



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
PIKE FINANCIAL GROUP, LLC; and)
FRED TEPEN,)
)
Respondents.) Case No. AP-10-39

AMENDED ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY RESTITUTION AND COSTS SHOULD NOT BE IMPOSED

On December 9, 2010, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Chief Enforcement Counsel Nathan Soendker, submitted a Petition for Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties and Costs Should not be Imposed. On December 15, 2010, the Commissioner of Securities (“Commissioner”) issued an Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties and Costs Should not be Imposed. On April 27, 2015, the Enforcement Section, through Director of Enforcement John Phillips, submitted a Petition for Amended Order to Cease and Desist and Show Cause why Restitution and Costs Should not be Imposed (“Petition for Amended Order”). After reviewing the Petition for Amended Order, the Commissioner issues the following order:

I. ALLEGATIONS OF FACT

The Petition for Amended Order alleges the following facts:

A. Respondent and Related Parties

1. Respondent Fredrick Tepen (“Tepen”) is an individual with a last known home address of 10547 U.S. Highway 54, Bowling Green, Missouri 63334. Tepen is registered through the Central Registration Depository System (“CRD”) with number 2140017. At no point was Tepen registered in Missouri as an agent or an investment advisor representative.
2. On February 26, 2003, Respondent Pike Financial Group (“Pike”) was formed by Tepen and was incorporated in the State of Missouri as a limited liability company. The Articles of Organization state that Pike was created to engage in activities, including but not limited to, any lawful business in which a limited liability company may be organized. Pike has a last known address of 10547 U.S. Highway 54, Bowling Green, Missouri 63334.

3. As used herein, the term “Respondents” refers to Pike and Tepen.

B. Enforcement Section Investigation

Missouri Resident 1

4. A 72-year-old resident of Bowling Green, Missouri (“MR1”), who had known Tepen for many years prior, invested \$25,000 with Respondents on or about September 30, 2002.
5. On or about May 9, 2003, MR1 invested an additional \$10,000 with Respondents.
6. In an interview with the Enforcement Section, MR1 stated, among other things, that:
 - a. MR1 believed the money would be used by Respondents to invest in soybean futures;
 - b. MR1 would receive a guaranteed twenty percent (20%) return;
 - c. MR1 trusted Mr. Tepen because they had grown up together in the same small town; and
 - d. Tepen signed documents outlining each investment that MR1 made.
7. On or around October 25, 2004, and October 20, 2005, MR1 received checks in the amount of \$2,500. The checks were signed by Tepen from an account ending in 4112 from Perry State Bank (“Perry SB”). The account is in the name of Tepen and his wife.
8. On or around October 4, 2006, MR1 received a check in the amount of \$2,500. The check was signed by Tepen from an account ending in 4259 from Peoples State Bank (“Peoples SB”). The account is in the name of Pike, Tepen, and his wife.
9. After receiving the three checks, MR1 invested an additional \$18,000 with Respondents.
10. On October 20, 2006, Tepen issued a check to MR1 in the amount of \$37,000. MR1 believed this amount represented the remaining amount due. The check was signed by Tepen from Peoples SB account ending in 4259. There were insufficient funds in the account to cover the check.
11. Since October 20, 2006, MR1 has not received any additional return from MR1’s investment with Respondents.

Missouri Resident 2

12. From July 8, 2002, to May 22, 2004, a 62-year-old resident of Bowling Green, Missouri (“MR2”), who had been friends with Tepen since grade school, invested in excess of

\$80,000 with Respondents.

13. From on or around July 8, 2002, to on or around May 22, 2004, MR2 invested with Respondents on at least five separate occasions in amounts ranging from \$5,000 to \$53,000. According to MR2, the monies invested would be used by Respondents to invest in commodities. At the time the investments were made, MR2 did not receive any documentation or receive a promissory note reflecting the terms of investments.
14. In or around March 2008, MR2 requested a promissory note from Tepen. MR2 received a promissory note, which stated, among other things, that:
 - a. Path of Holiness Trust, of which MR2 was referred to in the promissory note as being a manager, would receive the principal sum of \$102,236.90 with interest at seven and a half percent (7.5%);
 - b. the amount was payable on June 1, 2009; and
 - c. if the promissory note went into default, the interest rate would increase to twelve percent (12%).
15. The Petition alleges that the principal and interest have not been paid in accordance with the terms of the promissory note.

