

2013 Assembly Bill 350 (LRB -2190)

An Act to amend 551.102 (11) (o), 551.202 (13) (am) (intro.), 551.202 (14) (a) (intro.), 551.202 (24), 551.401 (1), 551.402 (2) (b), 551.402 (2) (f) and 552.01 (6) (c); and to create 227.01 (13) (zz), 551.102 (1g), 551.201 (3) (d), 551.202 (26), 551.202 (27), 551.205, 551.206, 551.607 (2) (g) and 551.614 (1m) of the statutes; relating to: exemptions from securities registration requirements. (FE)

2013

08-29. A. Introduced by Representatives **Craig, Weininger, August, Bernier, Czaja, Genrich, Hutton, Jagler, Kapenga, Kleefisch, Knodl, Kooyenga, Kramer, Kuglitsch, Murphy, Nass, Sanfelippo, Schraa, Suder, Thiesfeldt and Neylon**; cosponsored by Senators **Vukmir, Gudex, Darling, Farrow, Grothman, Lasee, Tiffany and T. Cullen**. 298

08-29. A. Read first time and referred to Committee on Financial Institutions 298

08-30. A. Fiscal estimate received

09-20. A. Assembly Substitute Amendment 1 offered by Representatives Craig and Weininger (**LRB s0114**) 315

09-26. A. Representative Born added as a coauthor 319

09-26. A. Public hearing held

09-30. A. Assembly Amendment 1 to Assembly Substitute Amendment 1 offered by Representatives Craig and Weininger (**LRB a0877**) 321

10-01. A. Executive action taken

10-01. A. Report Assembly Amendment 1 to Assembly Substitute Amendment 1 adoption recommended by Committee on Financial Institutions, Ayes 12, Noes 1 322

10-01. A. Report Assembly Substitute Amendment 1 adoption recommended by Committee on Financial Institutions, Ayes 13, Noes 0 322

10-01. A. Report passage as amended recommended by Committee on Financial Institutions, Ayes 13, Noes 0 323

10-01. A. Referred to Committee on Rules 323

10-03. A. Placed on calendar 10-8-2013 by Committee on Rules

10-08. A. Rules suspended to withdraw from calendar and take up 334

10-08. A. Read a second time 334

10-08. A. Assembly Amendment 1 to Assembly Substitute Amendment 1 **adopted** 334

10-08. A. Assembly Substitute Amendment 1 **adopted** 334

10-08. A. Ordered to a third reading 334

10-08. A. Rules suspended 334

10-08. A. Read a third time and **passed** 334

10-08. A. Representatives Barca and Jorgensen added as coauthors 334

10-08. A. Ordered immediately messaged 334

10-08. S. Received from Assembly 399

10-08. S. Read first time and referred to committee on Economic Development and Local Government 399

10-10. S. Public hearing held

10-11. S. Executive action taken

10-11. S. Report concurrence recommended by Committee on Economic Development and Local Government, Ayes 5, Noes 0 409

10-11. S. Available for scheduling

10-14. S. Referred to Joint Committee on Finance by Committee on Senate Organization, pursuant to Senate Rule 41 (1)(e), Ayes 5, Noes 0 414

10-14. S. Withdrawn from joint committee on Finance and made Available for Scheduling by committee on Senate Organization, pursuant to Senate Rule 41 (1)(e), Ayes 5, Noes 0 414

10-14. S. Placed on calendar 10-15-2013 pursuant to Senate Rule 18(1) 414

10-15. S. Read a second time

10-15. S. Ordered to a third reading

10-15. S. Rules suspended

10-15. S. Read a third time and **concurred in**, Ayes 33, Noes 0

10-15. S. Senator L. Taylor added as a cosponsor

10-15. S. Ordered immediately messaged

10-16. A. Received from Senate concurred in

MB

2013

ENROLLED BILL

13en A B- 350

ADOPTED DOCUMENTS:

Orig Engr SubAmdt 1

13 50114 / 1

Amendments to above (if none, write "NONE"): AA1 ——— a0877/1

Corrections - show date (if none, write "NONE"): ~~None~~ ccc in enrolling
10/18/13

Topic Rel

10-17-13
Date

J.P. Miller
Enrolling Drafter



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBs0114/1
ARG:eev:rs

**ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO ASSEMBLY BILL 350**

September 20, 2013 – Offered by Representatives CRAIG and WEININGER.

1 **AN ACT** *to renumber and amend* 551.605 (3); *to amend* 551.102 (11) (o),
2 551.305 (9), 551.401 (1), 551.402 (2) (b) and 551.402 (2) (f); and **to create** 227.01
3 (13) (zz), 551.102 (4m), 551.102 (8m), 551.102 (9m), 551.202 (13) (ar), 551.202
4 (14m), 551.202 (24m), 551.202 (26), 551.202 (27), 551.205, 551.206, 551.605 (3)
5 (bm), 551.607 (2) (g) and 551.614 (1m) of the statutes; **relating to:** exemptions
6 from securities registration requirements, reporting by certain financial
7 institution holding companies, and granting rule-making authority.

