

SEC 1 to 8

STATE OF WISCONSIN
Office of the
COMMISSIONER OF SECURITIES

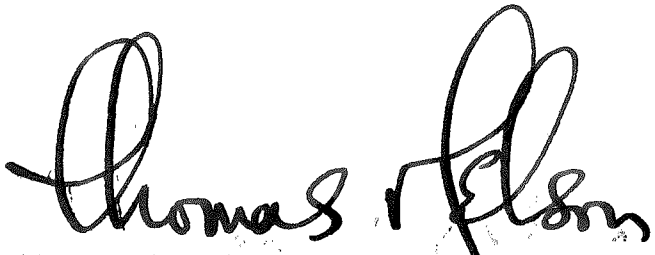
CERTIFICATE

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Thomas Nelson, Commissioner of Securities and custodian of the official records of this agency, hereby certify that the annexed rules, amendments thereto, and repeals thereof, all relating to state regulation of securities, were duly approved and adopted by this agency on July 21, 1972.

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 this agency at Madison, Wisconsin, this 21st day of July, 1972.


COMMISSIONER OF SECURITIES

(SEAL)

Filed July 25, 1972
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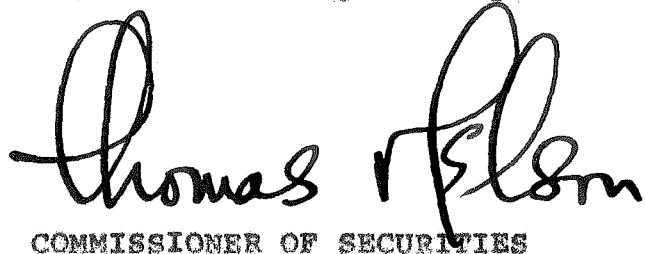
ORDER OF THE COMMISSIONER OF SECURITIES
ADOPTING, AMENDING AND REPEALING RULES
UNDER THE WISCONSIN UNIFORM SECURITIES LAW

Pursuant to authority vested in the Commissioner of Securities by Section 551.63(1) and (2) of the Wisconsin Statutes, the Commissioner of Securities hereby finds that it is necessary and appropriate in the public interest and for the protection of investors to adopt, amend and repeal rules as follows under the Wisconsin Uniform Securities Law, and hereby adopts, amends and repeals rules as follows:

Sections SEC 1.02 through SEC 8.01, inclusive, of the Wisconsin Administrative Code are adopted, amended or repealed, respectively, in the form annexed hereto and made a part hereof.

The rules so adopted, amended or repealed shall take effect on September 1, 1972, as provided in Section 227.026(1) of the Wisconsin Statutes.

Dated at Madison, Wisconsin, this 21st day of July, 1972.


COMMISSIONER OF SECURITIES

(SEAL)

STATE OF WISCONSIN
OFFICE OF THE
COMMISSIONER OF SECURITIES

AMENDMENTS TO
CHAPTERS SEC 1 THROUGH SEC 8
OF WISCONSIN ADMINISTRATIVE CODE

EFFECTIVE SEPTEMBER 1, 1972

FILED 7/25/72

Section SEC 1.02 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 1.02 Definitions. In chapter 551, Wis. Stats., and these rules, and unless the context otherwise requires:

(1) With respect to advertising as defined in section 551.02(1), Wis. Stats.:

(a) "Publication" means advertising printed in any newspaper, magazine, periodical or other publication and mailed or delivered to its subscribers or addressees, or communicated by radio, television or similar means;

(b) "Circulation" means advertising mailed, delivered or communicated in substantially similar form to more than the number of persons permitted under section 551.23(10) or (11), Wis. Stats.; and

(c) "Use" means any other use of advertising.

(2) "Broker-dealer" as defined in section 551.02(3), Wis. Stats., does not include:

(a) A pension or profit sharing trust, when effecting transactions for its own account; or

(b) A licensed investment adviser when placing orders for the accounts of its clients in accordance with rules prescribed by the commissioner, provided that no commission or other remuneration is received by such investment adviser solely for placing such orders.

(3) "Purchase" of a security includes every purchase, acquisition

or exchange, and every contract of purchase of, or contract to purchase, a security or interest in a security for value.

(4) With respect to an outstanding warrant or convertible security registered under sections 551.25 or 551.26, Wis. Stats., or exempted under sections 551.22 or 551.23, Wis. Stats., the right to purchase or subscribe for or convert into another security of the same or another issuer does not constitute an "offer of the other security" as defined in section 551.02(11)(d), Wis. Stats.

(5) "Security" as defined in section 551.02(13)(a), Wis. Stats., includes any membership in an incorporated or unincorporated association, any promoter or controlling person of which expects to make a profit or remuneration directly or indirectly from any business or activity of such association or from the offer or sale of memberships of such association.

Section SEC 2.01 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 2.01 Exempt securities. (1) Any security issued by a savings and loan association is exempted under section 551.22(4), Wis. Stats., except capital stock issued by any such association pursuant to chapter 215, Wis. Stats.

(2) Any security listed, or approved for listing upon notice of issuance, on the New York Stock Exchange, Inc., or the American Stock Exchange, Inc., is exempted under section 551.22(7), Wis. Stats., as is any other security of the same issuer which is of senior or substantially equal rank, any security called for by subscription rights or warrants so listed or approved, or any warrant or right to purchase or subscribe to any of the foregoing; provided that any such security offered in exchange for securities of any other issuer is exempted only if the issuer files with the commissioner a notice of the proposed offering, including the prospectus to be used in connection therewith and such additional information as he may require, and the commissioner does not by order disallow the exemption within 10 days.

(3) Any evidence of debt issued by a domestic non-profit corporation to persons other than its members is exempted under section 551.22(8), Wis. Stats., if the issuer or a licensed broker-dealer files a notice of the proposed issuance in the form prescribed by the commissioner, including: a trust indenture meeting the requirements of Wis. Adm. Code section SEC 2.07(2) under which such evidence of debt is proposed to be issued; a prospectus describing the issuer, the trust indenture and the evidence of debt proposed to be issued, which shall be given or sent to

each person to whom an offer of such evidence of debt is made at the time or times specified in Wis. Adm. Code section SEC 2.06(1); and such additional information as the commissioner may require; and the commissioner does not by order disallow the exemption within 10 days or such shorter period as he may permit.

(4) "Commercial paper" exempted under section 551.22(9) means any note, draft or bill of exchange which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidences an obligation to pay cash within 9 months of the date of issuance, exclusive of days of grace, or any renewal of such paper which is likewise limited, or any guarantee of such paper or of any such renewal; and which is offered or sold through any person exempted under section 551.23(8), Wis. Stats., whether such person is acting for itself or for the account of a customer, but not offered or sold to the general public by means of the publication or circulation of any advertising.

