WHEREAS the staff of the Enforcement Unit of the Division of Securities of the Department of Financial Institutions, State of Wisconsin, has conducted an investigation in the above-captioned matter pursuant to sections 15.02(4) and 551.56, Wis. Stats., and as a result thereof alleges as follows:

1. 5 Star Global, L.L.C. (hereinafter “5 Star”) is a Wisconsin limited liability company with an address at all times material hereto at 2810 Crossroads Drive, Suite 4800, Madison, Wisconsin 53718.

2. Americas Fidelity Capital Management, Ltd. (hereinafter “Americas Fidelity”) is, upon information and belief, a foreign corporation, with an address at all times material hereto at Camp David, West Bay St. PO CB-11011 Cable Beach, Nassau, Bahamas, with representative offices at 4901 NW 17th Way, Suite 405, Ft. Lauderdale, Florida 33309.

3. The US Associates is, upon information and belief, a foreign business entity, with an address at all times material hereto at 441 Monroe Drive, Natchitoches, LA 71457.

4. Gary L. Augustine (hereinafter “Augustine”) is an adult male individual whose date of birth is November 26, 1946, whose residence address at all times material hereto has been at 222 Hanley Road #30, Hudson, WI 54016, and who at all times material hereto was an owner, operator, and controlling person of 5 Star.

5. Ronald M. “Ron” Turner (hereinafter “Turner”) is an adult male individual whose date of birth is August 27, 1942, whose residence address at all times material hereto has been at 6680 Token Way, DeForest, WI 53532, and who, at all times material hereto, was an owner, operator, and controlling person of 5 Star.

6. David A. Morgenstern (hereinafter “Morgenstern”) is an adult male individual who, upon information and belief, has a date of birth of October 28, 1948 whose address at all times material hereto is at that of Americas Fidelity, and who was an owner, officer and a controlling person of Americas Fidelity at all times material hereto.
7. Upon information and belief, during at least early 1998, Augustine, Turner and their agents, all on behalf of 5 Star, offered and sold investments of approximately $895,000 in 5 Star to at least 12 persons in Wisconsin.

8. The $895,000 raised by 5 Star was sent to US Associates for an asset management fund, consisting of insurance company-issued Guaranteed Investment Contracts, U.S. Treasury Obligations, and Bank-issued Medium Term Notes, which will result in the persons in Wisconsin who invested obtaining at the end of the approximately one-year term of the investment contract a minimum return of 10 times the capital originally invested.

9. The US Associates investments were investments in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor.

10. Upon information and belief, during at least later 1998 and early 1999, Augustine, Turner and their agents, all on behalf of 5 Star, offered and sold investments of approximately $3,320,000 in 5 Star to at least 26 persons in Wisconsin.

11. The money raised by 5 Star was sent to Americas Fidelity for an asset management fund, consisting of insurance company-issued Guaranteed Investment Contracts, U.S. Treasury Obligations, and Bank-issued Medium Term Notes, which will result in the persons in Wisconsin who invested obtaining at the end of the approximately one-year term of the investment contract a minimum return of 10 times the capital originally invested.

12. Both of the 5 Star investments were investments in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor.

13. The 5 Star investments above are securities as that term is defined by sec. 551.02(13)(a), Wis. Stats., and have never been registered under Ch. 551, Wis. Stats., for their offer and sale in Wisconsin.

14. 5 Star, Augustine and Turner have violated sec. 551.21(1), Wis. Stats., by offering and selling unregistered securities to persons in Wisconsin.

15. In connection with the offers and sales of the securities to persons in Wisconsin, as described in Paragraphs 7 and 10 above, Augustine and Turner, on behalf of 5 Star, employed agents as that term is defined by sec. 551.02(2), Wis. Stats., to offer and sell the securities of 5 Star.

16. At no time have those agents been licensed as securities agents pursuant to Ch. 551, Wis. Stats.

17. At no time have 5 Star, Augustine, or Turner been licensed as securities broker-dealers pursuant to Ch. 551, Wis. Stats.

18. 5 Star, Augustine, and Turner have violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as broker-dealers without a license.
19. 5 Star, Augustine, and Turner have violated sec. 551.31(2), Wis. Stats., by employing unlicensed agents to represent them in Wisconsin.

20. Upon information and belief, in connection with the offers and sales to persons in Wisconsin of the 5 Star securities, in which the money of investors went to Americas Fidelity, 5 Star, Augustine and Turner did not inform the investors that the money of the investors paid to The US Associates was “frozen”, and that the investors did not receive repayment of their principal, nor payment of interest, as promised.

21. Upon information and belief, the United States Securities & Exchange Commission (hereinafter “the SEC”) filed civil fraud charges on or about September 25, 1998, in the United States District Court, Southern District of Florida, Civil Action Number 98-7044-CIV, which state, among other things, that during the period of 1996, Morgenstern, two affiliated individuals, and a Florida “financial services” firm named Amquest International, Ltd. (hereinafter referred to as “Amquest”) engaged in a securities offering fraud, resulting in losses to investors of approximately $4.1 million; and that Morgenstern and the same two other individuals misappropriated the bulk of the Amquest offering proceeds, and also misappropriated approximately $700,000 in proceeds from a related offering of stock issued by Sleepsource International, Ltd.

22. Upon information and belief, during the offers and sales of the securities as described in Paragraph 10 above, 5 Star, Augustine and Turner failed to inform those investors of the investigation and action taken by the SEC against Morgenstern, the other individuals and Amquest, which Augustine and Turner admitted to the staff of the Division of Securities that they were aware of before the offers and sales of the securities.

23. By engaging in the conduct as described in Paragraphs 20 and 22 above, 5 Star, Augustine, and Turner, in connection with the offers and sales of securities to persons in Wisconsin as set forth in Paragraphs 7 and 10 above, 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. Upon information and belief, 5 Star, Augustine and Turner have not repaid the principal, nor paid the interest, to most of the purchasers of the written investment contracts with The US Associates despite the due dates for repayment and payment thereon having passed, but have repaid the principal to investors with Americas Fidelity, referenced in Paragraphs 10 and 11 above.

THEREFORE the Staff of the Enforcement Unit petitions the Administrator of the Division of Securities of the Department of Financial Institutions, or her designee, for the issuance of the attached Order of Prohibition and Revocation pursuant to Ch. 551, Wis. Stats.

Mark E. Dorman 2-25-00
Examiner
Enforcement Unit

David A. Cohen 2/23/00
Supervising Attorney
Enforcement Unit