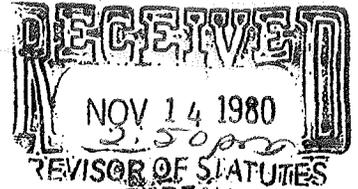


SEC 1 to 36

CERTIFICATE

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



TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS: BUREAU

I, Richard R. Malmgren, Commissioner of the State of Wisconsin Office of the Commissioner of Securities and custodian of the official records of said agency do hereby certify that the annexed rules relating to the operation of Ch. 551, Wis. Stats., the Wisconsin Uniform Securities Law, and of Ch. 553, Wis. Stats., the Wisconsin Franchise Investment Law, with respect to definitions, registration exemptions, registration requirements and procedures, securities broker-dealer and investment adviser licensing requirements and procedures, fraudulent practices, fees and administrative procedure, were duly approved and adopted by this agency on November 14, 1980.

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

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Office of the Commissioner of Securities at 3:00 P. M. in the city of Madison, this 14th day of November, 1980.

(SEAL)

Richard R. Malmgren
RICHARD R. MALMGREN
Commissioner of Securities
State of Wisconsin

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

RELATING TO a comprehensive revision of the rules of the Commissioner of Securities concerning the operation of Ch. 551, Wis. Stats., the Wisconsin Uniform Securities Law, and of Ch. 553, Wis. Stats., the Wisconsin Franchise Investment Law, with respect to definitions, registration exemptions, registration requirements and procedures, securities broker-dealer and investment adviser licensing requirements and procedures, fraudulent practices, fees and administrative procedure.

Analysis Prepared by the
Office of the Commissioner of Securities
Relating to Amendments in Final Adopted Form to
Rules of the Commissioner of Securities

(a) Findings of Fact

- (1) The Office of the Commissioner of Securities has made a comprehensive review of its Administrative Rules promulgated under the Wisconsin Uniform Securities Law and the Wisconsin Franchise Investment Law for the following purposes: making clarifications to existing rule provisions where language is vague or ambiguous; adopting or amending rules necessary to effectively regulate new circumstances or developments which have occurred in the industry and the marketplace that require regulatory treatment; to formally adopt and incorporate by reference certain specific securities registration guidelines previously adopted by national and regional securities administrators associations of which Wisconsin is a member; to adopt a number of recommendations made by the Commissioner's Advisory Committee on Investment Advisers Professional Responsibility in its October, 1977 Committee Report; to adopt the Uniform Franchise Registration Application Form and Guideline adopted by a national association of administrators of franchise laws of which Wisconsin is a member; and to incorporate language and style changes throughout the Rules that were suggested by the Legislative Reference Bureau when it made an analysis during May of 1980 of the language and format of the Rules in their current form.
- (2) Copies of the Comment Draft of the Proposed Rule Revisions containing Explanatory Notes to each amended section were distributed to the general public, securities licensees and registrants, franchise registrants, securities law and franchise law practitioners, securities and franchise trade associations and regulatory bodies, and to other interested persons, soliciting written comments on the proposed revisions or testimony at the public hearing that was held on September 10, 1980 in Room 318 Southwest of the State Capitol in Madison, Wisconsin.
- (3) During the comment period, five letters were received setting forth specific comments on the proposed revisions, and at the public hearing testimony was presented by four persons (other than staff) who set forth additional comments.

- (4) Several of the comments presented in the letters and hearing testimony resulted in changes and modifications of the Proposed Rules as identified in sub. (c) of this Analysis.
- (5) Pursuant to the provisions of sec. 227.025, Wis. Stats., authorization was requested and received from the Wisconsin Attorney General and the Revisor of Statutes permitting the incorporation by reference of specific securities registration and franchise registration guidelines adopted by national associations of securities and franchise administrators of which Wisconsin is a member.
- (6) It is appropriate in the public interest and for the protection of investors for the Wisconsin Commissioner of Securities to exercise his authority under secs. 551.63(2) and 553.58, Wis. Stats., for the purpose of cooperating with the securities and franchise administrators of other states in prescribing rules with a view to achieve uniformity in the form and content of registration statements, to adopt and incorporate by reference the securities registration policies adopted by national securities administrators associations of which Wisconsin is a member as set forth in Sections 45, 46, 48, 49, 50 and 51 of the Proposed Rules, and to adopt the Uniform Franchise Registration Application and Guidelines for Preparation of the Uniform Franchise Offering Circular as adopted by a national administrators association of which Wisconsin is a member, as set forth in Section 151 of the Proposed Rules.
- (7) It is appropriate in the public interest and for the protection of Wisconsin investors for the Commissioner to exercise his rule-making authority under secs. 551.52(4), 551.63(1), 551.63(2) and 553.58(1), Wis. Stats., to make, amend and rescind permanent rules in their final adopted form as attached to carry out the purposes of the Wisconsin Uniform Securities Law and the Wisconsin Franchise Investment Law.

(b) Statement Explaining Need for Proposed Rules

The statutory rule-making procedures under Chapter 227 of the Wisconsin Statutes are being implemented in this matter for the purpose of making a comprehensive revision to the Rules of the Commissioner of Securities currently in effect promulgated under the Wisconsin Uniform Securities Law, Chapter 551, Wis. Stats., and under the Wisconsin Franchise Investment Law, Chapter 553, Wis. Stats.

Virtually all of the Chapters of the Rules of the Commissioner of Securities under those two Laws contain revisions, and each Section in the permanent rules that adopts, repeals or amends a rule is followed by a separate COMMENT which discusses the nature of the revision as well as the rationale behind, and/or the necessity for, it.

The principal areas of the revisions to the Rules under the Wisconsin Uniform Securities Law include: (1) eliminating a contemporaneous-filing requirement for qualifying for use of certain registration exemptions (Sections 3 and 4); (2) adopting several securities registration policies ratified by national securities administrators associations of which Wisconsin is a member (see Sections 45 to 51); (3) amending numerous sections of the securities broker-dealer and agent licensing provisions dealing with recordkeeping and reporting requirements, as well as rules of conduct and prohibited business practices, to implement recommendations by the Licensing and Regulation Division staff as a result of its experience in conducting literally hundreds of field examinations of the offices of broker-dealers; (4) amending several sections of the investment adviser licensing requirements to parallel the broker-dealer amendments where appropriate, and adopting numerous recommendations made by the Commissioners' Advisory Committee on Investment Adviser Professional Responsibility in its October, 1977 Committee Report dealing with investment adviser recordkeeping requirements, rules of conduct and prohibited business practices; and (5) incorporating language and style changes throughout Chapters 1 through 9 of the Rules that were suggested by the Legislative Reference Bureau when it made an analysis of the language and format of the Rules in their current form in May of 1980.

The principal areas of the revisions to the Rules under the Wisconsin Franchise Investment Law include: (1) replacing the current franchise offering circular disclosure requirements and review guidelines with the Uniform Franchise Registration Application Form and Guidelines adopted by a national association of administrators of franchise laws of which Wisconsin is a member (Section 151); (2) making the quarterly sales report filing requirement for registered franchisors discretionary upon order of the Commissioner rather than mandatory (Section 154); and (3) incorporating language and style changes throughout Chapters 31 to 35 of the Rules as suggested by the Legislative Reference Bureau.

Preliminary drafts of all the revisions were submitted to the Legislative Reference Bureau in May,

1980 for their review and analysis regarding form and content, and the form of the revisions in the Proposed Rules incorporates their comments. Copies of the Comment Draft of the Proposed Rule Revisions containing Explanatory Notes to each amended section were distributed to the general public, securities licensees and registrants, franchise registrants, securities law and franchise law practitioners, securities and franchise trade associations and regulatory bodies, and to other interested persons soliciting written comments on the proposed revisions or testimony at the public hearing that was held on September 10, 1980 in Room 318 Southwest of the State Capitol in Madison, Wisconsin. During the comment period, five letters were received setting forth specific comments, and at the public hearing, testimony was presented by four persons (other than staff) who set forth additional comments. Several of the comments presented in the letters and hearing testimony resulted in changes and modifications of the Proposed Rules as identified in sub. (c) of this Analysis. In addition, authorization was requested and was received from the Wisconsin Attorney General and the Revisor of Statutes (by letter under date of October 2, 1980) permitting the incorporation by reference of securities and franchise registration policies and guidelines adopted by national associations of securities law and franchise law administrators, of which Wisconsin is a member.

(c) Explanation of Modifications Made as a Result of Public Hearing Testimony

- Page 8, lines 6 and 7. The words "maximum value" are stricken and the added phrase beginning with the words "offering price . . ." results from comments received and clarifies the section by substituting objective criteria for the vague term "maximum value."
- Page 25, lines 4, 5 and 6. The numbering of the Rule cited in each line is changed as a result of the deletion of a section (see following item) initially proposed to be adopted.
- Page 28, line 14. Section 51 of the prior draft of revisions is deleted from this draft. The prior section contained a proposed securities registration policy involving Indemnification of Affiliated Persons and would have been incorporated by reference if it had been ratified by the Midwest Securities Commissioners Association at its August, 1980 meeting. However, because the Association did not ratify the Indemnification policy at the meeting, it is not being adopted.

- Page 37, lines 17 and 18. The addition of the last clause of the section beginning with the phrase "that would constitute . . ." results from comments received and is intended to give guidance to a broker-dealer that the "complaint" referred to in the Rule must relate to a matter of substance (i.e., something that would constitute a violation of a law or rule) and not just an incidental matter.
- Page 38, lines 9 through 11. The last phrase beginning "or, if the customer refuses . . ." results from comments received and recognizes the fact that there are and will continue to be instances in which customers refuse to provide the information required under the Rule, and that in those circumstances, it is unfair for such a situation to result in a broker-dealer being in violation of a recordkeeping requirement the firm could not comply with.
- Page 47, line 8. The words "or appropriate" were added to make the language of the Rule consistent with the statutory language under sec. 551.63(2), Wis. Stats., corresponding to the kind of finding that must be made by the Commissioner before he can exercise his statutory authority to issue a discretionary order waiving broker-dealer recordkeeping requirements.
- Page 48, lines 13 and 14. The phrase beginning "unless otherwise permitted . . ." provides the Commissioner with flexibility to allow a confirmation-based recordkeeping system where the broker-dealer can justify that such system is workable and meets the requirements of the Rule.
- Page 62, line 8. The words "or appropriate" are added paralleling an identical change two items above to make the language of the Rule consistent with the Commissioner's statutory authority under sec. 551.63(2), Wis. Stats.
- Page 78, lines 1, 7 and 13. The numbering of the section is changed in order to provide that the section has at least two subsections, as required for rule-drafting form purposes.

(d) List of Persons Appearing or Registering at Public Hearing

- Mr. Henry M. Merrill, Milwaukee, Wisconsin, representing the Wisconsin Association of Securities

Dealers and Paine Webber, Jackson & Curtis, Inc.,
a broker-dealer licensed in Wisconsin.

- Mr. Michael T. Sullivan, representing National Development and Investments, Inc., 13555 Bishop's Court, Brookfield, Wisconsin 53005.
- Attorney Joseph P. Hildebrandt, One South Pinckney Street, Madison, Wisconsin 53701.
- Attorney Terry F. Peppard, 222 West Washington Avenue, Madison, Wisconsin 53701.
- Randall E. Schumann, General Counsel of the agency's staff, made an appearance on behalf of the staff and submitted documents and information for the record before the Commissioner of Securities who acted as the hearing officer.
- Staff members Ronald J. Burtch, James R. Fischer and James R. Conohan, Division Administrators of the agency's Licensing and Regulation, Registration and Franchise Divisions, respectively, made appearances on behalf of the staff relating to Rule revisions involving their respective divisional authority.

--Comment letters received:

September 5, 1980, Loomis, Sayles & Company, Inc., 225 Franklin Street, Boston, Massachusetts 02110.

September 5, 1980, Attorney Terry F. Peppard, 222 West Washington Avenue, Madison, Wisconsin 53701.