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

8 **SECTION 1.** 227.01 (13) (zz) of the statutes is created to read:
9 227.01 (13) (zz) Adjusts, under s. 551.206, the amounts specified in s. 551.202
10 (26) (c) 1. a. and 1. b. and (27) (c) 1. a. and 1. b.
11 **SECTION 2.** 551.102 (4m) of the statutes is created to read:

1 551.102 (4m) “Certified investor” means an individual who is a resident of this
2 state and who, at the time of an offer or sale of securities, satisfies any of the
3 following:

4 (a) Has an individual net worth, or joint net worth with the individual’s spouse,
5 of at least \$750,000. For purposes of calculating net worth under this paragraph, the
6 individual’s primary residence shall be included as an asset and indebtedness
7 secured by the primary residence shall be included as a liability.

8 (b) Had an individual income in excess of \$100,000 in each of the two most
9 recent years or joint income with the individual’s spouse in excess of \$150,000 in each
10 of those years and has a reasonable expectation of reaching the same income level
11 in the current year.

12 **SECTION 3.** 551.102 (8m) of the statutes is created to read:

13 551.102 (8m) “Financial institution holding company” means a bank holding
14 company, as defined in 12 USC 1841 (a), or a savings and loan holding company, as
15 defined in 12 USC 1467a (a) (1) (D).

16 **SECTION 4.** 551.102 (9m) of the statutes is created to read:

17 551.102 (9m) “Funding portal” has the meaning given in section 3 (a) (80) of
18 the Securities Exchange Act of 1934 (15 USC 78c (a) (80)).

19 **SECTION 5.** 551.102 (11) (o) of the statutes is amended to read:

20 551.102 (11) (o) Any other person, other than an individual, of institutional
21 character with total assets in excess of ~~\$10,000,000~~ \$2,500,000 not organized for the
22 specific purpose of evading this chapter.

23 **SECTION 6.** 551.202 (13) (ar) of the statutes is created to read:

24 551.202 (13) (ar) A certified investor, or a person whom the issuer reasonably
25 believes is a certified investor at the time of the sale or offer of the security, if the

INS.
AAI-1

1 transaction meets the requirements of the federal exemption for intrastate offerings
2 in section 3 (a) (11) of the Securities Act of 1933 (15 USC 77c (a) (11)) and Rule 147
3 adopted under the Securities Act of 1933 (17 CFR 230.147).

4 **SECTION 7.** 551.202 (14m) of the statutes is created to read:

5 551.202 (14m) (a) Any transaction pursuant to an offer directed by the offeror
6 to not more than 100 residents of this state, excluding those persons designated in
7 sub. (13) (a), (am), and (ar) but including persons exempt under sub. (24), if all of the
8 following apply:

9 1. The issuer is a business entity that is organized under the laws of this state
10 and authorized to do business in this state, that has its principal office in this state,
11 and that has a majority of its full-time employees working in this state.

12 2. No commission or other remuneration is paid or given, directly or indirectly,
13 for any person's participation in the offer or sale of securities for the issuer unless the
14 person is registered as a broker-dealer or agent under this chapter.

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

17 (b) The exemption under this subsection and the exemption under sub. (27)
18 may be used in conjunction with each other.

19 **SECTION 8.** 551.202 (24m) of the statutes is created to read:

20 551.202 (24m) Any offer or sale of its securities by an issuer to resident of this
21 state if all of the following apply:

22 (a) The issuer is a business entity that is organized under the laws of this state
23 and authorized to do business in this state, that has its principal office in this state
24 and that has a majority of its full-time employees working in this state.

INS. AAI-2

INS. AAI-3

INS.
AAI-4

INS AAI-5

1 (b) The aggregate number of persons holding directly or indirectly all of the
2 issuer's securities, after the securities to be issued are sold, does not exceed 100,
3 exclusive of persons under sub. (13) (a), (am), and (ar).

4 (c) No commission or other remuneration is paid or given, directly or indirectly,
5 for soliciting any person in this state in connection with the offer to sell or sale of the
6 securities, except to broker-dealers and agents licensed in this state.

7 (d) No advertising is published in connection with the offer to sell or sale of the
8 securities unless it has been permitted by the division of securities.

9 **SECTION 9.** 551.202 (26) of the statutes is created to read:

10 551.202 (26) An offer or sale of a security by an issuer if the offer or sale is
11 conducted in accordance with all of the following requirements:

12 (a) The issuer of the security is a business entity organized under the laws of
13 this state and authorized to do business in this state.

