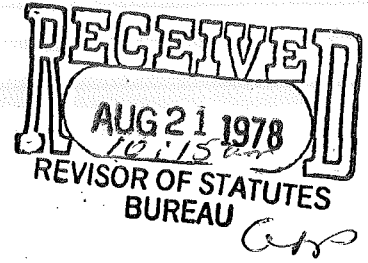


SEC 2 to 7

Certificate



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

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Jeffrey B. Bartell, Commissioner of Securities for the State of Wisconsin and custodian of the official records of the Office of the Commissioner of Securities, certify that the attached rules adopting various new provisions and amending certain existing provisions of Chapters SEC 2, 3, 4, 6 and 7 of the Rules of the Commissioner of Securities were duly approved and adopted by the Commissioner of Securities on August 21, 1978.

I further certify that I have compared said copies of the rules with the originals on file in this Office, and that the same are true and correct copies thereof, and of the whole of such originals.

IN TESTIMONY WHEREOF, I have hereunto set my hand and the official seal of this Office on this 21st day of August, 1978, in the City of Madison, Wisconsin.

(SEAL)

JEFFREY B. BARTELL
Commissioner of Securities

OFFICE OF THE
COMMISSIONER OF SECURITIES
STATE OF WISCONSIN

In the Matter of
Wis. Adm. Code
Rules of the
Commissioner of Securities
Amendments to Chapters
SEC 2, 3, 4, 6 and 7

ORDER ADOPTING
PERMANENT RULES

Pursuant to the authority vested in the
Wisconsin Commissioner of Securities under section
551.63(1), Wis. Stats., to make, amend and rescind
any rules, forms and orders that are necessary to
carry out Chapter 551, the Wisconsin Uniform Securities
Law, and to protect public investors, Wisconsin
Commissioner of Securities Jeffrey B. Bartell hereby
adopts and amends rules as follows:

AMENDMENTS TO
WISCONSIN ADMINISTRATIVE CODE
RULES OF THE COMMISSIONER OF SECURITIES
CHAPTERS SEC 2, 3, 4, 6 and 7

1 SECTION 1. Wis. Adm. Code section SEC 2.01(2) is amended
2 to read:

3 (2) For purposes of sections 551.22(3) and ~~551.22(6)~~,
4 Wis. Stats., an issuer or guarantor is "subject to regulation
5 in respect of the issuance or guarantee of its securities by
6 a governmental authority" if that governmental authority has
7 authority to regulate the issuer's or a guarantor's business
8 and the terms of:

9 ~~(a)---The issuer's or guarantor's equity securities and
10 debt securities with a maturity of one year or more, or~~

11 ~~(b)---The~~ the particular securities to be offered and sold.

12 SECTION 2. Wis. Adm. Code section SEC 2.01(3) is repealed.

13 SECTION 3. Wis. Adm. Code sections 2.01(4), (5), (6),
14 and (7) are renumbered SEC 2.01(3), (4), (6), and (5),
15 respectively.

16 SECTION 4. Wis. Adm. Code section SEC 2.01(3)(a), as
17 renumbered, is amended to read:

18 (3)(a) Any evidence of debt issued by a domestic non-
19 profit corporation to persons other than its members is exempted
20 under section 551.22(8), Wis. Stats., if the issuer or licensed
21 broker-dealer files a notice of the proposed issuance in the
22 form prescribed by the commissioner, including: a trust
23 indenture meeting the requirements of Wis. Adm. Code section
24 SEC 3.24 under which such evidence of debt is proposed to be
25 issued; a prospectus, describing the issuer, the trust indenture

1 and the evidence of debt proposed to be issued, which shall
2 be given or sent to each person to whom an offer of such
3 evidence of debt is made at the time or times specified in
4 Wis. Adm. Code section SEC 3.23(1); and such additional
5 information as the commissioner may require; and the commissioner
6 does not by order deny or revoke the exemption within 10 days.