September 9, 1980, Attorney Joseph P. Hildebrandt, One South Pinckney Street, Madison, Wisconsin 53701.

September 15, 1980, Stein Roe & Farnham, 150 South Wacker Drive, Chicago, Illinois 60606.

September 15, 1980, Securities Industry Association, 20 Broad Street, New York, New York 10005.

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

- (1) Acceptance of recommendations in whole.

--The Rules Clearinghouse comment under (1) Statutory Authority suggested that reference to secs. 551.52(4)

and 551.63(2), Wis. Stats., should be included within the listing of relevant statutory authority to adopt the proposed Rule changes. Accordingly, those additional sections are cited in para. (7) of the Findings of Fact in sub. (a) of this Analysis. In addition, when the Order Adopting Rules is promulgated, it will include a citation to those two sections in the preamble setting forth the statutory authority of the agency to adopt the Rules.

--The Rules Clearinghouse comment under (1) Statutory Authority states that either the introduction to or the analysis in Clearinghouse Rule 80-128 should contain a finding by the Commissioner pursuant to secs. 551.63(2) and 553.58(2), Wis. Stats., that "no rule, form or order may be made, amended or rescinded unless the commissioner finds the action is necessary or appropriate in the public interest and for the protection of investors." Accordingly, section (a) of this Analysis contains that finding in sub. (6) thereunder, and the same finding will be included in the Analysis and preamble of the Order Adopting Rules.

--The Rules Clearinghouse comment under (1) Statutory Authority refers to the requirements of sec. 227.025, Wis. Stats., which provides that an agency may incorporate standards by reference with the consent of the Attorney General and Revisor of Statutes. Accordingly, the Office of the Commissioner of Securities sent on August 26, 1980, a letter enclosing information and documents to the Wisconsin Attorney General and the Revisor of Statutes requesting approval for the incorporation by reference of the securities registration guidelines in Sections 45 to 51 of the Proposed Rules and for the Guidelines for Preparation of the Uniform Franchise Offering Circular and related documents set forth in Section 151 of the Proposed Rules. By letter dated October 2, 1980, the Wisconsin Attorney General and the Revisor of Statutes permitted this agency to incorporate by reference the subject securities registration and franchise registration standards adopted by national regulatory organizations of which Wisconsin is a member.

--The Rules Clearinghouse comment under (5) Clarity, Grammar, Punctuation of Plainness noted four typographical-type errors which have been incorporated in the enclosed proposed final draft form of the Rules.

(2) Acceptance of recommendations in part.

--The Rules Clearinghouse comment under (2) Form, Style and Placement in Administrative Code noted that Section 144 of the Proposed Rules created a section with one subsection and at Section 163 created a Chapter with one section. The Rules Clearinghouse comment stated that the Administrative Rule Drafting and Procedure Manual prepared by the Assistant Revisor of Statutes indicates that such practices should be avoided if possible. Accordingly, the numbering of Section 144 was revised to provide for two subsections. However, Section 163 which created a Chapter with one section was not changed, the reason being that after discussion of the item with the Revisor of Statutes Office, it was the Revisor's conclusion that having a Chapter with one section was permissible under the particular facts of this revision inasmuch as the Chapter involved contained only a listing of Forms.

(3) through (4)

--Not applicable.

* * * * *

It is appropriate in the public interest and for the protection of Wisconsin investors for the Commissioner to exercise his rule-making authority under secs. 551.52(4), 551.63(1), 551.63(2) and 553.58(1), Wis. Stats., to make, amend and rescind permanent rules in their final adopted form as set forth below to carry out the purposes of the Wisconsin Uniform Securities Law and the Wisconsin Franchise Investment Law.

SECTION 1. Section SEC 1.02 (intro.) of the Wis. Adm.

Code is amended to read:

SEC 1.02 Definitions. (intro.) In ~~chapter~~ ch. 551, Stats., and ~~these rules~~ chs. SEC 1 to 9, Wis. Adm. Code, and unless the context otherwise requires:

SECTION 2. Section SEC 1.02(6)(a) of the Wis. Adm.

Code is amended to read:

SEC 1.02(6)(a) Any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor. ~~For the purposes of~~ In this subsection, a "common enterprise" ~~is one~~ means an enterprise in which the fortunes of the investor are interwoven with and dependent upon the efforts and successes of those seeking the investment of a ~~third~~ 3rd party; and

SECTION 3. Section SEC 2.01(1)(a)1. of the Wis. Adm.

Code is amended to read:

SEC 2.01(1)(a)1. The enterprise is a public utility described under ~~section s.~~ s. 551.22(6), Wis. Stats., having securities registered under section 12 of the securities exchange act of 1934, or is a wholly-owned subsidiary of one or more of such utilities, ~~and a notice of the proposed offering including the offering statement or prospectus is filed with the commissioner prior to the offering;~~

SECTION 4. Section SEC 2.01(1)(a)2. of the Wis. Adm.

Code is amended to read:

SEC 2.01(1)(a)2. Any securities of the enterprise, or any securities of an unconditional guarantor of all payments under the lease, sale or loan arrangement, are exempt under ~~Wis.-Adm.-Code-section~~ s. SEC 2.01(7), Wis. Adm. Code, and ~~notice-of-the-proposed-offering-including-the-offering statement-or-prospectus-is-filed-with-the-commissioner-prior-to-the-offering;~~ or

SECTION 5. Section SEC 2.01(1)(a)3. of the Wis. Adm.

Code is amended to read:

SEC 2.01(1)(a)3. A notice of the proposed offering is filed with the commissioner prior to the offering, including a trust indenture meeting the requirements of ~~Wis.-Adm.-Code section~~ s. SEC 3.24, Wis. Adm. Code, an official statement or a prospectus meeting the requirements of ~~Wis.-Adm.-Code section~~ s. SEC 3.23, Wis. Adm. Code, and such additional information as the commissioner may require, and the commissioner does not by order deny the exemption within 20 days of the date the notice is filed.

SECTION 6. Section 2.01(3)(a) of the Wis. Adm. Code is amended to read:

SEC 2.01(3)(a) Any evidence of debt issued by a domestic non-profit corporation to persons other than its members is exempted under s. 551.22(8), Stats., if the issuer or a licensed broker-dealer files a notice of the proposed issuance ~~in-the-form-prescribed-by~~ with the commissioner prior to the offering, including: a trust indenture

meeting the requirements of ~~Wis.-Adm.-Code-section s.~~ SEC 3.24, Wis. Adm. Code, under which ~~such~~ the 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 s.~~ SEC 3.23(1), Wis. Adm. Code; and such additional information as the commissioner may require; and the commissioner does not by order deny or revoke the exemption within 10 days.

SECTION 7. Section SEC 2.01(6)(a) of the Wis. Adm. Code is amended to read:

SEC 2.01(6)(a) The issuer files with the commissioner prior to the offering a notice of the proposed issuance and such additional information as ~~he may require~~ the commissioner may require, and the commissioner does not by order disallow the exemption within 10 days; or

SECTION 8. Section SEC 2.02(3)(a) of the Wis. Adm. Code is amended to read:

SEC 2.02(3)(a) With respect to a security qualifying under ~~subsection-(3)-(e)-thereof~~ s. 551.23(3)(c), Stats., the issuer or a licensed broker-dealer files a notice of the proposed sale ~~in-the-form-prescribed-by~~ with the commissioner prior to the offering, 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 s.~~ SEC 3.02(1)(b), Wis. Adm. Code. Such The exemption, unless denied or revoked 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.

SECTION 9. Section SEC 2.02(3)(b) of the Wis. Adm. Code is amended to read:

SEC 2.02(3)(b) With respect to a security qualifying under ~~subsection-(3)-(d)-thereof~~ s. 551.23(3)(d), Stats., the issuer or an applicant files with the commissioner prior to the offering a notice of the proposed sale, including: the prospectus used in the most recent offering of the securities proposed to be sold; any information specified in ~~Wis.-Adm.-Code-sections~~ ss. SEC 3.22 and 3.23, Wis. Adm. Code, 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~~ s. SEC 3.02(1)(b), Wis. Adm. Code; a balance sheet of the issuer as of the end of the last fiscal year of the issuer preceding the date of filing and statements of income and changes in financial position and analysis of surplus for such fiscal year meeting the requirements of ~~Wis.-Adm.-Code-section~~ s. SEC 7.06, Wis. Adm. Code; an undertaking to file with the commissioner within 120 days (180 days with respect to a corporation organized and operated not for private profit but exclusively for religious, educational, benevolent or charitable purposes) 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~~ The 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.

SECTION 10. Section SEC 2.02(4) of the Wis. Adm. Code is repealed.

SECTION 11. Sections SEC 2.02(5), (6), (7), (8), (9), (10) and (11) of the Wis. Adm. Code are renumbered sections SEC 2.02(4), (5), (6), (7), (8), (9) and (10), respectively.

SECTION 12. Section SEC 2.02(5)(c) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 2.02(5)(c) A reasonable commission or fee may be paid to a broker-dealer licensed in this state for services rendered in connection with a sale of securities effected under ~~these sections~~ ss. 551.23(10) or (11), Stats.; a commission or fee will be presumed reasonable if it does not exceed the amount permitted under ~~Wis.-Adm.-Code-section s.~~ SEC 3.01(1), Wis. Adm. Code; and

SECTION 13. Section SEC 2.02(5)(d)1. of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 2.02(5)(d)1. Any offer or sale of a interests in a limited partnership, irrespective of the kind of assets held or business engaged in by the partnership, any investment contract irrespective of the kind of assets held or business

engaged in by the enterprise, or any certificate of interest or participation in an oil, gas or mining title or lease or in payments out of production under such the title or lease, a-limited-partnership-interest,-or-an-investment-contract, if the aggregate maximum-value offering price or face amount, whichever is greater, of all securities to be offered by or on behalf of the issuer, together with the value of any securities sold to persons in this state by or on behalf of the issuer during the prior 12 months, exceeds \$100,000, unless prior to the offering the issuer files a notice of such the proposed offer or sale with the commissioner, including any prospectus, circular or other material to be delivered to offerees, and such other information as the commissioner may require, and the commissioner does not by order withdraw, deny or revoke the exemption within 10 days;

SECTION 14. Section SEC 2.02(6) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 2.02(6) Notice of an offer to existing security holders exempted under ~~section s.~~ s. 551.23(12), Wis. Stats., shall be filed ~~in-the-form-prescribed-by~~ with the commissioner prior to the offering, and shall include any prospectus, circular or other material to be delivered to offerees in connection with such transaction.

SECTION 15. Section SEC 2.02(9) (intro.) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 2.02(9) (intro.) Notice of an offer of an evidence of debt of a non-profit corporation exempted under ~~section~~

s. 551.23(15), Wis. Stats., shall be filed ~~in the form~~ prescribed by with the commissioner prior to the offering, and shall include: a trust indenture meeting the requirements of ~~Wis. Adm. Code section~~ s. SEC 3.24, Wis. Adm. Code, 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~~ s. SEC 3.23(1), Wis. Adm. Code; such additional information as the commissioner may require; and

SECTION 16. Section SEC 2.02(9)(a) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 2.02(9)(a) With respect to an offer qualifying under ~~subsection (15)(a) thereof~~ s. 551.23(15)(a), Stats., 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~~ the mortgage or deed of trust, less the amount of any unpaid special assessment taxes; or

SECTION 17. Section SEC 2.02(9)(b) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 2.02(9)(b) With respect to an offer qualifying under ~~subsection (15)(b) thereof~~ s. 551.23(15)(b), Stats., a

balance sheet of the issuer as of the end of the last fiscal year of the issuer preceding the date of filing, and statements of income and changes in financial position and an analysis of surplus of the issuer for each of its three immediately preceding fiscal years meeting the requirements of ~~Wis. Adm. Code-section~~ s. SEC 7.06, Wis. Adm. Code.

SECTION 18. Section SEC 2.02(10)(c) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 2.02(10)(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 s.~~ 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 prior to the offering 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.