14 (b) The transaction meets the requirements of the federal exemption for
15 intrastate offerings in section 3 (a) (11) of the Securities Act of 1933 (15 USC 77c (a)
16 (11)) and Rule 147 adopted under the Securities Act of 1933 (17 CFR 230.147).

17 (c) 1. Except as provided in subd. 2., the sum of all cash and other consideration
18 to be received for all sales of the security in reliance on the exemption under this
19 subsection, excluding sales to any accredited investor, certified investor, or
20 institutional investor, does not exceed the following amount:

21 a. If the issuer has not undergone and made available to each prospective
22 investor and the administrator the documentation resulting from a financial audit
23 of its most recently completed fiscal year which complies with generally accepted
24 accounting principles, \$1,000,000 subject to adjustment under s. 551.206, less the
25 aggregate amount received for all sales of securities by the issuer within the 12

INS. AAI-6

1 months before the first offer or sale made in reliance on the exemption under this
2 subsection.

3 b. If the issuer has undergone and made available to each prospective investor
4 and the administrator the documentation resulting from a financial audit of its most
5 recently completed fiscal year which complies with generally accepted accounting
6 principles, \$2,000,000 subject to adjustment under s. 551.206, less the aggregate
7 amount received for all sales of securities by the issuer within the 12 months before
8 the first offer or sale made in reliance on the exemption under this subsection.

9 2. An offer or sale to an officer, director, partner, trustee, or individual
10 occupying similar status or performing similar functions with respect to the issuer
11 or to a person owning 10 percent or more of the outstanding shares of any class or
12 classes of securities of the issuer does not count toward the monetary limitation in
13 subd. 1. a. and 1. b.

14 (d) The issuer does not accept more than ~~\$5,000~~ from any single purchaser
15 unless the purchaser is an accredited investor or certified investor.

16 (e) The offering under this subsection is made exclusively through one or more
17 Internet sites and each Internet site is registered with the division under s. 551.205
18 (1) (b).

19 (f) Not less than 10 days prior to the commencement of an offering of securities
20 in reliance on the exemption under this subsection, the issuer files a notice with the
21 administrator, in writing or in electronic form as prescribed by the administrator,
22 which the administrator shall make available as an electronic document on the
23 department of financial institutions Internet site, containing all of the following:

3
INS. AAI-7

1 1. A notice of claim of exemption from registration, specifying that the issuer
2 will be conducting an offering in reliance on the exemption under this subsection,
3 accompanied by the filing fee specified in s. 551.614 (1m).

4 2. A copy of the disclosure statement to be provided to prospective investors in
5 connection with the offering, containing all of the following:

6 a. A description of the company, its type of entity, the address and telephone
7 number of its principal office, its history, its business plan, and the intended use of
8 the offering proceeds, including any amounts to be paid, as compensation or
9 otherwise, to any owner, executive officer, director, managing member, or other
10 person occupying a similar status or performing similar functions on behalf of the
11 issuer.

12 b. The identity of all persons owning more than 10 percent of the ownership
13 interests of any class of securities of the company.

14 c. The identity of the executive officers, directors, managing members, and
15 other persons occupying a similar status or performing similar functions in the name
16 of and on behalf of the issuer, including their titles and their prior experience.

17 d. The terms and conditions of the securities being offered and of any
18 outstanding securities of the company; the minimum and maximum amount of
19 securities being offered, if any; either the percentage ownership of the company
20 represented by the offered securities or the valuation of the company implied by the
21 price of the offered securities; the price per share, unit, or interest of the securities
22 being offered; any restrictions on transfer of the securities being offered; and a
23 disclosure of any anticipated future issuance of securities that might dilute the value
24 of securities being offered.

1 e. The identity of any person who has been or will be retained by the issuer to
2 assist the issuer in conducting the offering and sale of the securities, including any
3 Internet site operator but excluding persons acting solely as accountants or
4 attorneys and employees whose primary job responsibilities involve the operating
5 business of the issuer rather than assisting the issuer in raising capital.

6 f. For each person identified as required under subd. 2. e., a description of the
7 consideration being paid to the person for such assistance.

8

g. A description of any litigation or legal proceedings involving the company or
9 its management.

INS AAI-8

INS AAI-9

*

10 h. The names and addresses, including the Uniform Resource Locator, of each
11 Internet site that will be used by the issuer to offer or sell securities under this
12 subsection.

13 i. Any additional information material to the offering, including, if appropriate,
14 a discussion of significant factors that make the offering speculative or risky. This
15 discussion shall be concise and organized logically and may not be limited to risks
16 that could apply to any issuer or any offering.

