

CERTIFICATE

STATE OF WISCONSIN )  
OFFICE OF THE )  
COMMISSIONER OF SECURITIES )

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**RECEIVED**

APR 16 1986  
*S. J. O'Connell*  
Revisor of Statutes  
Bureau

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Ulice Payne, Jr., Commissioner of the State of Wisconsin Office of the Commissioner of Securities and custodian of the official records of said agency, do hereby certify that the annexed rules under Chapter 551, Wis. Stats., relating to securities registration exemptions and use of preliminary prospectuses to make offers of securities were duly approved and adopted by this agency on April 16, 1986.

I further certify that said copy has been compared by me with the original on file in this agency and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Office of the Commissioner of Securities in the City of Madison, this 16th day of April, 1986.

(SEAL)

*Ulice Payne Jr.*  
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ULICE PAYNE, JR.  
Commissioner of Securities  
State of Wisconsin

ORDER OF THE  
OFFICE OF THE COMMISSIONER OF SECURITIES  
STATE OF WISCONSIN  
AMENDING RULES

To amend SEC 2.01(1)(a)2. and 2.02(10)(g)1., relating to securities registration exemptions and use of preliminary prospectuses to make offers of securities.

Pursuant to the authority vested in the Office of the Commissioner of Securities by secs. 551.22(1)(b), 551.23(18) and 551.63(1), Wis. Stats., the Wisconsin Commissioner of Securities amends rules interpreting those sections as follows:

SECTION 1. SEC 2.01(1)(a)2. is amended to read:

SEC 2.01(1)(a)2. Any securities of the enterprise, or any securities of an unconditional guarantor of all payments under the lease, sale or loan arrangement, are exempt under ~~s. SEC 2.01(7)-551.22(7) Stats.~~ or meet the conditions of s. 551.235(1) to (4) and (5)(c)1,2. and 3a., Stats., or

ANALYSIS: The amendments to this SECTION (which accords registration exemption status to industrial revenue bonds under s. 551.22(1)(b), Stats., where the underlying obligor or guarantor meets the requirements in the rule) do the following three things. First, because the so-called "blue chip" registration exemption of s. SEC 2.01(7) cited in the current rule has been repealed in Clearinghouse Rule 85-135 (effective April 1, 1986), one of the amendments deletes the citation of the "blue chip" rule as a basis for the registration exemption in this rule. Second, due to the recent enactment of a so-called "seasoned issuer" exemption in s. 551.235, Wis. Stats. (1985 Wisconsin Act 38, effective January 1, 1986), which was intended to replace the "blue chip" exemption, a cross-reference to s. 551.235 is added as a basis for the exemption in this rule. Third, a cross-reference to the so-called "exchange listing" exemption is s. 551.22(7), Wis. Stats., is added as a basis for the exemption in this rule.

The policy reasons for having the exemption in this rule be available for issuers (or guarantors) whose securities are exempt under s. 551.22(7) or meet the specified conditions of the "seasoned issuer" exemption are the same as underlaid the rule which in its current form refers to the "blue chip" rule. If the securities of an issuer would qualify for an exemption from registration in Wisconsin because the financial condition of the issuer and the trading market for its securities meets prescribed levels, the offer and sale in Wisconsin of industrial revenue bonds should similarly be exempt from registration where that same issuer is the underlying obligor or guarantor of all payments providing the source of payment of principal and interest on such industrial revenue bonds.

SECTION 3. SEC 2.02(10)(g)1. is amended to read:

SEC 2.02(10)(g)1. The securities are the subject of a registration statement filed under s. 551.25 or 551.26, Stats., a filing under s. 551.235, Stats., or a notice filed under s. 551.22(1) or (8) or 551.23(12) or (15), Stats.;

**ANALYSIS:** This amendment adds a cross-reference to the recently enacted "seasoned issuer" registration exemption in s. 551.235, Stats. (1985 Wisconsin Act 38). The amendment will extend to offerings of securities in Wisconsin utilizing the "seasoned issuer" exemption, the registration exemption accorded under SEC 2.02(10)(g)--which permits offers of securities to be made in Wisconsin by licensed broker-dealers through use of preliminary prospectuses for offerings specified under subd. (g)1.