SECTION 19. Section SEC 2.02(10)(d) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 2.02(10)(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 prior to the offering 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.

SECTION 20. Section SEC 3.02(1)(c) of the Wis. Adm. Code is amended to read:

SEC 3.02(1)(c) ~~Where~~ If no adequate public market exists, information satisfactory to the commissioner is filed justifying the proposed offering price-earnings ratio in relation to price-earnings ratios of companies comparable to the issuer in terms of size, history of operations, industry and products, and other relevant factors; such information may be contained in an underwriter's memorandum on the issuer prepared in connection with the proposed offering.

SECTION 21. Section SEC 3.02(3) of the Wis. Adm. Code is amended to read:

SEC 3.02(3) ~~For purposes of~~ In this chapter, an issuer in the "promotional or developmental stage" means an issuer that has no significant record of operations or earnings prior to the public offering date.

SECTION 22. Section SEC 3.03(2)(f) of the Wis. Adm.

Code is amended to read:

SEC 3.02(2)(f) The value of the options or warrants shall be included in the computation of underwriting commissions and discounts. The market value of such options or warrants, if any, shall be used, and ~~where~~ if no market value exists, a presumed fair value of not less than 20% of the public offering price of the stock to which the options or warrants relate shall be used, unless evidence indicates that a different value exists.

SECTION 23. Section SEC 3.04(2) of the Wis. Adm. Code is amended to read:

SEC 3.04(2) ~~For-the-purpose-of-this-rule~~ In this section, "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~~ the 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~~ the securities, in the absence of any public market for ~~such~~ the equity securities or any substantial change in the earnings or financial position of the issuer.

SECTION 24. Section SEC 3.04(4) (intro.) of the Wis.

Adm. Code is amended to read:

SEC 3.04(4) (intro.) Whether or not the amount of promotional or cheap stock is presumed reasonable ~~within-the meaning-of-subsection~~ under sub. (3), the commissioner may require as a condition of registration that all or any part of the promotional or cheap stock be deposited in escrow pursuant to such conditions as the commissioner may prescribe, including:

SECTION 25. Section SEC 3.04(4)(a)2. of the Wis. Adm. Code is amended to read:

SEC 3.04(4)(a)2. Submit to the commissioner a proposal for extension or modification of the escrow agreement, provided that notice of the proposal is given to all of the shareholders in such form as the commissioner requires and a hearing thereon may be called by the commissioner; the burden of justifying an extension or modification of the escrow agreement ~~shall-be~~ is on the owners of the escrowed shares; after notice and opportunity for hearing, the commissioner may order extension or modification of the escrow agreement upon such terms as are deemed fair and equitable; if the escrow agreement is not so extended or modified, the owners of the escrowed shares shall return shares to the issuer for cancellation as specified in ~~subparagraph-1.-of-this-section~~ subd. 1;

SECTION 26. Section SEC 3.04(4)(b) (intro.) of the Wis. Adm. Code is amended to read:

SEC 3.04(4)(b) (intro.) ~~The foregoing notwithstanding~~
Notwithstanding par. (a), shares in escrow may be:

SECTION 27. Section SEC 3.04(4)(d) of the Wis. Adm. Code is amended to read:

SEC 3.04(4)(d) Shares held under an escrow agreement shall continue to have all voting rights to which those shares are entitled, provided any dividends paid on ~~such~~ the shares shall be paid to the escrow agent and held pursuant to the terms of the agreement; may be used to satisfy the requirements of ~~subsection~~ sub. (c); and ~~in-the-event~~ if any shares held under an escrow agreement are returned to the issuer for cancellation, all dividends paid on ~~such~~ the shares and held in escrow shall also be returned to the issuer.

SECTION 28. Section SEC 3.05(2) (intro.) of the Wis. Adm. Code is amended to read:

SEC 3.05(2)(intro.) ~~For-the-purpose-of~~ In this rule section:

SECTION 29. Section SEC 3.06(1) of the Wis. Adm. Code is amended to read:

SEC 3.06 Preferred stock and debt securities. (1) The offer or sale of preferred stock of an issuer may be deemed unfair and inequitable to purchasers unless the net earnings of the issuer, for its last fiscal year prior to the offering and for the average of its last 3 fiscal years prior to the offering, are sufficient to cover the dividends on the preferred stock proposed to be offered. Net earnings shall be determined exclusive of non-recurring items and shall be

adjusted for any preferred stock to be redeemed with the proceeds of the offering, less applicable income tax effects. The commissioner may waive the ~~foregoing~~ requirement under this subsection upon evidence of a sufficient future net earnings capability.

SECTION 30. Section SEC 3.06(2) of the Wis. Adm. Code is amended to read:

SEC 3.06(2) The offer or sale of debt securities of an issuer may be deemed unfair and inequitable to purchasers unless the net earnings of the issuer, for its last fiscal year prior to the offering and for the average of its last 3 fiscal years prior to the offering, are sufficient to cover the interest requirements on the securities proposed to be offered. Net earnings shall be determined before income taxes, depreciation and extraordinary items, and shall be adjusted for any debt securities to be redeemed with the proceeds of the offering. The commissioner may waive the ~~foregoing~~ requirement under this subsection upon evidence of a sufficient future net earnings capability.

SECTION 31. Section 3.06(6)(a) of the Wis. Adm. Code is amended to read:

SEC 3.06(6)(a) THRESHOLD TEST. Subject to ~~subsection~~ par. (b), an issuer may repurchase its debt securities at the request of the holders if its aggregate net earnings for the 3 preceding years and in the year immediately preceding the year of repurchase equalled or exceeded its aggregate fixed charges, as evidenced by a written statement of an independent certified public accountant, in connection with

the annual examination of the issuer's financial statements, filed with the commissioner, as to whether or not the accountant has obtained knowledge of any failure of the issuer to meet this test. In this paragraph:

1. "Net earnings" means income before income taxes, extraordinary items, and interest expense.

2. "Fixed charges" means interest on all debt, and dividends on other fixed obligation securities such as preferred stock.

SECTION 32. Section SEC 3.06(6)(b)2. of the Wis. Adm. Code is amended to read:

SEC 3.06(6)(b)2. Limit on repurchases from one person. The issuer may not, in any 6-month period, repurchase from any person, including all joint, common and beneficial owners with ~~such~~ the person, more than ~~1%~~ one percent of the publicly-held debt securities outstanding at the time repurchase is made until all other pending requests for repurchase of ~~1%~~ one percent or less have been satisfied. This limitation ~~shall~~ does not apply to the repurchase of securities held as of August 2, 1973, by persons who as of ~~such~~ that date held more than ~~1%~~ one percent of the outstanding debt securities.

SECTION 33. Section SEC 3.06(6)(b)3.a. of the Wis. Adm. Code is amended to read:

SEC 3.06(6)(b)3. Limit on total repurchases. a. Repurchases shall not reduce the issuer's current assets, exclusive of excess inventory, to an amount less than its current liabilities, nor reduce its total assets to an

amount less than its total liabilities, excluding shareholder's equity. ~~"Excess~~ In this subsection, "excess inventory" means inventory in excess of a 4-month supply based on sales of the preceding year.

SECTION 34. Section SEC 3.06(6)(b)3.b. of the Wis. Adm. Code is amended to read:

SEC 3.06(6)(b)3.b. If the issuer is engaged in a business for which generally accepted accounting practices do not provide or permit the use of a classified balance sheet, current assets ~~shall-mean~~ means total assets less ~~(i)~~ property and equipment, net of depreciation; ~~(ii)~~ unamortized debt expense; and ~~(iii)~~ other assets not acquired in the normal course of business and expected to be liquidated after ± one year from the balance sheet date; and current liabilities ~~shall-mean~~ means total liabilities unless less ~~(i)~~ non-current maturities of long-term debt, and ~~(ii)~~ shareholder's equity.

SECTION 35. Section SEC 3.06(6)(b)4. of the Wis. Adm. Code is amended to read:

SEC 3.06(6)(b)4. Reports. Within 30 days after the end of each month during which repurchases are made, the issuer shall file with the commissioner a balance sheet (which may be unaudited) as of the beginning of ~~such~~ the month during which repurchases were made, and a statement as to ~~(i)~~ the total amount of repurchases made during the month; ~~(ii)~~ the total amount of repurchase requests which were not met; and ~~(iii)~~ the name, address and amount of

repurchase from every person controlling, in control of, or under common control with, the issuer. If the issuer prepares monthly financial statements, ~~such~~ the reports may be made quarterly covering the preceding 3 months and shall be filed within 30 days after the end of the quarter.

SECTION 36. Section SEC 3.06(6)(c) of the Wis. Adm. Code is amended to read:

SEC 3.06(6)(c) Cover page of prospectus. The cover page of the prospectus relating to the securities shall include the following statement in bold face type: "THESE SECURITIES MAY BE REDEEMED PRIOR TO MATURITY AT THE REQUEST OF THE HOLDER ONLY UNDER CERTAIN RESTRICTED CONDITIONS, SEE PAGE ____." On the page referred ~~to~~ in the statement, the limitations set forth ~~above~~ in this subsection, the amount of the debt securities redeemed in each of the preceding 3 years, the ratio of net earnings to fixed charges in each of the preceding 3 years, and the average ratio for those 3 years, shall be described in full.

SECTION 37. Section SEC 3.06(6)(d) of the Wis. Adm. Code is amended to read:

SEC 3.06(6)(d) Subscription agreement. Any subscription agreement relating to the debt securities shall include the following statement in bold face type: "THESE SECURITIES MAY BE REDEEMED PRIOR TO MATURITY AT THE REQUEST OF THE HOLDER ONLY UNDER CERTAIN RESTRICTED CONDITIONS, SEE PAGE ____." A copy of the subscription agreement ~~must~~ shall be provided to each purchaser.

SECTION 38. Section SEC 3.07(3)(b) of the Wis. Adm.

Code is amended to read:

SEC 3.07(3)(b) The general partner shall cause a vote to be taken on any of the matters referred to herein in this subsection upon the written request of 10% of the outstanding amount of limited partnership interests;

SECTION 39. Section SEC 3.07(3)(c) of the Wis. Adm.

Code is amended to read:

SEC 3.07(3)(c) Each limited partner ~~shall have~~ has 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;

SECTION 40. Section SEC 3.09(1)(a) of the Wis. Adm.

Code is amended to read:

SEC 3.09(1)(a) No diversified investment company ~~shall~~ may 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.

SECTION 41. Section SEC 3.09(1)(b) of the Wis. Adm.

Code is amended to read:

SEC 3.09(1)(b) No investment company ~~shall~~ may purchase any securities of the classes ~~herein-defined~~ specified in this subsection, if by reason thereof the value of its aggregate investment in ~~such~~ those 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~~ 3 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.

SECTION 42. Section SEC 3.09(1)(c) of the Wis. Adm. Code is amended to read:

SEC 3.09(1)(c) No investment company ~~shall~~ may invest any part of its total assets in real estate or interests ~~therein in real estate~~, excluding readily marketable securities; commodities or commodity futures contracts; or interests in oil, gas, or other mineral exploration or development programs.