17 3. An escrow agreement with a bank, savings bank, savings and loan
18 association, or credit union chartered under the laws of this state in which the
19 investor funds will be deposited, providing that all offering proceeds will be released
20 to the issuer only when the aggregate capital raised from all investors is equal to or
21 greater than the minimum target offering amount specified in the business plan as
22 necessary to implement the business plan and that all investors may cancel their
23 commitments to invest if that target offering amount is not raised by the time stated
24 in the disclosure document.

*

EDITOR: PLEASE ENTER CCC IN ENROLLING TO REMOVE COMMA FROM AAI-9

1 (g) The issuer is not, either before or as a result of the offering, an investment
2 company, as defined in section 3 of the Investment Company Act of 1940 (15 USC
3 80a-3), or an entity that would be an investment company but for the exclusions
4 provided in section 3 (c) of the Investment Company Act of 1940 (15 USC 80a-3 (c)),
5 or subject to the reporting requirements of section 13 or 15 (d) of the Securities
6 Exchange Act of 1934 (15 USC 78m or 78o (d)).

7 (h) The issuer informs all prospective purchasers of securities offered under
8 this subsection that the securities have not been registered under federal or state
9 securities law and that the securities are subject to limitations on resale. The issuer
10 shall display the following legend conspicuously on the cover page of the disclosure
11 document:

12 IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON
13 THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE
14 OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE
15 SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR
16 STATE SECURITIES COMMISSION OR DIVISION OR OTHER REGULATORY
17 AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT
18 CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS
19 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL
20 OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON
21 TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR
22 RESOLD EXCEPT AS PERMITTED BY SUBSECTION (e) OF SEC RULE 147 (17
23 CFR 230.147 (e)) AS PROMULGATED UNDER THE SECURITIES ACT OF 1933,
24 AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS,
25 PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS

1 SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE
2 FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF
3 TIME.

4 (i) The issuer requires each purchaser to certify in writing or electronically as
5 follows:

6 I UNDERSTAND AND ACKNOWLEDGE THAT:

7 I am investing in a high-risk, speculative business venture. I may lose all of
8 my investment, or under some circumstances more than my investment, and I can
9 afford this loss.

10 This offering has not been reviewed or approved by any state or federal
11 securities commission or division or other regulatory authority and that no such
12 person or authority has confirmed the accuracy or determined the adequacy of any
13 disclosure made to me relating to this offering.

14 The securities I am acquiring in this offering are illiquid, that there is no ready
15 market for the sale of such securities, that it may be difficult or impossible for me to
16 sell or otherwise dispose of this investment, and that, accordingly, I may be required
17 to hold this investment indefinitely.

18 I may be subject to tax on my share of the taxable income and losses of the
19 company, whether or not I have sold or otherwise disposed of my investment or
20 received any dividends or other distributions from the company.

21 (Signature)

22 (j) The issuer obtains from each purchaser of a security offered under this
23 subsection evidence that the purchaser is a resident of this state and, if applicable,
24 is an accredited investor or certified investor.

1 (k) All payments for purchase of securities offered under this subsection are
2 directed to and held by the financial institution specified in par. (f) 3. The bank or
3 depository institution shall notify the administrator of the receipt of payments for
4 securities. This information shall be confidential as provided in s. 551.607 (2) (g).

5 (L) The issuer of securities offered under this subsection provides a copy of the
6 disclosure document provided to the administrator under par. (f) 2. to each
7 prospective investor at the time the offer of securities is made to the prospective
8 investor.

9 (m) No offer or sale of a different class or series of security has been made by
10 the issuer in reliance on the exemption under this subsection or sub. (27) during the
11 immediately preceding 12-month period.

INS. AA1-10

12 **SECTION 10.** 551.202 (27) of the statutes is created to read:

13 551.202 (27) An offer or sale of a security by an issuer if the offer or sale is
14 conducted in accordance with all of the following requirements:

15 (a) The issuer of the security is a business entity organized under the laws of
16 this state and authorized to do business in this state.

17 (b) The transaction meets the requirements of the federal exemption for
18 intrastate offerings in section 3 (a) (11) of the Securities Act of 1933 (15 USC 77c (a)
19 (11)) and Rule 147 adopted under the Securities Act of 1933 (17 CFR 230.147).

20 (c) 1. Except as provided in subd. 2., the sum of all cash and other consideration
21 to be received for all sales of the security in reliance on the exemption under this
22 subsection, excluding sales to any accredited investor, certified investor, or
23 institutional investor, does not exceed the following amount:

24 a. If the issuer has not undergone and made available to each prospective
25 investor and the administrator the documentation resulting from a financial audit

1 of its most recently completed fiscal year which complies with generally accepted
2 accounting principles, \$1,000,000 subject to adjustment under s. 551.206, less the
3 aggregate amount received for all sales of securities by the issuer within the 12
4 months before the first offer or sale made in reliance on the exemption under this
5 subsection.