7 SECTION 5. Wis. Adm. Code section SEC 2.01(7) is created
8 to read:

9 (7) Any security that meets all of the following
10 conditions is exempted under section 551.22(17), Wis. Stats.:

11 (a) If the issuer is not organized under the laws of
12 the United States or a state, it has appointed a duly
13 authorized agent in the United States for service of process
14 and has set forth the name and address of such agent in its
15 prospectus;

16 (b) A class of the issuer's securities is required to
17 be and is registered under section 12 of the securities
18 exchange act of 1934, and has been so registered for the 3
19 years immediately preceding the offering date;

20 (c) Neither the issuer nor a significant subsidiary has
21 had a material default during the lesser of the last 7 years or
22 the issuer's existence in the payment of (i) principal, interest,
23 dividend, or sinking fund installment on preferred stock or
24 indebtedness for borrowed money, or (ii) rentals under leases
25 with terms of 3 years or more. A "material default" is a
26 failure to pay, the effect of which is to cause indebtedness
27 to become due prior to its stated maturity or to cause termina-
28 tion or reentry under a lease prior to its stated expiration,

1 if the indebtedness or the rental obligation for the unexpired
2 term exceeds 5 percent of the issuer's (and its consolidated
3 subsidiaries) total assets, or if the arrearage in required
4 dividend payments on preferred stock is not cured within 30
5 days;

6 (d) The issuer has had annual consolidated net income
7 (before extraordinary items and the cumulative effect of
8 accounting changes) as follows: (i) at least one million
9 dollars in 4 of its last 5 fiscal years including its last
10 fiscal year, and (ii) if the offering is of interest bearing
11 securities, at least 1-1/2 times its annual interest expense,
12 calculating net income before deduction for income taxes and
13 depreciation and giving effect to the proposed offering and
14 the intended use of the proceeds, for its last fiscal year.
15 "Last fiscal year" means the most recent year for which
16 audited financial statements are available, provided that
17 such statements cover a fiscal period ended not more than 15
18 months from the commencement of the offering;

19 (e) If the offering is of stock or shares (other than
20 preferred stock or shares), and except as otherwise required
21 by law, the securities have voting rights at least equal to
22 the securities of each of the issuer's outstanding classes of
23 stock or shares (other than preferred stock or shares), with
24 respect to (i) the number of votes per share, and (ii) the
25 right to vote on the same general corporate decisions;

26 (f) If the offering is of stock or shares (other than
27 preferred stock or shares), the securities are owned benefi-
28 cially or of record, on any date within 6 months prior to the
29 commencement of the offering, by at least 1,200 persons, and

1 on that date there are at least 750,000 of the shares out-
2 standing with an aggregate market value, based on the average
3 bid price, of at least \$3,750,000. In determining the
4 number of persons who are beneficial owners of the stock or
5 shares, the issuer or a broker-dealer may rely in good faith
6 upon written information furnished by record owners;

7 (g) Provided that, if the securities to be issued are
8 listed, or approved for listing upon notice of issuance, on
9 the New York Stock Exchange, Inc. or the American Stock
10 Exchange, Inc., and the current original listing standards
11 of that exchange are satisfied as of the end of the issuer's
12 most recent fiscal year, the conditions of clause (c) need
13 be met for only 5 years and the annual net earnings require-
14 ment of clause (d)(i) shall be \$250,000;

15 (h) And provided further that, if the issuer of the
16 securities is a finance company with liquid assets of at
17 least 105 percent of its liabilities (other than deferred
18 income taxes, deferred investment tax credits, capital stock
19 and surplus) at the end of each of its last 5 fiscal years,
20 the net income requirement of clause (d)(ii), but before
21 deduction for interest expense, shall be 1-1/4 times its
22 annual interest expense. "Finance company" means a company
23 engaged primarily in the business of wholesale, retail,
24 installment, mortgage, commercial, industrial or consumer
25 financing, banking or factoring. "Liquid assets" means
26 cash, receivables payable on demand or not more than 12
27 years following the close of the company's last fiscal year,
28 and readily marketable securities, in each case less applicable
29 reserves and unearned income.

1 SECTION 6. Wis. Adm. Code section SEC 2.01(8) is
2 created to read:

3 (8) Any security issued or guaranteed as to both
4 principal and interest by an international bank of which the
5 United States is a member is exempted under section 551.22(17),
6 Wis. Stats.

7 SECTION 7. Wis. Adm. Code section SEC 2.02(6)(b) is
8 amended to read:

9 (6)(b) Issuers affiliated by reason of direct or
10 indirect control or persons affiliated by reason of direct
11 or indirect control of any issuer are deemed to be a single
12 issuer or person; but ~~the commissioner may by order exempt~~
13 use of an exemption for the offer ~~or~~ and sale of securities
14 by such affiliated issuer or person ~~upon the filing of a~~
15 ~~notice of the proposed sale and such other information as~~
16 ~~the commissioner may require~~, shall be exempt if it is not
17 be denied on account of such affiliation provided the offer
18 and sale are not part of a common business purpose or plan
19 of offering, or if upon the filing of an application the
20 commissioner so orders. A "common business purpose or plan
21 of offering" is presumed where the offer or sale of securities
22 is not separate and distinct from another offer and sale of
23 securities with respect to (i) the application of proceeds,
24 (ii) the physical proximity of real property or other assets,
25 or (iii) the financial or operational affairs of the business;

