

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

In the Matter of
EDITH E. GARRO,
GREGORY J. GARRO, and
SANDI LOU KINDIG,

PETITION FOR ORDER

Respondents.

File No. S-04163(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. Edith E. Garro is an individual with a date of birth of August 14, 1924, with a last known residence address of 322 S Farmer St., Princeton, WI 54923;
2. Gregory J. Garro is an individual with a date of birth of March 15, 1954, and the son of Edith E. Garro, with a last known residence address of W4450 Old Green Lake Road, Princeton, WI 54968;
3. Sandi Lou Kindig (also known as Sandi Garro) is an individual with a date of birth of May 11, 1961, and the former wife of Gregory J. Garro who continues to reside with Gregory J. Garro, with a last known residence address of W4450 Old Green Lake Road, Princeton, WI 54968;
4. Upon information and belief, during the period of at least December 1999 to January 2003, Edith E. Garro, Gregory J. Garro and Sandi Lou Kindig offered and sold to at least three persons in Wisconsin written evidences of indebtedness in the aggregate amount of at least \$1,834,259.55;
5. Upon information and belief, in the offer and sale of the written evidences of indebtedness to persons in Wisconsin, as described in Paragraph 4 above, Edith E. Garro, Gregory J. Garro and Sandi Lou Kindig promised to pay a certain amount of interest, and to repay the principal,
6. Upon information and belief, before investing, Sandi Lou Kindig represented to the investors, described in paragraph 4 above, that Gregory J. Garro and Sandi Lou Kindig will engage in the business of property development with the money of the investors;
7. Upon information and belief, the persons in Wisconsin, as described in Paragraph 4 above, will play a passive role in the investments with no duties and responsibilities;
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 written evidences of indebtedness offered and sold by Edith J. Garro, Gregory J. Garro and Sandi Lou Kindig, as referred to in Paragraph 4 above, 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 investment contract securities of Edith E. Garro, Gregory J. Garro and Sandi Lou Kindig have not been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;
10. According to statements made to staff of the Wisconsin Division of Securities by one of the persons in Wisconsin (hereinafter "RZ"), as described in Paragraph 4 above, on or about March 14, 2000, RZ loaned \$110,000 to Edith E. Garro for the business of Edith E. Garro, Gregory J. Garro and Sandi Lou Kindig;
11. According to further statements made to staff of the Wisconsin Division of Securities by RZ, Sandi Lou Kindig provided to him in Wisconsin a promissory note as evidence of the loan of \$110,000, which promissory note was signed by Edith E. Garro;
12. According to the promissory note, the investor will receive interest payments, at the rate of 12% per annum, which shall be payable monthly commencing May 1, 2002, and the principal due on the earlier of six months from the date of the note, or the sale of the real estate used as security for the loan;
13. According to further statements made to staff of the Wisconsin Division of Securities by RZ, he received no payments as called for in the promissory note, and was not repaid the principal of loan;
14. According to statements made to staff of the Wisconsin Division of Securities by RZ, on or about April 5, 2002, he "rolled over" or renewed the loan of \$110,000, as described in Paragraph 10 above, in the amount of \$171,259.55;
15. According to further statements made to staff of the Wisconsin Division of Securities by RZ, Sandi Lou Kindig provided to RZ a promissory note as evidence of the loan, which promissory note was signed by Edith E. Garro and Sandi Lou Kindig;
16. According to the promissory note, dated April 5, 2002, the investor will receive interest payments, at the rate of 18% per annum, which shall be payable monthly commencing May 1, 2002, and the principal due on the earlier of six months from the date of the note, or the sale of the real estate used as security for the loan;
17. According to further statements made to staff of the Wisconsin Division of Securities by RZ, he received no payments as called for in the promissory note, and was not repaid the principal of loan;
18. According to the promissory note, dated April 5, 2002, provided by the person to staff of the Wisconsin Division of Securities, as described in Paragraphs 14 and 15 above, Edith E. Garro and Sandi Lou Kindig represented in the promissory note that the person's loan of \$171,259.55 was secured by mortgages on real estate recorded by the Dodge County, Columbia County and Green Lake County Register of Deeds offices;
19. According to further statements made to staff of the Wisconsin Division of Securities by RZ, he received no information as to there being any encumbrances and/or dispute as to the ownership on the real estate, as described in Paragraph 18 above;
20. According to documents provided to staff of the Wisconsin Division of Securities by RZ's legal counsel, concerning the real estate used to secure the loan of \$171,259.55, as described in Paragraphs 14, 15, and 18 above, there was an encumbrance on some of the real estate in Dodge County, which later resulted in the real estate being foreclosed on and sold at a sheriff's sale;
21. According to documents provided to staff of the Wisconsin Division of Securities by RZ's legal counsel, concerning the real estate used to secure the loan of \$171,259.55, as described in Paragraphs 14, 15 and 18 above, there were two encumbrances on the real estate in Columbia County, and there was a foreclosure on the real estate, and it later sold at a *sheriff's sale*;