6 b. If the issuer has undergone and made available to each prospective investor
7 and the administrator the documentation resulting from a financial audit of its most
8 recently completed fiscal year which complies with generally accepted accounting
9 principles, \$2,000,000 subject to adjustment under s. 551.206, less the aggregate
10 amount received for all sales of securities by the issuer within the 12 months before
11 the first offer or sale made in reliance on the exemption under this subsection.

12 2. An offer or sale to an officer, director, partner, trustee, or individual
13 occupying similar status or performing similar functions with respect to the issuer
14 or to a person owning 10 percent or more of the outstanding shares of any class or
15 classes of securities of the issuer does not count toward the monetary limitation in
16 subd. 1. a. and 1. b.

17 (d) The issuer does not accept more than \$5,000 from any single purchaser
18 unless the purchaser is an accredited investor or certified investor.

19 (e) No commission or other remuneration is paid or given, directly or indirectly,
20 for any person's participation in the offer or sale of securities for the issuer unless the
21 person is registered as a broker-dealer or agent under this chapter. This paragraph
22 does not apply if the offer or sale of the security is to a certified investor.

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

(NS. AA1-11)

1 (g) All funds received from investors are deposited into a bank, savings bank,
2 savings and loan association, or credit union chartered under the laws of this state,
3 and all the funds are used in accordance with representations made to investors.

4 (h) Before the 101st offer of the security, the issuer provides a notice to the
5 administrator in writing or in electronic form, accompanied by the filing fee specified
6 in s. 551.614 (1m). The administrator shall prescribe the form required for the notice
7 and make the form available as an electronic document on the department of
8 financial institutions Internet site. Notwithstanding s. 551.204 (1) and (3), the
9 notice shall be limited to all of the following:

10 1. Stating that the issuer is conducting an offering in reliance on the exemption
11 under this subsection.

12 2. Identifying the names and addresses of all of the following persons:

13 a. The issuer.

14 b. All persons who will be involved in the offer or sale of securities on behalf of
15 the issuer.

16 c. The bank, savings bank, savings and loan association, or credit union in
17 which investor funds will be deposited.

18 (i) The issuer is not, either before or as a result of the offering, an investment
19 company, as defined in section 3 of the Investment Company Act of 1940 (15 USC
20 80a-3), or subject to the reporting requirements of section 13 or 15 (d) of the
21 Securities Exchange Act of 1934 (15 USC 78m or 78o (d)).

22 (j) The issuer informs all purchasers that the securities have not been
23 registered under this chapter and makes the disclosures required under subsection
24 (f) of Rule 147 adopted under the Securities Act of 1933 (17 CFR 230.147 (f)).

1 (k) No offer or sale of a different class or series of security has been made by
2 the issuer in reliance on the exemption under this subsection or sub. (26) during the
3 immediately preceding 12-month period.

INS. AA1-12

4 **SECTION 11.** 551.205 of the statutes is created to read:

5 **551.205 Additional provisions related to crowdfunding exemption for**
6 **intrastate offerings through Internet sites.** (1) All of the following
7 requirements apply to an offer or sale of securities pursuant to the exemption under
8 s. 551.202 (26):

9 (a) Prior to any offer or sale of securities, the issuer shall provide to the Internet
10 site operator evidence that the issuer is organized under the laws of this state and
11 is authorized to do business in this state.

12 (b) 1. The Internet site operator shall register with the division by filing a
13 statement, which the administrator shall make available as an electronic document
14 on the department of financial institutions Internet site, accompanied by the filing
15 fee specified in s. 551.614 (1m), that includes all of the following:

16 a. That the Internet site operator is a business entity organized under the laws
17 of this state and authorized to do business in this state.

18 b. That the Internet site is being utilized to offer and sell securities pursuant
19 to the exemption under s. 551.202 (26).

20 c. The identity and location of, and contact information for, the Internet site
21 operator.

22 d. Except as provided in subds. 2. and 4., that the Internet site operator is
23 registered as a broker-dealer under s. 551.401.

1 2. The Internet site operator is not required to register as a broker–dealer
2 under s. 551.401 if all of the following apply with respect to the Internet site and its
3 operator:

4 a. It does not offer investment advice or recommendations.

5 b. It does not solicit purchases, sales, or offers to buy the securities offered or
6 displayed on the Internet site.

7 c. Except as provided in sub. (3), it does not compensate employees, agents, or
8 other persons for the solicitation or based on the sale of securities displayed or
9 referenced on the Internet site.

10 d. Except as provided in sub. (3), it is not compensated based on the amount
11 of securities sold, and it does not hold, manage, possess, or otherwise handle investor
12 funds or securities.