SECTION 43. Section SEC 3.09(2)(c) of the Wis. Adm. Code is amended to read:

SEC 3.09(2)(c) Purchasing restricted securities as ~~herein-defined~~ specified in this section;

SECTION 44. Section SEC 3.10(6) of the Wis. Adm. Code is amended to read:

SEC 3.10(6) ~~The foregoing~~ Subsections (1) to (5) notwithstanding, no closed-end investment company which engages in any of the following or related speculative activities ~~shall~~ may be registered unless appropriate disclosure is made in bold face type on the cover of both the preliminary and final prospectuses, or on a prospectus supplement satisfactory in form to the commissioner, as follows:

"These securities may involve a high degree of risk because the fund is authorized:

SECTION 45. Section SEC 3.11 of the Wis. Adm. Code is amended to read:

SEC 3.11 Real estate programs. The offer or sale of interests in a limited partnership which will engage in real estate syndication may be deemed unfair and inequitable to purchasers unless ~~such~~ the offering complies with the provisions of the ~~Midwest-Securities-Commissioners~~ North American Securities Administrators Association Statement of Policy regarding real estate programs, adopted February-28-1973, as amended February-26, 1974 and July-22, 1975 April 15, 1980. Copies of the Statement of Policy are available from the commissioner's office for a prepaid fee of \$4. The Statement of Policy is published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and is on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

SECTION 46. Section SEC 3.12 of the Wis. Adm. Code is amended to read:

SEC 3.12 Oil and gas programs. The offer or sale of interests in a limited partnership which will engage in oil or gas programs may be deemed unfair and inequitable to purchasers unless ~~such~~ the offering complies with the provisions of the North American Securities Administrators Association Guidelines for the Registration of Oil and Gas Programs, adopted September 22, 1976, as amended October 12,

1977 and October 31, 1979. Copies of the Guidelines are available from the commissioner's office for a prepaid fee of \$4. The Guidelines are published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and are on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

SECTION 47. Section SEC 3.13 of the Wis. Adm. Code is renumbered section SEC 3.17, and as renumbered is amended to read:

SEC 3.17 Other causes for denial, suspension or revocation. (1) The enumeration of causes stated in ~~Wis. Adm. Code~~ sections SEC 3.01 ~~through to~~ SEC ~~3-12~~ 3.16, Wis. Adm. Code, 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 s.~~ s. 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.

(2) The commissioner may issue a stop order denying effectiveness to, or suspending or revoking the effectiveness of, any registration statement filed pursuant to ~~section s.~~ s. 551.26, ~~Wis. Stats.~~, if the sale of securities pursuant to ~~such~~ the registration statement is or would be in violation of the securities act of 1933 or the investment company act of 1940.

SECTION 48. Section SEC 3.13 of the Wis. Adm. Code is adopted to read:

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

SECTION 49. Section SEC 3.14 of the Wis. Adm. Code is adopted to read:

SEC 3.14 Debt securities issued by a church or congregation. The offer or sale of debt securities issued by a church or congregation, the proceeds of which are to be utilized to finance or refinance the purchase, construction or improvement of buildings or related facilities (including the underlying property) of the issuer may be deemed unfair and inequitable to purchasers unless the offering complies with the provisions of the North American Securities Administrators Association Guidelines for Offerings of Church Bonds, adopted October, 1979. Copies of the Guidelines are available from the commissioner's office for a prepaid fee

of \$4. The Guidelines are published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and are on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

SECTION 50. Section SEC 3.15 of the Wis. Adm. Code is adopted to read:

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

SECTION 51. Section SEC 3.16 of the Wis. Adm. Code is adopted to read:

SEC 3.16 Loans to company officials. The offer or sale of securities by an issuer may be deemed unfair and inequitable to purchasers if the issuer or its affiliates have made, or may make, loans or forbearances that fail to comply with the Central Securities Administrators Council Statement of Policy on Loans to Company Officials, as amended April 22, 1978. Copies of the Statement of Policy are available from the commissioner's office for a prepaid

fee of \$4. The Statement of Policy is published in Volume 1 of the Commerce Clearing House Blue Sky Law Reporter and is on file at the offices of the Wisconsin secretary of state and the revisor of statutes.

SECTION 52. Section SEC 3.21(3) of the Wis. Adm. Code is adopted to read:

SEC 3.21(3) A registration statement filed by coordination relating to the securities of an open-end management company, unit investment trust or face amount certificate company, as defined in the Investment Company Act of 1940, shall provide for an indefinite amount of securities to be registered.

SECTION 53. Section SEC 3.22(1)(b) of the Wis. Adm. Code is amended to read:

SEC 3.22(1)(b) With respect to every director and officer of the issuer, or person occupying a similar status or performing similar functions: ~~his~~ the person's name, address, and principal occupation for the past 5 years; the amount of securities of the issuer held by ~~him~~ the person, of record or beneficially, as of a specified date within 30 days of the filing of the registration statement; the amount of the securities covered by the registration statement to which ~~he~~ the person has indicated ~~his~~ an intention to subscribe; and a description of any material interest in any material transaction with the issuer or any significant subsidiary effected within the past 3 years or proposed to be effected;

SECTION 54. Section SEC 3.22(1)(c) of the Wis. Adm.

Code is amended to read:

SEC 3.22(1)(c) With respect to persons covered by ~~subsection-(1)~~ par. (b), the remuneration paid directly or indirectly during the past 12 months, and estimated to be paid during the next 12 months if materially different, by the issuer (together with all predecessors, parents, subsidiaries and affiliates) to all those persons in the aggregate; and the name of each such person receiving remuneration in excess of \$40,000, and the amount ~~thereof~~ of remuneration for each;

SECTION 55. Section SEC 3.22(1)(d) of the Wis. Adm.

Code is amended to read:

SEC. 3.22(1)(d) With respect to any person owning of record, or beneficially if known, 10% or more of the outstanding shares of any class of equity security of the issuer: the information specified in ~~subsection-(1)~~ par. (b) other than ~~his~~ the person's occupation;

SECTION 56. Section SEC 3.22(1)(e) of the Wis. Adm.

Code is amended to read:

SEC 3.22(1)(e) With respect to every promoter if the issuer was organized within the past 3 years: the information specified in ~~subsection-(1)~~ par. (b), any amount paid to ~~him~~ the person within that period or intended to be paid to ~~him~~ the person, and the consideration for any such payment;

SECTION 57. Section SEC 3.22(1)(f) of the Wis. Adm.

Code is amended to read:

SEC 3.22(1)(f) With respect to any person on whose behalf any part of the offering is to be made in a nonissuer distribution: ~~his~~ the person's name and address; the amount of securities of the issuer held by ~~him~~ the person as of the date of the filing of the registration statement; a description of any material interest in any material transaction with the issuer or any significant subsidiary effected within the past 3 years or proposed to be effected; and a statement of ~~his~~ the person's reasons for making the offering;

SECTION 58. Section SEC 3.22(1)(o) of the Wis. Adm. Code is amended to read:

SEC 3.22(1)(o) The written consent of any independent accountant, engineer, appraiser, or other person whose profession gives authority to a statement made by him or her, if any such person is named as having prepared or certified a report or valuation (other than a public and official document or statement) which is used in connection with the registration statement;

SECTION 59. Section SEC 3.22(1)(p) of the Wis. Adm. Code is amended to read:

SEC 3.22(1)(p) A balance sheet of the issuer as of the end of its most recent fiscal year, and a comparative statement of income and changes in financial position and analysis of surplus for each of the 3 most recent fiscal years (or for the period of the issuer's and any predecessor's existence if less than 3 years), all meeting the requirements of Wis. Adm. Code section s. SEC 7.06, Wis. Adm. Code; provided that

if the date of any of the above financial statements specified in this paragraph is more than 120 days (180 days with respect to a corporation organized and operated not for private profit but exclusively for religious, educational, benevolent or charitable purposes) prior to the date of effectiveness of the registration statement, ~~such~~ the statements shall be updated (which may be done without audit) to within the 120-day or 180-day requirement ~~above specified in this paragraph~~; and provided that if any part of the proceeds of the offering is to be applied to the purchase of any business, the same financial statements shall be filed which would be required if that business were the registrant; and

SECTION 60. Section SEC 3.22(2) of the Wis. Adm. Code is amended to read:

SEC 3.22(2) The commissioner may permit the omission of the filing of any information or document specified in ~~subsection sub.~~ sub. (1) if ~~he~~ the commissioner determines that ~~such~~ the information or document is not required for the protection of investors.

SECTION 61. Section SEC 3.23(3) of the Wis. Adm. Code is amended to read:

SEC 3.23(3) The prospectus shall contain a full disclosure of all material facts relating to the issuer and the offering and sale of the registered securities. A prospectus meeting the requirements of form S-1 under the securities act of 1933 is deemed to satisfy the requirements of this ~~rule~~ subsection.

SECTION 62. Section SEC 3.24 of the Wis. Adm. Code is amended to read:

SEC 3.24 Trust indenture requirements. Trust indentures required under ~~chapter~~ ch. 551, Wis. Stats., and ~~these rules~~ chapters SEC 1 to 9, Wis. Adm. Code, shall meet the requirements of the trust indenture act of 1939, whether or not exempt under that act, unless the commissioner otherwise permits or requires.

SECTION 63. Section SEC 3.27(1) of the Wis. Adm. Code is amended to read:

SEC 3.27 Extension of registration statements. (1) Application for an extension of the offering period of a registration statement, except one relating to redeemable securities of an investment company registered under the Investment Company Act of 1940, or securities of a finance company licensed under s. 138.09, Stats., shall be filed in the form prescribed by the commissioner not less than 30 days prior to the end of one year from ~~a)~~ the effective date of the registration statement; or ~~b)~~ an order of extension, whichever is most recent. ~~Such~~ The application shall be accompanied by a prospectus updated in accordance with ~~Wis. Adm.-Code-section~~ s. SEC 3.23(5), Wis. Adm. Code, a balance sheet of the issuer as of the end of its most recent fiscal year, and a comparative statement of income and changes in financial position and analysis of surplus for each of the 3 most recent fiscal years (or for the period of the issuer's and any predecessor's existence if less than 3 years), all

meeting the requirements of ~~Wis. Adm. Code section s.~~ SEC 7.06, Wis. Adm. Code; provided that if the date of any of the above financial statements is more than 120 days (180 days with respect to a corporation organized and operated not for private profit but exclusively for religious, educational, benevolent or charitable purposes) prior to the date of ~~such~~ the extension of the registration statement, ~~such~~ the statements shall be updated (which may be done without audit) to within the 120-day or 180-day requirement above. Any extension of the offering period of a registration statement shall be by order of the commissioner, subject to such conditions as may be prescribed.

SECTION 64. Section SEC 4.01(4)(b) of the Wis. Adm. Code is amended to read:

SEC 4.01(4)(b) Any applicant for license as an agent representing an issuer or a licensed broker-dealer, ~~provided that~~ if an undertaking satisfactory to the commissioner is submitted setting forth how the agent will be adequately supervised, and the license is appropriately limited;

SECTION 65. Section SEC 4.01(4)(c) of the Wis. Adm. Code is repealed, and sections SEC 4.01(4)(d) and (e) are renumbered SEC 4.01(c) and (d), respectively.

SECTION 66. Section SEC 4.01(5) of the Wis. Adm. Code is repealed and recreated to read:

SEC 4.01(5) Prior to issuance of a license as a broker-dealer, at least one employe of the broker-dealer must be designated in the license application to act in a

supervisory capacity and be licensed as an agent for the broker-dealer, and must pass a written supervisory examination prescribed by the commissioner or a comparable supervisory examination of the National Association of Securities Dealers, Inc. or a national securities exchange, unless the examination requirement is waived pursuant to s. SEC 4.01(4), Wis. Adm. Code.

SECTION 67. Section SEC 4.01(7) of the Wis. Adm. Code is renumbered section SEC 4.05(8). (Note: This will not result in duplication because of the renumberings and amendments to current sections SEC 4.05(8) and (9), Wis. Adm. Code, in Sections 92 and 93.)

SECTION 68. Section SEC 4.03(1)(j) of the Wis. Adm. Code is amended to read:

SEC 4.03(1)(j) A separate file containing all ~~written~~ complaints made or submitted by customers to the broker-dealer or its agents relating to securities transactions. In this paragraph, "complaint" means any written or oral statement of a customer or any person acting on behalf of a customer alleging a grievance involving the activities of persons under the control of the broker-dealer in connection with the solicitation or execution of any securities transaction or the disposition of securities or funds of that customer that would constitute a violation of ch. 551, Stats., or any rule or order thereunder.

