale, or loan arrangement by or for a nongovernmental industrial or commercial enterprise is exempt only as provided under par. (b).

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

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

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

\*           \*\*\*\*NOTE: I find the rule-making language in par. (b) (intro.) confusing. Typically,  
the formula we use is to authorize the rule-making and then, as necessary, specify what  
the rule must contain. As I read the language in par. (b) (intro.), it seems rather inverted.

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

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

16           (a) An international banking institution.

17           (b) A banking institution organized under the laws of the United States; a  
18 member bank of the Federal Reserve System; or a depository institution a  
19 substantial portion of the business of which consists or will consist of receiving  
20 deposits or share accounts that are insured to the maximum amount authorized by  
21 statute by the Federal Deposit Insurance Corporation, the National Credit Union  
22 Share Insurance Fund, or a successor authorized by federal law or exercising  
23 fiduciary powers that are similar to those permitted for national banks under the

1 authority of the Comptroller of Currency pursuant to Section 1 of Public Law 87-722  
2 (12 USC 92a).

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

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

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

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

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

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

\*\*\*\*NOTE: 2005 Act 179 eliminated a number of state regulatory provisions related  
to railroads, many of which were preempted by federal law.

15 (6) A federal covered security specified in section 18 (b) (1) of the Securities Act  
16 of 1933 (15 USC 77r (b) (1)) or by rule adopted under that provision or a security listed  
17 or approved for listing on another securities market specified by rule under this  
18 chapter; a put or a call option contract; a warrant; a subscription right on or with  
19 respect to such securities; or an option or similar derivative security on a security or  
20 an index of securities or foreign currencies issued by a clearing agency registered  
21 under the Securities Exchange Act of 1934 and listed or designated for trading on a  
22 national securities exchange, a facility of a national securities exchange, or a facility  
23 of a national securities association registered under the Securities Exchange Act of

1 1934 or an offer or sale of the underlying security in connection with the offer, sale,  
2 or exercise of an option or other security that was exempt when the option or other  
3 security was written or issued; or an option or a derivative security designated by the  
4 Securities and Exchange Commission under section 9 (b) of the Securities Exchange  
5 Act of 1934 (15 USC 78i (b)).

\*\*\*\*NOTE: I removed a “dangling” comma from the phrase “1934 or an offer or sale  
of the underlying security ....” Please let me know if you believe this changes the meaning  
of the provision.

6 (7) A security issued by a person organized and operated exclusively for  
7 religious, educational, benevolent, fraternal, charitable, social, athletic, or  
8 reformatory purposes, or as a chamber of commerce, and not for pecuniary profit, no  
9 part of the net earnings of which inures to the benefit of a private stockholder or other  
10 person, or a security of a company that is excluded from the definition of an  
11 investment company under section 3 (c) (10) (B) of the Investment Company Act of  
12 1940 (15 USC 80a-3 (c) (10) (B)); except that with respect to the offer or sale of a note,  
13 bond, debenture, or other evidence of indebtedness issued by such a person, a rule  
14 may be adopted under this chapter limiting the availability of this exemption by  
15 classifying securities, persons, and transactions, imposing different requirements  
16 for different classes, specifying with respect to par. (b) the scope of the exemption and  
17 the grounds for denial or suspension, and requiring an issuer to do any of the  
18 following:

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

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

6 (c) To register under s. 551.304.

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

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

\*\*\*\*NOTE: The list of exempt securities in this section omits several specific  
exemptions applicable under current law, including one pertaining to service  
corporations. I assume that, to the extent you intend these exemptions under current law  
to continue to apply, the exemptions will be created by rule under s. 551.203, you believe  
the exemption is adequately covered under other provisions of this section, or you believe  
the specific exemption language under current law is unnecessary.

\* \*\*\*\*NOTE: Is the exemption under s. 551.22 (10) of current law eliminated because  
of the creatin of s. 551.102 (28) (c) excluding ERISA plans from the definition of security?

16 **551.202 Exempt transactions.** The following transactions are exempt from  
17 the requirements of ss. 551.301 to 551.306 and 551.504:

18 (1) An isolated nonissuer transaction, whether effected by or through a  
19 broker-dealer or not.

1           (2) A nonissuer transaction by or through a broker-dealer registered or exempt  
2 from registration under this chapter, and a resale transaction by a sponsor of a unit  
3 investment trust registered under the Investment Company Act of 1940, in a  
4 security of a class that has been outstanding in the hands of the public for at least  
5 90 days if, at the date of the transaction, all of the following apply:

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

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

12           (c) The security does not constitute the whole or part of an unsold allotment to,  
13 or a subscription or participation by, the broker-dealer as an underwriter of the  
14 security or a redistribution.

15           (d) A nationally recognized securities manual or its electronic equivalent  
16 designated by rule adopted or order issued under this chapter or a record filed with  
17 the Securities and Exchange Commission that is publicly available contains all of the  
18 following:

19           1. A description of the business and operations of the issuer.