The amendment is necessary because the language in the "seasoned issuer" exemption in s. 551.235, Stats., establishes as a condition for use of the exemption that a registration statement have been filed under the federal Securities Act of 1933 and have been declared effective. Such condition, while it acts as an appropriate condition for sales of securities under the exemption, would restrict the ability of selling broker-dealers in connection with the offering to make offers in Wisconsin of the securities involved through use of the preliminary prospectuses prior to effectiveness of the registration statement.

The exemption provision of s. SEC 2.02(10)(g)1. has been promulgated under the statutory authority of s. 551.23(18), Stats., to remedy the identical problem and situation regarding distribution of preliminary prospectuses with respect to filing for offerings of securities under the coordination registration and qualification registration provisions of the Wisconsin Uniform Securities Law, as well as the registration exemptions cited in the rule. The amendment in this SECTION now adds to the list of offerings entitled to use this rule to make offers in Wisconsin via distribution of preliminary prospectuses, offerings through broker-dealers on behalf of issuers using the seasoned issuer exemption.

Consequently, because a filing under the "seasoned issuer" exemption may be made before effectiveness of the federal registration statement for the offering, the amendment to this rule acts to permit broker-dealers offering/selling on behalf of issuers using the "seasoned issuer" exemption to begin to make offers in Wisconsin, immediately upon the filing for that exemption in Wisconsin, pursuant to distribution of the preliminary prospectuses for the offering.

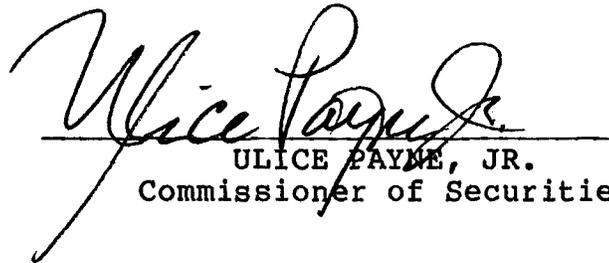
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EFFECTIVE DATE

The amendments contained in this Order shall take effect as provided in s. 227.026(1)(intro.), Stats., on the first day of the month following publication in the Wisconsin Administrative Register.

DATED at Madison, Wisconsin this 16<sup>th</sup> day of April,  
1986.

(SEAL)

  
\_\_\_\_\_  
ULICE PAYNE, JR.  
Commissioner of Securities

# WISCONSIN LEGISLATIVE COUNCIL

LCRC  
FORM 2

## RULES CLEARINGHOUSE

RONALD SKLANSKY  
DIRECTOR  
(Phone 266-1946)



ROOM 147 NORTH, STATE CAPITOL  
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RICHARD SWEET  
ASSISTANT DIRECTOR  
(Phone 266-2982)

BONNIE REESE  
EXECUTIVE SECRETARY

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### CLEARINGHOUSE REPORT TO AGENCY

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[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.029, STATS., AS CREATED BY CH. 34, LAWS OF 1979. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

#### CLEARINGHOUSE RULE 86-2

AN ORDER to repeal SEC 2.01 (7); and to amend SEC 2.01 (1) (a) 2 and 2.02 (10) (g) 1, relating to securities registration exemptions and use of preliminary prospectuses to make offers of securities.

Submitted by OFFICE OF THE COMMISSIONER OF SECURITIES.

1- 2-86. Received by Legislative Council.  
1-28-86. Report sent to Agency.

RS:DLS:kja;kjh

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

(Pursuant to s. 227.029, Stats.)