SECTION 69. Section SEC 4.03(1)(k) of the Wis. Adm. Code, is amended to read:

SEC 4.03(1)(k) A customer information form (new account information worksheet) for each customer. If recommendations are to be made to the customer, the form shall include ~~such information as is necessary to determine suitability in conformity with Wis. Adm. Code section SEC 4.06(1)(e)~~ information regarding the customer's annual income, net worth and investment objective or, if the customer refuses to provide the required information upon request, a notation to that effect.

SECTION 70. Section SEC 4.03(1)(1) of the Wis. Adm. Code is repealed and recreated to read:

SEC 4.03(1)(1) For each cash and margin account established and maintained with the broker-dealer, information setting forth the name and address of the beneficial owner of each account, and copies of all guarantees of accounts and all margin, lending and option agreements. In the case of joint, partnership and corporate accounts, the records required by this paragraph must be executed by persons authorized to transact business for the account.

SECTION 71. Sections SEC 4.03(1)(m), (n), (o) and (p) of the Wis. Adm. Code are renumbered SEC 4.03(1)(n), (o), (p) and (q), Wis. Adm. Code, respectively.

SECTION 72. Section SEC 4.03(1)(m) of the Wis. Adm. Code is adopted to read:

SEC 4.03(1)(m) Copies of all powers of attorney and other evidence of the granting of any discretionary authority with respect to a customer's account.

SECTION 73. Section SEC 4.03(1)(r) of the Wis. Adm.

Code is adopted to read:

SEC 4.03(1)(r) A register relating to each offering participated in by the broker-dealer under the registration exemption provisions of s. 551.23(10) and (11), Stats., containing information disclosing the name and address of each offeree of the broker-dealer, the date the offer was made, the control number on any offering circular or other advertising material given to the offeree, the names of all persons making the offer, and the date of any sale as a result of the offer.

SECTION 74. Section SEC 4.05(9) of the Wis. Adm. Code is renumbered section SEC 4.03(1)(s) and amended to read:

SEC 4.03(1)(s) Every broker-dealer that effects transactions with or through a "financial institution or institutional investor" under ~~Wis. Adm. Code section s.~~ SEC 2.02(5)(4)(c), Wis. Adm. Code, shall maintain records confirming the facts required to be ascertained under that section.

SECTION 75. Section SEC 4.03(2) of the Wis. Adm. Code is amended to read:

SEC 4.03(2) Every licensed broker-dealer shall preserve for a period of not less than 6 years, the first 2 years in an easily accessible place, all records required under ~~subsection~~ sub. (1), except that records required under ~~subsections~~ sub. (1)(k) and , (1) and (m) shall be preserved by the broker-dealer for a period of not less than 6 years after the closing of the account; and records required under

~~subsection~~ sub. (l)(n)(o) shall be preserved by the broker-dealer for a period of not less than 6 years after withdrawal or expiration of its license in this state. After a record or other document has been preserved for ~~±~~ one year as required ~~above~~ under this subsection, a microfilm copy thereof may be substituted for the remainder of the required period. Compliance with the requirements of the U. S. securities and exchange commission concerning preservation of records is deemed compliance with this ~~rule~~ subsection.

SECTION 76. Section SEC 4.03(3) (intro.) of the Wis. Adm. Code is amended to read:

SEC 4.03(3) (intro.) Except as provided in paragraph ~~(d)~~ par. (e), every branch office of a licensed broker-dealer, as defined in ~~Wis.-Adm.-Code-section s.~~ SEC 1.02(7), Wis. Adm. Code, shall prepare and keep current the following records:

SECTION 77. Section SEC 4.03(3)(a) of the Wis. Adm. Code is amended to read:

SEC 4.03(3)(a) Copies of the records described in ~~Wis.-Adm.-Code-sections-SEC-4-03~~ sub. (l)(f), (h), (i), (j), (k) and ~~(e)~~, (p) and (r);

SECTION 78. Section SEC 4.03(3)(b) of the Wis. Adm. Code is amended to read:

SEC 4.03(3)(b) Blotters (or other records of original entry) setting forth an itemized daily record of all purchases and sales of securities, ~~all receipts and deliveries of securities (including certificate numbers), all receipts and~~

~~disbursements-of-each.~~ This requirement may be satisfied by maintaining a unit filing system ~~wherein~~ where the order ticket information (described in ~~Wis.-Adm.-Code-section-SEC 4.03 sub. (1)(f))~~ required in ~~subsection~~ sub. (3)(a) is accumulated and segregated on a daily basis.

SECTION 79. Sections SEC 4.03(3)(c) and (d) of the Wis. Adm. Code are renumbered sections SEC 4.03(3)(d) and (e), respectively.

SECTION 80. Section SEC 4.03(3)(c) of the Wis. Adm. Code is adopted to read:

SEC 4.03(3)(c) Blotters (or other records of original entry) setting forth an itemized daily record of all receipts and deliveries of securities (including certificate numbers), and all receipts and disbursements of cash.

SECTION 81. Section SEC 4.03(3)(d) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 4.03(3)(d) ~~Copies of all-communications,--corres-~~
~~pondence-and-other-records-relating-to-securities-trans-~~
~~actions-with-customers.--Such-other-records-include-copies~~
of customer monthly or other periodic statements that are issued by the broker-dealer, or are furnished to the broker-dealer by the issuer of a security purchased by a customer of the broker-dealer.

SECTION 82. Section SEC 4.03(3)(e) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 4.03(3)(e) Branch offices of broker-dealers engaged solely in the offer and sale ~~and-redemption~~ of redeemable securities of investment companies registered

under the Investment Company Act of 1940 shall be deemed in compliance with this rule subsection, if they prepare and keep current copies of those records described in ~~Wis.-Adm. Code-section-SEC-4-03~~ sub. (1)(f), (h), (i), (j), (k) and (e), (p) and (3)(c).

SECTION 83. Section SEC 4.03(4) of the Wis. Adm. Code is amended to read:

SEC 4.03(4) The records required in ~~subsection sub.~~ (3) shall be preserved ~~by-the-office-which-prepared-them~~ for a period of not less than 3 years, the first 2 years in an easily accessible place, except that customer new account forms shall be preserved for a period of not less than 3 years after the closing of the account. After a record or document has been preserved for ± one year as required ~~above~~ under this subsection, a microfilm copy thereof may be substituted for the remainder of the required period.

SECTION 84. Section SEC 4.03(5) of the Wis. Adm. Code is amended to read:

SEC 4.03(5) ~~No-provision-under-Wis.-Adm.-Code-section SEC-4-03-shall-be-deemed-to~~ This section does not require a ~~member-of-a-national-securities-exchange~~ licensed broker-dealer to make and keep such records of transactions cleared for ~~such-member~~ the licensee by another ~~member~~ broker-dealer as are customarily made and kept by the clearing ~~member~~ broker-dealer.

SECTION 85. Section SEC 4.03(6) of the Wis. Adm. Code is amended to read:

SEC 4.03(6) The commissioner may by order exempt any broker-dealer from all or part of the requirements of this ~~rule~~ section, either unconditionally or upon specified conditions, if by reason of the special nature of its business, the ~~requirements-are-not~~ commissioner finds the issuance of the order is necessary or appropriate in the public interest or for the protection of investors.

SECTION 86. Section SEC 4.04(4) of the Wis. Adm. Code is amended to read:

SEC 4.04(4) Each broker-dealer shall file with the commissioner a notice of transfer of control or change of name not less than 30 days prior to the date on which the transfer of control or change of name is to become effective, or such shorter period as the commissioner may permit, ~~and shall furnish any additional information relating thereto as the commissioner may require.~~ ~~A transfer of control of a broker-dealer shall constitute an application for withdrawal from the status of a licensed broker-dealer pursuant to section 551.34(6), Wis. Stats., unless the commissioner by order otherwise provides.~~

SECTION 87. Section SEC 4.04(5) of the Wis. Adm. Code is amended to read:

SEC 4.04(5) Except as provided in ~~Wis. Adm. Code sections SEC-4.04~~ subs. (2), (4) and (9), all material changes in the information included in a broker-dealer's most recent application for license shall be set forth in an amendment to ~~form~~ Form BD filed ~~promptly~~ promptly with the commissioner within 30 days after the change occurs.

SECTION 88. Section SEC 4.04(9) of the Wis. Adm. Code is amended to read:

SEC 4.04(9) Each broker-dealer shall notify the commissioner in writing at least 10 days prior to opening and not more than 10 days after closing in this state any "branch office" as defined in ~~Wis.-Adm.-Code-section s.~~ SEC 1.02(7), Wis. Adm. Code. The notification shall include such information as the commissioner may request.

SECTION 89. Section SEC 4.05(4) of the Wis. Adm. Code is repealed.

SECTION 90. Section SEC 4.05(5) Wis. Adm. Code is repealed.

SECTION 91. Sections SEC 4.05(6), (7) and (8) of the Wis. Adm. Code are renumbered sections SEC 4.05(4), (5) and (6), respectively, and SEC 4.05(6) (intro.) and (a) of the Wis. Adm. Code, as renumbered, are amended to read:

SEC 4.05(6) (intro.) Every licensed broker-dealer, except broker-dealers engaged solely in the ~~sale-and-redemption~~ of offer and sale of redeemable securities of investment companies registered under the Investment Company Act of 1940, shall require each of its licensed agents to have and keep current, and each agent shall have and keep current, the following records relating to customer securities transactions, which record requirements may not be satisfied by maintaining a file of confirmations unless permitted by order of the commissioner:

(a) A securities holding record for each customer including the customer's name, address, telephone number, age, occupation, investment objectives, ~~and such other relevant information relating to such customer's financial situation and needs as is available to the agent,~~ and a chronological listing of the names and amounts of all securities purchased or sold for the account of the customer, including the date of each transaction, and the unit purchase or sale price;

SECTION 92. Section SEC 4.05(7) of the Wis. Adm. Code is adopted to read:

SEC 4.05(7) Every licensed broker-dealer must employ at least one person designated to act in a supervisory capacity who is licensed as a securities agent in this state and has satisfied the supervisory examination requirement in s. SEC 4.01(5), Wis. Adm. Code; provided that if a licensed broker-dealer is not in compliance with the requirements of this paragraph, it has 90 days from the first date of non-compliance to meet the requirements of this paragraph.

SECTION 93. Section SEC 4.06(1)(e) to (u) of the Wis. Adm. Code are renumbered section SEC 4.06(1)(f) to (v), respectively.

SECTION 94. Section SEC 4.06(1)(e) of the Wis. Adm. Code is adopted to read:

SEC 4.06(1)(e) Executing a transaction for the account of a customer upon instructions from a 3rd party without first having obtained written 3rd party authorization from the customer;

SECTION 95. Section SEC 4.06(1)(f) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 4.06(1)(f) Exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer, unless the discretionary power relates solely to the time ~~and/or~~ or price for the execution of orders, or both;

SECTION 96. Section SEC 4.06(1)(p) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 4.06(1)(p) Representing itself as a financial or investment planner, consultant, or adviser, when the representation does not ~~fairly~~ accurately describe the nature of the services offered, the qualifications of the person offering the services, and the method of compensation for the services;

SECTION 97. Section SEC 4.06(1)(q) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 4.06(1)(q) Violating any rule of ~~a national~~ any securities exchange or national securities association of which it is a member with respect to any customer, transaction or business in this state;

SECTION 98. Section SEC 4.06(2) (intro.) of the Wis. Adm. Code is amended to read:

SEC 4.06(2) (intro.) The following are deemed "dishonest or unethical business practices" or "taking unfair advantage of a customer" by an agent under ~~section s.~~ s.

551.34(1)(g), Wis. Stats., without limiting those terms to the practices specified herein in this subsection.