20           2. The names of the issuer's executive officers and the names of the issuer's  
21 directors, if any.

22           3. An audited balance sheet of the issuer as of a date within 18 months before  
23 the date of the transaction or, in the case of a reorganization or merger when the  
24 parties to the reorganization or merger each had an audited balance sheet, a pro  
25 forma balance sheet for the combined organization.

1           4. An audited income statement for each of the issuer's 2 immediately previous  
2 fiscal years or for the period of existence of the issuer, whichever is shorter, or, in the  
3 case of a reorganization or merger when each party to the reorganization or merger  
4 had audited income statements, a pro forma income statement.

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

6           1. The issuer of the security has a class of equity securities listed on a national  
7 securities exchange registered under section 6 of the Securities Exchange Act of 1934  
8 or designated for trading on the National Association of Securities Dealers  
9 Automated Quotation System.

10          2. The issuer of the security is a unit investment trust registered under the  
11 Investment Company Act of 1940.

12          3. The issuer of the security, including its predecessors, has been engaged in  
13 continuous business for at least 3 years.

14          4. The issuer of the security has total assets of at least \$2,000,000 based on an  
15 audited balance sheet as of a date within 18 months before the date of the transaction  
16 or, in the case of a reorganization or merger when the parties to the reorganization  
17 or merger each had such an audited balance sheet, a pro forma balance sheet for the  
18 combined organization.

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

23          (4) A nonissuer transaction by or through a broker-dealer registered or exempt  
24 from registration under this chapter in an outstanding security if the guarantor of  
25 the security files reports with the Securities and Exchange Commission under the



1 reporting requirements of section 13 or 15 (d) of the Securities Exchange Act of 1934  
2 (15 USC 78m or 78o (d)).

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

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

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

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

13 2. The issuer is engaged in business, is not in the organizational stage or in  
14 bankruptcy or receivership, and is not and has not been within the previous 12  
15 months a blank check, blind pool, or shell company that has no specific business plan  
16 or purpose or has indicated that its primary business plan is to engage in a merger  
17 or combination of the business with, or an acquisition of, an unidentified person.

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

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

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

4           (9) A transaction in a security, whether or not the security or transaction is  
5 otherwise exempt, in exchange for one or more bona fide outstanding securities,  
6 claims, or property interests, or partly in such exchange and partly for cash, if the  
7 terms and conditions of the issuance and exchange or the delivery and exchange and  
8 the fairness of the terms and conditions have been approved by the administrator  
9 after a hearing.

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

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

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

16           (b) A general solicitation or general advertisement of the transaction is not  
17 made.

18           (c) A commission or other remuneration is not paid or given, directly or  
19 indirectly, to a person not registered under this chapter as a broker-dealer or as an  
20 agent.

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

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

24           (a) An institutional investor.

1 (am) An accredited investor, provided that prior to a sale or offer to sell to an  
2 accredited investor described in Rule 501 (a) (5) or (6) adopted under the Securities  
3 Act of 1933, the seller or offeror files a consent to service of process with the  
4 administrator in the form required under s. 551.611. Failure to file the consent as  
5 required is a cause for administrative action by the administrator under s. 551.604  
6 but does not result in the loss of this exemption. This consent is not required to be  
7 filed if any of the following apply:

8 1. The issuer of the securities to be offered or sold has its principal place of  
9 business or a majority of its full-time employees located in this state.

10 2. The issuer or offeror of the securities files or has previously filed a consent  
11 to service of process with the administrator.

12 3. The seller or offeror is a broker-dealer or agent of the issuer registered under  
13 this chapter.

\*\*\*\*NOTE: Since this provision is not part of the uniform act, I have slightly changed  
some of the language.

14 (b) A federal covered investment adviser.

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

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

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

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

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

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

11           **(15)** A transaction under an offer to existing security holders of the issuer,  
12 including persons that at the date of the transaction are holders of convertible  
13 securities, options, or warrants, if a commission or other remuneration, other than  
14 a standby commission, is not paid or given, directly or indirectly, for soliciting a  
15 security holder in this state and if, prior to any offer or sale of any security that is  
16 not a federal covered security, the issuer files a notice specifying the terms of the offer,  
17 all other information that the administrator by rule requires, and any additional  
18 information reasonably related to the offering required to be filed by the  
19 administrator within 10 days after the filing date of the notice, and the administrator  
20 does not by order disallow the exemption within 10 days after the date of filing the  
21 notice or, if additional information is required, within 10 days after the date of filing  
22 that information.

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

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

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

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

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

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

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

\*\*\*NOTE: It is unclear to me why the "exempt from registration under the  
Securities Act of 1933" language is included in the (intro.) provision here.

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

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

22 (20) An offer or sale of a security to a person not a resident of this state and not  
23 present in this state if the offer or sale does not constitute a violation of the laws of

1 the state or foreign jurisdiction in which the offeree or purchaser is present and is  
2 not part of an unlawful plan or scheme to evade this chapter.