26 SECTION 8. Wis. Adm. Code section SEC 2.02(6)(d)1. is
27 amended to read:

1 (6) (d) 1. Any offer or sale of a ~~limited-partnership~~
2 ~~interest, investment contract, or~~ certificate of interest or
3 participation in an oil, gas or mining title or lease or in
4 payments out of production under such title or lease, a limited
5 partnership interest, or an investment contract, if the
6 aggregate maximum value of all securities to be offered ~~in~~
7 ~~this-state~~ by or on behalf of the issuer, together with the
8 value of any securities ~~issued~~ sold to persons in this state
9 by or on behalf of the issuer during the prior 12 months,
10 exceeds \$100,000, unless the issuer files a notice of such
11 proposed offer or sale with the commissioner, including any
12 prospectus, circular or other material to be delivered to
13 offerees, and such other information as the commissioner may
14 require, and the commissioner does not by order withdraw,
15 deny or revoke the exemption within 10 days;

16 SECTION 9. Wis. Adm. Code section SEC 3.06(2) is amended
17 to read:

18 (2) The offer or sale of debt securities of an issuer
19 may be deemed unfair and inequitable to purchasers unless
20 the net earnings of the issuer, for its last fiscal year
21 prior to the offering and for the average of its last 3 fiscal
22 years prior to the offering, are sufficient to cover the
23 interest requirements on all debt securities issued sub-
24 sequent to its last fiscal year (including the securities
25 proposed to be offered). Net earnings shall be determined
26 before income taxes, depreciation and extraordinary items,
27 and shall be adjusted for any debt securities to be redeemed

1 with the proceeds of the offering. The commissioner may
2 waive the foregoing requirement upon evidence of a sufficient
3 future net earnings capability.

4 SECTION 10. Wis. Adm. Code section SEC 3.22(1)(h) is
5 amended to read:

6 (1)(h) The kind ~~and amount~~ of securities and the amount
7 to be offered (which, in the case of redeemable securities
8 of an open-end management company, unit investment trust and
9 face amount certificate company, as defined in the investment
10 company act of 1940, shall be indefinite); the proposed
11 offering price or the method by which it is to be computed;
12 and variation therefrom at which any proportion of the
13 offering is to be made to any person or class of persons
14 other than the underwriters, with a specification of any
15 such person or class; the basis upon which the offering is
16 to be made if otherwise than for cash; the estimated aggregate
17 underwriting and selling discounts or commissions and finders'
18 fees (including separately cash, securities, contracts, or
19 anything else of value to accrue to the underwriters or
20 finders in connection with the offering) or, if the selling
21 discounts or commissions are variable, the basis of determining
22 them and their maximum and minimum amounts; the estimated
23 amounts of other selling expenses, including legal, engineering,
24 and accounting charges; the name and address of every under-
25 writer and every recipient of a finder's fee; a copy of any
26 underwriting or selling group agreement pursuant to which the
27 distribution is to be made, or the proposed form of any such
28 agreement whose terms have not yet been determined; and a

1 description of the plan of distribution of any securities
2 which are to be offered otherwise than through an underwriter.

3 SECTION 11. Wis. Adm. Code section SEC 3.26(2) is
4 amended to read:

5 (2) A registration statement relating to ~~redeemable~~
6 ~~securities-of-an-investment-company-registered-under-the~~
7 ~~investment-company-act-of-1940-or-to~~ securities issued by
8 a finance company licensed under section 138.09, Wis. Stats.,
9 may be amended after its effective date so as to increase
10 the specified amount of securities proposed to be offered
11 in this state.

12 SECTION 12. Wis. Adm. Code sections SEC 3.27(1) and
13 (2) are amended to read:

14 (1) Application for an extension of the offering
15 period of a registration statement, except one relating to
16 redeemable securities of an investment company registered
17 under the investment company act of 1940 ~~for-which-the~~
18 ~~maximum-filing-fee-prescribed-by-statute-has-not-been-paid,~~
19 or securities of a finance company licensed under section
20 138.09, Wis. Stats., shall be filed in the form prescribed
21 by the commissioner not less than 30 days prior to the end
22 of one year from (a) the effective date of the registration
23 statement; ~~(b)-an-order-of-amendment-increasing-the-amount~~
24 ~~of-securities-offered-in-this-state;~~ or ~~(c)~~ (b) an order of
25 extension, whichever is most recent. Such application shall
26 be accompanied by a prospectus updated in accordance with
27 Wis. Adm. Code section SEC 3.23(5), a balance sheet of the
28 issuer as of the end of its most recent fiscal year, and a

