

licensed agents other than agents licensed for a broker-dealer as a result of the application of s. SEC 4.05(8).

(8) "Financial institution", except for purposes of s. SEC 2.02 (4), means any of the following entities if authorized to do business in this state:

(a) Any bank organized under the laws of the United States or any state.

(b) Any federal savings and loan association and any savings and loan association or similar association organized under the laws of any state.

(c) Any federal credit union and any credit union or similar association organized under the laws of any state.

(d) Any other savings institution and any trust company organized under the laws of any state.

(9) "Securities services" includes but is not limited to the acceptance of orders to effect securities transactions as agent for the purchaser or seller. "Securities services" does not include exclusively promotional or account-establishing functions subject to s. SEC 4.05 (8).

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; r. and recr., Register, August, 1972, No. 200, eff. 9-1-72; am. (1), r. and recr. (4) and (5), cr. (6) and (7), Register, December, 1977, No. 264, eff. 1-1-78; am. (1) (intro.), (2) (b) (4) and (6) (a), Register, December, 1980, No. 300, eff. 1-1-81; am. (7), Register, December, 1983, No. 336, eff. 1-1-84; emerg. am. (1) (b), eff. 1-1-84; am. (1) (b), Register, May, 1984, No. 341, eff. 6-1-84; am. (1) (a), cr. (2) (c), (8) and (9), r. and recr. (5), Register, December, 1984, No. 348, eff. 1-1-85.

tion therewith, and the selection of the affiliated broker-dealer effecting the transactions) are not unfair and inequitable to shareholders.

(6) Subsections (1) to (5) notwithstanding, no closed-end investment company which engages in any of the following or related speculative activities may be registered unless appropriate disclosure is made in bold face type on the cover of both the preliminary and final prospectuses, or on a prospectus supplement satisfactory in form to the commissioner, as follows: "These securities may involve a high degree of risk because the fund is authorized:

(a) To engage in short-term trading resulting in portfolio turnover greater than 100% annually (see page \_\_\_\_).

(b) To leverage more than 10% of its total assets (see page \_\_\_\_).

(c) To invest more than 5% of its assets in restricted securities exclusive of debt securities (see page \_\_\_\_).

(d) To engage in short sales, excluding short sales against the box (see page \_\_\_\_).

(e) To invest more than 5% of its total assets in foreign securities as to which the fund pays interest equalization tax (see page \_\_\_\_).

(f) In relation to 85% of its total assets, to invest more than 5% of such assets in any one issuer (see page \_\_\_\_).

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; r. (7), Register, December, 1979, No. 288, eff. 1-1-80; am. (5) and (6), Register, December, 1980, No. 300, eff. 1-1-81.

**SEC 3.11 Real estate programs.** The offer or sale of interests in a limited partnership which will engage in real estate syndications may be deemed unfair and inequitable to purchasers unless the offering complies with the provisions of the North American Securities Administrators Association Statement of Policy regarding real estate programs, adopted April 15, 1980, as amended effective March 30, 1982, and amended April 23, 1983 and April 27, 1984, including comments. Copies of the Statement of Policy are available from the commissioner's office for a prepaid fee of \$4. The Statement of Policy is published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and is on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. Register, December, 1980, No. 300, eff. 1-1-81; renum. to be (1) and am., cr. (2), Register, April, 1982, No. 316, eff. 5-1-82; am. (1), r. (2), Register, December, 1983, No. 336, eff. 1-1-84; am. Register, December, 1984, No. 348, eff. 1-1-85.

