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

In the Matter of | PETITION FOR ORDER

MIDWEST FINANCIAL ASSOCIATES GROUP, INC.,
INTERNATIONAL RESEARCH, INC.,
ROBERT L. CHAFFEE,
DANIEL L. WARSON,
JOSEPH W. HORNESS,
TIMOTHY G. ASP,
and
DONN D. RETTGEN,

Respondents. | File No. S-00168(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. Upon information and belief, TranStar Communications, Inc. ("TranStar") is a business with a last known addresses of 17150 New Hope Street, Suite 405, Fountain Valley, California 92708, 10055 Slater Avenue, Suite 250, Fountain Valley, California 92708, and 5757 Century Boulevard, #870, Los Angeles, California 90045.

2. Upon information and belief, Midwest Financial Associates Group, Inc. ("Midwest") is a business with a last known address of 733 Gratiot, Saginaw, Michigan 48601.

3. International Research, Inc. ("IRI") is a business with a last known address of 101 Washington Avenue, Suite 1000, Grand Haven, Michigan 49417.

4. According to information provided to the staff of the Enforcement Unit by Midwest, Robert Lee Chaffee ("Chaffee") (DOB 12/31/1940 and CRD # 1148507) is an individual, with a last known home address of 524 Pine, Alma, Michigan 48601, who is the president and an owner of Midwest.

5. According to information provided to the staff of the Enforcement Unit by Midwest, Daniel L. Warson ("Warson") is an individual, with a last known home address of 4359 Bridgeman Trail, Swartz Creek, Michigan 48473,who is the vice president and an owner of Midwest.

6. Upon information and belief, Joseph W. Horness, with a last known home address of 17498 Meadow Wood Drive, Spring Lake, Michigan 49456 who is the president and controlling person of IRI

7. Upon information and belief, Timothy G. Asp (DOB 8/5/1949, CRD # 1450893) ("Asp") is an individual with a last known home address at Rt. 1, Box 162, Wonewoc, Wisconsin 53968 and a last known business address of 210 E. Main Street, Reedsburg, Wisconsin 53959, and who at all times material hereto was licensed as a securities and insurance agent in Wisconsin.

8. According to information provided to the staff of the Enforcement Unit by Donn Rettgen ("Rettgen"), he is an individual with a last known home address of 305 Main Street,

Loganville, Wisconsin 53943, and a business address at 148 S. Walnut Street, Reedsburg, Wisconsin 53959.

9. Upon information and belief, during the period of at least 2000, Asp, on behalf of Midwest offered and sold to at least five persons in Wisconsin investments in pay telephones of TranStar.

10. According to information provided to the staff of the Enforcement Unit by Rettgen, during the period of at least 2000, Rettgen, on behalf of IRI offered and sold to at least one person in Wisconsin investments in pay telephones of TranStar.

10. Upon information and belief, during the period of at least 2000, Midwest and IRI had an agreement with TranStar to market the interests of the pay telephones of TranStar as an Independent Marketing Company to investors directly or through agents.

11. According to the IRI "Associate Agreement" for agents of IRI:

"4.1 TERMS AND CONDITIONS OF MONETARY DISTRIBUTIONS

(a) As compensation for services rendered hereunder, IRI shall pay to ASSOCIATE monthly distributions on Distribution Revenues received by IRI from SERVICE PROVIDER during the applicable business period. IRI shall prepare and issue a distribution check made payable to ASSOCIATE. SERVICE PROVIDER records shall be deemed correct for the purposes of calculating the Distribution Revenues and the distributions. ASSOCIATE Distribution Revenues will consist of qualified volume generated by the ASSOCIATE."

12. According to marketing materials of IRI provided to agents for investors:

Four things you need to know:

- What is the cost? Whether you buy 1 or 1000 the cost is $7000 per unit
- What do you earn on your purchase? You earn 13.28% APR, $77.50 monthly or $393.00 yearly per unit
- When can you get out? You can get out any time with 100% of your principal returned after the first year.
- What are the risks? Your asset is insured against theft or damage at no cost to you.

13. According to the same marketing materials of IRI provided to agents for investors as referred to in Paragraph 13 above:

- With this program you'll have no tenants
- Do nothing but collect a monthly check
- The asset is insured against theft or damage at no cost to you
- Easy liquidity (100% of your principle at anytime after one year)
- Holding period of 5 years
- Available for purchase through deferred programs such as: IRA, Roth IRA, 401k, KEOGH, and SEP.