1 comparative statement of income and changes in financial
2 position and analysis of surplus for each of the 3 most recent
3 fiscal years (or for the period of the issuer's and any
4 predecessor's existence if less than 3 years), all meeting
5 the requirements of Wis. Adm. Code section SEC 7.06; provided
6 that if the date of any of the above financial statements is
7 more than 120 days (180 days with respect to a corporation
8 organized and operated not for private profit but exclusively
9 for religious, educational, benevolent or charitable purposes)
10 prior to the date of such extension of the registration state-
11 ment, such statement shall be updated (which may be done
12 without audit) to within the 120 or 180 day requirement
13 above. Any extension of the offering period of a registration
14 statement shall be by order of the commissioner, subject to
15 such conditions as may be prescribed.

16 (2) A registration statement relating to redeemable
17 securities of an investment company registered under the
18 investment company act of 1940 ~~for which the maximum filing~~
19 ~~fee prescribed by statute has not been paid~~, or securities
20 of a finance company licensed under section 138.09, Wis.
21 Stats., is deemed to include an application for the continuous
22 offering of such securities. The offering period of such
23 registration statement is automatically extended until it
24 is permitted to be withdrawn or the commissioner issues a
25 stop order suspending or revoking its effectiveness pursuant
26 to section 551.28, Wis. Stats., provided that the issuer
27 files the reports required under Wis. Adm. Code section SEC

1 3.28(2) and files with the commissioner not less than annually
2 during the offering period, within 120 days of the end of its
3 fiscal year, a prospectus updated in accordance with Wis. Adm.
4 Code section SEC 3.23(5), a balance sheet of the issuer as of
5 the end of such fiscal year, and a statement of income and
6 change in financial position and analysis of surplus of the
7 issuer for such fiscal year meeting the requirements of Wis.
8 Adm. Code section SEC 7.06.

9 SECTION 13. Wis. Adm. Code sections SEC 3.28(2) and
10 (3) are renumbered SEC 3.28(3) and (4), respectively.

11 SECTION 14. Wis. Adm. Code section SEC 3.28(2) is
12 created to read:

13 (2) Every open-end management company, unit investment
14 trust, and face amount certificate company, as defined in
15 the investment company act of 1940, having an effective
16 registration statement under this chapter relating to an
17 indefinite amount of its redeemable securities shall, within
18 2 months after the end of any fiscal year during which the
19 registration statement was effective, and within 2 months
20 after the registration is terminated, file form RS-IC
21 reporting the amount of securities sold in this state during
22 the fiscal year (or portion thereof if filed after termination),
23 and shall pay the additional fee for the securities computed
24 in accordance with section 551.52(1)(b), Wis. Stats. and
25 Wis. Adm. Code section SEC 7.01(8). Failure to file form
26 RS-IC and pay the proper additional fee shall be cause for
27 issuance of a stop order pursuant to section 551.28(1), Wis.
28 Stats.

1 SECTION 15. Wis. Adm. Code section SEC 3.28(3), as
2 renumbered, is amended to read:

3 (3) Each ~~investment-company-registered-under-the-invest-~~
4 ~~ment-company-act-of-1940-issuing-redeemable-securities-which~~
5 ~~has-not-paid-the-maximum-filing-fee-prescribed-by-statute,~~
6 and each finance company licensed under section 138.09, Wis.
7 Stats., issuing securities registered in this state shall file
8 with the commissioner within 45 days following the end of each
9 calendar quarter, a report on a form prescribed by the
10 commissioner specifying the number of shares or units of
11 securities sold in this state or the aggregate selling price
12 thereof during such quarter.

13 SECTION 16. Wis. Adm. Code section SEC 3.29 is created
14 to read:

15 (1) Investment company transition procedure. Every
16 open-end management company, unit investment trust and face
17 amount certificate company, as defined in the investment
18 company act of 1940, having an effective registration state-
19 ment under this chapter relating to its redeemable securities
20 shall, not later than December 31, 1978, file an application
21 (which may be in letter form) for amendment of its registration
22 statement to register an indefinite amount of its securities.

23 (2) Failure to file the application within the time
24 prescribed may be grounds for termination of the registra-
25 tion statement for the securities.

