



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
THE RWS GROUP, INC.;)
RWS INVESTMENTS;) Case No. AP-04-33
RONALD W. SHEPARD;)
MARY L. SHEPARD; and)
JERRY C. MCGUIRE,)
)
Respondents.)

Serve RWS Group, Inc., RWS Investments, Ronald W. Shepard, and Mary L. Shepard at:
907 SW Oldham Parkway, Suite B
Lee's Summit, Missouri 64081

Serve Jerry C. McGuire at:
2935 Bagnell Dam Boulevard, Suite 121
Lake Ozark, Missouri 65049

**SUMMARY ORDER TO CEASE AND DESIST
AND ORDER TO SHOW CAUSE WHY CIVIL PENALTIES AND COSTS
SHOULD NOT BE IMPOSED**

On the 31st day of March 2004, the Enforcement Section of the Securities Division, by and through Enforcement Counsel Omar D. Davis, submitted a petition, requesting a cease and desist order and other administrative relief. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

FINDINGS OF FACT

1. The RWS Group, Inc. ("RWS Group"), is a Missouri corporation formed June 5, 2003 and has an address of 907 SW Oldham Parkway, Suite B, Lee's Summit, Missouri 64081.
2. RWS Investments, Inc. ("RWS"), is an associated fictitious name registered with the Missouri Corporation's Division on June 5, 2003 under RWS Group. RWS is purportedly engaged in the business of income tax planning, wills, trusts and powers of attorney, mortgages, insurance investments, annuities, and college funding and has an address of 907 SW Oldham Parkway, Suite B, Lee's Summit, Missouri 64081.

3. National College Funding, Inc. ("NCFI"), is a Missouri corporation purportedly engaged in the business of assisting families with college students in obtaining college funding and has an address of 9812 E. 87th Street, Suite C, Raytown, Missouri 64138.
4. Shepard USA is a Missouri corporation and has an address of 324 W. Dogwood Road, Four Seasons, Missouri 65049.
5. Ronald W. Shepard ("Shepard") is the President and a Director of RWS Group and President of NCFI.
6. Mary Shepard is the owner of Shepard USA, the Secretary and a Director for RWS Group, and Secretary for NCFI.
7. Jerry McGuire ("McGuire") purports to be the Vice President for RWS and has an address of 2935 Bagnell Dam Boulevard, Suite 121, Lake Ozark, Missouri 65049.
8. As used in this Cease and Desist Order, the term "Respondents" refers to Shepard, Mary Shepard, McGuire, RWS Group, and RWS.

Kansas Resident

9. A Kansas Resident ("KR") met Shepard at an NCFI seminar that Shepard hosted in Lee's Summit, Missouri during the Spring of 2003.
10. KR used Shepard's services through NCFI to assist KR with finding college funding for KR's child.
11. KR remembers attending approximately three meetings with Shepard at Shepard's office in Lee's Summit, Missouri.
12. In August 2003, during one of the meetings KR had with Shepard, Shepard solicited KR for an investment in RWS.
13. Shepard told KR the following about RWS:
 - a. RWS paid 15% annually.
 - b. RWS was a not-for-profit organization operated by a group of Christian men who were experienced businessmen.
 - c. RWS would invest the principle in low-risk business ventures.
 - i. Shepard described T-shirts sold to Target as an example of the low-risk investments used by RWS.

- d. KR could get KR's investment back with 90 days notice.
14. On or around August 12, 2003, KR invested \$50,000 in the form of three different checks. These checks were made payable to RWS Investments and dated August 12, 2003. The checks were in the amount of \$30,000, \$15,000 and \$5,000. The \$30,000 and the \$5,000 checks were from KR's spouse's accounts and signed by KR's spouse. The \$15,000 check was written and signed by KR.
 15. KR and spouse signed a two-page document entitled "Financial Agreement." The Financial Agreement was dated August 18, 2003.
 16. The "Financial Agreement" stated, in part,
 - a. "INVESTORS hereby give to COMPANY, the exclusive right to invest the above funds for a time certain, in accordance with the terms and conditions contained herein." (Emphasis in original.)
 - b. "**RETURN ON INVESTMENT:** That COMPANY shall pay to and said INVESTORS shall receive a rate of return of FIFTEEN (15%) percent for each year COMPANY has the funds in its possession for up to a period of five (5) consecutive years from the above date, and shall remain in the custody of COMPANY. That said FIFTEEN (15%) percent return is due to INVESTOR'S [sic] from COMPANY within 90 days of the end of each 12 month anniversary date and shall be provided to INVESTOR'S [sic] by written instrument at their last known address designated herein." (Emphasis in original.)
 - c. "The investment represents a liquid, insured, long-term investment for which there is no public market or verifiable market price."
 17. KR received a receipt for the \$50,000 investment in RWS. The receipt bore what was purported to be Shepard's signature and was dated August 12, 2003.
 18. On or around November 26, 2003, Shepard gave KR a certified check for \$51,875. This represented KR's principle plus 15 percent interest for three months.
 19. Shepard told KR that RWS was having registration problems with the State of Missouri and Shepard was reimbursing RWS investors.
 20. On or around February 16, 2004, Shepard informed KR that KR could reinvest and Shepard indicated that the registration problem was no longer an issue.
 21. On or around February 16, 2004, KR gave Shepard a check for \$31,000 to reinvest. The check was made payable to NCFI and dated February 16, 2004.

