

CR 93-234

CERTIFICATE

State of Wisconsin)
Office of the) ss.
Commissioner of Securities)

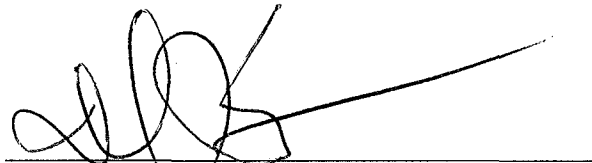
TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Daniel J. Eastman, Commissioner of the State of Wisconsin Office of the Commissioner of Securities, as 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, relating to designating certain categories of persons as "individual accredited investors" for purposes of a newly-created securities registration exemption in sec. 551.23(8)(g), Wis. Stats., were duly approved and adopted by this agency on April 11, 1994.

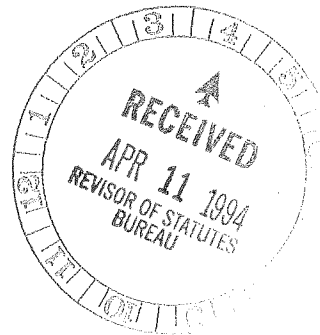
I further certify that said copy has been compared by me with the original on file in this agency and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Office of the Commissioner of Securities in the City of Madison, this 11th day of April, 1994.

[SEAL]



Daniel J. Eastman
Commissioner of Securities
State of Wisconsin



6-1-94

**FINAL ORDER OF THE
OFFICE OF THE COMMISSIONER OF SECURITIES
STATE OF WISCONSIN
ADOPTING RULES**

To adopt SEC 2.02(4)(g), Wis. Adm. Code, relating to designating certain categories of persons as "individual accredited investors" for purposes of a newly-enacted securities registration exemption in s. 551.23(8)(g), Stats.

Pursuant to ss. 551.63(1) and (2) and 551.23(8)(g), Stats., and interpreting s. 551.23(8)(g), Stats., the Office of the Commissioner of Securities adopts rules interpreting s. 551.23(8)(g), Stats., as follows:

SECTION 1. SEC 2.02(4)(g) is created to read:

SEC 2.02(4)(g) An "individual accredited investor" for purposes of s. 551.23(8)(g), Stats., means any of the following:

1. Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;
2. Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceed \$1,000,000; or
3. Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

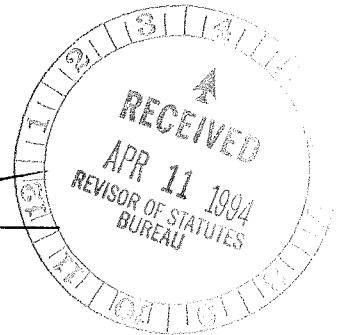
* * *

Pursuant to the provisions of s. 227.22(2)(intro.), Stats., the rules contained in this Order shall take effect on the first day of the month commencing after the date of their publication in the Wisconsin Administrative Register.

DATED this 11th day of April, 1994.

[SEAL]


DANIEL J. EASTMAN
Commissioner of Securities



**REPORT PREPARED BY THE
OFFICE OF THE COMMISSIONER OF SECURITIES
RELATING TO FINAL FORM OF NEWLY ADOPTED ADDITIONAL PROVISIONS OF THE
RULES OF THE COMMISSIONER OF SECURITIES**

(a) Statement Explaining Need for Rules

This rule-making action makes operative a new registration exemption under the Wisconsin Uniform Securities Law recently enacted by the Wisconsin legislature and signed by Governor Tommy G. Thompson as 1993 Wisconsin Act 67 (with a six-month delayed effectiveness date of June 1, 1994) to permit offers and sales of securities to so-called "individual accredited investors." Under the legislation--initiated as 1993 Senate Bill 251 as developed by this Office--an issuer of securities is not required to register under the filing and review provisions of the Wisconsin Uniform Securities Law, an offer or sale of its securities that is made to an individual accredited investor (as defined by Rule of the Commissioner) if before the sale, the issuer reasonably believes the individual accredited investor (either alone or with a representative) has the ability to evaluate the prospective investment.