SECTION 99. Section SEC 4.06(2)(a) of the Wis. Adm. Code is amended to read:

SEC 4.06(2)(a) Borrowing money or securities from, or lending money or securities to, a customer;

SECTION 100. Section SEC 4.06(2)(d) of the Wis. Adm. Code is amended to read:

SEC 4.06(2)(d) ~~Operating~~ Effecting transactions in securities for an account operating under a fictitious name, unless disclosed to, and permitted in writing by, the broker-dealer or issuer which the agent represents;

SECTION 101. Section SEC 4.06(2)(g) of the Wis. Adm. Code is renumbered section SEC 4.06(2)(h) and amended to read:

SEC 4.06(2)(h) Engaging in any of the practices specified in ~~subsections sub.~~ (1)(b), (c), (d), (e), (f), (g), ~~(n)-(o)-(p)-(q)-(r)-(s)-(t)-or-(u)~~ (h), (o), (p), (q), (r), (t), (u) and (v).

SECTION 102. Section SEC 4.06(2)(g) of the Wis. Adm. Code is created to read:

SEC 4.06(2)(g) Using advertising describing or relating to the agent's securities business unless the advertising clearly identifies the name of the agent's employing broker-dealer or issuer.

SECTION 103. Section SEC 4.07(1) of the Wis. Adm. Code is amended to read:

SEC 4.07(1) The license of any broker-dealer whose name commences with any of the letters A through D expires March 31 following the date of issuance of the license; the license of any broker-dealer whose name commences with any of the letters E through I expires June 30 following the date of issuance of the license; the license of any broker-dealer whose name commences with any of the letters J through O expires September 30 following the date of issuance of the license; and the license of any broker-dealer whose name commences with any of the letters P through Z expires December 31 following the date of issuance of the license. The license of an agent expires on the same day as that of the broker-dealer which the agent represents. The license of an agent representing an issuer expires on ~~December~~ July 31 following the date of the issuance of the license, or upon the termination of the offering for which the agent was licensed, whichever first occurs. The commissioner may by order limit the period of, or specify an earlier expiration date for any license.

SECTION 104. Section SEC 4.07(2) of the Wis. Adm. Code is amended to read:

SEC 4.07(2) The license of an agent is not effective during any period ~~(a)~~ when the broker-dealer which the agent represents is not licensed, or ~~(b)~~ when the securities of the issuer which the agent represents are not subject to an effective order of registration or exemption, or upon termination of the offering.

SECTION 105. Section SEC 4.10(3) of the Wis. Adm. Code is amended to read:

SEC 4.10(3) Nothing in this ~~rule-shall-prevent~~ section prevents a bank, savings institution or trust company from acting as depository, custodian, exchange agent, escrow agent, transfer agent, registrar, agent administering dividend reinvestment plans or in any similar capacity in the ordinary course of business.

SECTION 106. Sections SEC 5.01(4)(b) and (c) of the Wis. Adm. Code are renumbered sections SEC 5.01(4)(c) and (d), respectively.

SECTION 107. Section SEC 5.01(4)(b) of the Wis. Adm. Code is adopted to read:

SEC 5.01(4)(b) Any applicant for qualification as an investment adviser representative, if an undertaking satisfactory to the commissioner is submitted setting forth how the agent will be adequately supervised, and the qualification of the representative is appropriately limited;

SECTION 108. Section SEC 5.01(5) of the Wis. Adm. Code is repealed and recreated to read:

SEC 5.01(5) Prior to issuance of a license as an investment adviser, at least one employe of the investment adviser must be designated in the license application to act in a supervisory capacity and be qualified as an investment adviser representative for the investment adviser, and must pass a written supervisory examination prescribed by the commissioner unless the examination is waived under sub. (4).

SECTION 109. Section SEC 5.03(1) of the Wis. Adm. Code is repealed and recreated to read:

SEC 5.03 Investment advisers' records. (1) Every licensed investment adviser shall maintain and keep current the following books and records relating to its business:

(a) All partnership agreements, or all articles of incorporation, by-laws, minute books and stock certificate books of the investment adviser.

(b) A general ledger (or other records in the case of a sole proprietor) reflecting all asset, liability, income, expense, and capital accounts.

(c) A record showing all payments received, including date of receipt, purpose, and from whom received; and all disbursements, including date paid, purpose, and to whom made.

(d) A record showing all receivables and payables.

(e) All trial balances, financial statements, and internal audit working papers which may be prepared relating to the business of the investment adviser.

(f) A memorandum of each order given by the investment adviser for the purchase or sale of any security, of any instruction received by the investment adviser from the customer concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any order or instruction. The memoranda shall show the terms and conditions of the order, instruction, modification or cancellation; shall identify the person

connected with the investment adviser who recommended the transaction to the customer and the person who placed the order; and shall show the account for which entered, the date of entry, and the bank, broker or dealer by or through whom executed. Orders entered pursuant to the exercise of discretionary power shall be so designated.

(g) Copies of all written communications, correspondence, confirmations, appraisals and other records relating to investment activities of customers.

(h) Copies of all complaints of customers relating to investment activities for customers. In this paragraph, "complaint" means any written or oral statement of a customer or any person acting on behalf of a customer alleging a grievance involving the activities of persons under the control of the investment adviser in connection with providing investment advice or placing orders on behalf of customers.

(i) A list or other record of all accounts in which the investment adviser is vested with any discretionary power with respect to the funds, securities or transactions of any customer.

(j) A copy of all powers of attorney and other evidences of the granting of any discretionary authority by any customer to the investment adviser or to a third party.

(k) A copy of all written agreements entered into by the investment adviser with any customer, or with any other person if the agreement relates to the business of the investment adviser.

(1) A file containing any advertisement (as defined within the meaning of SEC. 206(4)-1 of the Investment Advisers Act of 1940) used in connection with the offering of investment advisory services in this state.

SECTION 110. Sections SEC 5.03(2) and (3) of the Wis. Adm. Code are renumbered sections SEC 5.03(3) and (4), respectively.

SECTION 111. Section SEC 5.03(2) of the Wis. Adm. Code is adopted to read:

SEC 5.03(2) Each licensed investment adviser who renders investment supervisory or management service to any customer shall, with respect to the portfolio being supervised or managed and to the extent that the information is reasonably available to or obtainable by the investment adviser, maintain and keep current:

(a) Records for each customer showing the securities purchased or sold on advice of the adviser, and the date, amount, and price of each purchase and sale.

(b) Records identifying the customer and the current amount or interest owned by each customer for each security in which any customer has a current position.

SECTION 112. Section SEC 5.03(3) of the Wis. Adm. Code, as renumbered, is amended to read:

SEC 5.03(3) Every licensed investment adviser shall preserve for a period of not less than 3-6 years, the first 2 years in an easily accessible place, all records required under ~~subsection~~ sub. (1) except that records respecting an

account required under ~~subsections~~ subs. (1) ~~(g) and (h)~~
(i), (j) and (k) shall be preserved by the investment
adviser for a period of not less than 3 6 years after the
closing of the account and records required under ~~subsection~~
sub. (1) ~~(i)~~ (a) shall be preserved by the investment
adviser for a period of not less than 3 6 years after
withdrawal or expiration of its license in this state.
After a record or other document has been preserved for 2
years as required ~~above~~ in this subsection, a microfilm copy
~~thereof~~ may be substituted for the remainder of the required
period.

SECTION 113. Section SEC 5.03(4) of the Wis. Adm.
Code, as renumbered, is amended to read:

SEC 5.03(4) The commissioner may by order exempt any
investment adviser from all or part of the requirements of
this ~~rule~~ section, either unconditionally or upon specified
conditions, if by reason of the special nature of its
business, ~~the requirements are not~~ the commissioner finds
that issuance of the order is necessary or appropriate in
the public interest or for the protection of investors.

SECTION 114. Section SEC 5.04(2) of the Wis. Adm. Code
is amended to read:

SEC 5.04(2) Each investment adviser shall file with
the commissioner a copy of any complaint related to its
business, transactions, or operations in this state, naming
the investment adviser or any of its partners, officers or
investment adviser representatives as defendants in any

civil or criminal proceeding, or in any administrative or disciplinary proceeding by any public or private regulatory agency, within 20 days of the date the complaint is served on the investment adviser; a copy of any answer or reply ~~thereto~~ to the complaint filed by the investment adviser within 10 days of the date ~~such~~ the answer or reply is filed; and a copy of any decision, order or sanction made with respect to any such proceeding within 20 days of the date the decision, order or sanction is rendered.

SECTION 115. Section SEC 5.04(3) of the Wis. Adm. Code is amended to read:

SEC 5.04(3) Each investment adviser shall file with the commissioner a notice of transfer of control or change of name not less than 30 days prior to the date on which the transfer of control or change of name is to become effective, or such shorter period as the commissioner may permit, ~~and shall furnish additional information relating thereto as the commissioner may require. A transfer of control of an investment adviser shall constitute an application for withdrawal from the status of a licensed investment adviser pursuant to section 551.34(6), Wis. Stats., unless the commissioner by order otherwise provides.~~

SECTION 116. Section SEC 5.04(4) of the Wis. Adm. Code is amended to read:

SEC 5.04(4) Except as provided in ~~Wis. Adm. Code sections SEC-5-04~~ subs. (2) and (3), all material changes in the information included in an investment adviser's most

recent application for license shall be set forth in an amendment to form ADV IA filed promptly with the commissioner within 30 days after the change occurs.

SECTION 117. Section SEC 5.05(2)(d) of the Wis. Adm. Code is adopted to read:

SEC 5.05(2)(d) Fails to disclose, in substance, the term of the advisory agreement, the fee to be charged by the adviser, the formula for computing the advisory fee, the formula for computing the amount of prepaid fee to be returned in the event of contract termination or non-performance, and whether the contract grants discretionary power to the adviser.

SECTION 118. Sections SEC 5.05(5) and (6) of the Wis. Adm. Code are repealed.

SECTION 119. Section SEC 5.05(5) of the Wis. Adm. Code is adopted to read:

SEC 5.05(5) No licensed investment adviser may enter into, extend or renew any investment advisory contract with a customer in this state unless the contract is in writing and a copy of the contract is given to the customer within 15 days after the execution of the contract.

SECTION 120. Section SEC 5.05(6) of the Wis. Adm. Code is adopted to read:

SEC 5.05(6) Each investment adviser who renders account supervisory or management services shall provide at least annually to each Wisconsin customer a written summary of the customer's account which includes information setting

forth the name, quantity and market value of each security under management, and the total value of cash and securities under management.

SECTION 121. Section SEC 5.05(7) of the Wis. Adm. Code is adopted to read:

SEC 5.05(7) Every licensed investment adviser must employ at least one person designated to act in a supervisory capacity who is qualified as an investment adviser representative in this state and has satisfied the supervisory examination requirement in s. SEC 5.01(5), Wis. Adm. Code; provided that if a licensed investment adviser is not in compliance with the requirements of this paragraph, it has 90 days from the first date of noncompliance to meet the requirements of this paragraph.

SECTION 122. Section SEC 5.06 (intro.) of the Wis. Adm. Code is amended to read:

SEC 5.06 Prohibited business practices. The following are deemed "dishonest or unethical business practices" or "taking unfair advantage of a customer" by an investment adviser under ~~section s.~~ s. 551.34(1)(g), Wis. Stats., without limiting those terms to the practices specified ~~herein in~~ this section:

SECTION 123. Section SEC 5.06(1) of the Wis. Adm. Code is amended to read:

SEC 5.06(1) Exercising any discretionary power in placing an order for the purchase or sale of securities for the account of a customer without first obtaining written

discretionary authority from the customer, unless the discretionary power relates solely to the price at which, or the time when, an order involving a definite amount of a specified security shall be executed, or both.

SECTION 124. Section SEC 5.06(2) of the Wis. Adm. Code is renumbered section 5.06(8) and amended to read:

SEC 5.06(8) Placing an order for the purchase or sale of a security ~~pursuant to discretionary authority if the purchase or sale is in violation of chapter 5517-Wis-Stats, or any rule thereunder~~ security is not registered or the security or transaction is not exempt from registration under ch. 551, Stats.