14. According to marketing materials of Midwest provided to agents for investors, investors have three options concerning the operation of the pay telephones of TranStar:

a. "**Lease to a Professional Manager**. At your request, Midwest Financial will assist you in finding a professional payphone management company that will locate, install, expertly manage and

maintain your payphone for a fixed period of time with a signed lease agreement. Essentially, you purchase a payphone package and let the management company do the rest.* You have the option to liquidate after the first year. * Slight penalty for early withdrawal.

b. **Professional Co-Management**. After locations have been assigned for your payphones, Midwest Financial will, at your request, assist you in finding a payphone management company to install, operate and maintain your phones for an agreed upon fixed monthly fee.

c. **Self Management**. Following your State Certification, Midwest financial (sic) can provide you with payphones in place and operating at each location you have chosen. You will be responsible for servicing the phone, collecting revenue and maintaining the phone as needed."

16. Upon information and belief, the investment in the pay telephones of TranStar was an investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor.

17. The investments in pay telephones of Transtar as described above are investment contract securities as that term is defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code and are therefore securities pursuant to sec. 551.02(13)(a), Wis. Stats.

18. The investment contract securities of investments in pay telephones of TranStar have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

19. The respondents have violated sec. 551.21(1), Wis. Stats., by offering and selling unregistered securities in Wisconsin.

20. In connection with the offer and sale of the securities as described above, Asp transacted business in Wisconsin as an "agent" for Midwest, Chaffee, and Warson, as that term is defined by sec. 551.02(2), Wis. Stats.

21. Asp's employing broker-dealer did not approve of the offer and/or sale of the investment contracts by Asp.

22. Pursuant to DFI-Sec 4.06(2), Wis. Adm. Code, effecting any securities transaction not recorded on the regular books or records of the broker-dealer which the agent represents, unless the transaction is disclosed to, and authorized in writing by, the broker-dealer prior to the execution of the transaction, is deemed a "dishonest or unethical business practice" or "taking unfair advantage of a customer" by an agent, which provides a basis, pursuant to sec. 551.34(1)(g), Wis. Stats., for the censure of a licensee.

23. In connection with the offer and sale of the securities as described above, Rettgen transacted business in Wisconsin as an "agent" for IRI and Horness, as that term is defined by sec. 551.02(2), Wis. Stats.

24. At no time has Rettgen been licensed as a securities agent to sell the securities, as described above, pursuant to Ch. 551, Wis. Stats.

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

26. In connection with the offers and sales of the securities to persons in Wisconsin as described above, Chaffee and Warson, on behalf of Midwest, employed Asp to transact business in Wisconsin as an agent as that term is defined by sec. 551.02(2), Wis. Stats., to offer and sell the securities as described above.

27. Midwest, Chaffee and Warson have violated sec. 551.31(2), Wis. Stats., by employing Asp as an unlicensed agent to represent them in Wisconsin.

28. In connection with the offers and sales of the securities to persons in Wisconsin, as described above, Horness, on behalf of IRI, employed Rettgen to transact business in Wisconsin as an agent as that term is defined by sec. 551.02(2), Wis. Stats., to offer and sell the securities as described above.

29. IRI and Horness have violated sec. 551.31(2), Wis. Stats., by employing Rettgen as an unlicensed agent to represent them in Wisconsin.

30. In connection with the offers and sales of the securities as described above to persons in Wisconsin, Midwest, Chaffee and Warson transacted business in Wisconsin as broker-dealers as that term is defined by sec. 551.02(3), Wis. Stats.

31. At no time have the broker-dealer, Midwest, Chaffee and Warson, been licensed as a broker-dealer pursuant to Ch. 551, Wis. Stats.

32. Midwest, Chaffee and Warson have violated sec. 551.31(1), Wis. Stats., by acting as unlicensed broker-dealers in Wisconsin.

33. In connection with the offers and sales of the securities to persons in Wisconsin, as described above, IRI and Horness transacted business in Wisconsin as broker-dealers as that term is defined by sec. 551.02(3), Wis. Stats.

34. At no time have the broker-dealer, IRI and Horness, been licensed as a broker-dealer pursuant to Ch. 551, Wis. Stats.

35. IRI and Horness have violated sec. 551.31(1), Wis. Stats., by acting as unlicensed broker-dealers in Wisconsin.

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

Mark E. Dorman 4-17-01

Mark E. Dorman — Date
Examiner
Enforcement Unit

4/18/01

David A. Cohen — Date
Supervising Attorney
Enforcement Unit

med