



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
JOHN G. STANFORD, JR., d/b/a STATE WIDE)
FINANCIAL SERVICES, and d/b/a)
STATEWIDE FINANCIAL SERVICES INC.,) Case No. AP-15-44
)
Respondent.)

**FINAL ORDER TO CEASE AND DESIST AND ORDER AWARDING
RESTITUTION, CIVIL PENALTIES, AND COSTS**

Now on the 25th day of March, 2016, the Commissioner, having reviewed this matter, issues the following findings and order:

I. PROCEDURAL BACKGROUND

1. On November 20, 2015, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Enforcement Section"), through Director of Enforcement John Phillips, submitted a Petition for Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed.
2. On November 25, 2015, 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"). On that same day, a copy of the Order and Notice of Right to Request a Hearing were sent, via certified U.S. mail, to the Respondent.
3. On December 4, 2015, the Securities Division received the signed certified mail receipt.
4. Respondent has failed to request a hearing within the time allowed by Section 409.6-604, RSMo. (Cum. Supp. 2013).¹
5. The Commissioner has not ordered a hearing in this matter pursuant to Section 409.6-604.

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

6. On February 2, 2016, the Enforcement Section submitted a Motion for Final Order; a Statement of Penalties, Costs, & Restitution; and an Affidavit in Support of the Statement of Penalties, Costs, & Restitution.
7. To date, the Respondents have failed to respond to the Motion for Final Order.

II. FINDINGS OF FACT

Enforcement Section Investigation

8. John G. Stanford, Jr. (“Stanford”), is a resident of Missouri and maintains an address at 1640 Trotting Trail, Chesterfield, Missouri 63005. Stanford, CRD number 2201648, has not been registered in Missouri as an agent or investment adviser representative since June 14, 2004.
9. Statewide Financial Services Inc. (“Statewide Inc.”) was a fictitious name registered in Missouri on August 30, 1993, with number X00259688, by owner Jack Stanford Enterprises, Inc., 927 Arbor Green Drive, St. Charles, Missouri 63304.² On December 8, 2014, Statewide Inc.’s fictitious name registration expired due to a failure to renew the registration.
10. State Wide Financial Services (“State Wide Financial”) was a fictitious name registered in Missouri on May 11, 2000, with number X00372838, by owner John (Jack) G. Stanford, Jr., 927 Arbor Green Drive, Saint Charles, Missouri 63004. On December 10, 2014, State Wide Financial’s fictitious name registration expired due to a failure to renew the registration.
11. As used herein, the term “Statewide” refers to State Wide Financial and Statewide Inc.
12. 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 Stanford.
13. Stanford was licensed to offer or sell insurance in Missouri from in or around February 13, 1992 to February 13, 2012.

Missouri Resident (“MR”)

14. In or around 2009, a 47 year-old Missouri resident (“MR”) contacted Stanford to transfer her 401(k) to an IRA funded by two annuities with Midland National Life Insurance Company (“Midland”). The annuities met MR’s financial objectives, and Stanford subsequently earned MR’s trust.

² According to Missouri Secretary of State Business Services, John G. Stanford, Jr., was listed as one of the owners and the registered agent of Jack Stanford Enterprises, Inc., which was administratively dissolved in or around 2002.

