



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
MICHAEL PEREGRINE, and) Case No.: AP-18-06
OWEN K. STEPHENSON,)
)
)
Respondents.)

**FINAL ORDER TO CEASE AND DESIST AND ORDER AWARDING RESTITUTION,
CIVIL PENALTIES, AND COSTS AS TO RESPONDENT OWEN K. STEPHENSON**

Now on the 23rd day of August, 2018, the Missouri Commissioner of Securities (“the Commissioner”), having reviewed this matter, issues the following findings and order:

I. PROCEDURAL BACKGROUND

1. On February 23, 2018, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (the “Enforcement Section”), through Enforcement Counsel Desiree J. Vitale, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed (“the Petition”).
2. On March 6, 2018, the Commissioner issued an Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed (“the Order”). The Office of the Commissioner sent, via certified U.S. mail, return receipt requested, and regular U.S. mail, a copy of the Order, and Notice of Right to Request a Hearing to all Respondents. The copy for Respondent Stephenson was sent to 655 Enterprise Drive, Building 1113, Rohnert Park, California 94928-2416.
3. On or around March 6, 2018, a copy of the order was made available to the general public on the Missouri Secretary of State’s website.¹
4. To date, the certified mail return receipt from the Order sent to Respondent Owen K. Stephenson (“Stephenson”) has not been returned to the Office of the Commissioner, however a check of the U.S. Postal Services certified mail receipt tracking system indicates “Your item was delivered to the front desk or reception area at 2:17 pm on March 9, 2018 in ROHNERT PARK, CA 94928.”

¹ <https://www.sos.mo.gov/CMSImages/Securities/AP-18-06.pdf>.

5. On April 16, 2018, Respondent Michael Peregrine (“Peregrine”) filed a Request for Hearing.
6. On May 11, 2018, a pre-hearing conference was held in this matter. Respondents Peregrine and Stephenson appeared via telephone.
7. Respondent Stephenson failed to request a hearing in this matter pursuant to Section 409.6-604.
8. Respondent Stephenson failed to request a hearing on the Order in compliance with 15 CSR 30-55.020 within the time allowed by Section 409.6-604.²
9. Section 409.6-604(b) provides, in pertinent part:

“If a person subject to the order does not request a hearing and none is ordered by the commissioner within thirty days after the date of service of the order, the order becomes final as to that person by operation of law.”
10. Respondents Peregrine and Stephenson failed to file Answers to the Petition.
11. On August 23, 2018, the Commissioner issued a Consent Order as to Respondent Michael Peregrine.
12. On August 23, 2018, the Enforcement Section filed a Motion for Final Order as to Respondent Owen K. Stephenson.

II. FINDINGS OF FACT

A. Respondents and Related Parties

13. CTGX Mining, Inc. (“CTGX”) was a corporation created in the state of Florida on December 18, 2004. On or around June 15, 2015, CTGX changed its name to CHCX Resources, Inc. (“CHCX”). Its registered agent was Business Filings Incorporated, 1200 South Pine Island Road, Plantation, Florida 33324. CHCX was administratively dissolved on September 23, 2016.
14. A check of the records maintained by the Commissioner indicates that at all times relevant, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for any securities issued by CTGX or CHCX.
15. Peregrine is a 60 year-old Missouri resident with a last known address of 13221 North Lincoln Street, Westboro, Missouri 64498-2539. According to Florida business filings, Peregrine served as Chief Operating Officer for CTGX.

² Unless otherwise noted, all statutory references are to the 2016 Revised Statutes of Missouri.