13 e. Except as provided in sub. (3), the fee it charges an issuer for an offering of
14 securities on the Internet site is a fixed amount for each offering, a variable amount
15 based on the length of time that the securities are offered on the Internet site, or a
16 combination of such fixed and variable amounts.

17 f. It does not identify, promote, or otherwise refer to any individual security
18 offered on the Internet site in any advertising for the Internet site.

19 g. It does not engage in such other activities as the division, by rule, determines
20 are prohibited of such an Internet site.

INS. AAI-13

21 3. If any change occurs in the information that an Internet site operator
22 submits to the division in a statement filed under subd. 1., the Internet site operator
23 shall notify the division within 30 days after the change occurs.

24 4. The Internet site operator is not required to register as a broker–dealer
25 under s. 551.401 if the Internet site operator is registered as a broker–dealer under

1 the Securities Exchange Act of 1934 (15 USC 78o) or is a funding portal registered
2 under the Securities Act of 1933 (15 USC 77d-1) and the Securities and Exchange
3 Commission has adopted rules under authority of section 3 (h) of the Securities
4 Exchange Act of 1934 (15 USC 78c (h)) and P.L. 112-106, section 304, governing
5 funding portals. Nothing in this section requires an Internet site operator to register
6 as a broker-dealer under the Securities Exchange Act of 1934 or as a funding portal
7 under the Securities Act of 1933.

8 (c) The issuer and the Internet site operator shall maintain records of all offers
9 and sales of securities effected through the Internet site and shall provide ready
10 access to the records to the division, upon request. The division may access, inspect,
11 and review any Internet site registered under this subsection as well as its records.

12 (2) An issuer of a security, the offer and sale of which is exempt under s. 551.202
13 (26), shall provide, free of charge, a quarterly report to the issuer's investors until no
14 securities issued under s. 551.202 (26) are outstanding. An issuer may satisfy the
15 reporting requirement of this subsection by making the information available on an
16 Internet site if the information is made available within 45 days after the end of each
17 fiscal quarter and remains available until the succeeding quarterly report is issued.
18 An issuer shall file each quarterly report under this subsection with the division and,
19 if the quarterly report is made available on an Internet site, the issuer shall also
20 provide a written copy of the report to any investor upon request. The report shall
21 contain all of the following:

22 (a) Compensation received by each director and executive officer, including
23 cash compensation earned since the previous report and on an annual basis and any
24 bonuses, stock options, other rights to receive securities of the issuer or any affiliate
25 of the issuer, or other compensation received.

1 (b) An analysis by management of the issuer of the business operations and
2 financial condition of the issuer.

3 **(3)** If the Securities and Exchange Commission adopts rules under authority
4 of section 3 (h) of the Securities Exchange Act of 1934 (15 USC 78c (h)) and P.L.
5 112–106, section 304, that authorize funding portals to receive commissions without
6 registering as broker–dealers under the Securities Exchange Act of 1934, the
7 division shall promulgate rules authorizing Internet site operators registered with
8 the division under sub. (1) (b) that are not registered as broker–dealers under s.
9 551.401 to receive commissions. The division shall ensure that its rules authorizing
10 commissions for Internet site operators are consistent with rules adopted by the
11 Securities and Exchange Commission. The division’s rules shall also ensure that
12 Internet site operators that do not satisfy rules adopted by the Securities and
13 Exchange Commission have the opportunity to operate in compliance with the
14 requirements of this section.

15 **SECTION 12.** 551.206 of the statutes is created to read:

16 **551.206 Adjustments.** At 5–year intervals after January 1, 2014, the
17 department of financial institutions shall adjust the monetary amounts specified in
18 s. 551.202 (26) (c) 1. a. and 1. b. and (27) (c) 1. a. and 1. b. to reflect changes since
19 January 1, 2014, in the consumer price index for all urban consumers,
20 Milwaukee–Racine area average, as determined by the U.S. department of labor.
21 Each adjustment shall be rounded to the nearest multiple of \$50,000. Each
22 adjustment under this section shall be published on the department of financial
23 institutions Internet site.

24 **SECTION 13.** 551.305 (9) of the statutes is amended to read:

1 551.305 (9) PERIODIC REPORTS. While a registration statement is effective, a rule
2 adopted or order issued under this chapter may require the person that filed the
3 registration statement to file reports, not more often than quarterly, to keep the
4 information or other record in the registration statement reasonably current and to
5 disclose the progress of the offering. No report may be required under this subsection
6 of a financial institution holding company.

7 **SECTION 14.** 551.401 (1) of the statutes is amended to read:

8 551.401 (1) REGISTRATION REQUIREMENT. It is unlawful for a person to transact
9 business in this state as a broker–dealer unless the person is registered under this
10 chapter as a broker–dealer or is exempt from registration as a broker–dealer under
11 sub. (2) or (4) or s. 551.205 (1) (b) 2.

