

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

In the Matter of
TOROSAY PROPERTIES, INC.,
TOROSAY GOLF COMPANY,
JAMES G. DUDGEON,

PETITION FOR ORDER

Respondents.

File No. S-01057(EX)

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

1. Torosay Properties, Inc. ("Torosay Properties") is a business entity with a last known address of 5945 Seminole Court, Suite 6, Madison, Wisconsin 53711;
2. Torosay Golf Company ("Torosay Golf") is a business entity with a last known address of 5945 Seminole Court, Suite 6, Madison, Wisconsin 53711;
3. James G. Dudgeon ("Dudgeon") is an individual with a date of birth of January 4, 1958, a last known home address of 5891 Woods Edge Road, Fitchburg, Wisconsin 53711, who is now a prisoner within the State of Wisconsin Department of Corrections;
4. Upon information and belief, Dudgeon was at all times material hereto the president of Torosay Properties and Torosay Golf;
5. Upon information and belief, in or about December 1993, Dudgeon, on behalf of Torosay Properties, offered and sold interests in a limited partnership named Torosay Holdings, L.P. 1 to a person in Colorado in the amount of \$10,000;
6. According to investment-related documents provided by Dudgeon to the person, referred to in Paragraph 5 above, entitled "LIMITED PARTNERSHIP AGREEMENT," signed by the person referred to in Paragraph 5 above on February 22, 1994, "5.1 The partnership shall be for the purpose of purchasing an option to buy a real estate parcel in Oregon, Wisconsin. The partnership secured a third party offer for the option on the parcel and intends to sell said option to the third party on or before March 28, 1994.";
7. According to investment-related documents provided by Dudgeon to the person referred to in Paragraph 5 above, entitled "TOROSAY PROPERTIES MEMORANDUM," dated July 26, 1996, "Torosay Properties, Inc. wishes to inform all Limited Partners of Sun Valley Development IV (Oregon, Wisconsin) that Torosay Properties, Inc. intends to cancel and void its Purchase Option Agreement with Sun Valley Farms Investments, L.L.P effective August 1, 1996. ... Torosay Properties, Inc. regrets this action but, (sic) has no other option because a retroactive application of a 1994 Wisconsin State Assembly law (Wisconsin S.H. Bill 1294C), which grandfathers watershed and land use restrictions in Wisconsin concerning returning land once classified as wetlands. Therefore, as a Limited Partner in this venture, Torosay Properties, Inc. will return your original investment, plus interest. An account statement will accompany a certified check.";
8. According to a statement to staff of the Division of Securities by a staff attorney of the State of Wisconsin Legislative Council who specializes in legislation relating to wetlands, and who reviewed the document referred to in Paragraph 7 above, there was no such legislation as

“Wisconsin S.H. Bill 1294C,” and that watershed and land use restrictions, as referred to in Paragraph 7 above, were not “grandfathered” by Wisconsin State laws;

9. According to information provided by the person, referred to in Paragraph 5 above, that person has not received either the original principal nor any interest on the investment;
10. Upon information and belief, in 1998 Dudgeon was sentenced for felony theft in Dane County, Wisconsin, case number 97CF678, in part for felony theft-false representation, for which Dudgeon was placed on probation and ordered to pay restitution;
11. Upon information and belief, Dudgeon issued worthless checks in Wisconsin during at least the time period of November 14, to December 6, 2000;
12. Upon information and belief, according to the investor, on or about December 8, 2000, Dudgeon offered and sold to a person in Wisconsin interests in an oral investment contract in which Dudgeon represented that the \$2,500 obtained from the person would be used for the business of Torosay Golf;
13. Upon information and belief, Dudgeon represented that he would repay the money obtained from the person in Wisconsin, as described in Paragraph 12 above, within one week from the date of the transaction;
14. According to a statement signed by Dudgeon on January 11, 2001 for his State of Wisconsin Department of Corrections Probation/Parole Agent, “On or about 12-18-00, I borrowed \$2500 from Janet Gray (Rushiti) with the intention of repayment 1-2 weeks later. I told her it was for the payment to an architect to evaluate a potential business project in Tulsa, OK. The project is a golf course development in Tulsa, OK. ...The services of the architect was for an architectural routing. Once that was complete, I would be reimbursed by the developer and then would be able to pay her back. ... What I told her the money was to be used for was what I intended the money to be used for, but I did use \$1600 for new residence expense (at 5891 Woods Edge Road). ...I also used the money for living expenses, such as gas, food, etc. ...I did not tell her what I eventually used the money she gave me for because of the change in the living situation.”;
15. Upon information and belief, on March 19, 2001, the probation of Dudgeon, referred to in Paragraph 10 above, was revoked in part due to the actions of Dudgeon referred to in Paragraph 11 above and Dudgeon was sentenced to four years in prison within the State of Wisconsin Department of Corrections;
16. Upon information and belief; Dudgeon was arrested and charged in Dane County, Wisconsin on or about September 6, 2001, case number 01CF1931, in part for the charges referred to in Paragraph 11 above;
17. Upon information and belief, in connection with the offer and sale of the securities described in Paragraph 12 above, Dudgeon omitted to disclose the actions committed by Dudgeon referred to in Paragraph 14 above, which could and did result in his imprisonment and failure to repay the debt to the person in Wisconsin referred to in Paragraph 12 above;
18. Upon information and belief, in connection with the offer and sale of the securities described in Paragraph 12 above, based on Dudgeon’s statement to his probation/parole agent about his use of the money for personal purposes of the person who loaned money to Dudgeon for business purposes, Dudgeon engaged in an act, practice and course of business which operates or would operate as a fraud or deceive upon any person;