1. REVIEW OF STATUTORY AUTHORITY [s. 227.029 (2) (a)]
  - a. Rules appear to be within the agency's statutory authority
  - b. Rules appear to be unsupported by statutory authority, either in whole or in part
  - c. Comment attached  yes  no
  
2. REVIEW OF RULES FOR FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.029 (2) (c)]
  - a. Rules satisfactory
  - b. Rules unsatisfactory
  - c. Comment attached  yes  no
  
3. REVIEW OF RULES FOR CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.029 (2) (d)]
  - a. Conflict or duplication not noted
  - b. Conflict or duplication noted
  - c. Comment attached  yes  no
  
4. REVIEW OF RULES FOR ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS [s. 227.029 (2) (e)]
  - a. References appear to be adequate
  - b. References appear to be inadequate
  - c. Comment attached  yes  no
  
5. REVIEW OF LANGUAGE OF RULES FOR CLARITY, GRAMMAR, PUNCTUATION AND PLAINNESS [s. 227.029 (2) (f)]
  - a. Rules satisfactory
  - b. Rules unsatisfactory
  - c. Comment attached  yes  no
  
6. REVIEW OF RULES FOR POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL REGULATIONS [s. 227.029 (2) (g)]
  - a. No problems noted
  - b. Problems noted
  - c. Comment attached  yes  no
  
7. REVIEW OF RULES FOR PERMIT ACTION DEADLINE [s. 227.029 (2) (i)]
  - a. No problems noted
  - b. Problems noted
  - c. Comment attached  yes  no

# WISCONSIN LEGISLATIVE COUNCIL

## RULES CLEARINGHOUSE

RONALD SKLANSKY  
DIRECTOR  
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BONNIE REESE  
EXECUTIVE SECRETARY

January 28, 1986

### CLEARINGHOUSE RULE 86-2

#### COMMENTS

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council, dated June 1984.]

#### 5. Clarity, Grammar, Punctuation and Plainness

a. In s. SEC 2.01 (1) (a) 2, the notation "Stats." should follow "s. 551.22 (7)" and a semicolon should precede the final word "or."

b. In the effective date provision, "sec. 227.026 (1) (Intro.), Wis. Stats." should be "s. 227.026 (1) (intro.), Stats."

Report Prepared by the  
Office of the Commissioner of Securities  
Relating to Amendments to the  
Rules of the Commissioner of Securities

(a) Findings of Fact

(1) The administrative rule promulgation procedure is being implemented in this matter for the purpose of adopting in permanent form emergency rules adopted December 6, 1985 for effectiveness January 1, 1986.

(2) 1985 Wisconsin Act 38, effective January 1, 1986, created a "seasoned issuer" registration exemption in s. 551.235, Wis. Stats. Enactment of the "seasoned issuer" statute specifically affects the two rules that are amended by this Order.

(3) A Notice of Hearing to consider the amendment of the rules that are the subject of this Order was issued by the Commissioner on December 12, 1985 and was published in the December, 1985, end-of-the-month Wisconsin Administrative Register, designating the public hearing to be held in Room 314 Northwest of the State Capitol on the 4th day of February, 1986, commencing at 10:00 a.m.

(4) The complete text of the proposed rules with an analysis for each section was included in the mailing list of the December, 1985 Wisconsin Securities Bulletin sent to all persons on the Bulletin mailing list. The Bulletin mailing list includes the general public, securities licensees and registrants, securities law practitioners, and other interested persons. In a Staff Note item of that Bulletin, the agency requested written comments on the proposed amendments or testimony at the public hearing held at the State Capitol in Madison, Wisconsin.

(5) A summary of the Notice of Hearing was published in the December 23, 1985 edition (Number 757) of the Blue Sky Law Reporter, published by Commerce Clearing House.

(6) The required filing of the proposed rule amendments was made with the Rules Clearinghouse of the Wisconsin Legislative Council on January 2, 1986, and those proposed rule amendments were designated in the Rules Clearinghouse Report as Clearinghouse Rule 86-2. The Rules Clearinghouse Report contained two comments on the proposed rules that related solely to "Clarity, Grammar, Punctuation and Plainness". Both of the suggestions by the Rules Clearinghouse in its Report were implemented as particularized in sub. (e) of this Report.

(7) The public hearing relating to the rules that are the subject of this Order was held as scheduled on February 4, 1986 at 314 Northwest Capitol, with the Wisconsin Commissioner of Securities presiding as the hearing officer.

(8) During the comment period, no comments were received. At the public hearing, no testimony was presented (other than by agency staff).