12 **SECTION 15.** 551.402 (2) (b) of the statutes is amended to read:

13 551.402 (2) (b) An individual who represents a broker–dealer that is exempt
14 under s. 551.205 (1) (b) 2. or 551.401 (2) or (4).

15 **SECTION 16.** 551.402 (2) (f) of the statutes is amended to read:

16 551.402 (2) (f) An individual who represents a broker–dealer registered in this
17 state under s. 551.401 (1) or exempt from registration under s. 551.205 (1) (b) 2. or
18 551.401 (2) in the offer and sale of securities for an account of a nonaffiliated federal
19 covered investment adviser with investments under management in excess of
20 \$100,000,000 acting for the account of others pursuant to discretionary authority in
21 a signed record.

22 **SECTION 17.** 551.605 (3) of the statutes is renumbered 551.605 (3) (am), and
23 551.605 (3) (am) (intro.), as renumbered, is amended to read:

24 551.605 (3) (am) (intro.) Subject to section 15 (h) of the Securities Exchange Act
25 and section 222 of the Investment Advisers Act of 1940, and except as provided in par.

1 (bm), the administrator may require that a financial statement filed under this
2 chapter be prepared in accordance with generally accepted accounting principles in
3 the United States and comply with other requirements specified by rule adopted or
4 order issued under this chapter. ~~A- Except as provided in par. (bm), a rule adopted~~
5 or order issued under this chapter may establish:

6 **SECTION 18.** 551.605 (3) (bm) of the statutes is created to read:

7 551.605 (3) (bm) 1. Except as provided in subd. 2., a financial institution
8 holding company whose securities have been registered under this chapter shall not
9 be required to prepare or distribute to shareholders or provide to the department of
10 financial institutions, at any time after such registration, any financial statements,
11 financial information, annual reports, or other periodic reports except to the extent
12 required under ss. 180.1620 and 180.1622.

13 2. Each financial institution holding company whose securities have been
14 registered under this chapter and are held by 100 or more persons in this state shall
15 distribute to the security holders not more than 120 days after the end of each fiscal
16 year the annual financial statements prepared under s. 180.1620. This subdivision
17 does not apply to a financial institution holding company that has any securities
18 registered under section 12 of the Securities Exchange Act of 1934 (15 USC 781).

19 3. If any financial statement is required of a financial institution holding
20 company under this chapter, the financial institution holding company shall not be
21 required to do any of the following:

22 a. Except as may be required under s. 180.1620, have the financial statement
23 prepared in accordance with generally accepted accounting principles.

24 b. Have the financial statement examined and reported upon or reviewed by
25 or compiled by any certified public accountant.

1 **SECTION 19.** 551.607 (2) (g) of the statutes is created to read:

2 551.607 (2) (g) Any information or record received under s. 551.202 (26) (k)
3 relating to payments for securities, the copy of the disclosure statement provided to
4 the administrator under s. 551.202 (26) (f) 2., and any information or record obtained
5 by the division under s. 551.205 (1) (c).

6 **SECTION 20.** 551.614 (1m) of the statutes is created to read:

7 551.614 (1m) FILING FEES RELATING TO CERTAIN REGISTRATION EXEMPTIONS. There
8 shall be a nonrefundable filing fee of \$50 for every notice of claim of exemption filed
9 under s. 551.202 (26) (f) 1., a nonrefundable filing fee of \$50 for every notice provided
10 under s. 551.202 (27) (h), and a nonrefundable filing fee of \$100 for every statement
11 filed under s. 551.205 (1) (b) 1.

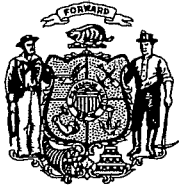
12 **SECTION 21. Initial applicability.**

13 (1) The treatment of sections 551.102 (4m) and (11) (o), 551.202 (13) (ar),
14 551.202 (14m), and 551.202 (24m) of the statutes first applies to securities offered
15 or sold on the effective date of this subsection.

16 (2) The treatment of sections 551.102 (8m) and (9m), 551.202 (26) and (27),
17 551.205, 551.401 (1), 551.402 (2) (b) and (f), 551.607 (2) (g), and 551.614 (1m) of the
18 statutes first applies to securities offered or sold on the first day of the 7th month
19 beginning after the effective date of this subsection.

20

(END)



State of Wisconsin
2013-2014 LEGISLATURE

CORRECTIONS IN:

**ASSEMBLY AMENDMENT 1,
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO ASSEMBLY BILL 350**

Prepared by the Legislative Reference Bureau
(October 18, 2013)

In enrolling, the following corrections were made:

1. Page 2, line 20: delete "proceedings," and substitute "proceedings".
2. Page 2, line 20: delete "or" and substitute ", or".