(5) Any security issued by a licensed broker-dealer to its officers, partners or employes is exempted under section 551.22(14), Wis. Stats., if:

(a) the issuer files with the commissioner a notice of the proposed issuance and such additional information as he may require, and the commissioner does not by order disallow the exemption within 10 days; or

(b) the security evidences a temporary subordinated borrowing by a broker-dealer that is a member of a national securities exchange, which is made in accordance with the rules of that exchange.

Section SEC 2.02 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 2.02 Exempt transactions. (1) An "isolated nonissuer transaction" within the meaning of section 551.23(1) Wis. Stats., includes:

(a) Any sale of an outstanding security by or on behalf of a person not in control of the issuer or controlled by the issuer or under common control with the issuer and not involving a distribution; but if the sale is effected through a broker-dealer and the security is not qualified under section 551.23(3), Wis. Stats., the transaction is deemed isolated only if the aggregate of all transactions in the security effected by or through the broker-dealer during the prior 12 months are isolated; and

(b) Any sale of an outstanding security by or on behalf of a person in control of the issuer or controlled by the issuer or under common control with the issuer if the sale is effected pursuant to brokers' transactions in accordance with section 4(4) of the securities act of 1933 and rule 144 thereunder; or pursuant to any other transaction not effected through a broker-dealer and not involving a distribution if the sale, including any other sales by such person of securities of the same class during the prior 12 months, does not exceed 1% of the outstanding shares or units of that class.

(2) In any nonissuer transaction effected by or through a licensed broker-dealer under section 551.23(2), Wis. Stats., pursuant to an unsolicited order or offer to purchase, the broker-dealer shall obtain from the purchaser a written acknowledgment that such purchase was unsolicited, or the confirmation delivered to the purchaser or a memorandum delivered in connection therewith shall confirm that such purchase was unsolicited by the broker-dealer or any agent of the broker-dealer. This exemption includes only transactions between a broker-dealer and a purchaser of a security.

(3) Any sale of an outstanding security is exempted under section 551.23(3), Wis. Stats., if:

(a) With respect to a security qualifying under subsection (3)(c) thereof, the issuer or a licensed broker-dealer files a notice of the proposed sale in the form prescribed by the commissioner, including the latest prospectus filed under the securities act of 1933 describing the securities proposed to be sold, and the information concerning the public market for the security specified in Wis. Adm. Code section SEC 3.02(2). Such exemption, unless disallowed by order of the commissioner within 10 days, is effective so long as the issuer is filing periodic information, documents and reports under section 15(d) of the securities exchange act of 1934.

(b) With respect to a security qualifying under subsection (3)(d) thereof, the issuer files a notice of the proposed sale in the form prescribed by the commissioner, including: the prospectus used in the most recent offering of the securities proposed to be sold; any information specified in Wis. Adm. Code sections SEC 2.05 and 2.06 and not contained in the filed prospectus; the trust indenture, if any, under which the securities proposed to be sold are

issued; the information concerning the public market for the security specified in Wis. Adm. Code section SEC 3.02(2); a balance sheet of the issuer as of the end of the last fiscal year of the issuer preceding the date of filing and an income statement and analysis of surplus for such fiscal year meeting the requirements of Wis. Adm. Code section SEC 6.07; an undertaking to file with the commissioner within 120 days after the end of each fiscal year of the issuer comparable financial statements of the issuer for each such fiscal year; and an undertaking to furnish the commissioner with a written report within 30 days after the happening of any material event affecting the issuer or the securities proposed to be sold. Such exemption, unless disallowed by order of the commissioner within 10 days, is effective so long as the information required to be furnished is kept current. The notice may be filed by a licensed broker-dealer if the issuer fails to consent to such filing and there is a public market for the security, in which case the notice shall include such information as is known by such broker-dealer or can be furnished by it without unreasonable effort or expense.

(4) A bond or other evidence of indebtedness secured by a mortgage, deed of trust or agreement of sale, is not "offered and sold as a unit" within the meaning of section 551.23(5), Wis. Stats., if it is part of an offering including other bonds or evidences of indebtedness secured by interests in real estate owned or developed by the same person or by persons affiliated by reason of direct or indirect control; or if it is offered or sold with any right of recourse or substitution against or any guaranty by the real estate developer or any person other than the debtor.

(5) A "financial institution or institutional investor" within the meaning of section 551.23(8). Wis. Stats., includes:

(a) An endowment or trust fund of a charitable organization specified in section 170(b)(1)(A) of the internal revenue code;

(b) An issuer which has any class of securities registered under section 12 of the securities exchange act of 1934, and any wholly owned subsidiary thereof; and

(c) Any other corporation, partnership or association which has been in existence for 10 years or whose net assets exceed \$250,000, and whose principal purpose as stated in its articles, by-laws or other organizational instrument is investing in securities, provided that any broker-dealer shall obtain records confirming such facts prior to effecting transactions with any such person.

(6) With respect to an offer or sale of a security exempted under sections 551.23(10) or (11), Wis. Stats.:

(a) Persons holding directly or indirectly all the issuer's securities include all joint or common owners and all beneficial owners of its securities, and all beneficial owners of any corporation, partnership, association or trust holding any of the issuer's securities and organized in connection with the offer or sale of such securities.

(b) Issuers affiliated by reason of direct or indirect control or persons affiliated by reason of direct or indirect control of any issuer are deemed to be a single issuer or person; but the commissioner may by order exempt the offer or sale of securities by any such affiliated issuer or person upon the filing of a notice of the proposed sale and such other information as he may require, if he finds that it is not part of a common business purpose or plan of offering.

(c) A reasonable commission or fee may be paid to a licensed broker-dealer for services rendered in connection with a sale of securities effected under these sections.

(d) Any issuer or other person selling securities under these sections shall file with the commissioner a report of such sales on a form prescribed by him, within 30 days after the aggregate amount of such sales in this state exceeds \$50,000 or sales are effected to an aggregate of 20 persons in this state within a 3-year period, setting forth the name and address of the issuer and each purchaser in this state, a description of the securities sold, the amount of securities and price paid by each purchaser and the date of each transaction. Each such person shall file with the commissioner supplemental reports within 30 days after the end of each calendar quarter in which further sales of the securities are effected.

(e) The exemption for any offer or sale under these sections is withdrawn with respect to: any offer or sale by or on behalf of any issuer or other person who has failed to file the most current report of sales specified in subsection (6)(d); any offer or sale of equity securities by or on behalf of any person directly or indirectly controlling an issuer whose equity securities were registered under chapter 551, Wis. Stats., or any predecessor law and are held by more than 100 stockholders of record in this state, if the sale, including any other sales by such person of securities of the same class during the prior 12 months, exceeds 1% of the outstanding shares or units of that class; and any offering of securities registered under the securities act of 1933 or exempted by regulations A or B thereunder; unless permitted by order of the commissioner in compliance with such conditions as he may prescribe for the protection of purchasers.

(7) Notice of an offer to existing security holders exempted under section 551.23(12), Wis. Stats., shall be filed in the form prescribed by the commissioner, and shall include any prospectus, circular or other material to be delivered to offerees in connection with such transaction.