(9) It is appropriate in the public interest and for the protection of Wisconsin investors for the Commissioner to seek to exercise his rule-making authority under ss. 551.22(1)(b), 551.23(18) and 551.63(1), Stats., to amend the rules as attached to carry out the purposes of the Wisconsin Uniform Securities Law.

(b) Statement Explaining Need for Rules

The administrative rule promulgation procedure is being implemented in this matter for the purpose of adopting in permanent form emergency rules effective January 1, 1985, which were adopted for the reasons discussed below.

The emergency rules were adopted to coordinate the timing of changes in three existing administrative rule provisions with the January 1, 1986 effective date of recently enacted (October 24, 1985) 1985 Wisconsin Act 38 that created a "seasoned issuer" registration exemption in s. 551.235, Wis. Stats. The "seasoned issuer" exemption specifically affected all three of the administrative rules that were amended or repealed by the emergency rules.

The ANALYSES of the rule amendments contained in the attached Order include detailed discussions of the need for the rules.

(c) Explanation of Modifications Made as a Result of Public Comment Letters Received and Public Hearing Testimony

--As a result of the repeal of the "blue chip" registration exemption in permanent form under Clearinghouse Rule 85-135, effective April 1, 1986, the repeal of the "blue chip" registration exemption initially included as SECTION 2 of Clearinghouse Rule 86-2 in its comment draft form has been deleted from the final form of Clearinghouse Rule 86-2 as attached to this Report. Repeal of the "blue chip" registration exemption in the Clearinghouse Rule 86-2 is unnecessary and would be duplicative because the repeal in final form has already been accomplished in Clearinghouse Rule 85-135.

(d) List of Persons Appearing or Registering at Public Hearing conducted by Commissioner of Securities Ulice Payne, Jr. as Hearing Officer

-- Patricia D. Struck, Assistant General Counsel of the Office of the Commissioner of Securities, made an appearance on behalf of the agency's staff and submitted documents and information for the record.

(e) Response to Legislative Council/Rules Clearinghouse Report Recommendations

(1) Acceptance of recommendations in whole:

Under 1. Statutory Authority

--No comments were made by the Rules Clearinghouse.

Under 2. Form, Style and Placement in Administrative Code

--No comments were made by the Rules Clearinghouse.

Under 3. Review of Rules for Conflict With or Duplication of Existing Rules

--No comments were made by the Rules Clearinghouse.

Under 4. Adequacy of References to Related Statutes,  
Rules and Forms

--No comments were made by the Rules Clearinghouse.

Under 5. Clarity, Grammar, Punctuation and Plainness

--Consistent with the Rules Clearinghouse comment in para. a., in s. SEC 2.01(1)(a)2., the notation "Stats." was added after "s. 551.22(7)", and a semicolon was added before the final word "or"

--Consistent with the Rules Clearinghouse comment in para. b., the language "sec. 227.026(1) (Intro.), Wis. Stats." in the Effective Date provision was amended to read "s. 227.026(1) (Intro.), Stats."

(f) Final Regulatory Flexibility Analysis

The rule amendments will not affect small businesses as defined in s. 227.016(1)(a), Stats.



State of Wisconsin \ OFFICE OF THE COMMISSIONER OF SECURITIES

Anthony S. Earl  
Governor

Ulice Payne, Jr.  
Commissioner of Securities

Margaret A. Satterthwaite  
Deputy Commissioner

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April 16, 1986

Office of the Secretary of State  
201 East Washington Avenue  
Madison, Wisconsin 53702

✓ Revisor of Statutes Bureau  
30 West Mifflin Street  
Madison, Wisconsin 53703

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APR 16 1986

Revisor of Statutes  
Bureau

Gentlemen and Mesdames:

Re: Filing of Certified Copies of Order  
Adopting Rules/Clearinghouse Rule 86-2

Pursuant to the requirements of ss. 227.023(1) and 227.025, Wis. Stats., a certified copy is herewith filed of the above-referenced Order Adopting Rules in the form prescribed in sec. 227.024, Wis. Stats. The rules were adopted by this agency on April 16, 1986.

Very truly yours,

Randall E. Schumann  
General Counsel

RES:bd

cc: Ulice Payne, Jr.  
Commissioner of Securities

Enclosures