SECTION 125. Sections SEC 5.06(2) to (7) of the Wis. Adm. Code are adopted to read:

SEC 5.06(2) Placing an order to purchase or sell a security for the account of a customer upon instructions of a third party without first having obtained written third party trading authorization from the customer;

(3) Inducing trading in a customer's account that is excessive in size or frequency in view of the financial resources and character of the account;

(4) Recommending to a customer the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the customer on the basis of information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other information known by the investment adviser;

(5) Placing an order to purchase or sell a security for the account of a customer without authority to do so;

(6) Borrowing money or securities from, or lending money or securities to, a customer;

(7) Representing itself as a financial or investment planner, consultant, or adviser, when the representation does not accurately describe the nature of the services offered, the qualifications of the person offering the services, and the method of compensation for the services;

SECTION 126. Section SEC 5.06(9) of the Wis. Adm. Code is adopted to read:

SEC 5.06(9) Placing an order to purchase or sell a security for a customer through a broker-dealer or agent not licensed under ch. 551, Stats., unless the customer is a person referenced in s. 551.23(8), Stats.

SECTION 127. Section SEC 5.07(1) of the Wis. Adm. Code is amended to read:

SEC 5.07 License period. (1) The initial license of an investment adviser expires ~~December-31~~ April 30 of each year. The qualification of an investment adviser representative expires on the same day as that of the investment adviser which ~~such~~ the person represents. The commissioner may by order limit the period of, or specify an earlier expiration date for, any license.

SECTION 128. Section SEC 5.07(2) of the Wis. Adm. Code is amended to read:

SEC 5.07(2) The qualification of an investment adviser representative is not effective during any period when the

investment adviser which that person represents is not licensed or during any period when the representative is not employed by a specified investment adviser licensed under ch. 551, Stats.

SECTION 129. Section SEC 6.01 (intro.) of the Wis. Adm. Code is amended to read:

SEC 6.01 Application of proceeds. An issuer of securities ~~registered under chapter 551, Wis. Stats.,~~ or any person who is an officer, director or controlling person of ~~such the~~ issuer is deemed to employ a "device, scheme or artifice to defraud" the purchasers of ~~such the~~ securities within the meaning of ~~section s.~~ s. 551.41(1), Wis. Stats., if ~~such the~~ person applies or authorizes or causes to be applied any material part of the proceeds from the sale of such securities in any material way contrary to the purposes specified in the prospectus used in the offering of ~~such the~~ securities and not reasonably related to the business of the issuer as described in the prospectus.

SECTION 130. Section SEC 6.05(1)(a)3. of the Wis. Adm. Code is amended to read:

SEC 6.05(1)(a)3. More than 50% of the securities held by persons not affiliated with the issuer approve the transaction; ~~provided, however,~~ the absence of one or more of the ~~above~~ conditions under subds. 1. and 2. shall create no presumption as to the fairness or unfairness of the terms of the transaction;

SECTION 131. Section SEC 6.05(3) of the Wis. Adm. Code is amended to read:

SEC 6.05(3) ~~"Affiliated"~~ In this section, "affiliated" refers to persons who are partners, officers or directors of the issuer (or persons occupying a similar status or performing similar functions), or directly or indirectly in control of, controlled by, or under common control with, the issuer. Control may be presumed by ownership of, or the power to vote, more than 5% of the outstanding voting securities of the issuer (either alone or pursuant to an arrangement or understanding with one or more other persons).

SECTION 132. Sections SEC 7.01(2)(b) and (d) of the Wis. Adm. Code are amended to read:

SEC 7.01(2)(b) Application for exclusion from a definition by order under ss. 551.02(3)(h) or 551.02(7)(g), Stats., or for issuance of an order under ~~Wis.-Adm.-Code-section s.~~ SEC 2.02(5)(4)(d), Wis.

Adm. Code \$100.

SEC 7.01(2)(d) Notice filed under ~~section s.~~ 551.22(10) or (14), Wis. Stats., or under ~~section s.~~ 551.23(12), Wis. Stats., or under ~~Wis.-Adm.-Code~~ sections SEC 2.02(11)(10)(b), or (c) or (d), Wis.

Adm. Code \$50.

SECTION 133. Section SEC 7.01(2)(f) of the Wis. Adm. Code is repealed.

SECTION 134. Section SEC 7.01(2)(g) of the Wis. Adm. Code is renumbered SEC 7.01(2)(f).

SECTION 135. Section SEC 7.01(3)(a) of the Wis. Adm.

Code is amended to read:

SEC 7.01(3)(a) Application for initial license of a broker-dealer or investment adviser or a successor under ~~section s.~~

551.32(1) or (3), ~~Wis.~~ Stats. ~~\$50~~ \$100.

SECTION 136. Section SEC 7.01(3)(c) of the Wis. Adm.

Code is repealed.

SECTION 137. Sections SEC 7.01(3)(d), (e) and (f) of the Wis. Adm. Code are renumbered sections SEC 7.01(3)(c), (d) and (e), and are amended to read:

SEC 7.01(3)(c) Examination of an agent applicant or a person representing an investment adviser under ~~section s.~~ 551.32(4), ~~Wis.~~ Stats. ... ~~\$10~~ \$20.

(d) Field examination of applicant for initial license as broker-dealer or investment adviser under s. 551.32(2), Stats. \$50 \$75 per day per examiner.

(e) Periodic examination of a broker-dealer or investment adviser under ~~section s.~~

551.33(4), ~~Wis.~~ Stats. An-amount-not-exceeding-in-any-year-the aggregate-amount-of filing-fees-of-the broker-dealer-and-its agents-or-the-investment-adviser,-payable upon-completion-of

~~the-examination~~ \$75
per day per examiner.

SECTION 138. Section SEC 7.01(7) of the Wis. Adm. Code is repealed and recreated to read:

SEC 7.01(7) Delinquent or materially deficient filings:

(a) Delinquent filing of broker-dealer or investment adviser license renewal application \$50.

(b) Delinquent filing of broker-dealer or investment adviser transfer of control \$50.

(c) Delinquent filing of broker-dealer or investment adviser annual financial statements \$25.

(d) Delinquent filing of broker-dealer report of sales on Form RS-BD \$10.

(e) Delinquent filing of agent termination notice on Form U-5 \$5.

(f) The commissioner may by order require the payment of a fee of no more than \$100 for delinquent or materially deficient filings of information or documents required to be filed in connection with examination of any matter under chapters 2 to 6, Wis. Adm. Code.

SECTION 139. Section SEC 7.03(2) of the Wis. Adm. Code is amended to read:

SEC 7.03(2) An offer to repurchase securities made ~~pursuant-to-section~~ under s. 551.59(6)(a), Wis. Stats., by a licensed broker-dealer and not involving an act or omission

specified in ~~section s.~~ 551.59(1)(b), Wis. Stats., may provide that the period within which ~~such~~ the offer may be accepted by the offeree is not less than 15 days after the date of receipt thereof.

SECTION 140. Section SEC 7.03(3) of the Wis. Adm. Code is amended to read:

SEC 7.03(3) Every offer to repurchase or return securities made pursuant to ~~subsection-(6)(a)-or-(b)-of~~ section s. 551.59(6)(a) or (b), Wis. Stats., shall include, in addition to the information specified in ~~such-subsections~~ those paragraphs, the price at which the security was sold or purchased, the price of the security on the date the offer is made and such additional information as the commissioner may require in connection with specific offers.

SECTION 141. Section SEC 7.06(1)(b) of the Wis. Adm. Code is amended to read:

SEC 7.06(1)(b) Examined and reported upon by an independent certified public accountant, provided that this requirement may be waived by the commissioner and does not apply to interim financial statements or financial statements of investment advisers that are prepared by an independent accountant, unless otherwise required by the commissioner in particular cases. The accountant's report shall meet the requirements of rule 2-02 of regulation S-X of the U. S. securities and exchange commission and shall accompany the financial statements included in the prospectus.

SECTION 142. Section SEC 7.06(3) of the Wis. Adm. Code

is amended to read:

SEC 7.06(3) The commissioner may permit the omission of one or more of the statements ~~herein~~ under this section required or the filing in substitution therefor of appropriate statements of comparable character. The commissioner may also require the filing of other statements when 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 143. Section SEC 8.05(3) of the Wis. Adm. Code is amended to read:

SEC 8.05(3) A copy of the written transcript of proceedings shall be provided upon the request in writing ~~(a)~~ of any party setting forth by affidavit filed with the commissioner the party's impecuniousness, or ~~(b)~~ of any person upon tender of the estimated costs of preparing the copy, adjusted to reflect the actual costs when determined.

SECTION 144. Section SEC 8.09 of the Wis. Adm. Code is adopted to read:

SEC 8.09 Procedure for determination of parties.
Under the requirement of s. 227.10, Stats., the following procedure shall be followed by each hearing examiner appointed under the authority of s. 227.09(1), Stats., to hear a matter under chs. 551, 552 or 553, Stats., on behalf of the office of the commissioner of securities:

(1) The hearing examiner, prior to receiving testimony by any individual, shall state on the record whether the individual is testifying as a party to the proceeding as defined in s. 227.01(6), Stats., as a witness, or is testifying for informational purposes only or for the limited purpose of making a statement for the record.

(2) Only persons admitted to the proceeding as parties by the hearing examiner under the procedure in par. (a) are entitled to receive service of a decision under s. 227.11, Stats., and to be considered a party for purposes of judicial review under s. 227.16, Stats.

SECTION 145. Section SEC 32.01 of the Wis. Adm. Code is amended to read:

SEC 32.01 Requirement for exemption of franchises. Franchisors desiring to offer to sell or sell their franchises in this state pursuant to the exemption provided by ~~section~~ s. 553.22, Wis. Stats., shall, at least 10 days prior to making ~~such offers~~ an offer to sell or ~~sales~~ a sale in this state, ~~1)-advise:~~

(1) Advise the commissioner of their plans to offer to sell or to sell franchises in ~~the~~ this state ~~of Wisconsin;~~

~~2)-include~~

(2) Include in ~~such~~ the advice a showing of qualifications under ~~section~~ s. 553.22(1) and (2), Wis. Stats., and ~~Wis. Adm. Code ss.~~ SEC 31.01(4) and 31.01(1) (1) and (4), Wis. Adm. Code, respectively, ~~and 3)-shall file;~~

(3) File with the commissioner a copy of ~~any advertising~~

~~and-offering-material-which-is-used-by-the-franchisor-as-the~~
~~basis-of~~ the offering circular, prospectus or disclosure
document containing the information required to be disclosed
under ~~section~~ s. 553.22(3), ~~Wis. Stats.~~, to prospective
investors, together with a consent to service of process as
required by s. 553.22(4), ~~Wis. Stats.~~

SECTION 146. Section SEC 32.02 of the Wis. Adm. Code
is repealed.

SECTION 147. Section SEC 32.03 (title) of the Wis.
Adm. Code is renumbered section 32.02 (title).

SECTION 148. Section SEC 32.03(1) of the Wis. Adm.
Code is renumbered section SEC 32.02 and amended to read:

SEC 32.02 Franchisors, or their agents, or representatives
offering to sell or selling franchises in this state under
~~section s. 553.22, 553.23 or 553.25, Wis. Stats.~~, shall file
with the commissioner within a period of 120 days from the
last date of each of their fiscal years a copy of their
annual report and audited certified financial statements or
unaudited financial statements prepared by a certified
public accountant if the requirement for submission of
audited financial statements has been waived by the commis-
sioner under ~~Wis. Adm. Code, section~~ s. 35.05(1)(b)2., Wis.
Adm. Code.

SECTION 149. Section SEC 32.03(2) of the Wis. Adm.
Code is repealed.

SECTION 150. Sections SEC 32.04 to section SEC 32.06
of the Wis. Adm. Code are renumbered sections SEC 32.03 to
SEC 32.05.

SECTION 151. SEC 32.06 of the Wis. Adm. Code is adopted to read:

SEC 32.06 Form of Application. (1) All applications for registration of an offer to sell or sale of a franchise, all registration renewal statements and all applications to amend the registration statement shall be filed upon the uniform franchise registration application adopted in September, 1975 by the Midwest Securities Commissioners Association and adopted in April, 1980 by the North American Securities Administrators Association.