(8) "Class vote" within the meaning of section 551.23(13), Wis. Stats., includes any vote pursuant to the articles of incorporation or the applicable corporation statute, of the stockholders of a corporation voting as one class, and any vote of stockholders of any class taken in accordance with the provisions of section 180.52, Wis. Stats., or comparable provisions of the articles of incorporation or of an applicable corporation statute of another state.

(9) Notice of an offer of an evidence of debt of a non-profit corporation exempted under section 551.23(15), Wis. Stats., shall be filed in the form prescribed by the commissioner, and shall include: a trust indenture meeting the requirements of Wis. Adm. Code section SEC 2.07(2) under which the evidence of debt is proposed to be issued; a prospectus describing the issuer, trust indenture and evidence of debt proposed to be issued, which shall be given or sent to each person to whom an offer of such evidence of debt is made at the time or times specified in Wis. Adm. Code section SEC 2.06(1); such additional information as the commissioner may require; and

(a) With respect to an offer qualifying under subsection (15)(a) thereof, a signed or conformed opinion of counsel for the issuer or other evidence satisfactory to the commissioner with respect to the validity and rank of the lien of the mortgage or deed of trust and evidence satisfactory to the commissioner that the total amount of the securities proposed to be offered does not exceed 50% of the then fair market value of the land and buildings included in such mortgage or deed of trust, less the amount of any unpaid special assessment taxes; or

(b) With respect to an offer qualifying under subsection (15)(b) thereof, an income statement and an analysis of surplus of the issuer for each of its 3 immediately preceding fiscal years and a balance sheet of the issuer as of the end of each such fiscal year meeting the requirements of Wis. Adm. Code section 6.07.

(10) The following transactions are exempted under section 551.23(18), Wis. Stats., without limiting the commissioner's authority thereunder:

(a) Any isolated issuer transaction relating to redeemable securities of an investment company registered under the investment company act of 1940, effected through a licensed broker-dealer pursuant to an unsolicited order or offer to purchase, provided that the broker-dealer obtains from the purchaser a written acknowledgment that such purchase was unsolicited or the confirmation delivered to the purchaser or a memorandum delivered in connection therewith confirms that such purchase was unsolicited by the broker-dealer or any agent of the broker-dealer.

(b) Any issuance of securities by a corporation in a transaction meeting the requirements of section 368(a)(1)(B) of the internal revenue code, if the issuer files with the commissioner the reorganization agreement and plan pursuant to which such securities are proposed to be issued and such additional information as the commissioner may require, and the commissioner does not by order disallow the exemption within 10 days.

(c) Any transaction pursuant to an offer to existing security holders of the issuer, and to not more than 10 other persons in this state less the number of persons in this state with whom the issuer has effected any transactions during the period of 12 months preceding the offer pursuant to section 551.23(10) or (11), Wis. Stats., if no commission or other remuneration other than a standby commission is paid or given directly or indirectly for soliciting any security holder in this state; and if the issuer files with the commissioner a notice specifying the terms of the offer, including any prospectus, circular or other material to be delivered to offerees in connection with the transaction and such other information as the commissioner may require, and the commissioner does not by order disallow the exemption within 10 days.

(d) Any transaction incident to a vote of security holders of any issuer other than a corporation, pursuant to its organizational instrument or the applicable statute of any state, on a reorganization or a sale or transfer of assets in consideration of the issuance of securities of another person; if the issuer files with the commissioner a notice specifying the terms of the reorganization, sale or transfer of assets, including any proxy solicitation or other material to be delivered to security holders in connection with the transaction, and the commissioner does not by order disallow the exemption within 10 days.

(e) Any offer or sale of securities pursuant to a transaction not involving a public offering under the securities act of 1933, or to the employees or agents of the issuer pursuant to a stock option plan of the issuer, which the commissioner may by order exempt upon application filed by the issuer or seller, including such information as the commissioner may require, and which is effected in compliance with such conditions as the commissioner may prescribe for the protection of investors.

Section SEC 2.03 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 2.03 Exemption proceedings. (1) A notice of exemption pursuant to sections 551.22 or 551.23, Wis. Stats., is not deemed filed until payment of the examination fee prescribed by Wis. Adm. Code section SEC 6.01(1).

(2) If any information is reasonably required by the commissioner prior to the effective date of an exemption, in connection with the examination of any notice filed pursuant to sections 551.22 or 551.23, Wis. Stats., the notice is not deemed filed until the information so required is filed with the commissioner.

(3) An order of the commissioner disallowing an exemption with respect to a specified security or transaction pursuant to sections 551.22 or 551.23, Wis. Stats., has the same effect as an order denying or revoking an exemption pursuant to section 551.24, Wis. Stats.

Section SEC 2.05 (1) (n) of the Wisconsin Administrative Code is amended to read:

(1)(n) A signed or conformed copy of an opinion of counsel as to the legality of the security being registered, stating whether the security when sold will be legally issued, fully paid, and nonassessable; and, if a debt security, a binding obligation of the issuer; and if the issuer is a partnership, association or trust, whether the purchasers will be liable for the obligations of the issuer; and that the offer and sale of the security being registered is exempt from registration under the securities act of 1933, if such is the case, specifying the basis for such exemption;

Section SEC 2.07(3) of the Wisconsin Administrative Code is adopted to read:

(3) The commissioner may require additional provisions in any trust indenture relating to the issuance of evidences of debt registered by qualification under section 551.26, Wis. Stats., or exempted from registration under sections 551.22(8) or 551.23(15), Wis. Stats., that he deems appropriate for the protection of purchasers.

Section SEC 2.08 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 2.08 Extension of registration statements. (1) Notice of a proposed extension of the offering period of a registration statement, except one relating to redeemable securities of an investment company registered under the investment company act of 1940 or securities of a finance company licensed under sections 138.07 or 138.09, Wis. 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, and shall be accompanied by the latest prospectus used in connection with the offering of the registered securities and a balance sheet of the issuer as of a date within 120 days of such proposed extension date and an income statement and analysis of surplus of the issuer for its last fiscal year preceding the date of such balance sheet and for the period between the close of the issuer's last fiscal year and the date of such balance sheet, all meeting the requirements of Wis. Adm. Code section SEC 6.07. Any extension of the offering period of a registration statement shall be by order of the commissioner, subject to such conditions as he may prescribe for the protection of investors.

(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 sections 138.07 or 138.09, Wis. Stats., is deemed to include a notice of the continuous offering of such securities. The offering period of such 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 section 551.28, Wis. Stats., provided that the issuer files with the commissioner not less than annually during the offering period, within 120 days of the end of its fiscal year, the latest prospectus used in connection with the offering of the registered securities, and a balance sheet of the issuer as of the end of such fiscal year and an income statement and analysis of surplus of the issuer for such fiscal year meeting the requirements of Wis. Adm. Code section SEC 6.07.