15. In March 2010, Stanford approached MR about investing in a “hedge fund” using withdrawals from MR’s annuities and MR’s Roth IRA to fund the investment.
16. Stanford indicated to MR that he had been following the market closely and had determined how Midland had managed its investments.
17. Stanford claimed that he could compound the interest monthly rather than annually, which is the traditional method for compounding interest for annuities. This method, according to Stanford, had produced 10-15% monthly returns on Stanford’s own money.
18. Stanford also stated to MR that any taxes owed by MR because of the withdrawals from MR’s annuities and Roth IRA would be covered by the profits MR would realize from the hedge fund investment.
19. Since MR trusted Stanford, she agreed to invest in the hedge fund, financing the investment through withdrawals on the annuities MR had purchased through Stanford the previous year. No prospectus regarding the details of the hedge fund was ever presented to MR.
20. MR had a lack of investment experience, aside from common knowledge of how 401(k) plans work, and did not know that Stanford would have been required to present a prospectus prior to funding any investment vehicle.
21. On March 3, 2010, MR wrote a check for \$5,000, made payable to Statewide, per Stanford’s instructions.
22. On March 3, 2010, Stanford deposited MR’s check into a checking account at US Bank ending in 6572 and titled John G. Stanford (Jack) Jr. d/b/a Statewide Financial Services (“Statewide Account”).
23. On May 11, 2010, Stanford approached MR about investing more money into the “hedge fund” as the fund, according to Stanford, was “skyrocketing.” MR wrote another check to Stanford for \$6,000, made payable to Statewide.
24. On May 11, 2010, Stanford deposited MR’s check into the Statewide Account.
25. MR stated that when MR purchased MR’s annuities, the checks to fund the investments were made payable to Midland, even though the contracts were brokered through Statewide. However, Stanford was adamant that MR pay Statewide directly for MR’s investment in the hedge fund.
26. Stanford informed MR that Stanford would disburse the funds to the hedge fund company on MR’s behalf, although Stanford never stated the name of the company managing the hedge fund.

27. Initially, MR would contact Stanford via telephone to check on the performance of MR's investments and Stanford would always assure MR that the money was "doing good."
28. In January 2011, MR realized that MR had not received any statements regarding MR's hedge fund investments. When MR tried to contact Stanford to inform him of this, MR could no longer reach him, as Stanford had stopped returning MR's phone calls.
29. Stanford finally contacted MR via email, stating he was out of town caring for his ill mother and had forgotten his cell phone. Stanford gave MR a new telephone number at which MR could reach him; however, that number was not good, and MR was never able to make telephone contact with Stanford.
30. On January 31, 2011, MR emailed Stanford for information on MR's investments with Stanford for MR's 2010 income tax returns. In his reply, Stanford assured MR that no taxes or tax forms would be due from either investment, other than the small withdrawals MR took on MR's Midland annuities to invest in the hedge fund.
31. On February 9, 2011, MR received an email response from Stanford regarding MR's earlier request to completely exit the hedge fund. In Stanford's response, Stanford committed to refunding MR in full for her investment, indicating that this is a "win-win situation" for the both of them, as MR gets MR's money back and Stanford takes all future earnings and risks. This email was the last time MR heard from Stanford.

Bank Records

32. A review of bank records for the Statewide Account for the period March 1, 2010, through March 31, 2010, revealed the following:
 - a. Stanford was the sole signatory on the account;
 - b. on March 1, 2010, a beginning balance of \$2,008.03;
 - c. on March 3, 2010, a deposit of \$5,000 from MR;
 - d. deposits of checks from what appear to be other hedge fund investors totaling \$34,000;
 - e. deposits from other sources unrelated to the hedge fund investments totaling in excess of \$101,000;
 - f. wire transfers to Penson Financial Services, Inc. for a Scottrade, Inc. account in the name of Statewide Financial d/b/a John Gary Stanford, Jr. ("Penson/Scottrade Account"), in the total amount of \$132,000;
 - g. checks, wire transfers, cash withdrawals, automatic withdrawals, and debit card payments for cash withdrawals and payment of expenses unrelated to the

investment, including child support payments, restaurants, airfare, cell phone charges, and Home Depot, all totaling in excess of \$5,500; and

