



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)	
)	
MICHAEL PEREGRINE; and)	
OWEN K. STEPHENSON)	
)	
<i>Respondents.</i>)	Case No. AP-18-06
)	
Serve:)	
)	
Michael Peregrine)	
13221 North Lincoln Street)	
Westboro, Missouri 64498-2539)	
)	
Owen K. Stephenson)	
655 Enterprise Drive, Building 1113)	
Rohnert Park, California 94928-2416)	
)	
and via e-mail:)	
)	
michaelperegrine57@gmail.com)	

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

On February 23, 2018, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Enforcement Counsel Desiree 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 (“Petition”). After reviewing the Petition, the Commissioner issues the following order:

The Petition alleges the following facts:

I. SUMMARY OF ALLEGATIONS

1. On or around June 20, 2014, a 57 year-old Rock Port, Missouri resident (“MR”) was solicited by Michael Peregrine (“Peregrine”) to invest \$100,000 in CTGX Mining, Inc. (“CTGX”) stock. Peregrine served as Chief Operating Officer for CTGX, and, among

other things, Peregrine told MR that MR would “get rich” and recoup the investment with substantial interest within six months. Unbeknownst to MR, the stock purchased was from Peregrine’s own personal stock in which MR paid more than \$.33 per share when MR could have purchased the stock for \$.08 per share in the over-the-counter market. Unbeknownst to MR, the \$100,000 that was wired for the investment didn’t go directly to CTGX but to an unrelated party who was a convicted felon. Prior to the offer and/or sale of securities, specifically stock in CTGX, Peregrine failed to inform MR, among other things, that the CEO of CTGX at the time of the investment was a convicted felon. To date, MR has not received any returns after making the investment.

II. ALLEGATIONS OF FACT

A. Respondents and Related Parties

2. 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.
3. 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.
4. 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.
5. 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.
6. Stephenson is an 82 year-old California resident with a last known address at 655 Enterprise Drive, Building 1113, Rohnert Park, California, 94928-2416.
7. 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.
8. 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.
9. 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.

10. 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.
11. 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

12. MR has been friends with Peregrine since they met in high school.
13. 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.
14. 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.
15. MR knew that Peregrine was associated with CTGX, but did not know Peregrine’s position in the company.
16. 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.
17. The funds were wired to a US Bank account that had no association with CTGX, but in which Stephenson was a signatory.
18. Unbeknownst to MR, the stock was purchased from Peregrine’s personal stock in CTGX and not directly from CTGX.
19. 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.
20. 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.
21. MR asked Peregrine for statements from CTGX but never received them.
22. 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.

23. 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 more than \$.33 per share for this transaction.
24. To date, MR has not received any money in return for MR's investment.

Communication with Respondents

25. On July 11, 2017, Peregrine responded to a letter from the Enforcement Section. Among other things, Peregrine stated he has known MR for several years and that MR is the only Missouri investor in CTGX.
26. Peregrine indicated he received no commissions or other fees for MR's investment.
27. 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.
28. Peregrine could not explain to the Enforcement Section why the stock was sold for more than \$.33 per share when MR could have purchased the stock over-the-counter for \$.08 per share.
29. 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.
30. On August 24, 2017, the Enforcement Section received a written response from Stephenson in which he stated, among other things, that he was introduced to Peregrine through Deeter, a family friend.
31. 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 represented that the funds were to be transferred to Peregrine's personal account in the same bank.

Bank Record Review

32. 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 on June 20, 2014; and

- ii. a \$6,000 check from an unknown individual deposited on 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. COMMISSIONER'S DETERMINATIONS AND FINDINGS

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

- 33. **THE COMMISSIONER DETERMINES** that Respondent Peregrine offered and/or sold unregistered, nonexempt securities in the state of Missouri by, among other things:
 - a. soliciting MR to invest in CTGX common stock;
 - b. indicating that MR would "get rich" and recoup the investment with substantial interest within six months;
 - c. selling to MR Respondent Peregrine's personal stock in CTGX for more than \$.33 per share; and
 - d. receiving funds to invest from MR.
- 34. These activities constitute an offer and/or sale as those terms are defined in Section 409.1-102(26), RSMo. (2016).¹
- 35. The investments that Respondent Peregrine offered and/or sold constitute securities as that term is defined in Section 409.1-102(28).

