

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 20 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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SUBCHAPTER VI

ADMINISTRATION AND JUDICIAL

REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (a) Hold the person in contempt.

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

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

14 (d) Order the production of records.

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

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

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

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

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

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

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

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

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

7 **551.603 Civil enforcement. (1) CIVIL ACTION INSTITUTED BY ADMINISTRATOR.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 (b) Developing and maintaining uniform forms.

18 (c) Conducting a joint examination or investigation.

19 (d) Holding a joint administrative hearing.

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

21 (f) Sharing and exchanging personnel.

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

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

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

3 (j) Formulating common systems and procedures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUBCHAPTER VII

TRANSITION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

