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

In the Matter of ARGOSY CAPITAL CORPORATION, G. McCLELLAN JOYCE, and GORDON R. HEIN, Respondents.	STATEMENT OF STAFF ALLEGATIONS and PETITION FOR ORDER of PROHIBITION and REVOCATION File Number S-00122 (EX)

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

1. Argosy Capital Corporation [hereinafter referred to as "Argosy"] is upon information and belief a foreign business corporation located at 17100 Gillette Avenue, Irvine, California 92614;

2. G. McClellan Joyce [hereinafter referred to as "Joyce"], upon information and belief also known as "Bud" Joyce, is an adult male individual who upon information and belief is President, a director, the founder, and a controlling person of Argosy;

3. Gordon R. Hein [hereinafter referred to as "Hein"] is upon information and belief the Executive Vice-President, a director, and a controlling person of Argosy;

4. During the period of at least March through April, 2000, Argosy and Joyce through the actions of at least Hein have offered and sold investments to an as yet undetermined number of persons in Wisconsin, such investments having been referred to in promotional literature of Argosy both as "shares" and as "Debentures," and by Hein to at least one offeree in Wisconsin as "convertible debentures;"

5. The investments referenced in Paragraph 4 above are "securities" as that term is defined by sec. 551.02(13), Wis. Stats.;

6. The securities referenced in paragraphs 4 and 5 above have never been registered for their offer or sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;

7. In connection with at least one known offer of securities as described in Paragraphs 4 through 6 above, offering material of Argosy states that "The debentures are ... convertible to common stock at any time during the term of the investment at the option of the debenture holder," without stating either the name of the corporation into whose shares such debentures are convertible or the terms under which such a conversion can be effected, and without giving any information on the financial condition of Argosy, whereas the "Subscription Agreement" accompanying that promotional material states that the each debenture is convertible into Argosy common stock at the

exchange rate of five shares of such common stock for each $1.00 of capital invested in the debenture; but additional promotional literature accompanying the offer and referring to a firm called "All Aboard, Ltd." states that "The Argosy Charter Investors"---which term is undefined in the materials---"would own approximately 1,000,000 shares of All Aboard, Ltd. underwriting assuming a 100% conversion of Argosy Capital Convertible Bonds," and that "The Argosy Charter investment valuation is based upon the annual estimated Income & Expense statement for 20 [All Aboard, Ltd.] centers;"

8. The Argosy promotional material referenced in Paragraph 7 above states that Argosy "locates small U.S. based companies with innovative products and services in stable industries," but that "Argosy's Candidate Companies must have: * Proven Management with a record of excellence [and] * "Proven Profitability;" yet the promotional materials as to "All Aboard, Ltd." referenced in Paragraph 7 above state nothing as to the financial status of "All Aboard, Ltd.," including as to any "proven profitability" of that firm, and instead set forth only profit projections for that firm, and state nothing as to any aspect of "Proven management with a record of excellence" as to that firm;

9. Additional promotion material of Argosy accompanying the offer referenced in Paragraph 7 above includes a sheet captioned "Grade Your Investment" on which there is a reference to an Argosy "Projection 1995 – 2000: 59%" and the statement "$10,000 at 59% a year compounded for 5 year term is $101,621," with no statement anywhere in the materials as to when Argosy was founded, or as to what in fact its performance if any has been in the years 1995 to 2000, or indeed as already noted as to what its financial condition is, including no balance sheet or income statement for any period whatever;

10. The promotional materials referenced in Paragraphs 7 through 9 above were accompanied by a letter from Hein stating inter alia:

> The investment projection offers the opportunity for a high capital gain of ten times your original investment within a one to three year period.

and

> Note the enclosed chart "Grade Your Investment" and the following highlights:
>
> * Capital gain potential

and

> We are confident that an investment in Argosy Capital Corporation will produce financial security for you and your family in the years to come.