Under the rule-making authority granted to the Commissioner under the new statute in sec. 551.23(8)(g), Wis. Stats., to designate "individual accredited investors" for purposes of the statutory exemption, the Commissioner is utilizing the verbatim language from three separate subdivisions of the U.S. Securities and Exchange Commission's definition of "accredited investor" contained in its so-called "Regulation D" securities registration exemption in Rule 501(a) under Regulation D of the federal Securities Act of 1933. The three subsections of the proposed new Wisconsin rule establishing categories of individual accredited investors correspond to the three subsections of the federal definition of "accredited investor" [501(a)(4), (5) and (6), respectively] which apply to natural persons/"individuals". Those three types of persons are: (1) any director, officer or general partner of the issuer; (2) any natural person who either individually, or together with their spouse, had net worth exceeding \$1 million; or (3) any natural person who either individually had annual net income exceeding \$200,000 or jointly with their spouse had net income exceeding \$300,000 in each of the past two years.

The rationale of the statutory exemption is that as a result of meeting the very high net worth or annual income tests, or as a result of being a controlling person in the issuer entity, together with the requirement under the statute that the purchaser (either alone or with an adviser) have knowledge and experience in financial and business matters, such can serve in lieu of a regulatory filing and review procedure as the basis for enabling a specific offering of securities in this state to be made to such categories of offerees. The timetable for completing the rule-making process will coordinate with the six month delayed-effectiveness of the statute as provided in the legislation--which translates into a proposed effective date of June 1, 1994.

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

-- No modifications made.

(c) List of Persons Appearing or Registering at Public Hearing Conducted By Commissioner of Securities Daniel J. Eastman, as Hearing Officer, and Comment Letters Received

Persons Appearing or Registering at Public Hearing:

- Randall E. Schumann, General Counsel of the Office of the Commissioner of Securities, made an appearance on behalf of the agency's staff to submit documents and information for the record, and to be available both to ask questions and to respond to questions regarding hearing testimony.
- Attorney Brian Mitchell representing the Wisconsin Association of Securities Dealers, Inc., Milwaukee, Wisconsin.
- Mr. Terry Nelson, Securities Consultant, Madison, Wisconsin.

Comment Letters Received:

-- None.

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

- With respect to the Rules Clearinghouse comment in paragraph a. under "Form, Style and Placement in Administrative Code", the references to "Wis. Stats." in the "To create" and "Pursuant to" clauses is changed to "Stats.", the references to "section" and "sec." are changed to "s.", and "ss." is substituted for "sections".
- With respect to the Rules Clearinghouse comment in paragraph b. under "Form, Style and Placement in Administrative Code", the period after "SEC 2.02(4)(g)" is deleted.

(e) No final regulatory flexibility analysis is included on the basis that the Office of the Wisconsin Commissioner of Securities has determined, after complying with s. 227.016(1) to (5), Wis. Stats., that the proposed rules will not have a significant economic impact on a substantial number of small businesses.

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

FISCAL ESTIMATE

DOA-2048 (R10/92)

Subject

Designating certain persons as "individual accredited investors" for purposes

Fiscal Effect of 551.23(8)(g), Wis. Stats.

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities

2. Decrease Costs
 Permissive Mandatory

4. Decrease Revenues
 Permissive Mandatory

Counties Others _____
 School Districts VTAE Districts

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

None

Assumptions Used in Arriving at Fiscal Estimate

These rules make operative a newly-enacted (published 12/2/93) securities registration exemption--s. 551.23(8)(g) in 1993 Wisconsin Act 67 which permits offers and sales of securities to so-called "individual accredited investors" defined by rule of the Commissioner. Three described categories of "individual accredited investors" created under the proposed rule's 3 subsections correspond to the language and tests in 3 subsections of the federal definition of that term in Rule 501(a) under Regulation D of the federal Securities Act of 1993, each of which applies to "natural persons."

The proposed rule will have no fiscal effect on the agency apart from the fiscal effect already identified incident to enactment of Senate Bill 251 creating the "individual accredited investor" exemption in sec. 551.23(8)(g), Stats., and will not have any fiscal effect on local units of government.

Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.)
WI Commissioner of Securities Office
Randall E. Schumann, General Counsel 266-3414

Authorized Signature/Telephone No.
Daniel J. Eastman 266-3433

Date
12-16-93

FISCAL ESTIMATE WORKSHEET

1993 Session

Detailed Estimate of Annual Fiscal Effect ORIGINAL UPDATED
 DOA-2047(R10/92) CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.	Amendment No.
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Subject Designating certain persons as "individual accredited investors" for purposes of 551.23(8)(q), Wis. Stats.

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):
 None

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$ 0	\$ - 0
(FTE Position Changes)	(0 FTE)	(- 0 FTE)
State Operations - Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 0	\$ - 0
B. State Costs by Source of Funds		
GPR	\$	\$ -
FED		-
PRO/PRS	0	- 0
SEG/SEG-S		-
III. State Revenues- Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS	0	- 0
SEG/SEG-S		-
TOTAL State Revenues	\$ 0	\$ - 0

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ 0	\$ 0
NET CHANGE IN REVENUES	\$ 0	\$ 0

WISCONSIN LEGISLATIVE COUNCIL STAFF

LCRC
FORM 2

RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

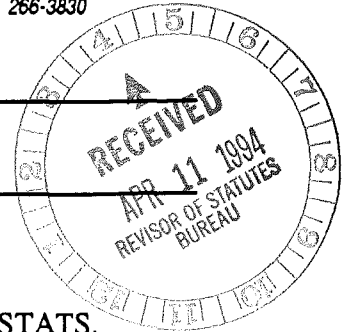
Richard Sweet
Assistant Director
(608) 266-2982



David J. Stute, Director
Legislative Council Staff
(608) 266-1304

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE REPORT TO AGENCY



[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 93-234

AN ORDER to create SEC 2.02 (4) (g), relating to designating certain persons as "individual accredited investors" for purposes of s. 551.23 (8) (g), Stats.

Submitted by OFFICE OF THE COMMISSIONER OF SECURITIES.

12-17-93. Received by Legislative Council.
1-18-94. Report sent to Agency.

RNS:DLS:kjf;las

WISCONSIN LEGISLATIVE COUNCIL STAFF

RULES CLEARINGHOUSE

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CLEARINGHOUSE RULE 93-234

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated November 1991.]

2. Form, Style and Placement in Administrative Code

- a. In the "To create" and "Pursuant to" clauses prior to the text of the rule: (1) "Wis. Stats." should be "Stats."; (2) "s." should be substituted for "sec." and "section"; and (3) "ss." should be substituted for "sections."
- b. In the text of the rule, the period after "SEC 2.02 (4) (g)" should be deleted.

State of Wisconsin
Office of the Commissioner of Securities

Tommy G. Thompson
Governor

Daniel J. Eastman
Commissioner

Patricia D. Struck
Deputy Commissioner



April 11, 1994

Mailing Address:
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Administration (608) 266-3583

Office of the Secretary of State
30 West Mifflin Street
Madison, WI 53703

✓ Revisor of Statutes Bureau
131 West Wilson Street, Suite 800
Madison, WI 53703-3233

Re: Filing of Certified Copies of Final Order
Adopting Rules/Clearinghouse Rule 93-234

Gentlemen and Mesdames:

Pursuant to the requirements of ss. 227.20, Wis. Stats., a certified copy is herewith filed with each of your offices of the above-referenced Final Order Adopting Rules in the form prescribed by sec. 227.14, Wis. Stats. The Final Order Adopting Rules was signed and issued by this agency on April 11, 1994.

Also attached is a copy of the Report prepared by this agency relating to the final rules, together with a copy of a fiscal estimate relating to the rules, and a copy of the Wisconsin Legislative Council Rules Clearinghouse Report.

If you have any questions, please call me at 266-3414.

Very truly yours,

A handwritten signature in cursive script that reads "Randall E. Schumann".

Randall E. Schumann
General Counsel

RES:jdc
enclosures
cc: Daniel J. Eastman
Commissioner of Securities