**SEC 3.12 Oil and gas programs.** (1) Except as provided in sub. (2), the offer or sale of interests in a limited partnership which will engage in oil or gas well drilling and exploration activities or the purchase of production from oil and gas wells may be deemed unfair and inequitable to purchasers unless the offering complies with the provisions of the North American Securities Administrators Association Guidelines for the Registration of Oil and Gas Programs, adopted September 22, 1976, as amended October 12, 1977, October 31, 1979, April 23, 1983 and April 27, 1984. Copies of the Guidelines are available from the commissioner's office for a prepaid fee of \$4. The Guidelines are published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and are on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

Register, December, 1984, No. 348

## SEC 3

(2) (a) In addition to the provisions of subsection V.B.1. (a) (3) of the North American Securities Administrators Association Guidelines for the Registration of Oil and Gas Programs ("NASAA Oil and Gas Program Registration Guidelines"), sponsor compensation, determined on a modified functional allocation basis, where the sponsor pays all capital costs on initial wells in a prospect and pays a corresponding pro-rata percentage of the costs on subsequent wells in a prospect, shall be presumed reasonable only if the aggregate of the costs contributed by the sponsor constitute at least 10% of the total program costs. If the costs contributed by the sponsor constitute at least 10% of the program costs, it shall be presumed reasonable for the sponsor to receive as compensation 25% of the program revenues plus the same percentage of revenues that the sponsor's contributed costs bear to the program's total costs.

(b) In addition to the provisions of subsection V.B.2. (a) of the NASAA Oil and Gas Program Registration Guidelines, sponsor compensation determined on a carried interest or net profits interest basis shall be presumed reasonable only if:

1. With respect to compensation determined on a carried interest basis for sponsors that bear at least 10% of all program costs as defined in subd. 3., the sponsor receives as compensation not more than 15% of program revenues plus the same percentage of revenues that the sponsor's contributed costs bear to the program's total costs;

2. With respect to compensation determined on a net profits interest basis for sponsors who bear less than 10% of all program costs as defined in subd. 3., the sponsor receives as compensation not more than 15% of the cash actually distributed by the program, plus the same percentage of cash that the sponsor's contributed costs bear to the program's total costs; and

3. For purposes of this paragraph, "program costs" are defined as all costs incurred by a program, including those costs paid from capital contributions, assessments, borrowings and reinvested revenues, but excluding organizational and offering expenses and management fees where the total of such expenses and fees do not exceed 15% of initial program subscription proceeds.

(c) In addition to the provisions of subsection VI.A.1. (4) (i) of the NASAA Oil and Gas Program Registration Guidelines, sponsor compensation that includes overriding royalty interests in program wells payable to the sponsor, any affiliate or their respective employees, shall be presumed reasonable if the total compensation, including the overriding royalties, does not exceed the presumed reasonable percentages permitted by the sponsor compensation provisions in either the NASAA Oil and Gas Program Registration Guidelines or in any alternative provision in sub. (2). However, an overriding royalty interest paid to a geologist employed by or affiliated with the sponsor shall not be included in the computation of sponsor compensation provided that:

1. The percentage of the overriding royalty is not greater than the percentage customarily charged or received by unaffiliated geologists rendering similar services for comparable prospects in arm's-length transactions with unaffiliated parties in the same geographic area; and

2. The program's interest in the prospect that has overriding royalties paid to a geologist employed by or affiliated with the sponsor is subject to no other overriding royalties other than those payable to landowners or sublessors.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. Register, December, 1980, No. 300, eff. 1-1-81; renum. to be (1) and am., cr. (2), Register, December, 1982, No. 324, eff. 1-1-83; am. (1) and (2)(b) 1., Register, December, 1983, No. 336, eff. 1-1-84; am. (1), Register, December, 1984, No. 348, eff. 1-1-85.

**SEC 3.13 Cattle feeding programs.** The offer or sale of interests in a limited partnership which will engage in cattle feeding operations may be deemed unfair and inequitable unless the offering complies with the provisions of the North American Securities Administrators Association Guidelines for the Registration of Publicly Offered Cattle Feeding Programs, adopted September 17, 1980. Copies of the Guidelines are available from the commissioner's office for a prepaid fee of \$4. The Guidelines are published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and are on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

History: Cr. Register, December, 1980, No. 300, eff. 1-1-81.

