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

In the Matter of
HEALTH MAINTENANCE CENTERS, INC.,
KEVIN L. LAWRENCE,
KEVIN JAMES MCCARTHY, and
THOMAS J. KRUEGER,
Respondents.

PETITION FOR ORDER

File No. S-01210(EX)

The staff of the Bureau of Registration & Enforcement, 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, Health Maintenance Centers, Inc. ("HMC") is a Washington corporation with last known business addresses of 175 Parfitt Way SW, Suite 200N, Bainbridge Island, Washington 98110-1814 and 190 Madison, Bainbridge Island, Washington 98110-1814;

2. Upon information and belief, Kevin L. Lawrence (DOB September 8, 1965, CRD #2023445) ("Lawrence") is the chief executive officer, president and founder of HMC, with a last known home address of 11150 Wing Point Drive, Bainbridge Island, Washington 98110, and last known business addresses at HMC;

3. Upon information and belief, Kevin James McCarthy (DOB March 29, 1963) ("McCarthy") is an employee of HMC in Investor Relations, with a last known home address of 17410 102nd Ave NE, Bothell, Washington 98011, and last known business address at HMC;

4. Upon information and belief, Thomas J. Krueger (DOB May 31, 1959, CRD #1341224) ("Krueger") is an individual with a last known home address at 1 Madeline Island, Madison, Wisconsin 53719, and who was licensed as a securities agent in Wisconsin from July, 1985 until April 12, 2001;

5. According to testimony and documents provided by Krueger, during at least February and March, 2001, Krueger, on behalf of HMC, Lawrence and McCarthy, offered and sold investments in stock of HMC to at least six persons in Wisconsin;

6. The investments in stock of HMC as described above are securities as that term is defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code, and are therefore securities pursuant to §551.02(13)(a), Wis. Stats.;

7. According to testimony and documents provided by Krueger, during the period of at least May and June, 2001, Krueger, on behalf of HMC and Lawrence, offered and sold investments in promissory notes of HMC to at least seven persons in Wisconsin;

8. The investments in promissory notes of HMC as described above are securities as that term is defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code, and are therefore securities pursuant to sec. §551.02(13)(a), Wis. Stats.;

9. The promissory note securities of HMC have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;
10. Lawrence, McCarthy and Krueger have violated §551.21(1), Wis. Stats., by offering and selling unregistered securities in Wisconsin;

11. The Wisconsin Division of Securities issued an administrative summary order of prohibition and revocation against HMC and Lawrence on January 16, 2002, regarding their offer and sale of HMC stock to persons in Wisconsin in violation of the registration provision of the Wisconsin Uniform Securities Law;

12. In connection with the offer and sale of the stock of HMC described in Paragraph 5 above, Krueger transacted business in Wisconsin as an "agent" for HMC, Lawrence and McCarthy, as that term is defined by §551.02(2), Wis. Stats.;

13. Upon information and belief, Krueger's employing broker-dealer at the time did not approve the offer and/or sale of the HMC stock or promissory notes by Krueger;

14. Pursuant to DFI-Sec 4.06(2), Wis. Adm. Code, effecting any securities transaction not recorded on the regular books or records of the broker-dealer which the agent represents is deemed a "dishonest or unethical business practice" or "taking unfair advantage of a customer" by an agent, which provides a basis for the censure of a licensee pursuant to §551.34(1)(g), Wis. Stats., unless the transaction is disclosed to and authorized in writing by the broker-dealer prior to the execution of the transaction;

15. The State of Washington issued an administrative summary order to cease and desist against HMC and Lawrence on April 9, 2001, regarding their offer and sale of HMC stock to over 1,100 investors in violation of the registration and anti-fraud provisions of the Washington State Securities Act;

16. Upon information and belief, HMC, Lawrence, McCarthy and Krueger did not inform the persons in Wisconsin who purchased the promissory notes of HMC referred to in Paragraph 7 above of the administrative summary cease and desist order of the State of Washington, referred to in Paragraph 13 above; and

17. HMC, Lawrence, McCarthy and Krueger have violated §551.41(2), Wis. Stats., 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 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 Date
Examiner

Leslie Van Buskirk Date
Staff Attorney

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