3 (21) Employees' stock purchase, savings, option, profit-sharing, pension, or  
4 similar employees' benefit plan, including any securities, plan interests, and  
5 guarantees issued under a compensatory benefit plan or compensation contract,  
6 contained in a record, established by the issuer, its parents, its majority-owned  
7 subsidiaries, or the majority-owned subsidiaries of the issuer's parent, for the  
8 participation of their employees including offers or sales of such securities to all of  
9 the following:

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

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

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

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

20 (22) A transaction involving any of the following:

21 (a) A stock dividend or equivalent equity distribution, whether the corporation  
22 or other business organization distributing the dividend or equivalent equity  
23 distribution is the issuer or not, if nothing of value is given by stockholders or other  
24 equity holders for the dividend or equivalent equity distribution other than the  
25 surrender of a right to a cash or property dividend if each stockholder or other equity

1 holder may elect to take the dividend or equivalent equity distribution in cash,  
2 property, or stock.

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

6 (c) The solicitation of tenders of securities by an offeror in a tender offer in  
7 compliance with Rule 162 adopted under the Securities Act of 1933 (17 CFR  
8 230.162).

9 (23) A nonissuer transaction in an outstanding security by or through a  
10 broker-dealer registered or exempt from registration under this chapter, if the issuer  
11 is a reporting issuer in a foreign jurisdiction designated by this subsection or by rule  
12 adopted or order issued under this chapter; has been subject to continuous reporting  
13 requirements in the foreign jurisdiction for not less than 180 days before the  
14 transaction; and the security is listed on the foreign jurisdiction's securities  
15 exchange that has been designated by this subsection or by rule adopted or order  
16 issued under this chapter, or is a security of the same issuer that is of senior or  
17 substantially equal rank to the listed security or is a warrant or right to purchase  
18 or subscribe to any of the foregoing. For purposes of this subsection, Canada,  
19 together with its provinces and territories, is a designated foreign jurisdiction and  
20 The Toronto Stock Exchange, Inc. and the TSX Venture Exchange, Inc. are  
21 designated securities exchanges. After an administrative hearing in compliance  
22 with ch. 227, the administrator, by rule adopted or order issued under this chapter,  
23 may revoke the designation of a securities exchange under this subsection, if the  
24 administrator finds that revocation is necessary or appropriate in the public interest  
25 and for the protection of investors.

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

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

14           **551.203 Additional exemptions and waivers.** A rule adopted or order  
15 issued under this chapter may exempt a security, transaction, or offer; a rule under  
16 this chapter may exempt a class of securities, transactions, or offers from any or all  
17 of the requirements of ss. 551.301 to 551.306 and 551.504; and an order under this  
18 chapter may waive, in whole or in part, any or all of the conditions for an exemption  
19 or offer under ss. 551.201 and 551.202.

20           **551.204 Denial, suspension, revocation, condition, or limitation of**  
21 **exemptions; burden of proof; additional information.** (1) ENFORCEMENT  
22 RELATED POWERS. Except with respect to a federal covered security or a transaction  
23 involving a federal covered security, an order under this chapter may deny, suspend  
24 application of, condition, limit, or revoke an exemption created under s. 551.201 or  
25 551.202 or an exemption or waiver created under s. 551.203 with respect to a specific



1 security, transaction, or offer, except to the extent limited by the National Securities  
2 Markets Improvement Act of 1996. An order under this section may be issued only  
3 pursuant to the procedures in s. 551.306 (4) or s. 551.604 and only prospectively.

\*\*\*\*NOTE: My renumbering changes to the <sup>bill</sup> ~~draft~~ have corrected what I believe was  
a mistaken cross-reference in the Wisconsin study group draft. Please let me know if  
you believe the study group cross-reference was correct.

4 (2) KNOWLEDGE OF ORDER REQUIRED. A person does not violate s. 551.301,  
5 551.303 to 551.306, 551.504, or 551.511 by an offer to sell, offer to purchase, sale, or  
6 purchase effected after the entry of an order issued under this section if the person  
7 did not know, and in the exercise of reasonable care could not have known, of the  
8 order.

\*\*\*\*NOTE: I have removed what was section 204 (c) added by the WI study group  
draft. This provision was not in the uniform act and is sufficiently covered under s.  
551.503.

9 (3) ADDITIONAL INFORMATION REQUIRED. With respect to an exemption under s.  
10 551.201 or 551.202 that is perfected if a notice or other information is filed with the  
11 division of securities and the division does not disallow the exemption within a  
12 specified period after the filing, the division may, within 10 days after the filing date  
13 of the notice or other information, require that additional information reasonably  
14 related to the offering be filed. If the division requires additional information, the  
15 date by which the division may disallow the exemption is 10 days after the date of  
16 filing that information.