26 (3) An issuer whose registration statement has been
27 amended to register an indefinite amount of its securities

1 pursuant to sub. (1) shall pay the additional fee, pursuant
2 to Wis. Adm. Code section SEC 3.28(2), only for those securities
3 sold in this state after the date of the amendment, and shall
4 be entitled to a credit toward that fee in the amount of:

5 (a) \$750, if the issuer has paid the maximum registration
6 fee previously prescribed by section 551.52(1), Wis. Stats.; or

7 (b) That portion of the registration fee previously paid
8 that is attributable to the registered securities remaining
9 unsold on the date of the amendment, if the issuer has not
10 paid the maximum registration fee previously prescribed by
11 section 551.52(1), Wis. Stats.

12 SECTION 17. Wis. Adm. Code section SEC 4.03(3) is
13 amended to read:

14 (3) Except as provided in paragraph (d), every branch
15 office of a licensed broker-dealer as defined in Wis. Adm.
16 Code section SEC 1.02(7) shall prepare and keep current the
17 following records ~~for-its-customers-served-by-such-office:~~

18 SECTION 18. Wis. Adm. Code section SEC 4.03(3)(d) is
19 created to read:

20 (3)(d) Branch offices of broker-dealers engaged solely
21 in the sale and redemption of securities of investment companies
22 registered under the investment company act of 1940 shall be
23 deemed in compliance with this rule if they prepare and keep
24 current copies of those records described in Wis. Adm. Code
25 section SEC 4.03(1)(f), (h), (i), (j), (k) and (o).

26 SECTION 19. Wis. Adm. Code section SEC 4.05(8) is
27 amended to read:

1 (8) Every licensed broker-dealer, except broker-dealers
2 engaged solely in the sale and redemption of securities of
3 investment companies registered under the investment company
4 act of 1940, shall require each of its licensed agents to have
5 and keep current, and each agent shall have and keep current,
6 the following records relating to customer securities
7 transactions:

8 SECTION 20. Wis. Adm. Code section SEC 4.06(1)(u) is
9 repealed.

10 SECTION 21. Wis. Adm. Code section SEC 6.05(2) is
11 amended to read:

12 (2) The provisions of sub. (1) apply to a transaction
13 or series of transactions which has, or may have either of
14 the following effects:

15 SECTION 22. Wis. Adm. Code section SEC 7.01(2)(b) is
16 amended to read:

17 (2)(b) Application for exclusion from a definition by
18 order under section 551.02(3) ~~(i)~~ (h) or 551.02(7) ~~(h)~~ (g),
19 Wis. Stats. . . . \$100.

20 SECTION 23. Wis. Adm. Code section SEC 7.01(8) is
21 created to read:

22 (8) If the additional registration fee for investment
23 company registrants prescribed under section 551.52(1)(b),
24 Wis. Stats. exceeds \$1,000 for the previous fiscal year (or
25 portion thereof before termination), the amount of that
26 excess may be reduced by one-twentieth of one percent of the
27 amount by which the aggregate redemption or repurchase price
28 of the securities redeemed or repurchased from persons in

1 this state during that period exceeded the aggregate sale
2 price of the securities sold to persons in this state during
3 the same period.

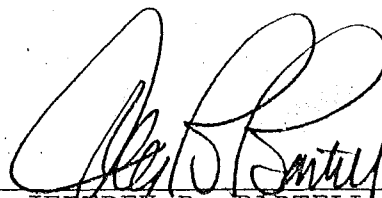
4 SECTION 24. Wis. Adm. Code section SEC 7.02(1)(b) is
5 amended to read:

6 (1)(b) Advertising published or circulated relating to
7 a security exempted under section 551.22, Wis. Stats., except
8 under Wis. Adm. Code section SEC 2.01(4)(a); or relating to
9 a transaction exempted under sections 551.23(4), (5), (6),
10 (7) or (8), Wis. Stats.; or relating to a transaction
11 exempted under sections 551.23(12), (13) or (14), Wis. Stats.,
12 if the issuer has any securities registered under section 12
13 of the securities exchange act of 1934 are exempted from
14 registration by section 12(g)(2)(G) thereof or is an invest-
15 ment company registered under the investment company act of
16 1940; or relating to a transaction subject to the filing
17 requirements of section 14(d) of the securities exchange act
18 of 1934; provided the transaction ~~does not and cannot have~~
19 ~~either of the effects described in Wis. Adm. Code section~~
20 ~~SEC-6-05(2)~~ is not subject to the filing requirements of Wis.
21 Adm. Code section SEC 6.05(1);

EFFECTIVE DATE

The rules and amendments hereinabove shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in section 227.026(1), Wis. Stats.

Issued this 21st day of August, 1978
at Madison, Wisconsin.



JEFFREY B. BARTELL
Commissioner of Securities

(SEAL)