22. According to documents provided to staff of the Wisconsin Division of Securities by RZ's legal counsel, concerning the real estate used to secure the loan of \$171,259.55, as described in Paragraphs 14, 15 and 18 above, there was both an encumbrance and a foreclosure on some of the real estate in Green Lake County at the time of the sale of the promissory note, and that real estate was later sold at a sheriff's sale;
23. By engaging in the conduct described in Paragraphs 4, 14, 15, 18, 19, 20, 21, and 22 above, Edith E. Garro and Sandi Lou Kindig, in connection with the offers and sales of securities to at least one person in Wisconsin, omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of sec. 551.41(2), Wis. Stats.;
24. According to statements made to staff of the Wisconsin Division of Securities, during the period from about November 14, 2002 to January 20, 2003, one of the persons in Wisconsin (hereinafter "KH"), as described in Paragraph 4 above, made loans in Milwaukee County, Wisconsin, and elsewhere, to Gregory J. Garro and Sandi Lou Kindig for the purpose of being used in their business;
25. According to further statements made to staff of the Wisconsin Division of Securities by KH, Sandi Lou Kindig told her that for every \$25,000 loaned to Gregory J. Garro and Sandi Lou Kindig, they would pay her \$2,500 per month, plus eventually repay the principal;
26. According to further statements made to staff of the Wisconsin Division of Securities by KH, Sandi Lou Kindig provided to her, in Milwaukee County, Wisconsin, one of three promissory notes, that she eventually received as evidence of the loans, and two of the three promissory notes in Minneapolis, Minnesota, that she eventually received as evidence of the three loans;
27. According to the three promissory notes, provided by KH, Gregory J. Garro and Sandi Lou Kindig represented in the promissory notes that she would receive a repayment of the amount of the principal, plus a return on investment, by a certain due date;
28. Upon information and belief, Gregory J. Garro and Sandi Lou Kindig failed to inform KH that Edith E. Garro and Sandi Lou Kindig had defaulted on the two promissory notes issued to the person described in Paragraphs 10 and 14 above;
29. By engaging in the conduct as described in Paragraphs 4, 24, 25 and 28 above, Gregory J. Garro and Sandi Lou Kindig, in connection with the offers and sales of securities to a person in Wisconsin, omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of sec. 551.41(2), Wis. Stats.;
30. According to further statements made to staff of the Wisconsin Division of Securities by KH, she received only some interest payments, and was not repaid the principal of the loans;
31. Despite a written request of the staff of the Wisconsin Division of Securities to Edith E. Garro Gregory J. Garro and Sandi Lou Kindig for information and documents about their securities-related activities with persons in Wisconsin, Edith E. Garro, Gregory J. Garro and Sandi Lou Kindig have not responded to the written request.

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.