**SEC 3.14 Debt securities issued by a church or congregation.** The offer or sale of debt securities issued by a church or congregation, the proceeds of which are to be utilized to finance or refinance the purchase, construction or improvement of buildings or related facilities (including the underlying property) of the issuer may be deemed unfair and inequitable to purchasers unless the offering complies with the provisions of the North American Securities Administrators Association Guidelines for Offerings of Church Bonds, adopted October, 1979. Copies of the Guidelines are available from the commissioner's office for a prepaid fee of \$4. The Guidelines are published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and are on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

History: Cr. Register, December, 1980, No. 300, eff. 1-1-81.

**SEC 3.15 Finance company debt securities.** The offer or sale by a finance company of its debt securities may be deemed unfair and inequitable to purchasers unless the offering complies with the provisions of the Central Securities Administrators Council Statement of Policy on Finance Company Debt Securities, adopted August 12, 1976. Copies of the Statement of Policy are available from the commissioner's office for a prepaid fee of \$4. The Statement of Policy is published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and is on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

History: Cr. Register, December, 1980, No. 300, eff. 1-1-81.

**SEC 3.16 Transactions with affiliates.** (1) The offer or sale of securities by an issuer that has engaged or has a policy to engage in transactions with officials of the issuer, its controlling persons or affiliates, may be deemed by the commissioner to be unfair and inequitable to purchasers unless the terms of the transactions comply with one or more of the requirements in pars. (a) to (c) of this subsection that are applicable to the facts and circumstances of the transactions, where the transactions are required to be disclosed under sub. (2):

Register, December, 1984, No. 348

## SEC 3

(a) Each transaction, other than a loan transaction, involving officials of the issuer, its controlling persons or affiliates, shall have been authorized at the time of the transaction or shall be subsequently ratified by a majority of the issuer's disinterested directors and shall contain terms no less favorable to the issuer than could have been realized by the issuer in an arm's-length transaction with unaffiliated persons.

(b) 1. For an issuer that is primarily engaged in the business of making loans, each loan transaction involving officials of the issuer, its controlling persons or affiliates shall either:

a. Have been authorized at the time of the transaction or subsequently ratified by vote of a majority of the issuer's disinterested independent outside directors; or

b. Have been made in the ordinary course of the issuer's business, be on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons, and in the opinion of management not involve more than the normal risk of collectibility.

2. For any issuer not included under subd. 1., each loan transaction other than primarily for short-term advances for travel, business expense, relocation, and similar ordinary operating expenditures, involving an official of the issuer, its controlling persons or affiliates shall either:

a. Have been authorized at the time of the transaction or subsequently ratified by vote of a majority of the disinterested independent outside directors of the issuer; or

b. Provide in the loan or loan guarantee agreement that it may not be extended or renewed and shall be repaid or retired not later than one year from the date of effectiveness of the registration statement for the offering.

(c) If any of the securities that are the subject of the offering are owned directly or beneficially by a person who has a loan or loan guarantee subject to this section, the disclosure document for the offering shall disclose that the proceeds from the offering inuring to that person shall be used to repay the loan.

(2)(a) If the issuer has engaged in transactions with officials of the issuer, its controlling persons or affiliates, the disclosure document for the offering shall disclose all material transactions.

(b) If the issuer has had in effect prior to the offering a written policy regarding making loans, the disclosure document for the offering shall disclose the terms and conditions of that policy and any changes contemplated in that policy, unless otherwise permitted by the commissioner.

(3) For purposes of this section:

(a) "Affiliate" means any person who is a partner, officer or director of the issuer, or a person occupying a similar status or performing similar functions, or directly or indirectly in control of, controlled by, or under common control with, the issuer. Control may be presumed by ownership of, or the power to vote, more than 10% of the outstanding voting securities of the issuer, either alone or pursuant to an agreement, arrangement or understanding with one or more other persons.