11. The offering materials referenced above are misleading in themselves, and omit to state material facts, including financial statements and statements of operating history both of Argosy and of "All Aboard, Ltd.," necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading;

12. Information received by the Staff from the State of Nevada Office of the Secretary of State shows that Argosy was incorporated in Nevada on April 14, 1998 and that "All Aboard Ltd." was incorporated in Nevada on May 11, 1998, both with one J.M. Green as their registered agent and both with Joyce as their President and Secretary and both with Hein as their Treasurer, thus showing that Argosy and "All Aboard Ltd." are under common control;

13. The promotional materials referenced in Paragraphs 7 through 11 above give the impression that "All Aboard Ltd." is a "client" firm of Argosy discovered and "located" by Argosy as a firm having great potential, all without disclosing---that is, by omitting the material fact---that "All Aboard Ltd." is with Argosy under the common control of Joyce and Hein;

14. The materials from the Nevada Secretary of State's office referenced in Paragraph 12 above show further that the Nevada corporate charters of both Argosy and "All Aboard Ltd." were revoked; the Staff has contacted the Nevada Secretary of State's office and has been advised that "Argosy Capital Corporation" was incorporated in Nevada on November 13, 1995 and was terminated as a Nevada corporation on January 8, 1996 when the check sent to the Nevada Secretary of State's office for payment of fees was returned for insufficient funds, and that "Argosy Capital Corporation" was again incorporated in Nevada in April 1998 and its corporate charter revoked on January 1, 2000 for failing to submit its list of corporate officers and to pay the requisite fees, and that the Nevada corporate charter of "All Aboard Ltd." was revoked on February 1, 2000 for failing to submit its list of corporate officers and to pay the requisite fees;

15. The promotional materials referenced in Paragraphs 7 through 11 and 13 above omitted to state that the Nevada corporate charters of Argosy and "All Aboard Ltd." were revoked;

16. In making misleading statements and omitting to disclose material information necessary to make the statements made, in the light of the circumstances in which they were made, not misleading, as set forth in Paragraph 11 through 15 above, Argosy, Joyce, and Hein, and Argosy and Joyce through Hein, violated sec. 551.41(2), Wis. Stats.;

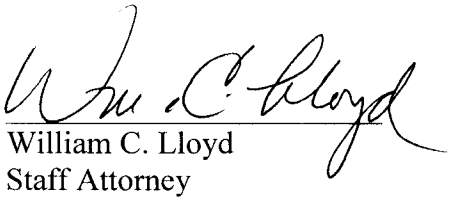
17. To the extent that Argosy, Joyce, and Hein were using the above-referenced scheme of offering and selling securities to raise money for All Aboard Ltd., Argosy, Joyce, and Hein may have transacted business in Wisconsin as a securities broker-dealer and Hein may have transacted business in Wisconsin as a securities agent, as those terms are defined and used in Ch. 551, Wis. Stats.;

18. Neither Argosy, Joyce, nor Hein is or has been licensed pursuant to Ch. 551, Wis. Stats., as a securities broker-dealer, and Hein has never been licensed pursuant to Ch. 551, Wis. Stats., as a securities agent;

17. The Staff contacted Hein by telephone on April 25, 2000, and questioned him about the above-referenced offering, at which point Hein stated that he was "not aware" that any offers of the Argosy debentures have been made to any person or persons in Wisconsin, and he also made the inconsistent statements both that he "thought" that the debentures "are not securities" and that he "thought" that because the debentures were being offered pursuant to an exemption from registration under the federal securities law pursuant to Rule 504 of Regulation D of the U.S. Securities and Exchange Commission, the debentures were therefore also exempt from registration under all State securities laws; and in that conversation Hein stated also that his own background is in banking, not securities, and that someone else at Argosy takes care of the securities end of things, but the letterhead of the above-referenced letter to at least one offeree in Wisconsin refers to Hein as "Executive Vice President – Investment Banking;"

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.

EXECUTED this 28th day of April, 2000.



William C. Lloyd
Staff Attorney
Enforcement Unit