Section SEC 2.11 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 2.11 Registration proceedings. (1) If any information is reasonably required by the commissioner prior to the effective date of a registration statement filed under sections 551.25 or 551.26, Wis. 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) The commissioner may institute a proceeding under section 551.28, Wis. Stats., and may issue a stop order suspending or revoking the effectiveness of any registration statement filed under sections 551.25 or 551.26, Wis. Stats., at any time during the period that the registration statement is effective and within one year thereafter.

Section SEC 3.01 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 3.01 Commissions and expenses. (1) The aggregate amount of underwriters' and sellers' discounts, commissions and other compensation shall be reasonable, and except for issuers specified in subsection (2), is presumed reasonable if it does not exceed 10% of the aggregate selling price of the securities or if, when added to the other expenses paid or payable in connection with the offering and sale of the securities, the total of commissions and other expenses does not exceed 15% of the aggregate selling price of the securities.

(2) With respect to redeemable securities of investment companies registered under the investment company act of 1940, the maximum selling commission or discount is presumed reasonable if it does not exceed 9% of the selling price of the securities, including the percentage amount of any redemption fee payable upon redemption of the securities.

(3) With respect to investment company shares or face amount certificates sold pursuant to a contractual plan or program payable in installments, the selling commission may be deemed unreasonable if more than a pro rata portion of the total selling commission payable over the period of the contract is payable in connection with any installment payment, or if any charge or penalty is assessed for failure to make any installment payment.

Section SEC 3.02(4) of the Wisconsin Administrative Code is amended to read:

(4) If the issuer of the stock is in the promotional or developmental stage, the information prescribed in subsections (2) and (3) is not required, but the offering price shall be reasonably related to the price paid for the stock by promoters or controlling persons of the issuer in transactions effected prior to the public offering, except as permitted under Wis. Adm. Code section SEC 3.04.

Section SEC 3.03(1) and (2) (intro.) of the Wisconsin Administrative Code is amended to read:

(1) Restricted or qualified stock options to employes for incentive purposes, including employe stock purchase agreements extending for a period of more than one year, shall be reasonable in number and method of exercise.

(2) Options or warrants to underwriters are presumed reasonable if they satisfy all of the following conditions, but the commissioner may waive any of such conditions if the underwriting arrangements have been reviewed by the National Association of Securities Dealers, Inc., and have not been found to involve unfair and unreasonable underwriters' compensation:

Section SEC 3.04(2) and (4) of the Wisconsin Administrative Code is amended to read:

(2) For the purpose of this rule, "promotional or cheap stock" includes any equity or convertible securities issued or sold at any time prior to the public offering date by any issuer in the promotional or developmental stage on that date, or within 2 years prior to the public offering date by any other issuer, to any persons who were at the time of such sale or issuance or are at the time of the public offering underwriters, promoters, finders, officers, directors, or controlling stockholders of the issuer, at a price lower than or at a conversion rate or for a consideration not reasonably related to the public offering price of such securities, in the absence of any public market for such equity securities or any substantial change in the earnings or financial position of the issuer.

(4) The commissioner may require as a condition of registration of such securities that all or any part of the promotional or cheap stock of the issuer be deposited in escrow pursuant to section 551.27(7), Wis. Stats., for such period and under such conditions as he may prescribe, and may then determine that the offering does not involve unreasonable promoters' profits or participations, if the aggregate amount of promotional or cheap stock, excluding any amount as to which the consideration paid was reasonably related to the public offering price, does not exceed 50% of the amount of stock to be outstanding on completion of the offering or outstanding during the period the registration statement is effective.

Section SEC 3.05(2) (a) and (3) of the Wisconsin Administrative Code is amended to read:

(2) For the purpose of this rule:

(a) The "fair value of the equity investment" of the officers, directors and promoters means the total of all amounts paid to the issuer in cash together with the reasonable value of all tangible assets paid to the issuer, as determined by independent appraisal or otherwise, and as adjusted by any earned surplus of the issuer subsequent to the dates of such payments.

(3) For the purpose of this chapter, an issuer in the "promotional or developmental stage" means an issuer which has no significant record of operations or earnings prior to the public offering date.

Section SEC 3.06(2) of the Wisconsin Administrative Code is amended to read:

(2) The offering or sale of debt securities, including debentures, notes and bonds of an issuer, may be deemed unfair and inequitable to purchasers if the net earnings of the issuer before taxes for (a) its last year prior to the offering or (b) the average of its last 3 years prior to the offering, as stated in the prospectus, exclusive of nonrecurring items and adjusted for the issuance of the debt securities, or the substantiated future net earnings capability of the issuer, is insufficient to cover the interest on the securities proposed to be offered.

Section SEC 3.07 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 3.07 Unequal voting rights. The offering or sale of securities of any issuer may be deemed unfair and inequitable to purchasers if the class of securities being offered and sold to such purchasers has unequal voting rights as herein defined.

(1) If the issuer is a corporation having more than one class of equity securities authorized or outstanding, the offer or sale may be deemed unfair and inequitable to purchasers if the class of equity securities offered or sold to such purchasers (a) has no voting rights; or (b) has less than equal voting rights, in proportion to the number of shares of each class outstanding, adjusted for any prior reclassification of securities, on any matter, including election to the board of directors of the issuer; unless preferential treatment as to dividends and liquidation is provided with respect to the class of equity securities offered or sold or the inequality in voting rights is otherwise justified.

(2) If the issuer is a partnership, the offering or sale of its limited partnership interests may be deemed unfair and inequitable to purchasers unless the partnership agreement provides that (a) the limited partners, by a vote of a majority of the outstanding amount of limited partnership interests, shall have the right to remove the general partner, to amend the partnership agreement, to dissolve the partnership, and to continue its business with a substituted general partner; (b) the general partner shall cause a vote to be taken on any of the matters referred to herein upon the written request of 10% of the outstanding amount of limited partnership interests; (c) each limited partner shall have the right to a complete list of names, addresses,

and interests of all limited partners, upon written request to the general partner, for any proper purpose; and (d) the partnership agreement shall not be amended in any material respect affecting the rights or interests of the limited partners except by the affirmative vote of not less than a majority of the outstanding amount of limited partnership interests; or unless the partnership agreement includes appropriate alternative provisions or the lack of limited partners' rights is otherwise justified.

Section SEC 3.11 of the Wisconsin Administrative Code is renumbered as section SEC 3.12 and amended to read:

SEC 3.12 Other causes for denial, suspension or revocation. The enumeration of causes stated in Wis. Adm. Code sections SEC 3.01 through 3.11 is not exclusive, and the commissioner may issue a stop order denying effectiveness to, or suspending or revoking the effectiveness of, any registration statement for any cause stated in section 551.28(1), Wis. Stats., whether similar to or different from the causes enumerated in these sections, when necessary or appropriate in the public interest or for the protection of purchasers.