17 SUBCHAPTER III

18 REGISTRATION OF SECURITIES AND NOTICE FILING OF FEDERAL  
19 COVERED SECURITIES

20 551.301 Securities registration requirement. It is unlawful for a person  
21 to offer or sell a security in this state unless any of the following apply:

1           (1) The security is a federal covered security.

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

4           (3) The security is registered under this chapter.

5           **551.302 Notice filing.** (1) REQUIRED FILING OF RECORDS. With respect to a  
6 federal covered security, as defined in section 18 (b) (2) of the Securities Act of 1933  
7 (15 USC 77r (b) (2), as may be amended from time to time), that is not otherwise  
8 exempt under ss. 551.201 to 551.203, a rule adopted by the administrator or an order  
9 issued under this chapter may require the filing of any or all of the following records:

      \*\*\*NOTE: Please see \*\*\*NOTE following s. 551.103 regarding the phrase “as may  
be amended from time to time.” This phrase here seems inconsistent with s. 551.103.  
This phrase is not part of the uniform act; is the intent that no other cross-reference of  
ch. 551 is intended to track changes to federal law, but this one is?

10          (a) *Prior to offer.* Not later than the initial offer of the federal covered security  
11 in this state, a copy of each document that is part of its registration statement filed  
12 with the Securities and Exchange Commission under the Securities Act of 1933,  
13 which may, at the option of the issuer, be accompanied by a form containing the  
14 information specified by the administrator by rule. If a filing is required under this  
15 paragraph, the filing shall be accompanied by a consent to service of process signed  
16 by the issuer and a notice filing fee under s. 551.614. Any notice filing required under  
17 this paragraph is effective upon receipt by the administrator of the documents and  
18 fees required under this paragraph, or upon the effectiveness of the registration  
19 statement under the Securities Act of 1933, whichever is later.

20          (b) *After offer.* After the initial offer of the federal covered security in this state,  
21 a copy of each document that is part of an amendment to its registration statement  
22 filed with the Securities and Exchange Commission under the Securities Act of 1933,  
23 concurrent with the federal filing, which may, at the option of the issuer, be

1 accompanied by a form containing the information specified by the administrator by  
2 rule. If a filing is required under this paragraph and the amendment relates either  
3 to a name change of the issuer or a change in the designation of the federal covered  
4 security, the filing shall be accompanied by a fee in the amount prescribed by the rule  
5 or order requiring the filing. Unless the issuer requests a later effective date, an  
6 amendment filing required under this paragraph is effective upon receipt by the  
7 administrator of the documents and fees required under this paragraph.

\*\*\*\*NOTE: In the first sentence, I have changed the phrase "a federal covered security" to "the federal covered security," which significantly changes the meaning of the provision but I believe is consistent with your intent and is consistent with the uniform act language.

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

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

21 (4) STOP ORDERS. Except with respect to a federal <sup>covered</sup> security under section 18 (b)  
22 (1) of the Securities Act of 1933 (15 USC 77r (b) (1)), if the administrator finds that  
23 there is a failure to comply with a notice or fee requirement of this section, the

1 administrator may issue a stop order suspending the offer and sale of a federal  
2 covered security in this state. If the deficiency is corrected, the stop order is void as  
3 of the time of its issuance and no penalty may be imposed by the administrator.

\*\*\*\*NOTE: In the first line of this <sup>subsection</sup> paragraph, I have changed "federal security" to  
"federal covered security." While the uniform act states "federal security," I believe this  
was a mistake and in fact there is definitely another mistake in the same line of the  
uniform act (which was corrected by the study committee). Please advise if you believe  
"federal security" is correct.

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

\*\*\*\*NOTE: I cannot find any statutory provision relating to renewal of, or term of,  
a notice filing, under this section. Is the intent in omitting par. (b) of the uniform act,  
related to term of effectiveness of notice filing and renewal of notice filing, that this  
subject matter will be addressed by rule or that the notice filing is perpetual?

7 **551.303 Securities registration by coordination.** (1) REGISTRATION  
8 PERMITTED. A security for which a registration statement has been filed under the  
9 Securities Act of 1933 in connection with the same offering may be registered by  
10 coordination under this section.

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

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

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

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

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

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

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

\*\*\*\*NOTE: The Wisconsin study group draft refers to a proceeding under s. 551.306.  
The uniform act refers to a proceeding under s. 551.412. The study group cross-reference  
seems to be correct and I have included it here.

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

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

1 complies with the notice requirements of this section, the stop order is void as of the  
2 date of its issuance.

3 (5) EFFECTIVENESS OF REGISTRATION STATEMENT. If the federal registration  
4 statement becomes effective before each of the conditions in this section is satisfied  
5 or is waived by the administrator, the registration statement is automatically  
6 effective under this chapter when all the conditions are satisfied or waived. If the  
7 registrant notifies the administrator of the date when the federal registration  
8 statement is expected to become effective, the administrator shall promptly notify  
9 the registrant by telecopy, telephone, or electronic means and promptly confirm this  
10 notice by a record, indicating whether all the conditions are satisfied or waived and  
11 whether the administrator intends the institution of a proceeding under s. 551.306.  
12 The notice by the administrator does not preclude the institution of such a  
13 proceeding.