22. KR told an investigator from the Division that:
 - a. KR could not recall if Shepard instructed KR to make the check payable to NCFI or exactly why KR wrote the check that way.
 - b. KR did not complete or sign any other documents for the new investment. Shepard indicated that the documents that KR had completed and signed for KR's original investment were sufficient for the current investment.
 - c. Shepard did not disclose any administrative actions, revocations, bankruptcies or prior criminal histories.

Missouri Resident

23. On or around August 19, 2003, a Missouri Resident ("MR") received a three-page form letter from McGuire thanking MR for past business, informing MR about "GOOD NEWS" (emphasis in original) that would help to "secure your financial future." This offer was not for everyone; McGuire was only "sharing this opportunity with a few select clients." Additionally, the letter:
 - a. Outlined other services RWS provided, such as income tax planning, wills, trusts, power of attorney, mortgages, insurance investments, life insurance and college funding.
 - b. Listed the various professional backgrounds of other investors, and the professional and civic and Christian organizations that RWS were members of, such as the Better Business Bureau, Lions Club, Rotary Club, Knights of Columbus, and the Christian Businessmen's Association.
 - c. Introduced an investment opportunity that paid 15% annual interest.
 - d. Stated that McGuire would be contacting MR in a few days to set an appointment with MR.
 - e. Included McGuire's purported signature on the second page.
 - f. Claimed that RWS had over 25 years of experience and that RWS was "a leading expert in the field of financial services and one of the most results-oriented financial services in America."
 - g. Claimed that Shepard had 25 years of experience and has worked closely with General Motor's Institute of Technology. The paragraph continued, stating that Shepard's "determined willingness to negotiate the highest returns possible has brought RWS Investments, Inc. to the forefront of financial services in the world. Mr. Shepard's commitment is to provide the best service at the highest level of integrity."

24. Later in August 2003, McGuire contacted MR by telephone. McGuire told MR that he had a "great deal" that he wanted to talk to MR about. McGuire invited MR and MR's spouse to McGuire's office in Lake Ozark, Missouri.
25. On September 3, 2003, MR and spouse met McGuire at McGuire's office in Lake Ozark, Missouri. Shepard and Mary Shepard were also present.
26. McGuire gave MR a color flyer describing RWS. The flyer listed RWS as a division in RWS Group and listed two addresses, one for Lee's Summit, Missouri and one for Lake Ozark, Missouri.
27. McGuire gave MR another document entitled "R.W.S. Investments Inc. vs. Other Typical Investments" that showed that after five years, a \$100,000 investment in RWS would yield \$85,537 more than investments in other securities products.
28. Shepard explained that RWS invested in commodities, brokered retail goods and acted as a real estate broker. The example that Shepard gave to explain how RWS worked as a retail broker was that RWS would purchase t-shirts for \$.50 each and sell them to a retail store for \$5.00 each.
29. Shepard told MR:
 - a. That RWS was a not-for-profit organization.
 - b. That RWS gave money to missions and scholarships.
 - c. The investment in RWS was for a limited time only and would only be offered until the end of the month.
 - d. That the investment was insured and that there was no way MR could loose MR's investment.
 - e. That MR's investment was as safe as money in any bank.
 - f. That MR could withdraw part or all of the money anytime with no penalties.
 - g. That RWS would pay early withdrawal penalties on CDs if needed.
30. McGuire told MR that some people had even mortgaged their homes in order to invest in RWS. McGuire stated that he had mortgaged his house and told MR that a mortgage was something MR may want to think about.
31. McGuire also stated, "I've known you people for a long time. I wouldn't steer you wrong."