Section SEC 3.11 of the Wisconsin Administrative Code is adopted to read:

SEC 3.11 Investment companies. The offer or sale of redeemable securities of an open-end management investment company or unit investment trust, as defined in the investment company act of 1940, may be deemed unfair and inequitable to the purchasers thereof unless its prospectus, advisory contract, or organizational instruments include provisions satisfying the following requirements:

(1) The investments of the company shall be restricted in the following respects:

(a) No diversified investment company shall purchase the securities of any issuer, excluding government securities, if by reason thereof the value of its investment in all securities of that issuer will exceed 5% of the value of its total assets.

(b) No investment company shall purchase any securities of the classes herein defined, if by reason thereof the value of its aggregate investment in such classes of securities will exceed: 10% of its total assets in securities of issuers which the company is restricted from selling to the public without registration under the securities act of 1933; 5% of its total assets in securities of unseasoned issuers, including their predecessors, which have been in operation for less than three years, and equity securities of issuers which are not readily marketable; or 5% of its total assets in puts, calls, straddles, spreads,

and any combination thereof.

(c) No investment company shall invest any part of its total assets in real estate or interests therein, excluding readily marketable securities; commodities or commodity futures contracts; or interests in oil, gas, or other mineral exploration or development programs.

(d) The fundamental investment policies of the company shall be stated in the prospectus in reasonable detail and shall not be materially changed in any respect unless authorized by the vote of a majority of the outstanding voting securities of the company.

(2) The policy stated or followed by any investment company of engaging in any material respect in any of the following or related speculative activities, whether individually or in combination, and the relatively greater risks or costs involved in such activities, shall be disclosed or clearly referred to in bold face type on the cover of the prospectus or on a prospectus supplement satisfactory in form to the commissioner:

(a) Borrowing money for investment in securities, excluding borrowing for temporary purposes;

(b) Purchasing securities for short-term trading;

(c) Purchasing restricted securities as herein defined;

(d) Purchasing put or call options or combinations thereof; or

(e) Short selling of securities, excluding short selling against the box.

(3) The aggregate annual expenses of every character paid or incurred by an investment company, including management and advisory fees but excluding interest, taxes, and brokerage commissions, and extraordinary expenses, whether such expenses are payable by the company

or its shareholders, calculated at least quarterly on a basis consistently applied, shall not exceed $1\frac{1}{2}\%$ of the first \$30,000,000 of its net assets and 1% of any additional net assets. The investment adviser or manager shall reimburse the investment company not less than annually for the amount by which such aggregate annual expenses exceed the amounts herein provided, up to an amount not exceeding its management and advisory fees for the period for which reimbursement is made, prior to publication of the company's annual report, and shall promptly notify the commissioner if the aggregate expense limitation is exceeded by reason of any extraordinary expenses. The commissioner may require the investment adviser or manager to maintain financial resources reasonably sufficient to enable it to meet its reimbursement obligation hereunder.

(4) The net assets of an investment company, upon completion of the initial public offering of its securities or within a period of two years after the commencement thereof or such additional period as the commissioner may permit, shall not be less than \$1,000,000.

(5) All payments by an investment company upon redemption of securities of which it is the issuer shall be made in cash, except that the payments in cash by a company which has filed an election pursuant to rule 18f-1 under the investment company act of 1940 may be limited to the amount specified thereunder. The company shall give prompt written notice to the commissioner prior to effecting any redemption in assets other than cash in this state, specifying the manner in which such redemption will be effected and the securities to be distributed upon redemption. The redemption fee payable by any shareholder shall not exceed 1% of the amount receivable upon redemption of his shares, except that if the shares of a company are sold without

sales commission, the redemption fee shall not exceed 2% of such amount, subject to such conditions as the commissioner may prescribe.

(6) An investment company shall not effect any brokerage transactions in its portfolio securities with any broker-dealer affiliated directly or indirectly with its investment adviser or manager, unless such transactions, including the frequency thereof, the receipt of commissions payable in connection therewith, and the selection of the affiliated broker-dealer effecting such transactions, are not unfair or unreasonable to the shareholders of the company. The commissioner may require the company to file periodic reports concerning all such brokerage transactions.

(7) Each registered investment company shall notify the commissioner promptly when it is not in compliance with any of the above requirements, and its registration statements shall be subject to revocation or suspension.

Section SEC 4.01 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 4.01 License period. (1) Initial licenses of broker-dealers whose names commence with the letters A through D expire on March 31 of each year; initial licenses of broker-dealers whose names commence with the letters E through I expire on June 30 of each year; initial licenses of broker-dealers whose names commence with the letters J through O expire on September 30 of each year; and initial licenses of broker-dealers whose names commence with the letters P through Z expire on December 31 of each year. Initial licenses of agents representing broker-dealers expire on the same day as that of the broker-dealer which they represent. Initial licenses of agents representing issuers expire on December 31 of each year. Initial licenses of investment advisers expire on December 31 of each year.

(2) Renewal licenses of broker-dealers, agents and investment advisers expire one year from their respective effective dates, but the commissioner may by order limit the period of or specify an earlier expiration date for any renewal license.

(3) The license of an agent is not effective during any period when the broker-dealer which he represents is not licensed, or when the securities of the issuer which he represents are not registered.

Section SEC 4.02(3) of the Wisconsin Administrative Code is amended to read:

(3) Each applicant for an initial license as an agent or investment adviser and each person representing an investment adviser in this state is required to pass a written examination prescribed by the commissioner. The commissioner may require that a written examination be taken by one or more partners or officers representing a broker-dealer in this state prior to the issuance of a license to the broker-dealer, and by one or more supervisory employes of a licensed broker-dealer prior to acting as such in this state. Any such examination shall relate to chapter 551, Wis. Stats., and the rules of the commissioner thereunder, the applicable federal securities laws and the rules of the securities and exchange commission thereunder, general matters concerning the securities business, and such other matters as the commissioner may determine. The commissioner may, with respect to any person, waive the examination insofar as it relates to general matters concerning the securities business upon receipt of evidence of satisfactory completion of a comparable examination administered by the securities and exchange commission or the National Association of Securities Dealers, Inc. The commissioner may prescribe different examinations for different classes of applicants, and he may waive the examination for any agent representing an issuer or representing a licensed broker-dealer in an office outside this state, if such agent is adequately supervised and if the license of such agent is appropriately limited.

Section SEC 4.02(5) and (6) of the Wisconsin Administrative Code is adopted to read:

(5) No licensed agent or partner, officer or director of a licensed broker-dealer or investment adviser shall be a partner, officer or director of or own, directly or beneficially, any equity security or interest in any broker-dealer or investment adviser other than the broker-dealer or investment adviser which he represents or an equity security of a broker-dealer qualified under section 551.23(3), Wis. Stats., unless such broker-dealers or investment advisers are affiliated by reason of direct or indirect common control.

