BEFORE THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

In the Matter of

PAUL H. TAPPER,

Respondent.

PETITION FOR ORDER

File No. S-01001(EX)

The staff of the Enforcement Unit, Registration & Enforcement Section, of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. **Paul H. Tapper** ("Tapper") is an individual, whose date of birth is May 16, 1958, who at all times material hereto has been a director and controlling person of the Bacon Investment Club ("Bacon"), with a last known personal address at that of 3532 Indian Trail, Racine, WI 53402.

2. During the period of 1999 through 2000, Tapper, on behalf of Bacon, offered and sold to about 100 persons in Wisconsin what purportedly were interests in investments pooled with other investors of Bacon.

3. Pursuant to oral representations in the offerings received by persons in Wisconsin, Bacon was to engage in the business of being an investment club, in which Tapper was to make investments with the money of investors through a pooling of the money of investors.

4. Upon information and belief, investors in Bacon did play a passive role in the entity with no duties and responsibilities.

5. Upon information and belief, each investor would not be involved in the day-to-day management of Bacon, since Tapper was going to make all the investment decisions, there were too many investors for them to each have any meaningful input, and they did not have the expertise or experience necessary to perform its duties.

6. Since the investors would be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the investment club interests offered by Tapper are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.

7. The Bacon investment club interests were never registered for sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

8. The actions of Tapper as described above, constitute a violation of sec. 551.21, Wis. Stats.

9. The actions of Tapper as described above, constitute effecting transactions in securities for the account of others.

10. At no time has Tapper been licensed as a broker-dealer pursuant to Ch. 551, Wis. Stats.
11. The actions of Tapper as described above constitute transacting business as an unlicensed broker-dealer in violation of sec. 551.31, Wis. Stats.

12. Respondent Tapper told staff of the Division of Securities that he did not open accounts in which to invest the money of the investors, as he had represented in the offer that he would do, but instead used the money of the investors to repay other investors and used the money for his personal purposes, without the knowledge and consent of the investors.

13. Upon information and belief, Tapper did not tell new investors in Bacon that he had failed to open accounts in which to invest the money of previous investors, but instead had used the money to repay other investors and for his personal purposes, without the knowledge and consent of the investors.

14. By engaging in the conduct as described above, Tapper, in connection with the offer and sale of securities to a person in Wisconsin, as set forth above, omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of sec. 551.41(2), Wis. Stats.

Therefore, the staff of the Enforcement Unit petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

Mark E. Dorman 4-18-01
Examiner  
Enforcement Unit

David A. Cohen 5-18-01
Supervising Attorney  
Enforcement Unit