32. On September 4, 2003, MR invested \$10,000 in the form of a check made payable to RWS.
33. On September 4, 2003, MR and spouse signed a two-page document entitled "Financial Agreement" dated September 5, 2003. Shepard explained that since it was after business hours they would date the agreement for the next business day.
34. The "Financial Agreement" was substantially similar to the agreement presented to the Kansas resident, as set forth above.
35. MR received a receipt for the \$10,000 investment that bore what was purported to be Shepard's signature and also included what was purported to be Mary Shepard's signature was on the Witness line.
36. On or around September 16, 2003, McGuire went to MR's residence and brought a retyped Financial Agreement that included, a one-page document entitled "Beneficiary Designation" and receipt. These documents, along with a "Certificate of Investment," No. RWS110BMA0905, bearing what was purported to be Shepard's signature, were bound together in a black binder.
37. MR told McGuire that if the deal was the same as before, MR would invest another \$10,000.
38. McGuire indicated that the deal was the same, so MR invested another \$10,000 by check in RWS on September 16, 2003.
39. MR signed another Financial Agreement.
40. A few days later, MR received another black binder with copies of a financial agreement, receipt, but no Beneficiary Designation document. There was another "Certificate of Investment," No. RWS112BMA0916.
41. On or around November 22, 2003, McGuire and Shepard came to MR's residence. When Shepard and McGuire arrived, Shepard gave MR two cashier's checks for \$10,313 each. These represented MR's principle plus interest.
42. Shepard explained to MR that the reason for the refund was because of a disagreement between Shepard's attorneys and the Secretary of State's attorneys regarding RWS.
43. Shepard told MR that if MR reinvested after the problem was resolved, Shepard would pay MR the same amount of interest during the time that MR's money was out of RWS.
44. In February 2004, McGuire contacted MR and invited MR to come down to the Lake of the Ozarks for a steak dinner and to talk about reinvesting in RWS.

45. MR told an investigator from the Division that MR was not aware of any judgments, bankruptcies, criminal history or administrative actions against Shepard or McGuire and none were disclosed by Shepard or McGuire.

Division's Investigation

46. On August 25, 2003, the Missouri Securities Division received information that indicated that the Respondents offered unregistered securities in the State of Missouri.
47. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration, granted exemption or notice filing indicating status as a "federal covered security" for any of the securities offered by the Respondents in the State of Missouri.
48. A check of the records maintained by the Commissioner confirmed no registration for Respondents to sell securities in the State of Missouri.
49. On September 29, 2003, the Securities Division sent letters of inquiry to McGuire, Shepard and RWS that requested a claim of exemption from registration or exception from definition upon which McGuire, Shepard and RWS relied in offering unregistered securities or any claim that the securities were federal covered securities. The letters also requested additional information about the offers to Missouri residents and advised McGuire, Shepard and RWS that failure to respond within a reasonable time as set by the Commissioner constituted proper grounds for the entry of an order suspending the right to offer and sell securities in the State of Missouri.
50. On October 14, 2003, the Division received a response from McGuire, Shepard and RWS that stated, in part, "Not offering to sell unregistered securities within the definition of the State of Missouri" to the Division's first question and "Not Applicable" to all the other questions.
51. On November 6, 2003, Shepard's attorney met with an investigator and enforcement attorney from the Division.
52. The attorney stated, among other things,
- a. That Shepard was selling promissory notes and had 11 or 12 investors.
 - b. Shepard believed that RWS met an exemption.
 - c. That Shepard had raised about \$1.5 million from investors and all of those funds were in a checking account.
 - d. Shepard claimed that the investments were fully insured.
 - e. Shepard was going to invest the funds in another company. Since Shepard

believed that he could offer such a high return, the attorney suggested that Shepard might be a victim of another party's fraudulent scheme.