(6) Each licensed broker-dealer or investment adviser shall promptly file with the commissioner an amendment to its application for license in the event of any material change in the information contained therein, including without limitation, any amendment to its articles of incorporation, by-laws, or partnership agreement, or the opening of any office in this state. An "office" means any place of business deemed an office, branch office, sales office or office of supervisory jurisdiction registered under the rules of any national securities exchange or national securities association of which the broker-dealer is a member, and any place of business where five or more licensed agents of the broker-dealer or employees of the investment adviser regularly transact business or effect securities transactions.

Section SEC 4.03 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 4.03 Withdrawal of licenses. (1) An application for withdrawal from the status of a licensed broker-dealer or investment adviser under section 551.34(6), Wis. Stats., shall be filed by the licensee, and shall include a report on the status of all customer accounts of the licensee in this state. If the licensee has any open customer accounts in this state, the settlement of all such accounts is a condition of its withdrawal, and its withdrawal is not effective until permitted by the commissioner.

(2) An application for withdrawal from the status of a licensed agent may be filed by the agent or by the broker-dealer which he represents, within 10 days of the termination of his employment with such broker-dealer or issuer, on a form prescribed by the commissioner. If the application for withdrawal is filed by the agent, the broker-dealer or issuer shall file a notice of termination of the agent's employment within 10 days of such termination, on a form prescribed by the commissioner.

Section SEC 4.04 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 4.04 Net capital requirements. (1) Every broker-dealer shall have the net capital necessary to comply with all of the following conditions:

(a) The aggregate indebtedness of the broker-dealer to all other persons shall not exceed 2,000% of its net capital.

(b) The broker-dealer shall have and maintain net capital of not less than \$20,000, except as provided in subsection (c).

(c) If a broker-dealer effects only transactions involving the sale and redemption of redeemable securities of investment companies registered under the investment company act of 1940, does not effect margin transactions with any customers, and does not hold funds or securities of any customer or owe money or securities to any customer except prior to prompt completion of customers' transactions, and files with the commissioner a written undertaking to limit its transactions as herein provided, such broker-dealer shall have and maintain net capital of not less than \$10,000.

(2) Every investment adviser shall have and maintain net capital of not less than \$5,000, which shall be in the form of cash or securities or other liquid assets as determined by the commissioner.

(3) If a broker-dealer or investment adviser is an individual, he shall segregate from his personal capital an amount sufficient to satisfy his net capital requirement, and the amount so segregated shall be utilized solely for the business for which such broker-dealer or investment adviser is licensed.

(4) Every broker-dealer shall make a computation of its net capital and ratio of its aggregate indebtedness to its net capital not less than monthly, and shall preserve such net capital computations as part of its records under Wis. Adm. Code section SEC 4.05(1).

(5) The commissioner may by order prescribe, in connection with the license of any broker-dealer whose net capital is less than \$20,000 or whose aggregate indebtedness exceeds 1500% of its net capital, other than a broker-dealer whose transactions are limited as provided in subsection (1)(c), such conditions on its right to transact business in this state as he deems appropriate for the protection of its customers.

(6) No broker-dealer other than a broker-dealer whose transactions are limited as provided in subsection (1)(c), shall permit or effect a withdrawal of any part of its net worth, including subordinated indebtedness, whether by redemption, retirement, repurchase, repayment, or otherwise, that will cause its net capital to be less than \$25,000 or its aggregate indebtedness to exceed 1500% of its net capital, without prior written notice to the commissioner.

(7) For the purpose of this rule and to insure uniform interpretation, the terms "aggregate indebtedness" and "net capital" of a broker-dealer have the respective meanings as defined in rule 15c3-1 under the securities exchange act of 1934. A copy of any subordination agreement relating to a broker-dealer shall be filed with the commissioner or with a national securities exchange of which the broker-dealer is a member, within 10 days after such agreement has been entered into, and shall meet the requirements of a "satisfactory subordination agreement" as defined in rule 15c3-1.

(8) The commissioner may by order exempt from the provisions of this rule, either unconditionally or upon specified conditions, any broker-dealer which satisfies the commissioner that because of membership in a national securities exchange or because of the special nature of business, and its financial position, and the safeguards that have been established for the protection of customers' funds and securities, it is not necessary in the public interest or for the protection of investors for the broker-dealer to be subject to this rule.

Sections SEC 4.07(1) and (4) of the Wisconsin Administrative Code are amended to read:

(1) Each broker-dealer or investment adviser, within 60 days after the end of each fiscal year or within 60 days after any surprise audit of a broker-dealer under the rules of a national securities exchange of which it is a member, shall file with the commissioner a statement of assets and liabilities as of the end of such fiscal year or as of the date of such surprise audit, certified without material qualification by independent accountants. In the case of a broker-dealer such financial statements shall be prepared in accordance with the requirements of form X-17a-5 under the securities exchange act of 1934 and include all information specified under such requirements, and shall be accompanied by a report on the computation of the net capital and aggregate indebtedness of the broker-dealer prepared from such financial statements, on a form prescribed by the commissioner.

(4) Each broker-dealer and investment adviser shall file with the commissioner a notice of transfer of control of such broker-dealer or investment adviser not less than 30 days prior to the date on which such transfer of control is to become effective or such shorter period as he may permit, and shall furnish the commissioner with such additional information relating thereto as he may reasonably require. A transfer of control is deemed a material amendment to the application for license of such broker-dealer or investment adviser under section 551.33(3), Wis. Stats., and shall not become effective unless permitted by the commissioner.

Section SEC 4.07(5) and (6) of the Wisconsin Administrative Code is adopted to read:

(5) Each broker-dealer, other than a broker-dealer whose transactions are limited as provided in Wis. Adm. Code section 4.04(1)(c), shall file with the commissioner the following reports concerning its net capital and ratio of its aggregate indebtedness to its net capital:

(a) Immediate telegraphic or written notice to the commissioner if at any time its net capital is less than \$20,000 or its aggregate indebtedness exceeds 1500% of its net capital, specifying the respective amounts of its net capital and aggregate indebtedness and its net capital ratio on the date of such notice.

(b) A report on its net capital and ratio of its aggregate indebtedness to its net capital as of the end of each month in which its net capital is less than \$25,000 or its aggregate indebtedness exceeds 1200% of its net capital, on a form prescribed by the commissioner, not later than 15 days after the end of each such month.

(c) A signed copy of every report or notice required to be filed by the broker-dealer pursuant to rule 17a-11 under the securities exchange act of 1934, not later than the date of filing of such report or notice.

(6) Each broker-dealer shall give immediate telegraphic or written notice to the commissioner of the theft or mysterious disappearance of any significant amount of securities or funds from any office in this state, stating all material facts known to it concerning such theft or disappearance.

Section SEC 4.08(3) of the Wisconsin Administrative Code is amended to read:

(3) An investment adviser shall not enter into, extend, or renew any investment advisory contract if such contract:

(a) Provides for compensation to the investment adviser on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client;

(b) Fails to provide, in substance, that no assignment of the contract may be made by the investment adviser without the consent of the other party to the contract; or

(c) Fails to provide, in substance, that the investment adviser, if a partnership, shall notify the other party to the contract of any change in the membership of the partnership within a reasonable time after such change.

