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

In the Matter of
MONTEGO BAY, LTD.,
KENNETH M. BAUER,
JAMES D. HEIM, and
TIMOTHY M. NISPEL,

Respondents.

PETITION FOR ORDER

File No. S-01061(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. Montego Bay, Ltd. ("Montego Bay") "), is a foreign business entity with a last known business address of Box 556, Main Street, Charlestown, Nevis, West Indies;

2. Kenneth M. Bauer ("Bauer"), whose date of birth is June 10, 1943, is a male individual, who, upon information and belief, was at all times material hereto an agent of Montego Bay, and formerly was an insurance agent licensed by the State of Wisconsin, with a last known home address at that of 6967 E. Oakland Road, Superior, Wisconsin 54880;

3. James D. Heim ("Heim"), whose date of birth is March 18, 1948, is a male individual, who, upon information and belief, was at all times material hereto an agent of Montego Bay, and an insurance agent licensed by the State of Wisconsin, with a last known home address at that of 1350 Rocky Ridge Road, Spooner, Wisconsin 54801;

4. Timothy M. Nispel ("Nispel"), whose date of birth is February 10, 1954, is a male individual, who, upon information and belief, was at all times material hereto an agent of Montego Bay, and formerly was an insurance agent licensed by the State of Wisconsin, with a last known home address at that of 1971 16½ Avenue, Cameron, Wisconsin 54822;

5. Upon information and belief, during the period of at least 1998 and 1999 Bauer offered and sold to at least five persons in Wisconsin interests in a bank debenture trading program ("the Program") of Montego Bay;

6. Upon information and belief, during the period of at least 1998 and 1999 Heim offered and sold to at least four persons in Wisconsin interests in the Program of Montego Bay;

7. Upon information and belief, during the period of at least 1997 and 1998 Nispel offered and sold to at least two persons in Wisconsin interests in the Program of Montego Bay;

8. According to the offering materials entitled "INTRODUCTION TO BANK DEBENTURE TRADING PROGRAMS," received by at least one person in Wisconsin who invested in the Program "WHAT IS A BANK DEBENTURE TRADING PROGRAM? Also known as a 'secured asset management program,' is

an investment vehicle generally used by the very wealthy where the principal investment is secured by a Bank Endorsed Guarantee. The program involves the purchase and sale of Bank Debentures within the international market in controlled trading programs. The program allows for an investor to place his funds through an established Program Management entity working with a major Trading Bank. ...";

9. Upon information and belief, at least one person in Wisconsin was instructed to invest in the Program by sending money by wire from Wisconsin to an account at the Chase Manhattan Bank in New York, New York for Montego Bay;

10. According to a document provided to at least one person in Wisconsin who invested in the Program, entitled "WIRE TRANSFER COORDINATES To MONTEGO BAY LTD. for SunFirst Accounts Box 556 Main St Charlestown, Nevis West Indies ...If you Have (sic) any questions, please call K. Bauer or B. Reynolds, Montego Bay Ltd. Contract Advisors, at 715-399-0150, or 503-390-8142.";

11. According to a document entitled "NON-SOLICITATION LETTER" provided to at least one person in Wisconsin who invested in the Program, on stationery of Montego Bay, the telephone number of Montego Bay is 715-399-0150, and the document states, among other things, that the signor has "...requested of you and your organization specific confidential information and documentation regarding your currently available High Yield Trading Programs to serve our interests, purposes, and understandings, only, and not for further distribution. ..."

12. Upon information and belief, investors can play a passive role in the Program with no duties and responsibilities;

13. Upon information and belief, each investor will not be involved in the day-to-day management of the Program, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties;

14. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the Program offered and sold by the respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.;

15. The investment contracts of the Program have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;

16. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering and selling unregistered securities to persons in Wisconsin;

17. According to at least one person in Wisconsin who invested in the Program, Heim informed that person at the time of the offer and sale that Heim was to receive a sales commission of 10% of the amount invested by the persons in Wisconsin;

18. According to what Nispel told staff of the Division of Securities, Bauer told Nispel that Bauer would "make it right" by Nispel if others invested in the Program from efforts of Nispel, which Nispel understood to mean that he would be compensated for those sales;

19. Upon information and belief, in connection with the offers and sales of the securities described above, Bauer, Heim and Nispel transacted business in Wisconsin as an "agent" for Montego Bay, as that term is defined by sec. 551.02(2), Wis. Stats.;

20. At no time have Bauer, Heim and Nispel been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.;

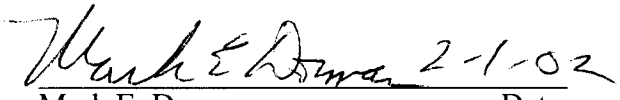
21. Bauer, Heim and Nispel have violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license;

22. Montego Bay has violated sec. 551.31(2), Wis. Stats., by employing an unlicensed agent to represent it in Wisconsin;

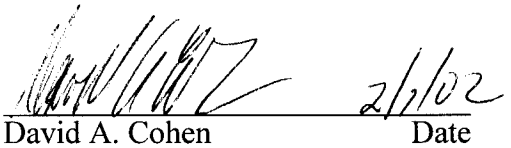
23. Staff of the Division of Securities have requested in writing of the respondents information of their securities-related transactions with persons in Wisconsin but Bauer and Heim have refused by invoking their Fifth Amendment Right under the U.S. Constitution to provide information;

24. Upon information and belief, none of the persons in Wisconsin who invested in the Program have been repaid as promised, despite repeated requests to be repaid; and

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.



Mark E. Dorman Date
Examiner
Enforcement Unit



David A. Cohen Date
Supervising Attorney
Enforcement Unit