- h. an ending balance on March 31, 2010, totaling \$4,204.83.
33. Bank records for the Statewide Account for the period April 1, 2010, through April 30, 2010, reflect the following:
- a. a beginning balance of \$4,204.83;
 - b. an April 26, 2010, wire transfer from what appears to be another hedge fund investor from Florida totaling \$65,000;
 - c. deposits from other sources unrelated to the hedge fund investment totaling in excess of \$8,000;
 - d. wire transfers to the Penson/Scottrade Account in the total amount of \$70,000;
 - e. checks, wire transfers, cash withdrawals, automatic withdrawals, and debit card payments for cash withdrawals and payment of expenses unrelated to the investment, including child support payments, restaurants, medical expenses, satellite television service, cell phone expenses, car payment, and utilities, all totaling in excess of \$4,000; and
 - f. an ending balance totaling \$4,204.83.
34. Bank records for the Statewide Account for the period May 3, 2010 through May 31, 2010, reflect the following:
- a. a beginning balance of \$4,204.83;
 - b. a May 17, 2010, wire transfer from the Pension/Scottrade Account totaling \$65,000;
 - c. deposits from other sources unrelated to the investment totaling in excess of \$8,000;
 - d. wire transfers to the Penson/Scottrade Account in the total amount of \$70,000;
 - e. checks, wire transfers, cash withdrawals, automatic withdrawals, and debit card payments for cash withdrawals and payment of expenses unrelated to the investment, including child support payments, restaurants, medical expenses, satellite television service, cell phone expenses, car payment, and utilities, all totaling in excess of \$4,000; and
 - f. an ending balance totaling \$4,204.83.

Omissions

35. Prior to MR's investments, Stanford and Statewide failed to disclose to MR, among other things, that:
- a. Stanford was not registered to offer or sell securities;
 - b. the securities sold by Stanford were not registered to be offered or sold in Missouri;
 - c. the financial condition of Statewide;
 - d. all investment transactions would be made in Statewide and Stanford's Scottrade account;
 - e. details concerning the investment, including options that would be purchased to comprise the hedge fund, tax liabilities involved in investing in a hedge fund, and ongoing costs associated with investing in the hedge fund;
 - f. the risks associated with the investment;
 - g. how Statewide and/or Stanford would be compensated for the investment; and
 - h. that MR's investment funds would be commingled with Stanford's personal funds and spent, in part, on the following:
 - i. cash withdrawals by Stanford;
 - ii. child support payments;
 - iii. restaurant and medical expenses; and/or
 - iv. satellite television service, cell phone expenses, car payments, and utilities.

Law Enforcement is Alerted

36. On or around June 28, 2011, MR began filing complaints with both the Department of Insurance, Financial Institutions, and Professional Registration and the Saint Peters Police Department, citing theft of over \$500.
37. During the course of his investigation, a detective with the Saint Peters Police Department obtained a list of purported investors in Stanford's hedge fund. The detective contacted one of the listed investors to inquire about her investment experiences with Stanford.

38. On September 6, 2011, the detective made an unannounced visit to the home of the above-referenced hedge fund investor and a male answered the investor's door. The detective recognized that it was Stanford at the investor's door, although Stanford denied that fact. The detective then stated that it was Stanford for whom the detective was looking and asked Stanford to expand on how he knew MR and what the circumstances were surrounding their relationship to one another. Stanford immediately responded that he did not take any money from MR. The detective left his business card with Stanford and asked Stanford to contact him as soon as possible.
39. For a short time, Stanford did communicate with the detective and submitted supporting documents that Stanford felt would vindicate him. On October 4, 2011, Stanford sent the detective an email with an attached Excel spreadsheet of ostensible activity in the hedge fund accounts, including all deposits and transactions. However, this spreadsheet was merely a list of calls and puts, which are options to hedge an investment. There was no indication of what monies belong to which investor. In fact, the only name on the spreadsheet was Stanford's.

III. CONCLUSIONS OF LAW

40. Because the Respondent has 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 November 25, 2015, against the Respondent became **FINAL** by operation of law.

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

41. **THE COMMISSIONER CONCLUDES** that Respondent violated Section 409.3-301 when Respondent offered and sold unregistered, non-exempt securities by, among other things:
 - a. soliciting individuals to invest in a "hedge fund" and receiving funds on multiple occasions from at least one investor; and
 - b. Respondent's "hedge fund" constitutes an investment contract, in that:
 - i. MR invested funds in a common enterprise with Respondent and other investors;
 - ii. MR's funds were to be used by Respondent to generate profits from investing in certain securities bearing interest;
 - iii. MR expected a profit from the efforts of Respondent and not from MR's own efforts; and
 - iv. MR's expected profits were interwoven with and dependent upon the efforts of Respondent and the fortunes of other investors.

