

# Laws of Special Session, 1919

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No. 4, A.]

[Published Sept. 9, 1919.

## CHAPTER 1

AN ACT to amend paragraph (e) of subsection 1 and subsection 2 of section 1753—49, subsection 1 of section 1753—50, subsection 4 of section 1753—51, subsection 3 of section 1753—52, section 1753—53, subsection 1 of section 1753—55 and subsection 2 of section 1753—61; and to create subsections 4 and 5 of section 1753—50 of the statutes, relating to the prevention of fraud in the issuance, sale and disposition of stocks, bonds or other securities.

*The people of the state of Wisconsin, represented in Senate and Assembly, do enact as follows:*

SECTION 1. Paragraph (e) of subsection 1 and subsection 2 of section 1753—49, subsection 1 of section 1753—50, subsection 4 of section 1753—51, subsection 3 of section 1753—52, section 1753—53, subsection 1 of section 1753—55 and subsection 2 of section 1753—61 of the statutes are amended to read: (Section 1753—49 (1) (e) Securities issued by \* \* \* any bank, trust company or building and loan association organized under the laws of this state or issued by \* \* \* any national bank or other corporations organized and existing by virtue of the acts of congress of the United States;

2. All securities not mentioned or described in subsection 1 of this section are divided into two classes, as follows:

(a) Securities based on established values or income, which shall be known as securities in class A. Securities in class A shall comprise the following:

*Notes or bonds issued by a person, corporation, firm, trust, partnership or association secured by a mortgage or deed of trust upon real estate or leasehold and the improvements thereon where the total amount of such securities together with prior encumbrances does not exceed sixty per cent of the then fair market value of the lands or leaseholds and buildings included in such mortgaged property.*

Securities issued by a person, corporation, firm, trust, partner-

ship or association owning a property, business or industry, which property, business or industry has been in continuous operation not less than two years and which has shown net profits for the two \* \* \* years \* \* \* preceding the application for a permit, exclusive of all prior charges, as follows :

(1) In the case of interest bearing securities not less than one and one-half times the annual interest charge upon all such other outstanding interest bearing obligations of equal rank ;

(2) In the case of preferred stock not less than one and one-half times the annual dividend on all such and other outstanding preferred stock ;

(3) In the case of common stock not less than three per cent per annum upon all such and other outstanding common stock. In the case of stock having no par value, such percentage shall be computed at its proposed sale value or price ;

\* \* \*

(b) Securities based on prospective income which shall be known as securities in class B. All securities not included in subsection 1 or in paragraph (a) of subsection 2 of this section shall be known as securities in class B.

(Section 1753—50) 1. No company directly or through an agent \* \* \* shall in this state sell or offer for sale, negotiate for the sale of, take subscriptions for, or exchange for property any security of its own issue until it shall first have applied for and secured from the commission a permit authorizing it so to do ; and *except as provided in subsection 4 or 5 hereof* no broker shall in this state sell, offer for sale, negotiate for the sale of, take subscriptions for or exchange for property any security for the sale of which a permit has not theretofore been issued, until \* \* \* *there shall have been* first applied for and secured from the commission a permit authorizing the sale of such security.

(Section 1753—51) 4. In carrying out the provisions of section 1753—48 to section 1753—68, inclusive, the commission may hold such public hearings at such time and place and upon such reasonable notice as the commission may fix, and may establish its rules covering the administration of the provisions of said sections. *Each of the commissioners for the purposes mentioned in sections 1753—48 to 1753—68, inclusive, shall have the power to administer oaths, certify to official acts, issue subpoenas, compel the attendance of witnesses and the production of papers, books, accounts, documents and testimony. In case of disobedience on the part of any person or persons to comply with any order of the commission or any subpoena or on the refusal*

*of any witness to testify to any matter regarding which he may be lawfully interrogated, it shall be the duty of the circuit court of any county, or the judge thereof, on application of a commissioner to compel obedience by attachment proceedings for contempt, as in the case of disobedience of the requirements of a subpoena issued from such court or refusal to testify therein. Each witness who shall appear before the commission on its order shall receive for his attendance the fees and mileage now provided for witnesses in civil cases in courts of record which shall be ordered and paid from the Securities Regulation Fund; provided, that no witness subpoenaed at the instance of parties other than the commission shall be entitled to compensation from the state for attendance or travel. The commission or any party may in any investigation cause the depositions of witnesses residing within or without the state to be taken in the manner prescribed by law for like depositions in civil actions in circuit courts. Any expense incurred in taking such depositions shall be paid as above provided.*

(Section 1753—52) 3. No person shall act as an agent until there shall have been issued to him by the commission a certificate authorizing him to act as an agent of some company or broker named therein. Every such certificate shall expire on the thirty-first day of December after its issuance, unless sooner revoked. Such certificate shall be issued by the commission upon the application of any company or broker and the payment of a fee of \* \* \* *one dollar* for each such certificate issued.

Section 1753—53. 1. No person, firm, copartnership, association or corporation shall issue, circulate or publish any advertisement, pamphlet, prospectus or circular, or make any representation concerning any security in class B to be issued or sold by any company that such person, firm, copartnership, association or corporation desires or proposes to sell, until the commission has issued a permit authorizing the sale of such security; nor shall any company, broker or agent or any other person issue, circulate or publish any advertisement, pamphlet, prospectus or circular, or make any representation concerning any securities in class B sold or offered for sale by it unless the name of the company, broker, agent or person issuing, circulating or publishing the same shall be subscribed thereto, and a true copy thereof shall have been first filed in the office of the commission *except that lists and quotations of securities authorized under this act may be published without comment*; nor shall any such company, broker, or agent or any other person issue, circulate or publish any such advertisement, pamphlet, pros-

pectus or circular, after notice in writing given to it by the commission that the same contains any statement that is false or misleading or otherwise likely to deceive the public.

