

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

In the Matter of

PETITION FOR ORDER

ARTHUR W. EITH,

Respondent.

File No. S-210124 (EX)

The staff of the Bureau of Enforcement of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“the Division”) has conducted an investigation in this matter pursuant to Wis. Stat. § 551.56,¹ and as a result thereof alleges as follows:

1. Arthur W. Eith (“Eith”) is an individual born in September 1943, with a last known home address of W6198 Eagle Road, Juneau, Wisconsin 53039.
2. Upon information and belief, from approximately December 2006 through November 2007, Eith offered and sold an investment contract to at least one person in Wisconsin totaling approximately \$400,000. Eith represented to the person in Wisconsin that he would use the investor’s funds to complete an oil clean-up project in Africa.
3. Upon information and belief, Eith promised this first Wisconsin investor that Eith would make substantial contributions to the investor’s church congregation and to various Catholic charities upon Eith’s receipt of the funds allegedly due him for the oil clean-up project in return for his investment.
4. Upon information and belief, from approximately April 2007 through October 2009, Eith offered and sold another investment contract to another person in Wisconsin for a total of approximately \$100,000.
5. Upon information and belief, Eith stated to the second Wisconsin investor on numerous occasions that if he invested with Eith, then Eith would repay the investor his principal plus interest of at least 8-9% from the millions of dollars owed to Eith from the African oil project.
6. According to a civil complaint filed against Eith in Dodge County circuit court, from about May 2004 through July 2005, Eith offered and sold a third investment contract to two persons in Wisconsin in the aggregate of approximately \$80,000, inducing them to invest by showing them a certificate from the Nigeria Deposit Insurance Corporation, a news article stating that Eith was entitled to a substantial payment from the Nigerian government, and a letter stating that the African Development Bank had \$35 million on hold to be delivered to Eith. These documents are attached hereto and incorporated herein as Exhibits 1-3.

¹ Unless otherwise noted, all statutory references are to the Wisconsin Statutes (2005-06), which were in effect at the time of the violations alleged and apply pursuant to Wis. Stat. § 551.703 (2007-08).

7. Upon information and belief, Eith promised these Wisconsin investors that Eith would repay them \$150,000 when he received the payments from Nigeria. When Eith did not repay the investors, they filed the civil action in Dodge County

8. Upon information and belief, Eith induced at least one Wisconsin investor to invest by claiming he had legitimate contracts with the Nigerian government that would enable Eith to recover the large amounts he claimed were due to him, and provided Exhibits 1-3 as evidence.

9. Upon information and belief, to date none of the principal that any of the Wisconsin investors invested with Eith has been repaid, and there has been little or no return on investment paid to them.

10. Eith had a record of multiple prior criminal convictions at the time he solicited the Wisconsin investors, including federal convictions in 1991 for bank fraud and in 2007 for fraudulent conversion of property pledged to secure a loan. The charges in the more recent prosecution were filed in 2005 and the sentence was imposed on October 30, 2007, including a period of probation. Eith solicited the investment contracts described above in paragraphs 2 and 4 while on probation, which would constitute major financial transactions not reported to his probation officer in violation of the terms of his probation.

11. The investment contracts sold by Eith were securities under Wis. Stat. § 551.02(13) and Wis. Admin. Code § DFI Sec. 1.02(6)(a), which defines an investment contract security as “[a]ny investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor.”

12. Alternatively, and in addition to the allegation in the preceding paragraph, the investments contracts sold by Eith were securities under Wis. Stat. § 551.02(13) and Wis. Admin. Code § DFI Sec. 1.02(6)(b), which defines an investment contract security as “[a]ny investment by which an offeree furnishes initial value to an offeror, and a portion of this initial value is subjected to the risks of the enterprise, and the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise, and the offeree does not receive the right to exercise practical and actual control over the managerial decisions of the enterprise.”

13. Eith's investment contract securities have never been registered for offer and sale in Wisconsin pursuant to Wis. Stats. Ch. 551. Eith's offer and sale of unregistered securities as described above violated Wis. Stat. § 551.21.

14. In connection with the offer and sale of the investment contract securities described above, Eith omitted to disclose his prior criminal convictions, including his conviction for bank fraud and criminal conversion of property pledged to secure a loan. Eith also never disclosed to investors that he was not permitted to engage in any significant financial transactions without notifying his probation officer, and that he was engaging in such transactions with these investors without his probation officer's knowledge or approval.

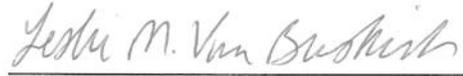
15. Eith violated Wis. Stat. § 551.41(2) by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.

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

Dated this 8th day of March, 2013.



Mark E. Dorman
Examiner
Bureau of Enforcement



Leslie M. Van Buskirk
Attorney Supervisor
Bureau of Enforcement