

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

In the Matter of
WELLSPRING CAPITAL GROUP, INC., and
BLAKE AARON PRATER,

PETITION FOR ORDER

Respondents.

File No. S-03247(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. Wellspring Capital Group, Inc. ("Wellspring") is a business incorporated in the State of Connecticut, with a last known business address of 41 Kings Highway, Suite 103, PO Box 442, Gales Ferry, Guilford, Connecticut 06355;
2. Blake Aaron Prater ("Prater") is an individual, with a date of birth of January 7, 1952, who at all times material hereto has been the founder and chief executive officer of Wellspring, with a last known business address at that of Wellspring and a last known home address of 37 Catherine Street, St. Albans, VT 05478;
3. During the period of 2003, Wellspring and Prater offered and sold to at least one person in Wisconsin interests a scheme of Wellspring ("the Wellspring scheme") to receive a return on investment on money invested by the person;
4. On September 8, 2003, the U.S. Securities and Exchange Commission ("SEC") obtained a temporary restraining order against Wellspring and Prater for the Wellspring scheme in U.S. District Court for the District of Connecticut, Civil Action No. 303-CV-0524-MRK;
5. According to Litigation Release No. 18336 of September 10, 2003, of the SEC, Wellspring and Prater operated a sophisticated Internet Ponzi scheme that raised at least \$3 million from thousands of investors, which used a series of interrelated Internet web sites and a network of agents operating throughout the United States to guarantee prospective investors exorbitant returns through a variety of programs, including one that promised that, in exchange for a small sum of money, it would pay investors returns as high as 1,000 percent per year in the form of payments for various living expenses of the investors, such as car loans, rent or business expenses;
6. Upon information and belief, investors can play a passive role in the Wellspring scheme with no duties and responsibilities;
7. Upon information and belief, each investor will not be involved in the day-to-day management of the Wellspring scheme, 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;

8. 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 Wellspring scheme 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.;

9. The Wellspring scheme investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;

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

11. Upon information and belief, Prater has a conviction in the State of Michigan for fraud, for which he was sentenced in 1993 and did serve four years and six months in prison, and a conviction in the State of Washington in 1992 for forgery and theft for which he was sentenced and served prison terms of five months and nine months respectively; and

12. The staff of the Bureau of Registration & Enforcement wrote to the Respondents to request information and documents concerning their securities-related transactions with persons in Wisconsin but to date has not received the information and documents.

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.

Mark E. Dorman 4-6-04

Mark E. Dorman Date
Examiner

David A. Cohen 4/5/04

David A. Cohen Date
Supervising Attorney