16. A check of the Central Registration Depository (“CRD”) indicates that at all times relevant, Peregrine was not registered as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, and/or issuer agent.
17. Stephenson is an 82 year-old California resident with a last known address at 655 Enterprise Drive, Building 1113, Rohnert Park, California 94928-2416.
18. A check of the CRD indicates that at all times relevant, Stephenson was not registered as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, and/or issuer agent.
19. Stephenson was convicted of, among other things, wire and mail fraud in California in 1979, mail fraud in California in 1982, and mail fraud and money laundering in Oklahoma in 2000.
20. John Daniel Deeter (“Deeter”) is a 75 year-old Florida resident with a last known address of 11420 US Highway 1, #107, North Palm Beach, Florida 33408-3226. Deeter served as Chief Executive Officer for CTGX.
21. A check of the CRD indicates that at all times relevant, Deeter was not registered as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, and/or issuer agent.
22. In or around April 2005, Deeter was convicted of two counts of securities fraud in the Western District of Virginia.

B. Investment in CTGX Stock

23. A 57 year-old Rock Port, Missouri resident (“MR”) has been friends with Peregrine since they met in high school.
24. In or around June 2014, Peregrine solicited MR to invest in CTGX common stock. Peregrine told MR, among other things, that CTGX mined gold, silver, diamonds, and bought and sold real estate.
25. Peregrine did not disclose any risks involved in the investment to MR, but did indicate that MR would “get rich” and could recoup the investment with substantial interest within six months.
26. MR knew that Peregrine was associated with CTGX, but did not know Peregrine’s position in the company.
27. On or around June 20, 2014, using wire instructions provided by Peregrine, MR wired \$100,000 to a bank account that MR thought was associated with CTGX.

28. The funds were wired to a US Bank account that had no association with CTGX, but in which Stephenson was a signatory.
29. Unbeknownst to MR, the stock was purchased from Peregrine's personal stock in CTGX and not directly from CTGX.
30. Not long after making the investment, MR received a stock certificate in the mail that indicated MR owned 300,000 shares of common stock in CTGX. The stock certificate was signed by Deeter.
31. From 2015 through 2017, MR texted Peregrine numerous times and expressed concern with Peregrine about the investment. MR told Peregrine that MR could not afford to lose the investment. Peregrine told MR to "hang in there" and explained what the company was doing to bring value to the CTGX stock, such as mergers and/or acquisitions.
32. MR asked Peregrine for statements from CTGX but never received them.
33. Prior to the investment, MR was not told about Deeter's felony conviction. Had MR known this information, MR would not have made the investment.
34. MR was unaware that at the time MR purchased the stock, it was trading for \$.08 per share in the over-the-counter market. MR paid over \$.33 per share for this transaction.
35. To date, MR has not received any money in return for MR's investment.

Communication with Respondents

36. On July 11, 2017, Peregrine responded to a letter the Enforcement Section sent him. Among other things, Peregrine stated he has known MR several years and that MR is the only Missouri investor in CTGX.
37. Peregrine indicated he received no commissions or other fees for MR's investment.
38. On September 12, 2017, Peregrine called the Enforcement Section and said that he was aware that Deeter "had issues" but didn't disclose this information to MR prior to MR's investment.
39. Peregrine could not explain to the Enforcement Section why the stock was sold for over \$.33 per share when MR could have purchased the stock over-the-counter for \$.08 per share.
40. Peregrine admitted to the Enforcement Section that MR's funds were wired to a US Bank account in which Stephenson was signatory. Peregrine purported the funds were invested through Stephenson.

41. On August 24, 2017, the Enforcement Section received a written response from Stephenson in which he states, among other things, that he was introduced to Peregrine through Deeter, a family friend.
42. Stephenson was aware that Peregrine sold MR stock from Peregrine's personal portfolio. Peregrine, who was going through a divorce at that time, asked Stephenson if the investment funds from MR could be deposited into Stephenson's trust account. Stephenson agreed to the arrangement and purported the funds were to be transferred to Peregrine's personal account in the same bank.