Section SEC 4.08(5) and (6) of the Wisconsin Administrative Code is adopted to read:

(5) A broker-dealer or investment adviser shall not enter into any contract with a customer if such contract contains any condition, stipulation or provision binding the customer to waive any of his rights under Chapter 551, Wis. Stats., or any rule or order thereunder. Any such condition, stipulation or provision is void.

(6) Every broker-dealer and investment adviser whose principal office is located in this state shall have at least one partner, officer or licensed agent employed on a full-time basis at its principal office.

Section SEC 4.09(1)(a) and (2)(f) of the Wisconsin Administrative Code is amended to read:

(1)(a) Causing any unreasonable delay in the delivery of securities purchased by any of its customers, or in the payment upon request of free credit balances reflecting completed transactions of any of its customers

(2)(f) Engaging in any of the practices specified in subsection (1)(b), (c), (d), (n) and (o) of this rule.

Section SEC 4.09(1) (n) and (o) of the Wisconsin Administrative Code is adopted to read:

(1) (n) Representing itself as a financial or investment planner, consultant, or adviser, when such representation does not fairly describe the nature of the services offered, the qualifications of the person offering such services, and the method of compensation for such services.

(1) (o) Violating any rule of a national securities exchange or national securities association of which it is a member with respect to any customer or transaction or any of its business in this state.

Section SEC 4.11 of the Wisconsin Administrative Code is adopted to read:

SEC 4.11 Denial, suspension and revocation of licenses. (1) Any order denying, suspending or revoking the license of a broker-dealer or investment adviser or censuring the licensee may include such other sanctions related thereto that the commissioner finds are appropriate for the protection of its customers.

(2) The commissioner may revoke or suspend the license of an agent who is not a partner, officer or director of a broker-dealer, or may censure the licensee, for failure to supervise other licensed agents of the broker-dealer, if he finds that the agent was assigned supervisory duties by the broker-dealer, including established procedures and a system for applying them reasonably expected to prevent and detect any violations of statutes, rules and orders, and that such agent failed reasonably to discharge such supervisory duties.

Section SEC 5.02 of the Wisconsin Administrative Code is amended to read:

SEC 5.02 Stock distributions. A person authorizing or causing the distribution of securities as a stock dividend by a corporation other than the issuer, without registration of such securities under chapter 551, Wis. Stats., or the securities act of 1933, is deemed to employ a "device, scheme or artifice to defraud" the purchasers of such securities in broker-dealer transactions, within the meaning of section 551.41(1), Wis. Stats., if (a) the issuer of the securities was organized or the securities were acquired for the purpose of the distribution or in connection therewith, either by the distributing corporation or by any person in control of, controlled by, or under common control with, the distributing corporation, or (b) the issuer has nominal assets or income at the time of the distribution; and if such person has reason to believe that the distribution will be followed by transactions in the securities effected through broker-dealers.

Section SEC 5.03 of the Wisconsin Administrative Code is renumbered as section SEC 5.04 and amended to read:

SEC 5.04 Broker-dealer activities. The terms "manipulative, deceptive or other fraudulent device or contrivance" in section 551.43, Wis. Stats., are defined to include the activities described in rules 15c1-1, 2, 4, 5, 6, 7 and 8 and 15c2-1, 4, 5, 7, 8 and 11 under the securities exchange act of 1934.

Section SEC 5.03 of the Wisconsin Administrative Code is adopted to read:

SEC 5.03 Securities transfers. An issuer of outstanding securities registered under sections 551.25 or 551.26, Wis. Stats., or transactions in which are exempted from registration under section 551.23(3)(c) or (d), Wis. Stats., or any controlling person of such issuer, is deemed to employ a "device, scheme or artifice to defraud" the purchasers of such securities within the meaning of section 551.41(1), Wis. Stats., if the issuer fails to provide adequate facilities for the transfer and delivery of such securities to the purchasers thereof without unreasonable delay, either directly or through its transfer agent for such securities.

Section SEC 6.01 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 6.01 Examination expenses. The following fees are prescribed for the expenses of examination of various matters arising under chapter 551, Wis. Stats., are chargeable to the applicant, registrant or licensee, and are payable unless otherwise provided at the time an application or notice is filed:

(1) Examination of registration matters:

(a) Application for post-effective amendment of a registration statement ----- \$50

(b) Application for extension of a registration statement ---- \$50

(c) Application for exemption from registration under Section 551.23(11) or (18), Wis. Stats. ----- \$50

(d) Application for opinion confirming an exemption or an exclusion from a definition ----- \$20

(e) Notice filed under section 551.22 (10) or (14), Wis. Stats., or under section 551.23(12), Wis. Stats., or under Wis. Adm. Code sections SEC 2.01(2) or 2.02(10)----- \$20

(f) Notice filed under section 551.22(8), Wis. Stats., or under section 551.23(3) or (15), Wis. Stats. ----- \$50

(2) Examination of licensing matters:

(a) Application for initial license of a broker-dealer or investment adviser or a successor under section 551.32(1) or (3), Wis. Stats. ----- \$50

(b) Notice of transfer of control of a broker-dealer or investment adviser under Wis. Adm. Code section SEC 4.07(4) ----- \$50

(c) Examination of an agent applicant or a person representing an investment adviser under section 551.32(4), Wis. Stats. ----- \$10

(d) Periodic examination of a broker-dealer or investment adviser under section 551.33(4), Wis. Stats. ----- An amount not exceeding in any year the aggregate amount of license fees of the broker-dealer and its agents or the investment adviser, payable upon completion of the examination.

(3) Examination of advertising:

(a) Advertising filed with a notice or application for exemption under section 551.22 or 551.23, Wis. Stats. ----- No charge

(b) Advertising filed by a licensee or registrant under section 551.53, Wis. Stats. ----- \$5 per item, but not exceeding in any year the aggregate amount of \$100 for each licensee or registrant if paid in advance.

(c) Advertising filed by a person not a licensee or registrant under section 551.53, Wis. Stats. ----- \$10 per item

(d) Prospectus filed by a registered investment company or finance company under Wis. Adm. Code section SEC 2.08(2)----- \$20

(e) Proxy solicitation material filed by an issuer under Wis. Adm. Code section SEC 6.03(3)----- \$20

(4) Examination of other matters:

(a) Certification of any document or entry under section 551.64(4), Wis. Stats.----- \$10 plus \$1 per page

(b) Issuance of an interpretive opinion under section 551.64(5), Wis. Stats.----- \$50

Section SEC 6.02(1)(a) and (b) of the Wisconsin Administrative Code is amended to read:

(a) A prospectus published or circulated in connection with an offering of a security for which a registration statement has been filed under sections 551.25 or 551.26, Wis. Stats., that has not become effective; or an offering of a security for which a notice or application for exemption, including such prospectus, has been filed under sections 551.22 or 551.23; or an offering of a security exempted under Wis. Adm. Code section SEC 2.01(2);

(b) Advertising published or circulated relating to a security exempted under section 551.22, Wis. Stats., except under Wis. Adm. Code section SEC 2.01(2); or relating to a transaction exempted under section 551.23(4), (5), (6), (7) or (8), Wis. Stats.; or relating to a transaction exempted under section 551.23(12), (13) or (14), Wis. Stats., if the issuer has any securities registered under section 12 of the securities exchange act of 1934 or exempted from registration by section 12(g)(2)(G) thereof or is an investment company registered under the investment company act of 1940.

