

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

In the Matter of
JAMES G. KOPS,

Respondent.

PETITION FOR ORDER
(SUMMARY)

File No. S-08054(EX)

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

1. Upon information and belief, the paddle boat venture has no specific name and is not formally organized or incorporated, with a last known business address of 2266 N. Prospect Avenue, Milwaukee, Wisconsin 53202-6306.
2. Upon information and belief, James G. Kops ("Kops"), is an individual who at all times material hereto has been a controlling person of the paddle boat venture with a last known business address of 2266 N. Prospect Avenue, Milwaukee, Wisconsin and a last known home address of 943 East Circle Drive, Whitefish Bay, Wisconsin 53217.
3. During the period of April 2006 through June 30, 2006, Kops offered to at least one person in Wisconsin an option to purchase an interest in the paddle boat venture.
4. Pursuant to the offering materials received by a Wisconsin investor, Kops planned to engage in the offering and sale of an option to purchase interests in a paddle boat business. The paddle boat business will assemble and distribute engine powered paddle boats.
5. Upon information and belief, investors will play a passive role in the paddle boat business with no duties and responsibilities.
6. Upon information and belief, investors will not be involved in the day-to-day management of the paddle boat venture, since the investors do not have the expertise or experience.
7. Since the investors will be involved in a common enterprise with the expectation of profit to be derived in the paddle boat business from the essential managerial efforts of others, the interests offered by the respondent are investment contracts as defined by section DFI-Sec. §1.02(6)(a), Wis. Admin. Code, and are therefore securities as defined by § 551.02(13), Wis. Stats. An option to purchase an interest in the paddle boat business as described above is also a security pursuant to 551.02(13), Wis. Stats.
8. On March 11, 1980, the State of Wisconsin convicted Kops of securities fraud by a jury in Sheboygan County. Kops appealed the conviction but the conviction affirmed on appeal on May 26, 1981.
9. In connection with the offer and sale of an option to purchase the securities described above, the Kops omitted to disclose the fact that he had been charged and convicted of securities fraud.

10. On August 30, 1983, the State of Wisconsin Commissioner of Securities issued an Order of Prohibition And Revocation against Kops in an administrative proceeding, file number X-1256(E).
11. In connection with the offer and sale of an option to purchase the securities described above, Kops omitted to disclose the issuance of the Order referred to above.
12. In connection with the offer and sale of an option to purchase the securities to the Wisconsin investor described above, Kops did not disclose that on March 5, 2002, a judgment was docketed in Milwaukee County Circuit Court against Kops in favor of Tyler Tesmer for \$65,037 in an action arising from Tesmer's investment in 1997 in a paddle boat venture with Kops which was substantially similar to this transaction. This judgment has not been completely satisfied as \$40,037 is still owed by Kops on the judgment to Tesmer.
13. Kops has violated § 551.41(2), Wis. Stats., by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of an option to purchase securities to persons in Wisconsin.
14. Respondent violated an Order Of Prohibition And Revocation, issued to him on August 30, 1983, which states that a willful violation of the Order is a criminal offense punishable under the provisions of sec. 551.58, Wis. Stats. Respondent's violation of the Order was willful because, although he was aware of the Order (see, Kops v. Office of the Commissioner of Securities, 143 Wis. 2d 895, 422 N.W.2d 462 (Ct. app. 1988)), he persisted in offering these securities to Wisconsin investors.

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



Date
Gregory Kipfer
Examiner
Bureau of Enforcement



Date
Leslie M. Van Buskirk
Attorney Supervisor
Bureau of Enforcement