14 **551.304 Securities registration by qualification.** (1) REGISTRATION  
15 PERMITTED. A security may be registered by qualification under this section.

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

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

1           (b) With respect to each director and officer of the issuer, and other person  
2           having a similar status or performing similar functions, the person's name, address,  
3           and principal occupation for the previous 5 years; the amount of securities of the  
4           issuer held by the person as of the 30th day before the filing of the registration  
5           statement; the amount of the securities covered by the registration statement to  
6           which the person has indicated an intention to subscribe; and a description of any  
7           material interest of the person in any material transaction with the issuer or a  
8           significant subsidiary effected within the previous 3 years or proposed to be effected.

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

13          (d) With respect to a person owning of record or owning beneficially, if known,  
14          10 percent or more of the outstanding shares of any class of equity security of the  
15          issuer, the information specified in par. (b) other than the person's occupation.

16          (e) With respect to a promoter, if the issuer was organized within the previous  
17          3 years, the information or records specified in par. (b), any amount paid to the  
18          promoter within that period or intended to be paid to the promoter, and the  
19          consideration for the payment.

20          (f) With respect to a person on whose behalf any part of the offering is to be made  
21          in a nonissuer distribution, the person's name and address; the amount of securities  
22          of the issuer held by the person as of the date of the filing of the registration  
23          statement; a description of any material interest of the person in any material  
24          transaction with the issuer or any significant subsidiary effected within the previous

1 3 years or proposed to be effected; and a statement of the reasons for making the  
2 offering.

3 (g) The capitalization and long term debt, on both a current and pro forma  
4 basis, of the issuer and any significant subsidiary, including a description of each  
5 security outstanding or being registered or otherwise offered, and a statement of the  
6 amount and kind of consideration, whether in the form of cash, physical assets,  
7 services, patents, goodwill, or anything else of value, for which the issuer or any  
8 subsidiary has issued its securities within the previous 2 years or is obligated to issue  
9 its securities.

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



1           (i) The estimated monetary proceeds to be received by the issuer from the  
2 offering; the purposes for which the proceeds are to be used by the issuer; the  
3 estimated amount to be used for each purpose; the order or priority in which the  
4 proceeds will be used for the purposes stated; the amounts of any funds to be raised  
5 from other sources to achieve the purposes stated; the sources of the funds; and, if  
6 a part of the proceeds is to be used to acquire property, including goodwill, otherwise  
7 than in the ordinary course of business, the names and addresses of the vendors, the  
8 purchase price, the names of any persons that have received commissions in  
9 connection with the acquisition, and the amounts of the commissions and other  
10 expenses in connection with the acquisition, including the cost of borrowing money  
11 to finance the acquisition.

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

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

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

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

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

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

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

19 (q) A balance sheet of the issuer as of a date within 4 months before the filing  
20 of the registration statement; a statement of income and a statement of cash flows  
21 for each of the 3 fiscal years preceding the date of the balance sheet and for any period  
22 between the close of the immediately previous fiscal year and the date of the balance  
23 sheet, or for the period of the issuer's and any predecessor's existence if less than 3  
24 years; and, if any part of the proceeds of the offering is to be applied to the purchase

1 of a business, the financial statements that would be required if that business were  
2 the registrant.

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

7 (3) CONDITIONS FOR EFFECTIVENESS OF REGISTRATION STATEMENT. A registration  
8 statement under this section becomes effective 30 days, or any shorter period  
9 provided by rule adopted or order issued under this chapter, after the date the  
10 registration statement or the last amendment other than a price amendment is filed,  
11 if all of the following apply:

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

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

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

15 (4) DELAY OF EFFECTIVENESS OF REGISTRATION STATEMENT. The administrator may  
16 delay effectiveness once for not more than 90 days if the administrator determines  
17 and notifies via comment letter or other letter that the registration statement is not  
18 complete in all material respects and promptly notifies the applicant or registrant  
19 of that determination, which may be by means of a comment letter or correspondence  
20 and not an order. The administrator may also further delay effectiveness for a  
21 further period of not more than 30 days if the administrator determines that the  
22 delay is necessary or appropriate.

23 (5) PROSPECTUS DISTRIBUTION MAY BE REQUIRED. A rule adopted or order issued  
24 under this chapter may require as a condition of registration under this section that  
25 a prospectus containing a specified part of the information or record specified in sub.

1 (2) be sent or given to each person to which an offer is made, before or concurrently,  
2 with the earliest of the following:

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

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

9 (c) Payment pursuant to such a sale.

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

11 **551.305 Securities registration filings. (1) WHO MAY FILE.** A registration  
12 statement may be filed by the issuer, a person on whose behalf the offering is to be  
13 made, or a broker-dealer registered under this chapter.