¹ Unless otherwise specified, all statutory references are to the 2016 Revised Statutes of Missouri.

36. 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/or sold by Respondent Peregrine.
37. Respondent Peregrine offered and/or 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.
38. Respondent Peregrine’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

39. **THE COMMISSIONER FURTHER DETERMINES** that in connection with the offer, sale or purchase of a security as described above, Respondent Peregrine, omitted to state to MR material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Such statements and material omissions included, but were not limited to, the following:
 - a. indicating to MR that MR would “get rich” and could recoup MR’s investment with substantial interest within six months with CTGX;
 - b. that Respondent Peregrine was selling MR stock from Respondent Peregrine’s personal stock in CTGX;
 - c. that Respondent Peregrine sold the CTGX stock to MR for more than \$.33 per share when MR could have purchased the stock over-the-counter for \$.08 per share;
 - d. that MR’s funds were not wired directly to CTGX, but instead, to Stephenson, a convicted felon who had no relationship to CTGX and that MR’s funds were spent on what appeared to be personal expenses;
 - e. the financial condition of CTGX; and
 - f. that at the time MR invested, CTGX was being operated by Deeter, a convicted felon.
40. **THE COMMISSIONER FURTHER DETERMINES** that in connection with the offer, sale or purchase of a security as described above, Respondent Peregrine, on behalf of CTGX, engaged in an act, practice or course of business that would operate as a fraud or deceit upon MR by, among other things:

- a. convincing MR to invest in CTGX by wiring funds to a checking account owned by Stephenson; and
 - b. using funds from MR for personal expenses.
41. Respondent Peregrine 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.
42. Respondent Peregrine'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.

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

43. **THE COMMISSIONER FURTHER DETERMINES** that Respondent Stephenson materially aided Respondent Peregrine's conduct in violation of Section 409.5-501.
44. In connection with the purchase or sale of unregistered securities, Respondent Peregrine made the above referenced 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.
45. 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 allowed Respondent Peregrine to defraud MR.
46. Respondent Stephenson materially aided a violation of Section 409.5-501 RSMo., and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
47. 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 Respondents, 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.

V. STATEMENT

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

- A. \$10,000 civil penalty against Respondent Peregrine for multiple violations Section 409.3-301;
- B. \$10,000 civil penalty against each Respondent for multiple violations of Section 409.5-501;
- C. an order against Respondents to pay restitution in the amount of \$100,000 or more 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, in the final order, unless Respondents request a hearing and show cause why this restitution or disgorgement should not be imposed; and
- D. 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.

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SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 6th DAY OF MARCH, 2018.



JOHN R. ASHCROFT
SECRETARY OF STATE



DAVID M. MINNICK
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

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13221 North Lincoln Street)
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Owen K. Stephenson)
655 Enterprise Drive, Building 1113)
Rohnert Park, California 94928-2416)
)
and via e-mail:)
)
michaelperegrine57@gmail.com)

Case No. AP-18-06

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (2016), and 15 CSR 30-55.020. Any request for a hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

David M. Minnick, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 6th day of March, 2018, a true and correct copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed in the above styled case was sent **by certified U.S. mail and regular U.S. mail to:**

Michael Peregrine
13221 North Lincoln Street
Westboro, Missouri 64498-2539,

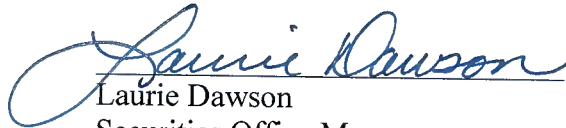
Owen K. Stephenson
655 Enterprise Drive, Building 1113
Rohnert Park, California
94928-2416

and via e-mail:

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