Bank Record Review

43. A review of Stephenson's US Bank account ending in #6254 from May 16, 2014 to August 15, 2014 revealed, among other things, the following:
 - a. a beginning balance of \$27.86 on May 16, 2014;
 - b. deposits totaling \$108,003.17 that included:
 - i. a \$100,000 wire from MR deposited June 20, 2014; and
 - ii. a \$6,000 check from an unknown individual deposited August 14, 2014;
 - c. more than \$12,400 in payments to convenience stores, grocery stores, restaurants Target, Macy's, utility companies, hotels & casinos, and airline companies;
 - d. ATM withdrawals totaling \$4,488.50;
 - e. customer withdrawals totaling \$24,500;
 - f. \$24,360.49 in checks written to unknown people and entities;
 - g. \$23,000 in payments via wire to Peregrine;
 - h. \$15,500 in payments via wire to an unknown individual; and
 - i. ending balance of \$3,545.39 on August 15, 2014.

III. CONCLUSIONS OF LAW

44. Respondent Stephenson failed to request a hearing within the time allowed by Section 409.6-604, and because the Commissioner never ordered such a hearing, the Order issued on March 6, 2018, against Stephenson became FINAL by operation of law.

Materially Aiding Fraud and/or Engaging in an Act, Practice, or Course of Business that would Operate as a Fraud or Deceit Upon Another Person in Connection with the Offer or Sale of a Security

45. **THE COMMISSIONER CONCLUDES** that Respondent Stephenson materially aided Respondent Peregrine's conduct in violation of Section 409.5-501.
46. In connection with the purchase or sale of unregistered securities, Respondent Peregrine made untrue statements of material fact, omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading or engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person.
47. Respondent Stephenson materially aided Respondent Peregrine's conduct by, among other things, the following:
 - a. allowing Respondent Peregrine to deposit MR's \$100,000 into his trust bank account for the purchase of Peregrine's stock; and
 - b. allowing and making purchases for personal expenses with the funds from MR, which abetted Respondent Peregrine in defrauding MR.
48. Respondent Stephenson materially aided a violation of Section 409.5-501 and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
49. An order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. *See* Section 409.6-605(b).

IV. ORDER

NOW, THEREFORE, it is hereby ordered that Respondent Stephenson, his agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

- A. Section 409.5-501, by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay a civil penalty in the amount of \$10,000 for more than one violation of Section 409.5-501. This amount shall be made payable to the state of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of

Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay restitution in the amount of \$100,000, plus \$36,048.90 interest, calculated at the rate of eight percent annum for violations of Sections 409.3-301 and 409.5-501. This amount shall be made payable to the Missouri Secretary of State’s Investor Restitution Fund, and the Commissioner will take reasonable and necessary actions to distribute such funds to the investors listed on Exhibit A. This amount shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri 65102, within 30 days from the date of this Final Order

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(e), Respondent shall pay \$4,364.70 in actual costs for investigation into, and the proceedings associated with, this matter. This amount shall be payable to the Investor Education and Protection Fund and paid within 30 days of the date of this Final Order. This amount shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri 65102.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS ^{23rd} DAY OF AUGUST, 2018.

JOHN R. ASHCROFT
SECRETARY OF STATE



David M. Minnick

DAVID M. MINNICK
COMMISSIONER OF SECURITIES

CERTIFICATE OF SERVICE

I hereby certify that on this th 27 day of August, 2018, a true and correct copy of the foregoing Final Order to Cease and Desist and Order Awarding Restitution, Civil Penalties, and Costs as to Respondent Owen K. Stephenson in the above styled case was sent **by certified U.S. mail and regular U.S. mail to:**


Owen K. Stephenson
655 Enterprise Drive, Building 1113
Rohnert Park, California
94928-2416

and by U.S. mail and e-mail to:

Michael Peregrine
13221 North Lincoln Street
Westboro, Missouri 64498-2539
michaelperegrine57@gmail.com

and by hand-delivery and email to:

Desiree Vitale
Enforcement Counsel
Missouri Securities Division
Desiree.Vitale@sos.mo.gov


Laurie Dawson
Securities Office Manager