42. These activities constitute an offer and sale as those terms are defined in Section 409.1-102(26).
43. The investments that Respondent offered and sold constitute securities as that term is defined in Sections 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 Respondent.
45. Respondent offered and sold securities in Missouri without these securities being (1) federal covered securities, (2) exempt from registration under Sections 409.2-201 or 409.2-203 or (3) registered under the Missouri Securities Act of 2003, in violation Section 409.3-301.
46. Respondent’s 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, Omitting to State Material Facts 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

47. **THE COMMISSIONER FURTHER CONCLUDES** that Respondent violated Section 409.5-501, when, in connection with the offer, sale or purchase of a security as described above, Respondent made untrue statements of material fact, omitted to state a material fact necessary in order to make the statement not misleading and engaged in acts, practices, or courses of business that would operate as a fraud or deceit upon another person by, among other things:
 - a. falsely telling MR that Stanford had a “hedge fund”;
 - b. falsely claiming to MR that Stanford could compound interest monthly, rather than annually;
 - c. falsely claiming to MR that Stanford’s method had produced returns of 10-15% monthly on Stanford’s money;
 - d. falsely claiming to MR that any taxes MR would owe because of withdrawals from the annuities would be covered by the profits MR would realize from the “hedge fund” investment;
 - e. omitting to tell MR that Stanford was not registered to offer or sell securities;
 - f. omitting to tell MR that the “hedge fund” investments were not registered to be offered or sold in Missouri;

- g. omitting to tell MR the true financial condition of Stanford or Statewide;
 - h. omitting to tell MR that all investment transactions for the “hedge fund” would be made in Statewide and Stanford’s Scottrade account;
 - i. omitting to tell MR details concerning the investment, including options that would be purchased to comprise the “hedge fund,” tax liabilities involved in investing in a “hedge fund,” and ongoing costs associated with investing in the “hedge fund”;
 - j. omitting to tell MR the risks associated with the investment;
 - k. omitting to tell MR how Stanford would be compensated for the investment;
 - l. omitting to tell MR that MR’s investment funds would be commingled with Stanford’s personal funds and spent, in part, on the following:
 - i. cash withdrawals by Stanford;
 - ii. child support payments;
 - iii. restaurant and medical expenses; and/or
 - iv. satellite television service, cell phone expenses, car payments, and utilities; and
 - m. lulling MR in order to obtain additional investment funds, and/or avoid or delay detection.
48. Respondent 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 and engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person in violation of Section 409.5-501.
49. Respondent’s 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.
50. 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).

IV. ORDER

NOW, THEREFORE, it is hereby ordered that Respondent, their 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 409.3-301, 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.

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 multiple violations of Section 409.3-301. 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 a civil penalty in the amount of \$10,000 for multiple violations 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 to MR in the amount of \$15,400. 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 MR. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, Jefferson City, Missouri 65101 within 30 days from the date of this Final Order.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(e), Respondents shall, jointly and severally, pay \$3,036.45 in actual costs for investigation into and the proceedings associated with, this matter. These funds shall be made payable to the Investor Education and Protection Fund and be sent to the Missouri Securities Division at 600 West Main Street, Jefferson City, Missouri 65101 within 30 days from the date of this Final Order.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS TWENTY-FIFTH DAY OF MARCH, 2016.



JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

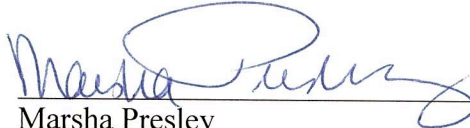
CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of March, 2016, a copy of the foregoing Final Order to Cease and Desist and Order Awarding Restitution, Civil Penalties, and Costs in the above styled case was **mailed by certified U.S. mail, Return Receipt Requested, to:**

John G. Stanford, Jr.
1640 Trotting Trail
Chesterfield, Missouri 63005

and by hand-delivery to:

John R. Phillips
Director of Enforcement
Missouri Securities Division



Marsha Presley
Securities Office Manager