

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

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In the Matter of  
JEROME E. LISS, and  
LISS FINANCIAL SERVICES d/b/a  
J.E. LISS & COMPANY, INC.,  
Respondents.

PETITION FOR ORDER

File No. S-96269(LX)

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The staffs of the Licensing & Compliance Section and the Enforcement Unit of the Division of Securities, Department of Financial Institutions, have conducted an investigation pursuant to sec. 551.56, Wis. Stats. and as a result thereof allege that:

1. Liss Financial Services d/b/a J.E. Liss & Company, Inc. ("JEL") is a licensed broker-dealer (CRD #21950) with a last known business address at 424 East Wisconsin Avenue, Milwaukee, WI 53202.
2. Jerome E. Liss ("Liss") is a licensed securities agent (CRD #310709) with a last known business address at that of JEL.
3. Liss is the President, Treasurer and Chief Financial Officer of JEL.
4. St. Louis Leasing Corporation ("St. Louis") is a foreign corporation formed to purchase computers and then lease them to corporations.
5. To recoup its investment, St. Louis sold interests in the leased computers to investors through a series of programs known as Arch Equipment Leasing Participations (the "Participations").
6. The Participations were designed to make predetermined monthly interest payments and a final pay-out that depended on the resale value of the leased computers and was sold to investors in units of interest in the Participations (the "Units").
7. The Units are securities as that term is defined in sec. 551.21, Wis. Stats., and were exempted from registration pursuant to filings made under sec. 551.23(19), Wis. Stats.
8. From 1993 to the present, JEL offered and sold to at least 500 persons in Wisconsin, Units in approximately 75 different Participations involving 750 sales for a total of approximately \$15,000,000 in purchases.

9. The Private Placement Memorandum (“PPM”) for each Participation stated that this investment was risky and “suitable only for persons of substantial means who have no need for liquidity in this investment.”

10. The PPM stated that purchasers of the Units must be either accredited investors or have “a net worth of at least five (5) times the [p]urchase [p]rice of the Units subscribed for, exclusive of the investment in the Units, and (in the case of individuals), exclusive of the value of home, furniture, and automobiles and any vested retirement plan interest.”

11. For at least 189 investors in Wisconsin (approximately 38% of the total in Wisconsin) there was no information on the New Account Form (“NAF”) which the Respondents could use to make a suitability determination either because the net worth information space was blank (139) or because the customer allegedly “refused to provide information” (50).

12. Upon information and belief, agents of JEL regularly wrote, “customer refused to provide information” on the NAF when such information was never requested from the customer.

13. For at least 89 separate purchases in Wisconsin, the NAFs that were available to the Respondents were not for the person or entity that actually purchased the Units.

14. JEL was unable to locate the NAFs for at least an additional 20 investors.

15. Pursuant to DFI-Sec 4.03(1)(k), Wis. Admin. Code, in connection with the opening of new accounts, and prior to any offer or sale of a security, agents are required to obtain information about a customer including annual income, net worth, and investment objectives. This information is to be recorded on the customer’s new account form (the “NAF”).

16. Even where there was information available, according to their NAFs, the Respondents sold Units to at least 28 investors in Wisconsin who did not meet the minimum net worth threshold for their initial investment and at least an additional 23 who did not meet that net worth requirement if all their purchases were combined (approximately 10% of the total investors).

17. In order to purchase a Participation, investors were required to sign and date a “Subscription Agreement” (the “Subscription”) prior to the purchase and the Subscription was then signed and dated by their agent.

18. According to copies of subscription documents provided to this office by JEL, at least 139 Units were offered and sold to persons in Wisconsin prior to the date the Participation was filed with our agency for offer and sale in Wisconsin.

19. In addition, at least 38 Subscriptions are undated and an additional 21 have dates that were inserted by someone other than the investor.

20. The actions of the Respondents, as described above, in selling the Units to persons in Wisconsin prior to the filing date constitute, under the circumstances, a violation of sec. 551.21, Wis. Stats.

21. The actions of the agents as described above constitute, under the circumstances, a failure by Liss to reasonably supervise agents to assure compliance with this chapter and provide a basis, pursuant to sec. 551.34(1)(j), Wis. Stats., to censure a licensee or suspend or revoke a license.

THEREFORE, the staffs of the Licensing & Compliance Section and the Enforcement Unit of the Division of Securities petition the Administrator for the issuance of the attached Orders.

DATED this 25<sup>th</sup> day of November, 1998.

  
Helen E. Kluever  
Securities Examiner  
Licensing & Compliance Section

  
David A. Cohen  
Supervising Attorney  
Enforcement Unit