

Chapter SEC 5

FRAUDULENT PRACTICES

SEC 5.01 Application of proceeds
SEC 5.02 Stock distributions

SEC 5.03 Securities transfers
SEC 5.04 Broker-dealer activities

SEC 5.01 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 issuer is deemed to employ a "device, scheme or artifice to defraud" the purchasers of such securities within the meaning of section 551.41 (1), Wis. Stats., if such 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 securities and not reasonably related to the business of the issuer as described in the prospectus.

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70.

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

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; am. Register, August, 1972, No. 200, eff. 9-1-72.

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

History: Cr. Register, August, 1972, No. 200, eff. 9-1-72.

SEC 5.04 Broker-dealer activities. The terms "manipulative, deceptive or other fraudulent device or contrivance" in section 551.43, Wis. Stats., are defined to include the activities described in rules

15c1-1, 2, 4, 5, 6, 7 and 8 and 15c2-1, 4, 5, 7, 8 and 11 under the securities exchange act of 1934.

History: Cr. Register, December, 1969, No. 168, eff. 1-1-70; renum. from SEC 5.03 to be SEC 5.04 and am., Register, August, 1972, No. 200, eff. 9-1-72.

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