(2) In determining whether an applicant has complied with the requirements of the uniform franchise registration application, the commissioner shall follow the Guidelines for Preparation of the Uniform Franchise Offering Circular and Related Documents adopted in October, 1977 by the Midwest Securities Commissioners Association and in April, 1980 by the North American Securities Administrators Association. Copies of the Guidelines are available from the commissioner's office for a prepaid fee of \$10.00.

SECTION 152. Section SEC 32.07 of the Wis. Adm. Code is repealed.

SECTION 153. Section SEC 32.08 of the Wis. Adm. Code is renumbered section SEC 32.07, and sections SEC 32.07(1) and (2) as renumbered are amended to read:

SEC 32.07(1) A registration renewal statement under ~~section s.~~ s. 553.30, Wis. Stats., shall be filed on a form prescribed by the commissioner not less than 15 business

days prior to the end of one year from the effective date of the registration statement, and shall be accompanied by the latest form of prospectus or offering circular, meeting the requirements of ~~Wis.-Adm.-Code, section s.~~ SEC 32.07 32.06, Wis. Adm. Code, used in connection with the sale of the registered franchises together with a balance sheet of the franchisor as of a date within 120 days of ~~such~~ the proposed renewal date and an income statement and analysis of surplus of the franchisor for its last fiscal year preceding the date of ~~such~~ the balance sheet and for the period between the close of the franchisor's last fiscal year and the date of ~~such~~ the balance sheet, all meeting the requirements of ~~Wis.-Adm.-Code, section s.~~ SEC 35.05, Wis. Adm. Code. If no stop order or other order under ~~section s.~~ 553.28, Wis. Stats., is in effect, renewal of the registration statement becomes effective on the day on which the prior registration statement expires or at ~~such~~ an earlier time as the commissioner determines.

(2) An application to amend a registration statement under ~~section s.~~ 553.31, Wis. Stats., shall be filed on a form prescribed by the commissioner at any time during the effectiveness of a registration statement under ~~section s.~~ 553.29, Wis. Stats. The commissioner may take, upon such filing, action appropriate in the public interest or for the protection of investors under ~~sections s.~~ 553.26(20) or 553.28, Wis. Stats. The registration statement or registration renewal statement filed with the commissioner remains in

effect while an application to amend ~~such~~ the registration statement or registration renewal statement is being reviewed by the commissioner. If the commissioner does not require additional information ~~pursuant-to-section~~ under s. 553.26(20), Wis. Stats., or if no stop order or other order under ~~section~~ s. 553.28, Wis. Stats., is in effect, the amendment to the registration statement or registration renewal statement becomes effective 15 business days after receipt by the commissioner of the application to amend the registration statement or registration renewal statement or at ~~such~~ an earlier time ~~as-the~~ determined by the commissioner ~~determines~~. In the case of an application for registration or a registration renewal statement, the effective date of the original application for registration or, as the case may be, registration renewal statement shall remain the date from which time is measured for purposes of renewal of registration statements under ~~Wis.-Adm.-Code-section~~ s. SEC 32-08 32.07, Wis. Adm. Code, and the filing of periodic reports under ~~Wis.-Adm.-Code-section~~ s. SEC 32-09 32.08, Wis. Adm. Code.

(3) In the absence of the filing of a registration renewal statement under ~~section~~ s. 553.30, Wis. Stats., or of an application to amend a registration statement under ~~section~~ s. 553.31, Wis. Stats., the commissioner may by order extend the offering period of a registration statement subject to conditions ~~as-he-may-prescribe~~ the commissioner prescribes for the protection of investors.

SECTION 154. Section SEC 32.09 of the Wis. Adm. Code is renumbered section SEC 32.08, and sections SEC 32.08(1)

and (2) as renumbered are amended to read:

SEC 32.08 (1) Each franchisor or registrant of franchises under ~~section s.~~ s. 553.29 (2), ~~Wis.~~ Stats., shall file with the commissioner quarterly commencing 90 days after the effective date of its registration statement ~~a-report,~~ any reports required by order, on a form prescribed by the commissioner, specifying the number of franchises sold in the state pursuant to ~~such~~ the registration statement, the selling prices of each of ~~such~~ the franchises, and graphic representations of the exclusive areas, if any, sold to ~~such~~ the franchisees.

(2) Each franchisor or registrant of franchises under ~~section s.~~ s. 553.29(2), ~~Wis.~~ Stats., shall file with the commissioner ~~such~~ any additional reports of sales of franchises and financial statements ~~as-may-be-specified~~ required by order, and shall furnish the commissioner, pursuant to ~~section s.~~ s. 553.31(1), ~~Wis.~~ Stats., with written notice within 30 days after the happening of any material event or material change affecting the franchisor or the franchises registered.

SECTION 155. Section SEC 32.10 of the Wis. Adm. Code is renumbered section SEC 32.09 and amended to read:

SEC 32.09 Registration proceedings. If, in connection with the examination of any application for registration under ~~section s.~~ s. 553.26, ~~Wis.~~ Stats., any information is reasonably required by the commissioner prior to the effective date of an application for registration under ~~section s.~~ s. 553.29(1), ~~Wis.~~ Stats., and ~~such~~ the request is communicated

by the commissioner to the applicant or interested person in any form within the 15 business day period specified in ~~section s.~~ s. 553.29(1), Wis. Stats., which period shall commence on the date of receipt by the commissioner of the application for registration, the filing of such an application for registration is made when the additional information so required is received by the commissioner.

SECTION 156. Sections SEC 32.11 to 32.14 of the Wis. Adm. Code are renumbered sections SEC 32.10 to 32.13.

SECTION 157. Section SEC 33.03 of the Wis. Adm. Code is amended to read:

SEC 33.03 State laws affecting franchise operations. The commissioner may, pursuant to ~~section s.~~ s. 553.28, Wis. Stats., issue a stop order denying effectiveness to any application for registration of franchises under ~~section s.~~ s. 553.26, Wis. Stats., or suspending or revoking the effectiveness of any exemption under ~~sections s.~~ s. 553.22 ~~or~~, 553.23 ~~or~~ 553.25, Wis. Stats., ~~when-he~~ if the commissioner finds that the sale of franchises pursuant to such the application, exemption, or registration statement is or would be in violation of the Wisconsin marketing; warehouses; trade practices law, the Wisconsin trusts and monopolies law, the Wisconsin fair dealership law or the Wisconsin uniform securities law. (Chapter ch. 100 Wis. Stats., Chapter ch. 133 Wis. Stats., ch. 135 Stats., or Chapter ch. 551 Wis. Stats., respectively).

SECTION 158. Section SEC 35.01 (intro.) and (1)(a) to (c) of the Wis. Adm. Code are amended to read:

SEC 35.01 Examination expenses. The following amounts are prescribed for examination of various matters arising under ch. 553, ~~Wis.~~ Stats., as authorized by ~~section s.~~ 553.72(4), ~~Wis.~~ Stats., and are chargeable to the applicant, or registrant and are payable unless otherwise provided at the time the application or notice is filed:

(1)(a) Application for opinion confirming exemption from registration under ~~sections s.~~ 553.22, 553.23, or 553.25, ~~Wis.~~ Stats., \$50 \$250.

(b) Application for interpretative opinions under ~~chapter ch.~~ 553, ~~Wis.~~ Stats., \$20 \$50.

(c) Application for approval of written notice under ~~section s.~~ 553.51(4), ~~Wis.~~ Stats., \$20.

SECTION 159. Section SEC 35.01(1)(d) and (e) of the Wis. Adm. Code are adopted to read:

SEC 35.01(1)(d) Application for renewal of a registration under s. 553.30, Stats., \$250.

(e) Application for amendment to a registration under s. 553.31, Stats., \$100.

SECTION 160. Section SEC 35.01(2)(a) and (b) of the Wis. Adm. Code are amended to read:

SEC 35.01(2)(a) Advertising filed by a registrant pursuant to ~~section s.~~ 553.53,

Wis. Stats., \$5 \$10 per item
but not exceed-
ing an aggregate
amount of \$150
per registrant
in any one year.

(b) Advertising filed by a person
or applicant not a registrant pursuant to
section s. 553.53, Wis. Stats., \$10 per item but
not exceeding an
aggregate amount
of \$150 per person
or applicant in
any one year.

SECTION 161. Section SEC 35.06 of the Wis. Adm. Code
is repealed.

SECTION 162. Chapter SEC 36 of the Wis. Adm. Code is
repealed and recreated to read:

Chapter SEC 36

ADMINISTRATIVE PROCEDURE

SEC 36.01 Administrative procedure.

All hearings under ch. 553, Stats. shall follow the
procedures prescribed in chapter SEC 8, Wis. Adm. Code.

SECTION 163. Chapter SEC 37 of the Wis. Adm. Code is
repealed and recreated to read:

Chapter SEC 37

FORMS

SEC 37.01 Forms (1) The following forms in compliance

with the requirements of chapter 553 are prescribed for use in this state and may be obtained without charge from the Office of the Commissioner of Securities, Box 1768, Madison, Wisconsin 53701:

(a) Uniform franchise registration application;

(b) Uniform consent to service of process.

(2) Any other application, form or notice under chapter 553, Wis. Stats., shall include the information specified in the applicable statutory section or rule, and may be filed with the commissioner in the form of a letter or memorandum.

SECTION 164. Wherever in the following sections of chapter SEC 3 of the Wis. Adm. Code the term "such" is used, the term "those" is substituted: SEC 3.04(3)(a), SEC 3.04(3)(b), 3.09(2) (intro.).

SECTION 165. Wherever in the following sections of chs. 1 to 35 of the Wis. Adm. Code the term "such" is used, the term "the" is substituted: SEC 1.02(2)(b), SEC 1.02(4)(intro.), (a), (b), (c) and (d), SEC 2.01(4)(a) and (b), SEC 2.01(6)(f), SEC 2.01(7)(a), SEC 2.02(1)(b), SEC 2.02(2), SEC 2.02(5)(a) as renumbered, SEC 2.02(10)(a) and (b) as renumbered, SEC 2.02(10)(f)(intro.) as renumbered, SEC 2.02(10)(g) as renumbered, SEC 3.02(1)(b), SEC 3.03(2)(d), SEC 3.05(1) and (2)(a), SEC 3.06(3), SEC 3.06(6)(intro.), SEC 3.07(1)(intro.), SEC 3.07(3)(e), SEC 3.09(4) and (5), SEC 3.10(1)(c) and (5), SEC 3.22(1)(g), SEC 3.22(3), SEC 3.23(1)(a), (b), (c) and (d), SEC 3.25(1) and (2), SEC 3.27(2), SEC 3.28(1) and (3), SEC 4.01(1), SEC 4.02(3), SEC 4.03(1)(c), SEC 4.03(1)(d)4., SEC

4.03(1)(e), SEC 4.04(8), SEC 4.05(5) as renumbered, SEC
4.10(1)(b) and (2), SEC 5.01(1), SEC 5.01(6), SEC 5.02(2),
SEC 5.05(1), SEC 6.02, SEC 6.03, SEC 6.05(1)(a)1., (1)(b)
and (1)(c)(intro.), SEC 7.02(1)(a), SEC 7.03(4), SEC 31.01(3)(d),
(4), (5), (6)(a), (6)(d), and (9)(a), SEC 32.03 as renumbered,
SEC 32.04 as renumbered, SEC 32.10 as renumbered, SEC 32.12(2)
and (3) as renumbered, SEC 33.01, SEC 34.01, SEC 34.02(intro.),
(1)(b), (1)(c), (1)(d)2.a., (1)(d)3., (1)(f), (1)(k),
(1)(m), (1)(p), (1)(q), (1)(r), (3)(a), (4)(c) and 35.02(1)(a)2.

* * * * *

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

DATED this 14th day of November, 1980.

(SEAL)


Richard R. Malmgren

RICHARD R. MALMGREN
Commissioner of Securities