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

In the Matter of
DOUGLAS M. TRUMBOWER,

Respondent.

PETITION FOR ORDER

File S-99100(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. Douglas M. Trumbower ("Trumbower") is an individual, with a last known residence address of 1034 North Thompson Drive, Madison, Wisconsin 53704.

2. Pro Stunts International Promotions, Inc. ("PSI") is a foreign business entity, with a last known business address of 120 Gamble Lane, Port Ludlow, Washington 98365.

3. Nicholas Edward & Company ("NEC") is a foreign business entity, with a last known business address of Three Washington Avenue, Endicott, New York 13760.

4. Nicholas Pitterelli ("Pitterelli") is Managing Director for NEC, with a last known business address of Three Washington Avenue, Endicott, New York 13760.

5. PLA Development Trust, ("PLA") is a foreign business entity, with a last known business address of 25060 Hancock Avenue, Suite 103-339, Murrieta, California 92562.

6. Gayle E. Porter ("Porter") is trustee for PLA, with a last known business address of 25060 Hancock Avenue, Suite 103-339, Murrieta, California 92562, and a last known home address of 3030 West Acadia Avenue, Hemet, California 92545.

7. During the period December of 1995 through March of 1996, Trumbower, on behalf of PSI, solicited a Wisconsin resident to invest in PSI ("the PSI investor").

8. Pursuant to the offering materials received by the PSI investor, PSI will engage in the business of promoting the International Stunt Festival to be held at West World in Scottsdale, Arizona in the spring of 1996 (the "Festival").

9. Pursuant to the offering materials received by the PSI investor, PSI will form a production company to produce the event and be responsible for payment of all costs and expenses and receipt of all revenues.

10. Pursuant to the offering materials received by the PSI investor, PSI will engage the services of an independent certified public accountant to receive all invested funds, pay invoices approved by the production company and distribute all profits, net of costs and taxes incurred by the production company.

11. Pursuant to the offering materials received by the PSI investor, PSI will subcontract as necessary for the production of the event.

12. Pursuant to the Memorandum of Understanding signed by the PSI investor, the investor would receive the full amount of his or her investment of $2,200, plus an additional amount of $2,200 for a total of $4,400, thirty (30) days after staging the Festival.

13. Pursuant to a Services Contract (the "Contract") between PSI and Trumbower, Trumbower was to be the Financial Coordinator of PSI from the date of the Agreement to the conclusion of the Event.

14. The Scope of Service in the Contract stated "Financial Coordinator agrees to use his best efforts to promote and market all aspects of the Event in order to obtain the capital necessary for putting on the Event."

15. The Contract stated the Financial Coordinator was to be reimbursed for all reasonable and necessary expenses incurred.

16. The Contract was never signed because the Event never materialized.

17. Since the investor will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the investment offered by Trumbower is an investment contract as defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code, and is therefore a security as defined by sec. 551.02(13), Wis. Stats.

18. On May 19, 1997, Trumbower, on behalf of NEC, offered to at least one person in Wisconsin ("the NEC investor"), an investment in the NEC Foreign Exchange Trading and Management Program (the "Program").

19. During a meeting in the spring of 1997, Trumbower told the NEC investor that:

a) she would get a 100% return on her investment every three months if she left her money in,
b) the investment would earn 10%-20% a month, and
c) it was liquid and she could get all of her money out at any time by calling him.

20. Pursuant to the offering materials received by the NEC investor, a Trading Authorization is signed by both the client and agent (NEC) authorizing NEC to act as agent and attorney-in-fact to purchase, sell and trade for it in foreign exchange contracts.

21. Pursuant to the offering materials received by the NEC investor, the agreement with NEC is to have your account managed by them.

22. Pursuant to the offering materials received by the NEC investor, an Introducing Broker Acknowledgement signed by the Wisconsin investor certifies that he/she is doing business through Trumbower Financial Services/Dougas M. Trumbower.

23. This form states that the customer will rely on Trumbower for all trading advice, trading frequency, account suitability determinations, market information, and order acceptance and reporting functions.

24. Pursuant to the Introducing Broker Acknowledgement, customer acknowledges that NEC will receive 30% of all earnings.

25. On Friday, December 5, 1997, Trumbower, in a statement made to the staff of the Division of Securities, admitted NEC paid him a 5% commission based on the earnings of client he brought to NEC.

26. Pursuant to the offering materials received by the NEC investor, the investor will play a passive role in the Program, with all duties and responsibilities being performed by persons other than the investor.

27. Since the investor will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the investment offered by Trumbower is an investment contract as defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code, and is therefore a security as defined by sec. 551.02(13), Wis. Stats.

28. On May 13, 1997, Trumbower, on behalf of PLA, offered to at least one person in Wisconsin ("the PLA investor") an investment in PLA.

29. Pursuant to the offering materials received by the PLA investor, PLA is the contracting and controlling party to a trading event and receives approximately 50% of the proceeds. The funds from the trust are joined with funds of another trust to form a single block of funds for the purpose being traded for a certified bank instrument of equal value.

30. Pursuant to the offering materials received by the PLA investor, at the end of the transaction, the funds and profits are returned the bank account and the bank instrument returned to the originator. At the end of this event, the funds of the Trust will be returned directly to the trust and distributions to investors will occur upon receipt of the funds to the trust.

31. Porter was previously named as a defendant in a complaint (SEC v. Prime One Partners, Corp., Capital Asset Management, Monarch 1-Associates International, Ltd., Dennis R. Absher and Gayle E. Porter, Civ. No. 94-3322 SVW, C.D.CAL.) filed by the U.S. Securities and Exchange Commission alleging he engaged in a fraudulent scheme involving the offer and sale of general partnership interests in a prime bank investment program.

32. Pursuant to the offering materials received by the PLA investor, he or she will play a passive role in the Program, with all duties and responsibilities being performed by persons other than the investor.

33. Since the investor will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the investment offered by Trumbower is an investment contract as defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code, and is therefore a security as defined by sec. 551.02(13), Wis. Stats.

34. Trumbower has, on more than one occasion, been asked by the staff of the Division of Securities to provide the names of all investors in Wisconsin.

35. Trumbower has failed to provide the names to the staff of the Division of Securities.

36. The amounts of money lost by these investors due to the referrals made by Trumbower is in excess of $668,300.

37. Trumbower has, since the issuance of these Orders implicating his involvement, continued to solicit Wisconsin investors and refer them to Porter for further information.

38. Upon information and belief, Trumbower targets vulnerable members of society such as a widow who lost all of the money left to her and her young son due to the death of her husband, a trustee for her children's inheritance which has caused the sale of her home, a young woman who was unmarried and pregnant, and another widower who invested money from the death of his wife.

39. The securities described above have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

40. Trumbower has violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin.

41. In connection with the offers of the securities described above, Trumbower transacted business in Wisconsin as an "agent," for NEC, as that term is defined by sec. 551.02(2), Wis. Stats.

42. At no time material hereto was Trumbower licensed as a securities agent in Wisconsin pursuant to Ch. 551, Wis. Stats.

43. Trumbower has violated sec 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license.

44. In connection with the offer and sale of the securities described in Paragraphs 28 through 30 above, Trumbower omitted to disclose the Complaint against Porter referred to in Paragraph 31 above.

45. Trumbower 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.

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.

Kathryn L. Denton 4/29/99

Kathryn L. Denton Date
Examiner
Enforcement Unit

4/29/99

David A. Cohen Date
Supervising Attorney
Enforcement Unit