

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

In the Matter of
THOMAS J. SMITH,
CHRISTINE M. ZMUDKA,
TRADE PARTNERS, INC., and
TPI GRAND TRUST

PETITION FOR ORDER

Respondents.

File No. S-00267(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. Trade Partners, Inc. ("TPI") is a foreign corporation with a last known business address at 220 Lyons Ct., Suite 570 Grand Rapids, MI 49503;
2. Thomas J. Smith ("Smith") is an individual with a last known business address at that of TPI;
3. Christine M. Zmudka ("Zmudka") is an individual with a last known business address at that of TPI;
4. TPI Grand Trust ("Trust") is allegedly a Delaware business trust with a last known address at that of TPI;
5. Grand Bank ("Grand") is a foreign corporation with a last known business address at 126 Ottawa Ave., NW, Grand Rapids, MI 49503;
6. Kelco Inc. ("Kelco") is a foreign corporation with a last known business address at 269 W. Main St, Lexington, KY;
7. At all times material hereto, Smith and Zmudka were the officers and owners of TPI;
8. TPI and Grand are the trustees of Trust;
9. Grand is the Escrow Agent for TPI;
10. TPI purchases viatical settlement contracts from Kelco at a price discounted from their face values;

11. TPI then assigns a portion of each policy it purchases to the Trust, which is named as the recorded beneficiary of the death benefits for those policies;

12. From at least August 1997 through June 2000, agents, on behalf of the Respondents, offered and sold viatical investments to persons in Wisconsin;

13. Although investors were led to believe that they were purchasing portions of the viated insurance policies, and they were given the ability to pick the supposed length of time the viatical settlement contract was to run, they did not actually purchase a viatical settlement contract or any portion of the contract or life insurance policy;

14. Investors using non IRA funds actually purchase a share of beneficial interest in the Trust, and the share shows them as beneficial owners of a policy or policies held by the Trust;

15. The investment offered by TPI is a share of beneficial interest in a business trust which is defined as a security pursuant to sec. 551.02(13), Wis. Stats.;

16. The shares of beneficial interest in the business trust were not registered for sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;

17. By selling unregistered securities, Respondents have violated sec. 551.21, Wis. Stats.;

18. TPI was not licensed as a broker-dealer in Wisconsin pursuant to Ch. 551, Wis. Stats.;

19. By transacting business as a broker-dealer in the state without being licensed, TPI has violated sec. 551.31(1), Wis. Stats.;

20. The agents who sold the TPI investments were not licensed to sell securities in Wisconsin pursuant to Ch. 551, Wis. Stats.;

21. By employing an agent to represent them in the state when the agent was not licensed, Respondents have violated sec. 551.31(2), Wis. Stats.;

22. On July 8, 1999, the State of Indiana Securities Division issued a Cease and Desist Order against TPI and other parties for sales of unregistered securities by unlicensed agents;

THEREFORE, the staff of the Enforcement Unit petitions the Administrator for the issuance of the attached Order.



David A. Cohen 10/4/01
Supervising Attorney Date
Enforcement Unit



Susan A. Kittel Moore 10/4/01
Enforcement Unit Date