53. The attorney gave a blank copy of a three-page document entitled "Agreement" that was similar to the "Financial Agreement" that MR and KR had signed. However the Agreement listed October 2003 as the month as opposed to August 2003 as represented to MR.
54. The attorney wanted to know what was required of Shepard to satisfy the Division's inquiry and he was told to provide a complete and accurate response, by November 21, 2003, to the Division's September 29, 2003 letter of inquiry, the location of investor funds, and disclosure of how the investments were fully insured as claimed.
55. On November 24, 2003, the attorney contacted an investigator from the Division and stated that Shepard was in the process of repaying all of the investors, and should have them repaid by November 28, 2003, but was waiting for some of the investors who were out of town.
56. On November 25, 2003, the Commissioner of Securities issued a Subpoena Duces Tecum to Shepard that demanded Shepard provide, on or before December 2, 2003, contact information for all of Shepard's investors, dates and amounts of the investments, identification of all sales agents, and contact information of financial institutions that investor funds were or had been deposited or transferred to.
57. On December 2, 2003, Shepard's attorney delivered to the Division a list of 15 names, addresses and telephone numbers of Shepard's investors, amounts of investment, copies of Bank of Lee's Summit certified checks from Shepard to the investors reimbursing them for their investment plus 15 percent interest.
58. The amount reimbursed to investors was \$779,622.
59. According to the documents that the attorney submitted, Shepard raised \$752,823 from the 15 identified investors. When the discrepancy between this amount and the \$1.5 million amount was brought to the attention of the attorney, the attorney stated that Shepard had misspoken when Shepard stated he had raised \$1.5 million.
60. On December 5, 2003, The Commissioner of Securities issued a subpoena to the Bank of Lee's Summit demanding statements, checks, deposit slips, deposit items and signature cards for all accounts where Shepard was a signatory. On December 29, 2003 the Division received those items from the Bank of Lee's Summit.
61. A review of all five of the accounts held by Shepard, indicated that Shepard had raised approximately \$1,441,834.22 and failed to disclose the existence of at least two other investors.
62. Upon review of the RWS account only, there was no indication that any of the investor

funds were used or invested in any type of profitable or revenue generating enterprise for the benefit of the investors. The RWS account did reveal that funds were frequently transferred to NCFI and Shepard USA.

63. The Division investigation revealed that:
 - a. Shepard was a licensed insurance agent in the state of Missouri and had his registration revoked on September 16, 1994 for "fraud and deception in connection with an insurance transaction, unfair practices, and lack of trustworthiness and competence."
 - b. Mary Shepard and Shepard filed for bankruptcy on February 16, 1999.
 - c. McGuire plead guilty on May 22, 2001, to making a false statement to the Social Security Administration and was placed on five years probation.
64. Respondents were not registered to offer and sell securities in the State of Missouri.
65. Respondents offered and sold unregistered, non-exempt securities in the State of Missouri to a Kansas and Missouri resident.
66. These securities were not federal covered securities.
67. In connection with the offer, sale or purchase of a security in the state of Missouri to a Kansas and Missouri resident, Respondents omitted to state the material fact that Respondents were not registered to sell securities in the State of Missouri.
68. In connection with the offer, sale or purchase of a security in the state of Missouri to a Kansas and Missouri resident, Respondents omitted to state the material fact that the securities offered and sold by Respondents were not registered in the State of Missouri.
69. In connection with the offer, sale or purchase of a security in the state of Missouri to a Kansas and Missouri resident, Respondents omitted to state the material fact that Shepard was the subject of disciplinary action and had his insurance license revoked for fraudulent activity.
70. In connection with the offer, sale or purchase of a security in the state of Missouri to a Kansas and Missouri resident, Respondents omitted to state the material fact that Mary Shepard and Shepard had filed bankruptcy.
71. In connection with the offer, sale or purchase of a security in the state of Missouri to a Kansas and Missouri resident, Respondents omitted to state the material fact that McGuire had been convicted of and was on probation for making false statements to the Social Security Administration.

72. In connection with the offer, sale or purchase of a security in the state of Missouri to a Kansas and Missouri resident, Respondents made the following untrue statements of material fact:
- a. That investor money would be used to purchase retail goods at wholesale to be resold to various merchants for a profit, when in fact, this was not true;
 - b. That RWS was a viable, profitable and revenue generating business that gave money to missions and scholarships, when in fact, this was not true;
 - c. That the investment was insured;
 - d. That the investment was “liquid”, when in fact, this was not true.
73. In connection with the offer, sale or purchase of a security in the state of Missouri to a Kansas and Missouri resident, Respondents engaged in an act, practice or course of business that operated as a fraud or deceit upon another person by:
- A. Creating and issuing notes which:
 - i. Were not registered in the State of Missouri;
 - ii. Indicated that RWS intended to invest the funds on the investors’ behalf;
 - iii. Contained multiple misrepresentations, including the following
 - a. That the investment was insured; and
 - b. That the investment was “liquid”.
 - B. Paying the promised 15% return on investment, using proceeds derived from other investors’ funds, thus creating the impression that RWS’ operations and investments generated the promised return when, in fact, this was not true.
74. Respondents misrepresented the number of investors and amount of investors’ money to the Commissioner of Securities.
75. This Order is in the public interest.