(END)



**ASSEMBLY AMENDMENT 1,
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO ASSEMBLY BILL 350**

September 30, 2013 – Offered by Representatives CRAIG and WEININGER.

- 1 At the locations indicated, amend the substitute amendment as follows:
- 2 **1.** Page 2, line 25: delete “if the” and substitute “if all of the following apply;”.
- 3 **2.** Page 3, line 1: delete “transaction” and substitute:
- 4 “1. The transaction”.
- 5 **3.** Page 3, line 3: after that line insert:
- 6 “2. If the offer or sale of the security had been undertaken under an exemption
- 7 specified in Rule 506 (a) to (c) adopted under the Securities Act of 1933 (17 CFR
- 8 230.506 (a) to (c)), the transaction would not have been disqualified from the
- 9 exemption under Rule 506 (d) adopted under the Securities Act of 1933 (17 CFR
- 10 230.506 (d)), except that the administrator may waive the requirement under this
- 11 subdivision and authorize transactions in reliance on the exemption under this
- 12 paragraph notwithstanding the condition specified in this subdivision.”.

AA1-1

AA1-2

AA1-3

AA1-4

1 4. Page 3, line 16: after that line insert:

2 “4. If the transaction had been undertaken under an exemption specified in
3 Rule 506 (a) to (c) adopted under the Securities Act of 1933 (17 CFR 230.506 (a) to
4 (c)), the transaction would not have been disqualified from the exemption under Rule
5 506 (d) adopted under the Securities Act of 1933 (17 CFR 230.506 (d)), except that
6 the administrator may waive the requirement under this subdivision and authorize
7 transactions in reliance on the exemption under this paragraph notwithstanding the
8 condition specified in this subdivision.”

AA1-5

9 5. Page 3, line 20: after “to” insert “a”.

AA1-6

10 6. Page 4, line 8: after that line insert:

11 “(e) If the offer or sale of the security had been undertaken under an exemption
12 specified in Rule 506 (a) to (c) adopted under the Securities Act of 1933 (17 CFR
13 230.506 (a) to (c)), the transaction would not have been disqualified from the
14 exemption under Rule 506 (d) adopted under the Securities Act of 1933 (17 CFR
15 230.506 (d)), except that the administrator may waive the requirement under this
16 paragraph and authorize transactions in reliance on the exemption under this
17 subsection notwithstanding the condition specified in this paragraph.”

AA1-7

18 7. Page 5, line 14: delete “\$5,000” and substitute “\$10,000”.

AA1-8

19 8. Page 7, line 8: delete “litigation or” and substitute “litigation.”

AA1-9

20 CCC 9. Page 7, line 8: after “proceedings” insert “(or pending regulatory action)”.
↓

21 10. Page 10, line 11: after that line insert:

AA1-10

22 “(n) If the offer or sale of the security had been undertaken under an exemption
23 specified in Rule 506 (a) to (c) adopted under the Securities Act of 1933 (17 CFR
24 230.506 (a) to (c)), the transaction would not have been disqualified from the

1 exemption under Rule 506 (d) adopted under the Securities Act of 1933 (17 CFR
2 230.506 (d)), except that the administrator may waive the requirement under this
3 paragraph and authorize transactions in reliance on the exemption under this
4 subsection notwithstanding the condition specified in this paragraph.”

5 **11.** Page 11, line 17: delete “\$5,000” and substitute “\$10,000”. AA1-11

6 **12.** Page 13, line 3: after that line insert: AA1-12

7 “(L) If the offer or sale of the security had been undertaken under an exemption
8 specified in Rule 506 (a) to (c) adopted under the Securities Act of 1933 (17 CFR
9 230.506 (a) to (c)), the transaction would not have been disqualified from the
10 exemption under Rule 506 (d) adopted under the Securities Act of 1933 (17 CFR
11 230.506 (d)), except that the administrator may waive the requirement under this
12 paragraph and authorize transactions in reliance on the exemption under this
13 subsection notwithstanding the condition specified in this paragraph.”

14 **13.** Page 14, line 20: after that line insert: AA1-13

15 “h. Neither the Internet site operator, nor any director, executive officer,
16 general partner, managing member, or other person with management authority
17 over the Internet site operator, has been subject to any conviction, order, judgment,
18 decree, or other action specified in Rule 506 (d) (1) adopted under the Securities Act
19 of 1933 (17 CFR 230.506 (d) (1)) that would disqualify an issuer under Rule 506 (d)
20 adopted under the Securities Act of 1933 (17 CFR 230.506 (d)) from claiming an
21 exemption specified in Rule 506 (a) to (c) adopted under the Securities Act of 1933
22 (17 CFR 230.506 (a) to (c)).”

23 (END)