(b) "Controlling person" means any person who directly or indirectly has the power to direct or cause the direction of the management and policies of an issuer, whether through the ownership of voting securities, by contract or by other similar means, or any affiliate of such persons.

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(5) At the end of each period of not more than one year from the effectiveness of the registration statement, or in the event of any material change relating to the issuer or the securities subsequent to the filing of a prospectus, an amended prospectus shall be filed reflecting any such changes, and a current disclosure of all material facts relating to the issuer and the securities, including financial statements. No further solicitations or sales of the securities may be made thereafter until such amended prospectus has been filed with the commissioner.

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; renum. from SEC 2.06, r. and recr. (1), r. (2), renum. (3) and (4) to be (2) and (3), renum. (2) (e) to (h) to be (2) (f) to (i), cr. (2) (e) and (4), Register, December, 1977, No. 264, eff. 1-1-78; am. (1) (a) to (d) and (5) (3), Register, December, 1980, No. 300, eff. 1-1-81.

**SEC 3.24 Trust indenture requirements.** Trust indentures required under ch. 551, Stats., and chs. SEC 1 to 9, shall meet the requirements of the trust indenture act of 1939, whether or not exempt under that act, unless the commissioner otherwise permits or requires.

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; cr. (3), Register, August, 1972, No. 200, eff. 9-1-72; renum. from SEC 2.07, am. (1) and r. (2) and (3), Register, December, 1977, No. 264, eff. 1-1-78.

**SEC 3.25 Registration proceedings.** (1) If any information is reasonably required by the commissioner prior to the effective date of a registration statement filed under s. 551.25 or 551.26, Stats., in connection with the examination of such registration statement, the registration statement is deemed filed when the information so required is filed with the commissioner.

(2) Any registration statement which a registrant fails to complete or withdraw within one year from the date of filing shall be deemed materially incomplete under s. 551.28 (1) (a), Stats., and the commissioner may issue a stop order denying effectiveness to such registration statement.

(3) The commissioner may institute a proceeding under s. 551.28, Stats., and may issue a stop order suspending or revoking the effectiveness of any registration statement filed under s. 551.25 or 551.26, Stats., at any time during the period that the registration statement is effective and within one year thereafter.

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; r. and recr. Register, August, 1972, No. 200, eff. 9-1-72; renum. from SEC 2.11 and SEC 3.09, Register, December, 1977, No. 264, eff. 1-1-78.

**SEC 3.26 Amendment of registration statements.** (1) All applications for amendment of a registration statement shall be filed in the form prescribed by the commissioner.

(2) A registration statement relating to securities issued by a finance company licensed under s. 138.09, Stats., may be amended after its effective date so as to increase the specified amount of securities proposed to be offered in this state.

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; renum. from SEC 2.10, am. (2), Register, December, 1977, No. 264, eff. 1-1-78; am. (2), Register, September, 1978, No. 273, eff. 10-1-78; am. (1), Register, December, 1979, No. 283, eff. 1-1-80.

**SEC 3.27 Extension of registration statements.** (1) Application for an extension of the offering period of a registration statement, except one relating to redeemable securities of an investment company registered

Register, December, 1984, No. 348

## SEC 3

under the Investment Company Act of 1940, or securities of a finance company licensed under s. 138.09, Stats., shall be filed in the form prescribed by the commissioner not less than 30 days prior to the end of one year from the effective date of the registration statement or an order of extension, whichever is most recent. The application shall be accompanied by a prospectus updated in accordance with s. SEC 3.23 (5), a balance sheet of the issuer as of the end of its most recent fiscal year, and a comparative statement of income and changes in financial position and analysis of surplus for each of the 3 most recent fiscal years (or for the period of the issuer's and any predecessor's existence if less than 3 years), all meeting the requirements of s. SEC 7.06, provided that if the date of any of the above financial statements is more than 120 days (180 days with respect to a corporation organized and operated not for private profit but exclusively for religious, educational, benevolent or charitable purposes) prior to the date of the extension of the registration statement, the statements shall be updated (which may be done without audit) to within the 120-day or 180-day requirement above. Any extension of the offering period of a registration statement shall be by order of the commissioner, subject to such conditions as may be prescribed.