CONCLUSIONS OF LAW

1. §409.1-102, RSMo Cumulative Supp. 2003 (hereafter “the 2003 Act”) includes “note” and “investment contracts” within the definition of a security. Pursuant to §409.1-102(28)(D) of the 2003 Act, investment contract includes “an investment in a common

enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor.” The interests offered and sold by Respondents as described in the above findings of fact constitute securities.

2. §409.3-301 of the 2003 Act provides that it is unlawful for any person to offer or sell any security in this state unless (1) The security is a federal covered security; (2) the security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or (3) The security is registered under this act. The conduct described in the above findings of fact constitutes a violation of this section.
3. §409.4-402(a) of the 2003 Act provides that it is unlawful for any person to transact business in this state as a agent unless the person is registered under the act or exempt from registration, as set forth at §409.4-402(b). The conduct described in the above findings of fact constitutes a violation of this section.
4. §409.5-501 of the 2003 Act provides that it is unlawful for a person, in connection with the offer, sale or purchase of any security, directly or indirectly (1) to employ a device, scheme, or artifice to defraud, (2) to make any untrue statement of a material fact or to omit 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 or (3) to engage in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person. The conduct described in the above findings of fact constitutes a violation of this section.
5. §409.5-503 of the 2003 Act provides that the person claiming an exemption, exception, preemption or exclusion has the burden of proving its applicability. As described in the above findings of fact, Respondents failed to prove any exemptions, exceptions, preemption or exclusions.
6. §409.5-505 of the 2003 Act provides that it is unlawful for a person to make or cause to be made, in a record that is used in an action or proceeding or filed under this act, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading. The conduct described in the above findings of fact constitutes a violation of this section.
7. §409.6-604(a) of the 2003 Act provides:

If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act, the commissioner may:

- (1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary and appropriate to comply with this act...

8. §409.6-604(d) of the 2003 Act provides:

In a final order...the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.

9. §409.6-604(e) of the 2003 Act provides:

In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted or order issued under this act. These funds may be paid into the investor education and protection fund.

10. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. §409.6-604(a) of the 2003 Act.

ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, knowledge of this order are immediately prohibited from:

- A. Offering or selling investments in RWS Group, Inc., RWS Investments, National College Funding, Inc., Shepard USA and/or NCFI Educational Foundation;
- B. Violating or materially aiding in the violation of §409.3-301 of the 2003 Act by offering or selling any security that is not registered, unless the security is a federal covered security or has an effective exemption from registration;
- C. Violating or materially aiding in the violation of §409.5-501 of the 2003 Act by omitting to state, in connection with the offer, sale or purchase of these securities to Missouri residents, the material fact that:
 1. Respondents are not registered to sell securities in the State of Missouri;
 2. The securities offered and sold by Respondents are not registered in the State of Missouri;
 3. Shepard is the subject of disciplinary action and had his insurance license revoked for fraudulent activity;
 4. Mary Shepard and Ronald W. Shepard have filed bankruptcy; and

5. Jerry C. McGuire has been convicted of and is on probation for making false statements to the Social Security Administration.
- D. Violating or materially aiding in the violation of §409.5-501, of the 2003 Act, by making an untrue statement of material fact to Missouri residents that
1. Investor money would be used to purchase retail goods at wholesale to be resold to various merchants for a profit;
 2. RWS was a viable, profitable or revenue generating business that gave money to missions and scholarships;
 3. That the investment was insured;
 4. That the investment was “liquid”;
- when in fact, these facts were not true.
- E. Violating or materially aiding in the violation of §409.5-501, of the 2003 Act, by engaging in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person in connection with the offer, sale or purchase of a security;
- F. Violating or materially aiding in the violation of §409.4-402(a) of the 2003 Act by transacting business as an agent without an effective registration;
- G. Violating or materially aiding in the violation of §409.4-402(d), of the 2003 Act, by employing or associating with an unregistered agent; and
- H. Violating or materially aiding in the violation of §409.5-505, of the 2003 Act by causing to be made, in any record that is used in an action or proceeding or filed under this act, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

IT IS FURTHER ORDERED that the Enforcement Section has petitioned for civil penalties, and specifically, the award of \$10,000, jointly and severally, against each Respondent in this proceeding, as a civil penalty. The commissioner will issue a final order awarding this penalty, unless Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that the Enforcement Section has petitioned for an award for costs of the investigation, jointly and severally, against each Respondent in this proceeding. The commissioner will issue a final order awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why an award should not be made to the agency.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 21st DAY OF April, 2004.



MATT BLUNT
SECRETARY OF STATE

A handwritten signature in black ink, appearing to read "Douglas M. Ommen", written over a horizontal line.

DOUGLAS M. OMMEN
COMMISSIONER OF SECURITIES