Missouri Resident 3

16. From July 26, 2007, to December 12, 2007, a 57-year-old resident of Bowling Green, Missouri ("MR3") invested with Respondents on multiple occasions in an amount totaling \$24,700. Each investment was evidenced by separate documentation which was presented to MR3 at the time of investment and which was written on Pike letterhead and signed by Tepen.
17. On March 10, 2008, Tepen signed a check to MR3 from an account ending in 9508 at Community State Bank ("Community SB"). The check was written in the amount of \$28,200. When MR3 tried to deposit the check, the check was returned for insufficient funds. On or around the time the check was presented to MR3, the balance of the account was approximately \$163.62.
18. During an interview with the Enforcement Section, MR3 stated, among other things, the following:
 - a. Tepen promised to pay the money back with interest in a short period of time;
 - b. Tepen told MR3 that Pike was to use the money for legal fees and other expenses as Tepen was selling the business;
 - c. MR3 trusted Tepen because they had been friends for a long time;

- d. since 2008, Tepen has told MR3 on multiple occasions that MR3's investment would be paid back to MR3 within a short amount of time;
 - e. Tepen told MR3 that the reason MR3 has not been repaid was because Respondents have not received the money from a foreign investor; and
 - f. Tepen never told MR3 who the foreign investor was or where the foreign investor was located.
19. MR3 has not received any return on the investments made.

Missouri Resident 4

20. From May 15, 2006, to August 1, 2007, a 59-year-old resident of Jefferson City, Missouri ("MR4"), invested \$63,135 with Respondents.
21. During that period, MR4 invested on at least twelve separate occasions ranging from \$1,000 to \$18,000.
22. MR4 received promissory notes on at least two occasions, which indicated, among other things, that:
- a. the principal would be repaid; and
 - b. MR4 would receive ten percent (10%) interest per annum.
23. On or around June 28, 2006, MR4 was e-mailed a copy of a business plan for Pike. Tepen said he and his son drafted the document titled "Pike Financial Group, LLC Operating Agreement" ("Business Plan"). The draft has a date of September 3, 2003. The Business Plan stated, among other things, that:
- a. "the purpose for which [Pike] is organized shall be to serve as the manager of and investment adviser to pooled investment entities...";
 - b. Pike would be managed by Tepen; and
 - c. "Teppen [*sic*] shall receive in exchange for his services as Manager, compensation equal to \$2,000 per week."
24. On or around June 28, 2006, MR4 was given a document entitled the "Adam Trading System." This document stated, among other things, that:
- a. Pike developed a commodities trading system ("Adam System") capable of outperforming most investment vehicles on the market; and

- b. the Adam System was used over an eleven-year period posting a best year-to-year return of “a remarkable 200 percent” while in the most “humble year” posting a 60 percent return.
25. During an interview with members of the Enforcement Section, MR4 stated, among other things, the following:
- a. MR4 and Tepen had been friends since college;
 - b. MR4 believed the money would be used to pay legal fees and expenses for Tepen to get the business started;
 - c. MR4 believed that all investments were on the same terms and he did not ask for any paperwork because he “trusted Tepen”;
 - d. it was MR4’s understanding that the Adam System would remove “the emotional aspect of investing in commodities” to help investors reach a high return on investments in commodities; and
 - e. that MR4 has never received any return on the investments made with Tepen.
26. Based on information obtained by the Enforcement Section, Respondents used investor funds for, among other things, cash withdrawals, payments to members of Tepen’s immediate household, and payments on personal credit cards.
27. The Enforcement Section was unable to find any evidence that would indicate that investor funds were used for the purpose of purchasing or trading in commodities.

Kansas Resident 1

28. From November 15, 2002, to January 31, 2007, a then 55 year-old resident of Louisburg, Kansas (“KR1”) invested (or loaned) a total of \$179,943.60 with Respondents.
29. During that period, KR1 invested and loaned money to Respondents on at least twenty-four separate occasions ranging in amounts from \$450 to \$41,000.
30. During that period, KR1 received promissory notes on several occasions, which indicated, among other things, that:
- a. the principal would be repaid; and
 - b. KR1 would receive ten percent (10%) interest per annum.
31. On or around November 15, 2002, KR1 was sent a copy of the Business Plan for Pike.
32. On or around November 15, 2002, KR1 was given a copy of the “Adam Trading System” document.

33. During an interview with members of the Enforcement Section, KR1 stated, among other things, the following:
 - a. KR1 and Tepen had known each other since college. They were classmates and fraternity brothers at the University of Missouri, class of 1969;
 - b. Tepen showed up at a jobsite KR1 was on in Lake Lotawana sometime in 2002;
 - c. Tepen told KR1 that he had developed a program for investing and that KR1 could be an original investor in the “Adam Trading System” developed by Fred Tepen;
 - d. Tepen told KR1 that the program contained buy and sell triggers to assist in the investment process and that Tepen was looking for investors; and
 - e. after KR1 initially invested, Tepen would intermittently contact KR1 seeking more money for lawyer fees or additional start-up costs. KR1 continued to invest with Tepen and Pike.
34. Based on information obtained by the Enforcement Section, Respondents used investor funds for, among other things, cash withdrawals, payments to members of Tepen’s immediate household, and payments on personal credit cards.
35. The Enforcement Section was unable to find any evidence that would indicate that investor funds were used for the purpose of purchasing or trading in commodities.

