

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

In the Matter of
JOHN K. WAMUGI,

PETITION FOR ORDER

Respondent.

File No. S-95413(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. John K. Wamugi (hereinafter "Wamugi") is an individual who was born in August 1948, with a last known home address at 3301 Prairie Rd, Madison, Wisconsin 53719;
2. According to statements made by Wamugi to staff of the Division of Securities, during the period of August 1989, Wamugi obtained about \$30,000 from at least one person in Wisconsin (hereinafter "RSEK");
3. According to statements made by Wamugi to staff of the Division of Securities, Wamugi borrowed the money from RSEK, referred to in Paragraph 2 above, and sent a promissory note to RSEK, as evidence of the loan;
4. According to correspondence from RSEK, Wamugi represented to RSEK that Wamugi has a company named AJC Financial Research Associates (sic) and would invest RSEK's money in the stock market;
5. According to correspondence from RSEK, she gave Wamugi a power of attorney over her assets in accounts at two financial institutions in Wisconsin, left the United States to return to her home country, and thereafter received no documentation from Wamugi as to what he did with RSEK's money, but did find that the assets in her accounts were gone;
6. According to statements made by Wamugi to staff of the Division of Securities, at the time of the transaction with RSEK, Wamugi did own a business named AJC Financial Research Associates, Inc. but was not operating it at the time of the transaction with RSEK, and that Wamugi used the money of RSEK for personal purposes;
7. In 1997, according to an arrangement made between RSEK and Wamugi, both of whom were represented by legal counsel, Wamugi agreed to repay \$40,770 to RSEK, in installment payments, and Wamugi signed a promissory note as evidence of the agreement;
8. Upon information and belief, Wamugi defaulted on the promissory note, referred to in Paragraph 7 above, which resulted in the legal counsel for RSEK obtaining judgments against Wamugi in attempts to collect the money owed by Wamugi to RSEK;
9. Upon information and belief, although Wamugi made some payments to RSEK, Wamugi did not repay the amount of the promissory note, referred to in Paragraph 7 above, and has stopped making payments altogether;
10. The investment by RSEK, referred to in Paragraph 2 above, as evidenced by the promissory note of Wamugi, as described in Paragraph 7 above, is a security as that term is defined by sec. 551.02(13)(a), Wis. Stats.;

11. The Wamugi security has never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.; and

12. Wamugi has violated sec. 551.21(1), Wis. Stats., by offering and selling an unregistered security in Wisconsin.

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

 8-16-04

Mark E. Dorman _____ Date
Examiner

 9/3/04

David A. Cohen _____ Date
Supervising Attorney