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

\*\*\*\*NOTE: It's not clear to me what "as may be supplemented" (which is not in the  
uniform act) means.

19 **(3) STATUS OF OFFERING.** A registration statement filed under s. 551.303 or  
20 551.304 must specify all of the following:

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

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

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

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

8 (5) NONISSUER DISTRIBUTION. In the case of a nonissuer distribution,  
9 information or a record may not be required under sub. (9) or s. 551.304, unless it is  
10 known to the person filing the registration statement or to the person on whose  
11 behalf the distribution is to be made or unless it can be furnished by those persons  
12 without unreasonable effort or expense.

\*\*\*\*NOTE: I have inserted what I believe is the correct cross-reference, given the  
modification in this section from the uniform act.

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

18 (8) EFFECTIVE PERIOD. Except while a stop order is in effect under s. 551.306,  
19 a registration statement is effective for one year after its effective date, or for any  
20 longer period designated in an order under this chapter during which the security  
21 is being offered or distributed in a nonexempted transaction by or for the account of  
22 the issuer or other person on whose behalf the offering is being made or by an  
23 underwriter or broker-dealer that is still offering part of an unsold allotment or

1 subscription taken as a participant in the distribution. For the purposes of a  
2 nonissuer transaction, all outstanding securities of the same class identified in the  
3 registration statement as a security registered under this chapter are considered to  
4 be registered while the registration statement is effective. If any securities of the  
5 same class are outstanding, a registration statement may not be withdrawn until one  
6 year after its effective date. A registration statement may be withdrawn only with  
7 the approval of the administrator.

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

13 (10) POSTEFFECTIVE AMENDMENTS. A registration statement may be amended  
14 after its effective date. The posteffective amendment becomes effective when the  
15 administrator so orders. If a posteffective amendment is made to increase the  
16 number of securities specified to be offered or sold, the person filing the amendment  
17 shall pay a registration fee as provided in s. 551.614 or, as may be supplemented, by  
18 rule of the administrator. A posteffective amendment relates back to the date of the  
19 offering of the additional securities being registered if, within one year after the date  
20 of the sale, the amendment is filed and the additional registration fee is paid.

\* \*\*\*NOTE: Same issue re<sup>o</sup> "as may be supplemented" for fee.

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

\*\*\*\*NOTE: Do you want to add a provision in this section similar to s. 551.27 (13) under current law?

1           **551.306 Denial, suspension, and revocation of securities registration.**

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

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

\*\*\*\*NOTE: My renumbering changes to the <sup>bill</sup> draft have corrected what I believe was a mistaken cross-reference in the Wisconsin study group draft (given modifications in the study group draft to s. 551.305). Please let me know if you believe the study group cross-reference was correct, considering those modifications.           \*  
\*  
\*

11          (b) This chapter or a rule adopted or order issued under this chapter or a  
12          condition imposed under this chapter has been willfully violated, in connection with  
13          the offering, by the person filing the registration statement; by the issuer, a partner,  
14          officer, or director of the issuer or a person having a similar status or performing a  
15          similar function; a promoter of the issuer; or a person directly or indirectly  
16          controlling or controlled by the issuer; but only if the person filing the registration  
17          statement is directly or indirectly controlled by or acting for the issuer; or by an  
18          underwriter.

19          (c) The security registered or sought to be registered is the subject of a  
20          permanent or temporary injunction of a court of competent jurisdiction or an  
21          administrative stop order or similar order issued under any federal, foreign, or state

1 law other than this chapter applicable to the offering, but the administrator may not  
2 institute a proceeding against an effective registration statement under this  
3 paragraph more than one year after the date of the order or injunction on which it  
4 is based, and the administrator may not issue an order under this paragraph on the  
5 basis of an order or injunction issued under the securities act of another state unless  
6 the order or injunction was based on conduct that would constitute, as of the date of  
7 the order, a ground for a stop order under this section.

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

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

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

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

16 (3) INSTITUTION OF STOP ORDER. The administrator may not institute a stop  
17 order proceeding against an effective registration statement on the basis of conduct  
18 or a transaction known to the administrator when the registration statement became  
19 effective unless the proceeding is instituted within 30 days after the registration  
20 statement became effective.

21 (4) SUMMARY PROCESS. The administrator may summarily revoke, deny,  
22 postpone, or suspend the effectiveness of a registration statement pending final  
23 determination of an administrative proceeding. Upon the issuance of the order, the  
24 administrator shall promptly notify each person specified in sub. (5) that the order  
25 has been issued, the reasons for the revocation, denial, postponement, or suspension,



1 and that within 10 days after the receipt of a request in a record from the person the  
 2 matter will be scheduled for a hearing. If a hearing is not requested and none is  
 3 ordered by the administrator, within 30 days after the date of service of the order, the  
 4 order becomes final. If a hearing is requested or ordered, the administrator, after  
 5 notice of and opportunity for hearing for each person subject to the order, may modify  
 6 or vacate the order or extend the order until final determination.