2. No company, broker or agent shall publish or cause to be published or insert or cause to be inserted any notice or advertisement in any newspaper or other publication of general circulation in this state offering for sale any securities in class B, a permit for the sale of which is required by sections 1753—48 to 1753—68, inclusive, without furnishing the publisher of such newspaper or other publication at the time of submitting the copy of such advertisement a certificate showing that the original copy of such advertisement or notice is on file in the office of the commission *except that lists and quotations of securities authorized under sections 1753—48 to 1753—68, inclusive, may be published without comment and without such certificate.* Every such notice or advertisement shall include in bold face type the statement: "Securities in class B under the Wisconsin securities law. These are speculative securities."

(Section 1753—55) 1. No person, for the purpose of organizing or promoting any company, or promoting the sale of securities of any company by it after organization *or otherwise selling* as principal or broker or agent, shall sell or agree or attempt to sell within this state any *class B* securities in such company unless the contract of subscription or of sale shall be in writing and a copy thereof be delivered to the purchaser and contain a provision in the following language:

(a) "No sum shall be used for commission, promotion and organization expenses on account \* \* \* of any share of stock or any bond or other security in this company in excess of ..... (insert percentage) per cent of the amount actually paid up on separate subscriptions for such securities, and the remainder of such payments shall be held or invested as authorized by the law governing such company and held by the organizers (or trustees as the case may be), and the directors and officers of such company after organization as bailees for the subscriber, to be used only in the conduct of the business for which such company is organized. THE PERMIT OF THE RAILROAD COMMISSION OF WISCONSIN FOR THE SALE OF SECURITIES UNDER SECTION 1753—48 TO SECTION 1753—68, INCLUSIVE, IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT OF SUCH SECURITY BY THE RAILROAD COMMISSION OF WISCONSIN. DETAILED INFORMATION RELATING TO THESE SECURITIES IS ON

FILE WITH THE RAILROAD COMMISSION OF WISCONSIN AND AVAILABLE TO ANY ONE DESIRING ACCESS THERETO. \* \* \* THESE ARE SPECULATIVE SECURITIES.”

(Section 1753—61) 2. The commission shall charge and collect from each applicant filing the statements required by sections 1753—50 and 1753—51 a filing fee of ten dollars plus the sum of \* \* \* *fifty cents* per thousand for each thousand dollars par value of securities permitted to be offered for sale in the state of Wisconsin by such applicant, *but in no case shall the fee be more than two hundred dollars.*

SECTION 2. Two new subsections are added to section 1753—50 of the statutes to read: (Section 1753—50) 4. Any broker, duly authorized by the commission to act as such, who may desire to offer for sale, to negotiate for the sale of, or to take subscriptions for any class A security before making such application or securing such permit may do so upon compliance with the following conditions:

(a) Such broker shall at or before the time of offering any specific security for sale notify the commission in writing of the name or description of such security and shall, before consummating any such sale, and within such time as the commission may fix, apply for and secure from the commission permit for the sale thereof as class A security.

(b) Such broker shall also before offering for sale, negotiating for the sale of, or taking subscriptions for any securities for which a permit has not been issued by the commission, file with the commission a bond executed by a surety or guaranty company authorized to do business in this state, in the sum of twenty thousand dollars conditioned to repay to any purchaser of such securities on demand any money received of him therefor if the commission shall determine that the securities so offered are not class A securities, and to pay to the commission the fees required by section 1753—61. When such bond shall have been approved by the commission, class A securities may be offered for sale by such broker as above provided for the period specified in the bond, provided however that the commission shall have authority, for cause, to terminate any broker's right to proceed under the provisions of this subsection.

5. Any broker duly authorized by the commission to act as such may sell securities which have been issued and outstanding in the hands of the public for the period of one year prior to August 1, 1919, after application shall have been made to and a permit secured from the commission for authority to sell such

securities. The application shall contain information sufficient to satisfy the commission that said securities were outstanding for the required period and that the sale thereof will not work a fraud upon the purchaser thereof. Such permit may be special and apply only to the particular security or securities to be sold or may be general and apply to all securities of the same issue outstanding for the required period. Such application shall be accompanied by a fee of five dollars and in addition thereto twenty-five cents per thousand dollars of the par value of such securities to be offered, provided that the aggregate fees shall in no event exceed one hundred dollars for any one issue, and if the entire issue is qualified with any one application the maximum fee for any such issue shall not exceed fifty dollars. In selling securities under such permit it shall not be necessary to comply with the provisions of subsections 1 and 2 of section 1753—55; provided, however, that any broker making any such sale shall on or before the tenth day of the calendar month following such sale report to the commission in writing the amount and description of all such securities so sold and such other information as the commission may require.

SECTION 3. This act shall take effect upon passage and publication.

Approved Sept. 8, 1919.

No. 1, A.]

[Published Sept. 11, 1919.

## CHAPTER 2

AN ACT to create subsection (7) of section 59.08 of the statutes, relating to special powers of county boards and validating appropriations heretofore made.

*The people of the state of Wisconsin, represented in Senate and Assembly, do enact as follows:*

SECTION 1. A new subsection is added to section 59.08 of the statutes to read: (59.08) (7) Appropriate money for the collection, publication or distribution of war records. All appropriations heretofore made by any county board for such purposes are hereby validated.

SECTION 2. This act shall take effect upon passage and publication.

Approved Sept. 8, 1919.