

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

In the Matter of
RURAL BANC, CORP. and
JERRY R. BROVOLD,

PETITION FOR ORDER

Respondents.

File S-01304(EX)

The staff of the Enforcement Unit, Bureau of Registration & Enforcement, 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. Rural Banc, Corp., (“Rural”) is a Wisconsin corporation, with a last known business address of 1030 Regis Court, Eau Claire, Wisconsin 54701.
2. Jerry R. Brovold (“Brovold”) is President of Rural, with a last known business address of 1030 Regis Court, Eau Claire, Wisconsin 54701.
3. Upon information and belief, during the period from approximately November 1, 2001 to January 3, 2002, Brovold, on behalf of Rural, offered and sold a bond to at least ten (10) persons in Wisconsin.
4. Upon information and belief, the investors received a Bond from Rural for the amount of their investment with interest payable at fourteen percent (14%) per year, payable semiannually.
5. The Bond is a “security” as that term is defined in section 551.02(13)(a), Wis. Stats.
6. The securities described above have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.
7. Rural and Brovold have violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin.
8. Upon information and belief, Brovold is the subject of a Wisconsin Department of Revenue delinquent tax warrant in the amount of \$4,082.01.
9. Upon information and belief, Brovold failed to disclose the judgment listed in Item 8 against him to prospective investors.
10. Brovold has violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.

11. Brovold represented to the investors that the funds raised would be used by his business to make mortgages.

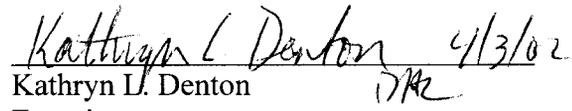
12. Upon information and belief, Brovold used some of the funds received from investors for personal, rather than business use.

13. Brovold has violated sec. 551.41(2), Wis. Stats., by making an untrue statement of a material fact in connection with the offer and sale of securities to persons in Wisconsin.

14. Upon information and belief, Brovold offered a bond to an investor on February 18, 2002, after he was advised in a meeting at the Offices of the Department of Financial Institutions on January 16, 2002, and by letter dated January 17, 2002, that his activities were in violation of Chapter 551, 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.


David A. Cohen
Supervising Attorney
Bureau of Registration and Enforcement


Kathryn L. Denton
Examiner
Bureau of Registration and Enforcement