Section SEC 6.03 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 6.03 Proxy solicitations. (1) An offer for the sale or purchase of a security within the meaning of chapter 551, Wis. Stats., is involved, so far as the security holders of a corporation or other issuer are concerned where, pursuant to the articles of incorporation or other organizational instrument or the applicable corporation or other statute, there is submitted to the vote of such security holders a proposal, plan or agreement for:

(a) a reclassification of securities of such corporation or issuer which involves the substitution or exchange of a security for another security;

(b) a statutory merger or consolidation in which securities of such corporation or issuer will become or be exchanged for securities of any other corporation or issuer;

(c) a transfer of assets of such corporation or issuer to another person in consideration of the issuance of securities of the other person or any of its affiliates; or

(d) a sale of securities of such corporation or issuer to another person in consideration of the issuance or transfer to such corporation or issuer of securities of the other person or any of its affiliates.

(2) Advertising includes any proxy solicitation material or other written communication published or circulated by a corporation or other issuer in connection with the submission of any matter specified in subsection (1) to the vote of its security holders.

(3) A corporation or other issuer of equity securities which are held by more than 100 stockholders of record in this state, registered under chapter 551, Wis. Stats., or any predecessor law, but not registered under section 12 of the securities exchange act of 1934 or exempted from registration by section 12(g)(2)(G) thereof, except an investment company registered under the investment company act of 1940, shall not publish or circulate any proxy solicitation material or other written communication in connection with the submission of any matter specified in subsection (1) to the vote of its security holders, unless such material is filed in duplicate with the commissioner not less than 10 days prior to the date of use or such shorter period as he may permit, and unless it fully discloses all facts deemed by the commissioner to be material in connection with the matter being submitted to the vote of its security holders.

Section SEC 6.04(4) of the Wisconsin Administrative Code is adopted to read:

(4) The commissioner may require any person named in any administrative order issued under section 551.60(2), Wis. Stats., to satisfy any civil liabilities arising under section 551.59, Wis. Stats., in connection with the matters set forth in the order, prior to registering any securities offered for sale by such person or licensing such person as a broker-dealer, agent, or investment adviser.

Section SEC 6.07(3) of the Wisconsin Administrative Code is adopted to read:

(3) The commissioner may, upon the request of the registrant and where appropriate for the protection of investors, permit the omission of one or more of the statements herein required or the filing in substitution therefor of appropriate statements of comparable character. The commissioner may also require the filing of other statements in addition to, or in substitution for, the statements herein required in any case where such statements are necessary or appropriate for an adequate presentation of the financial condition of any issuer or person whose financial statements are required, or whose statements are otherwise necessary for the protection of investors.

Section SEC 7.02 of the Wisconsin Administrative Code is amended to read:

SEC 7.02 Notices of hearing. Notice of a hearing shall be mailed by the commissioner to all interested parties or their respective attorneys of record, and shall state the date, time and place of the hearing and a clear and concise statement of the issues involved at the hearing. An order for hearing shall be in the form of a notice. Any party who has received a notice of hearing may file a written answer thereto prior to the date set for hearing, or may appear at the hearing. If briefs or written arguments are presented, copies shall be served upon the commissioner and all interested parties prior to the hearing.

Section SEC 7.03(2) of the Wisconsin Administrative Code is amended to read:

(2) If a party who has received notice of or has filed an application or request for a hearing fails to appear at the hearing, the commissioner may proceed with the hearing and, on the evidence presented, may make a decision and issue an order.

Section SEC 7.10 of the Wisconsin Administrative Code is amended to read:

SEC 7.10 Decisions and orders. (1) A decision or order following a hearing shall be promptly mailed or personally delivered to each interested party at his last known address or to his attorney of record.

(2) Each order issued without a hearing involving the denial, revocation or suspension of a registration statement or license under sections 551.28(4) or 551.34(4), Wis. Stats., or the disallowance, denial or revocation of an exemption under sections 551.22, 551.23 or 551.24(1), Wis. Stats., or the prohibition of offers or sales of a security by any person or the suspension of trading in a security under section 551.60(2) or (3), Wis. Stats., shall be promptly mailed by registered or certified mail to each party named in the order at his last known address or personally delivered to any such party by an officer or employe designated by the commissioner.

(3) Any other order of the commissioner shall be promptly mailed by the commissioner to the applicant, registrant or licensee at his last known address or to his attorney of record.

Section 7.11 of the Wisconsin Administrative Code is adopted to read:

SEC 7.11 Effectiveness of orders. (1) Every order of the commissioner is effective when signed and when mailed or personally delivered to each party named in the order or to his attorney of record. The mailing of an order to such party at his last known address appearing in the commissioner's files constitutes notice thereof.

(2) Any person acting under an order or license of the commissioner containing any conditions is deemed to have notice thereof and to have accepted and waived any objections to such conditions.

(3) Every licensed broker-dealer and investment adviser, the address of whose principal office appears on the address list of the commissioner, is deemed to have notice of the contents of any bulletin published by the commissioner 10 days after the date of mailing of such bulletin by the commissioner.

Section SEC 8.01 of the Wisconsin Administrative Code is repealed and readopted to read:

SEC 8.01 Forms. (1) The following forms are prescribed for use in this state and may be obtained from the office of the commissioner of securities, Madison, Wisconsin:

- U-1. Uniform application to register securities
- U-2. Uniform consent to service of process
- U-3. Uniform application for license as broker-dealer or investment adviser
- A-1. Application to register securities by qualification
- A-2. Consent to service of process by issuer or applicant
- A-3. Consent to service of process by broker-dealer or investment adviser
- A-4. Renewal application for broker-dealer license
- A-5. Renewal application for agent license
- A-6. Renewal application for investment adviser license
- A-7. Application for withdrawal of agent license
- O-1. Registration order
- O-2. Registration order for investment company
- O-3. Amendment order
- O-4. Extension order
- O-5. Exemption order
- O-6. Exemption order for secondary trading
- R-1. Broker-dealer report of sales
- R-2. Issuer report of sales
- R-3. Investment company report of sales
- R-4. Finance company report of sales of notes

R-5. Broker-dealer report of net capital computation

R-6. Issuer report of sales in limited offering

(2) Any other application or notice may be filed containing the information specified in the applicable statutory section or rule.