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

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

11 (b) An opportunity for hearing.

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

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

17 **551.307 Waiver and modification.** The administrator may waive or modify,  
 18 in whole or in part, any or all of the requirements of ss. 551.302, 551.303, and 551.304  
 19 (2) or the requirement of any information or record in a registration statement or in  
 20 a periodic report filed pursuant to s. 551.305 (9).

\*\*\*\*NOTE: My renumbering changes to the <sup>bill</sup> draft have corrected what I believe was  
 a mistaken cross-reference in the Wisconsin study group draft (given modifications in  
 the study group draft to s. 551.305). Please let me know if you believe the study group  
 cross-reference was correct, considering those modifications.

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SUBCHAPTER IV

BROKER-DEALERS, AGENTS, INVESTMENT ADVISERS, INVESTMENT

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WPA  
1

1 ADVISER REPRESENTATIVES AND FEDERAL COVERED INVESTMENT  
2 ADVISERS

3 **551.401 Broker-dealer registration requirement and exemptions. (1)**

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

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

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

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

13 (c) Institutional investors.

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

\*\*\*\*NOTE: I have separated these two provisions to clarify that the SEC rule is  
defining only accredited investors (and only the entity type accredited investors).

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

19 (e) A bona fide preexisting customer whose principal place of residence is not  
20 in this state and the person is registered as a broker-dealer under the Securities  
21 Exchange Act of 1934 or not required to be registered under the Securities Exchange  
22 Act of 1934 and is registered under the securities act of the state in which the  
23 customer maintains a principal place of residence.

\*\*\*\*NOTE: I have not changed this language from the uniform act, but it could probably be made significantly less ambiguous with a few minor modifications.

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

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

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

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

\*\*\*\*NOTE: The WI study group's deletion of what would have been par. (b) under the uniform act leaves only one subunit to this subsection, which is contrary to our drafting conventions. Accordingly, I have revised the introductory phrase and pulled these provisions into a higher statutory unit to accommodate this change from the uniform act.

19 (3) LIMITS ON EMPLOYMENT OR ASSOCIATION. It is unlawful for a broker-dealer,  
20 or for an issuer engaged in offering, offering to purchase, purchasing, or selling  
21 securities in this state, directly or indirectly, to employ or associate with an

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.

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)).

      \*\*\*NOTE: I corrected a slight error in the uniform act's cross-reference to the  
      federal law here. I assume that the SEA cite is right (relating to de minimus transactions)  
      and that the parenthetical cite was slightly off in the uniform act.

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.

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

\*\*\*NOTE: The WI study group note says that cross-references to two additional  
provisions are being added, but the text has only one additional cross-reference added.

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

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

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

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

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

1 with a broker-dealer registered under this chapter or an issuer that is offering,  
2 selling, or purchasing its securities in this state.

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

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

\*\*\*\*NOTE: There is a grammatical agreement problem in the second clause of the  
uniform act language. I have corrected this by using the plural of broker-dealer and  
issuer.

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

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

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

1           **551.403 Investment adviser registration requirement and exemptions.**

2           (1) **REGISTRATION REQUIREMENT.** It is unlawful for a person to transact business in this  
3 state as an investment adviser unless the person is registered under this chapter as  
4 an investment adviser or is exempt from registration as an investment adviser under  
5 sub. (2).

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

8           (a) A person whose only clients in this State are:

9           1. Federal covered investment advisers, investment advisers registered under  
10 this chapter, or broker-dealers registered under this chapter.

11           2. Institutional investors.

12           2m. Accredited investors as defined in Rule 501 (a) (1), (2), (3), (7) or (8) adopted  
13 under the Securities Act of 1933.

\*\*\*\*NOTE: I have separated these two provisions to clarify that the SEC rule is  
defining only accredited investors (and only the entity type accredited investors).

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

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

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

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



1           (3) LIMITS ON EMPLOYMENT OR ASSOCIATION. It is unlawful for an investment  
2 adviser, directly or indirectly, to employ or associate with an individual to engage in  
3 an activity related to investment advice in this state if the registration of the  
4 individual is denied or suspended or revoked or the individual is barred from  
5 employment or association with an investment adviser, federal covered investment  
6 adviser, or broker-dealer by an order under this chapter, the Securities and  
7 Exchange Commission, or a self-regulatory organization, unless the investment  
8 adviser did not know, and in the exercise of reasonable care could not have known,  
9 of the denial, suspension, revocation, or bar. Upon request from the investment  
10 adviser and for good cause, the administrator, by order, may waive, in whole or in  
11 part, the application of the prohibitions of this subsection to the investment adviser.

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

17           **551.404 Investment adviser representative registration requirement**  
18 **and exemptions.** (1) REGISTRATION REQUIREMENT. It is unlawful for an individual  
19 to transact business in this state as an investment adviser representative unless the  
20 individual is registered under this chapter as an investment adviser representative  
21 or is exempt from registration as an investment adviser representative under sub.  
22 (2).