(2) A registration statement relating to redeemable securities of an investment company registered under the investment company act of 1940, or securities of a finance company licensed under s. 138.09, Stats., is deemed to include an application for the continuous offering of the securities. The offering period of the registration statement is automatically extended until it is permitted to be withdrawn or the commissioner issues a stop order suspending or revoking its effectiveness pursuant to s. 551.28, Stats., if the issuer files the reports required under s. SEC 3.28 (1), and files with the commissioner not less than annually during the offering period, within 120 days of the end of its fiscal year, a prospectus updated in accordance with s. SEC 3.23 (5), a balance sheet of the issuer as of the end of the fiscal year, and a statement of income and change in financial position and analysis of surplus of the issuer for the fiscal year meeting the requirements of s. SEC 7.06.

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; r. and recr. Register, August, 1972, No. 200, eff. 9-1-72; am. Register, October, 1974, No. 226, eff. 11-1-74; renum. from SEC 2.08, am. (1) and (2), Register, December, 1977, No. 264, eff. 1-1-78; emerg. am. eff. 6-19-78; am. Register, September, 1978, No. 273, eff. 10-1-78; am. (1) and (2), Register, December, 1980, No. 300, eff. 1-1-81; am. (2), Register, December, 1984, No. 348, eff. 1-1-85.

**SEC 3.28 Periodic reports.** (1) Unless the registrant elects to pay the maximum annual fee of \$1500 prescribed in s. 551.52 (1) (b), Stats., an open-end management company and face amount certificate company, as defined in the investment company act of 1940, having an effective registration statement under this chapter relating to an indefinite amount of its redeemable securities shall, within 2 months after the end of any fiscal year during which the registration statement was effective, and within 2 months after the registration is terminated, file form RS-IC reporting the amount of securities sold in this state during the fiscal year (or portion thereof if filed after termination), and shall pay a fee of 0.05% of the dollar amount of the securities sold to persons in this state, but not less than \$150 nor more than \$1500 computed in accordance with s. 551.52 (1) (b), Stats. Failure to file form RS-IC and pay the proper fee shall be cause for issuance of a stop order pursuant to s. 551.28 (1), Stats.

Register, December, 1984, No. 348

(2) Each finance company licensed under s. 138.09, Stats., issuing securities registered in this state shall file with the commissioner within 45 days following the end of each calendar quarter, a report on a form prescribed by the commissioner specifying the number of shares or units of securities sold in this state or the aggregate selling price thereof during the quarter.

(3) Each issuer or registrant of securities registered under s. 551.26, Stats., shall file with the commissioner such additional reports of sales and financial statements as may be specified by order, and shall furnish the commissioner with written notice within 30 days after the happening of any material event affecting the issuer or the securities registered.

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; am. (2), Register, October, 1974, No. 226, eff. 11-1-74; renum. from SEC 2.09, and am. (1) and (2), Register, December, 1977, No. 264, eff. 1-1-78; emerg. renum. (2) and (3) to be (3) and (4), cr. (2) and am. (3), eff. 6-19-78; renum. (2) and (3) to be (3) and (4) and am. (3), cr. (2), Register, September, 1978, No. 273, eff. 10-1-78; am. (1), Register, December, 1979, No. 288, eff. 1-1-80; am. (1), Register, December, 1981, No. 312, eff. 1-1-82; r. (1), renum. (2), (3) and (4) to be (1), (2) and (3), Register, December, 1983, No. 336, eff. 1-1-84; am. (1), Register, December, 1984, No. 348, eff. 7-1-85.