Missouri Resident 5

36. From October 16, 2004, to July 26, 2010, a then 57-year-old resident of Moberly, Missouri (“MR5”), invested (or loaned) a total of \$124,925 with Respondents.
37. During that period, MR5 invested and loaned money to Respondents on at least sixty separate occasions ranging in amounts from \$125 to \$25,000.
38. During an interview with members of the Enforcement Section, MR5 stated, among other things, the following:
 - a. MR5 and Tepen knew one another from grade school and high school;
 - b. Tepen told MR5 that Tepen would invest MR5’s money in commodities, including corn and beans;
 - c. Tepen promised MR5 a return on the investment;
 - d. Tepen promised that the return would be based on the profit from the investments;

- e. Tepen sold the business to a foreign investor but was having difficulty getting the money from the foreign investor; and
 - f. Tepen requested MR5 send money to Nigeria to obtain the proceeds from the sale of Pike to the Nigerian foreign investor.
39. Based on information obtained by the Enforcement Section, Respondents used investor funds for, among other things, cash withdrawals, payments to members of Tepen's immediate household, and payments on personal credit cards.
40. The Enforcement Section was unable to find any evidence that would indicate that investor funds were used for the purpose of purchasing or trading in commodities.

II. COMMISSIONER'S DETERMINATION AND FINDING

Multiple Violations of Offering and Selling Unregistered, Non-Exempt Securities

41. The **COMMISSIONER DETERMINES** that Respondents offered and sold securities, by among other things:
- a. soliciting MR1, MR2, MR3, MR4, KR1, and/or MR5 to invest with Respondents;
 - b. receiving funds from these individuals;
 - c. providing and executing documents or promissory notes outlining the investments; and
 - d. promising a return dependent on the efforts of others and not on the efforts of the investors.
42. These activities constitute an offer to sell and sale of a security as those terms are defined in Section 409.1-102(26), RSMo. (Cum. Supp. 2013).¹
43. The investments that Respondents offered and sold constitute securities as that term is defined in Section 409.1-102(28).
44. At all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a "federal covered security" for the securities offered and sold by Respondents.
45. Respondents offered and sold securities in Missouri without these securities being (1) federal covered securities, (2) exempt from registration under Sections 409.2-201 or 409.2-202, or (3) registered under the Missouri Securities Act of 2003, in violation of Section 409.3-301.

¹ Unless otherwise noted, all statutory references are to the 2013 cumulative supplement of the Revised Statutes of Missouri.

46. Respondents' conduct in violation of Section 409.3-301, constitutes an illegal act, practice, or course of business and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Making an Untrue Statement or Omitting to State Material Facts in Connection with the Offer or Sale of a Security

47. The **COMMISSIONER FURTHER DETERMINES** that in connection with the offer, sale or purchase of a security as described above, Respondents 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, including, but not limited to, the following:
- a. that the securities offered or sold were not registered;
 - b. the risks associated with the investment;
 - c. how the proceeds would be used; or
 - d. that investors' money would be used to pay personal expenses of Tepen.
48. The **COMMISSIONER FURTHER DETERMINES** that in connection with the offer and/or sale of a security as described above, Respondents made the following untrue statements:
- a. there would be a guaranteed return;
 - b. interest on invested funds would be paid to the investor;
 - c. invested funds would be used for the start-up expenses of Pike;
 - d. invested funds would be used by Pike to invest in commodities; or
 - e. the return of investor funds was dependent on the sale of the business or a foreign investor.
49. Respondents made untrue statements and 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, in connection with the offer, sale or purchase of a security, in violation of Section 409.5-501.
50. Respondents' conduct in violation of Section 409.5-501, constitutes engaging in an illegal act, practice, or course of business and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
51. This 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).

III. ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, officers, 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 409.3-301, by offering or selling any securities as defined by Section 409.1-102(28), in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301; and
- B. 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.

IV. STATEMENT

Pursuant to Section 409.6-604(d), the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. An order against Respondents to pay restitution for any loss, including the amount of any actual damages that may have been caused by the conduct, and interest at the rate of 8% per year from the date of the violation causing the loss or disgorge any profits arising from the violation of Sections 409.3-301 and 409.5-501; and
- B. An order against Respondents to pay the costs of the investigation in this proceeding, after a review of evidence of the amount submitted by the Enforcement Section.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS TWENTY-THIRD DAY OF DECEMBER, 2015.



JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

CERTIFICATE OF SERVICE

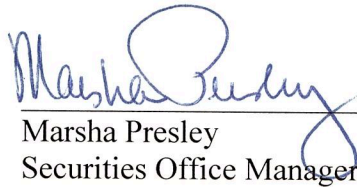
I hereby certify that on this 23 day of December, 2015, a copy of the foregoing Amended Order to Cease and Desist and Order to Show Cause Why Restitution and Costs Should Not Be Imposed in the above styled case was **mailed by Certified U.S. mail, return receipt requested, to:**

Pike Financial Group, LLC
105647 U.S. Highway 54
Bowling Green, MO 63334

Fred Tepen
105647 U.S. Highway 54
Bowling Green, MO 63334

and by hand-delivery to:

John R. Phillips
Director of Enforcement
Missouri Securities Division



Marsha Presley
Securities Office Manager