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

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

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

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

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

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

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

      \*\*\*NOTE: Referring to a federal covered investment adviser, I changed "who" to  
"that."

12           **551.405 Federal covered investment adviser notice filing requirement.**

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

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

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

21           1. Federal covered investment advisers, investment advisers registered under  
22 this chapter, and broker-dealers registered under this chapter.

23           2. Institutional investors.

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

      \*\*\*NOTE: I have separated these two provisions to clarify that the SEC rule is defining only accredited investors (and only the entity type accredited investors). Is there a reason why this language differs from that in s. 551.403 (2) (a) 3. and elsewhere? And is the omission of Rule 501 (a) (8) here intentional?

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

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

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

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

11          (3) NOTICE FILING PROCEDURE. A person acting as a federal covered investment  
12          adviser, not excluded under sub. (2), shall file a notice, a consent to service of process  
13          complying with s. 551.611, and such records as have been filed with the Securities  
14          and Exchange Commission under the Investment Advisers Act of 1940 required by  
15          rule adopted or order issued under this chapter and pay the fees specified in s.  
16          551.614 (2).

      \*\*\*NOTE: This provision corrects a mistaken cross-reference in the study group draft.

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

19          (a) The notice filing is renewed.

\*           \*\*\*NOTE: This provision varies from <sup>the</sup> uniform act. I can find no other provision in this chapter related to renewal of the notice filing for a federal covered investment adviser, except the fee required under s. 551.614 (2). That is, there seems to be no provision analogous to s. 551.32 (1m) (b) under current law. (This subsection seems to be similar to s. 551.32 (8) under current law.) Is this okay?

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

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

4 **551.406 Registration by broker-dealer, agent, investment adviser, and**  
5 **investment adviser representative. (1) APPLICATION FOR INITIAL REGISTRATION.**

6 A person shall register as a broker-dealer, agent, investment adviser, or investment  
7 adviser representative by filing with the administrator, or an organization which the  
8 administrator by rule designates, an application and a consent to service of process  
9 complying with s. 551.611, and paying the fee specified in s. 551.614 and any  
10 reasonable fees charged by the designee of the administrator for processing the  
11 filing. The application must contain all of the following:

\*\*\*\*NOTE: This provision corrects a mistaken cross-reference in the study group  
draft.

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

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

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

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

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

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

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

      \*\*\*NOTE: I believe the statutory language provided in the WI study group draft  
(that is not part of the uniform act) does not fit with the WI study group comment related  
to 406 (c) (1). The draft didn't actually provide for an automatic 30 day effective date.  
I have revised the language to do so. Is this okay? Also, what if more than one provision  
of subs. 1. to 3. applies? I have revised this paragraph so that registration is effective  
on the *earliest* of these dates; is this okay? \*

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

11           (4) REGISTRATION RENEWAL. A registration is effective until midnight on  
12 December 31 of the year for which the application for registration is filed. Unless an  
13 order is in effect under s. 551.412, a registration may be automatically renewed each  
14 year by filing such records as are required by rule adopted or order issued under this  
15 chapter, by paying the fee specified in s. 551.614, and by paying costs charged by the  
16 designee of the administrator for processing the filings.

      \*\*\*NOTE: This provision corrects a mistaken cross-reference in the study group  
draft.

17           (5) ADDITIONAL CONDITIONS OR WAIVERS. A rule adopted or order issued under  
18 this chapter may impose other conditions, not inconsistent with the National  
19 Securities Markets Improvement Act of 1996. An order issued under this chapter

1 may waive, in whole or in part, specific requirements in connection with registration  
2 as are in the public interest and for the protection of investors.

\*\*\*\*NOTE: Although this provision is part of the uniform act, which generally  
wouldn't be changed, I believe the syntax in this provision is rather awkward. The word  
"such" in the uniform act suggests another clause after "1996". Without another clause,  
the word is unnecessary and awkward, so I have removed it.

\*

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

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

11 2. The department of workforce development in accordance with a  
12 memorandum of understanding under s. 49.857.

\*\*\*\*NOTE: This provision was added by the WI study group based upon current WI  
law. The uniform act contains a provision, in s. 551.607 (2) (e), relating to the same  
subject matter. I have added a cross-reference to that provision.

13 (b) If an applicant for the issuance or renewal of a registration under this  
14 section is an individual who does not have a social security number, the applicant,  
15 as a condition of applying for or applying to renew the registration, shall submit a  
16 statement made or subscribed under oath or affirmation to the administrator that  
17 the applicant does not have a social security number. The form of the statement shall  
18 be prescribed by the department of workforce development.

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

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

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

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

23           **(4) CHANGE OF CONTROL.** A change of control of a broker-dealer or investment  
24 adviser may be made in accordance with a rule adopted or order issued under this  
25 chapter.