

Chapter SEC 5

FRAUDULENT PRACTICES

SEC 5.01 Application of proceeds      SEC 5.03 Broker-dealer activities  
 SEC 5.02 Stock distributions

**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 the issuer of the securities is a corporation organized or acquired for the purpose of such distribution either by the distributing corporation or by a person or persons in control of, controlled by, or under common control with, the distributing corporation or if the issuer has nominal assets or income at the time of such distribution, and if such person reasonably believes that the distribution will be followed by transactions in such securities effected through broker-dealers.

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

**SEC 5.03 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 and 7 under the securities exchange act of 1934.

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

*Done*

*Income 5.04 and done*

*Cr 5.03*