



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )  
 )  
 PIKE FINANCIAL GROUP, LLC; and )  
 FRED TEPEN. )  
 ) Case No. AP-10-39  
 )  
 )  
 Respondents. )  
 )  
 Serve Pike Financial Group, LLC at: )  
 10547 U.S. Highway 54 )  
 Bowling Green, Missouri 63334 )  
 )  
 Serve Fredrick Tepen at: )  
 10547 U.S. Highway 54 )  
 Bowling Green, Missouri 63334 )  
 )

**CONSENT ORDER**

SUMMARY OF ENFORCEMENT SECTION’S ALLEGATIONS

Respondent Frederick Tepen (“Tepen”) formed Pike Financial Group, LLC (“Pike”) on February 26, 2003. Tepen and Pike are collectively referred to as Respondents. According to Tepen, Pike was engaged in various securities and commodities trading, including soybean futures. Tepen developed an investment strategy called the “Adam Trading System,” which purported to be a “commodities trading system capable of outperforming most investment vehicles on the market today.” Beginning as early as 2002 and continuing until at least 2010, six investors, including five from Missouri, invested a total of \$516,235.00 in Pike, either in the form of investments that had “guaranteed” rates of return, or in exchange for promissory notes that promised principal plus 10% interest per annum. Investors received back a total of \$56,630.00 in payments. Tepen and Pike have issued no redemptions of investments since 2006. On July 13, 2012, the Securities Division has held a hearing in this matter, during which evidence was submitted as to all six investors. However, the original Cease and Desist Order did not reference two of the six investors. Hence the Securities Division requested an amended

Cease and Desist Order in order to include these additional two investors for purposes of restitution.

#### CONSENT TO JURISDICTION

1. Respondents and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondents' alleged violations of Sections 409.3-301, 409.4-402, and 409.5-501.
2. Respondents and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities ("Commissioner") has jurisdiction over the Respondents and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, et seq.
3. Respondents and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

"The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act."

#### WAIVER AND EXCEPTION

4. Respondents waive Respondents' rights to a hearing with respect to this matter.
5. Respondents waive any right that Respondents may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
6. Respondents stipulate and agree with the Enforcement Section that, should the facts contained herein prove to be false or incomplete in a material way, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

#### CONSENT TO COMMISSIONER'S ORDER

7. Respondents and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.

8. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondents' (a) testimonial obligations; (b) right to take legal or factual positions in connection with litigation, arbitration, or other legal proceeding in which the Commissioner is not a party; or (c) right to make public statements that are factual.
9. Respondents agree that Respondents are not the prevailing party in this action since the parties have reached a good faith settlement.
10. Respondents neither admit nor deny the allegations made by the Enforcement Section, but consent to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER'S FINDINGS OF FACT,  
CONCLUSIONS OF LAW, AND ORDER

FINDINGS OF FACT

A. Respondent and Related Parties

1. 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 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.

B. Enforcement Section Investigation

Missouri Resident No. 1

3. A seventy-two (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.

4. On or about May 9, 2003, MR1 invested an additional \$10,000 with Respondents.
5. 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.
6. 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 with 4112 from Perry State Bank ("Perry SB"). The account is in the name of Tepen and his wife.
7. 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 4259 from Peoples State Bank ("Peoples SB"). The account is in the name of Pike, Tepen, and his wife.
8. After receiving the three checks, MR1 invested an additional \$18,000 with Respondents.
9. 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 4259. There were insufficient funds in the account to cover the check.
10. Since October 20, 2006, MR1 has not received any additional return from MR1's investment with Respondents.

**Missouri Resident 2**

11. From July 8, 2002, to May 22, 2004, a sixty-two (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.
12. 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.

13. 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%).
14. To the best of the Enforcement Section's knowledge, the principal and interest have not been paid in accordance with the terms of the promissory note.

### **Missouri Resident 3**

15. From July 26, 2007, to December 12, 2007, a fifty-seven (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.
16. On March 10, 2008, Tepen signed a check to MR3 from an account ending 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.
17. 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.
18. MR3 has not received any return on the investments made.

**Missouri Resident 4**

19. From May 15, 2006, to August 1, 2007, a fifty-nine (59) year old resident of Jefferson City, Missouri (“MR4”), invested \$63,135.00 with Respondents.
20. During that period, MR4 invested on at least twelve (12) separate investments ranging from \$1,000 to \$18,000.
21. 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.
22. On or around June 28, 2006, MR4 was emailed 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.”
23. On or around June 28, 2006, MR4 was given a document entitled the “Adam Trading System” (“Adam 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.
24. 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.
25. Based on information obtained by the Enforcement Section, Respondents used investor funds for, among other things, cash withdraws, payments to members of Tepen’s immediate household, and payments on personal credit cards.
26. The Enforcement Section was unable to find any evidence which would indicate that investor funds were used for the purpose of purchasing or trading in commodities.

**Kansas Resident 1**

27. From November 15, 2002, to January 31, 2007, a then 55 year old resident of Louisberg, Kansas (“KR1”) invested (or loaned) a total of \$179,943.60 with Respondents.
28. During that period, KR1 invested and loaned money to Respondents on at least twenty-four separate occasions ranging in amounts from \$450.00 to \$41,000.00.
29. 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.

30. On or around November 15, 2002, KR1 was sent 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.”
31. On or around November 15, 2002, KR1 was given a document entitled the “Adam Trading System” (“Adam 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.
32. 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.



33. Based on information obtained by the Enforcement Section, Respondents used investor funds for, among other things, cash withdraws, payments to members of Tepen's immediate household, and payments on personal credit cards.
34. The Enforcement Section was unable to find any evidence which would indicate that investor funds were used for the purpose of purchasing or trading in commodities.

**Missouri Resident 5**

35. From October 16, 2004, to July 26, 2010, a then 57 year old resident of Moberly, Missouri ("MR5"), invested (or loaned) a total of \$124,925.00 with Respondents.
36. During that period, MR5 invested and loaned money to Respondents on at least sixty separate occasions ranging in amounts from \$125.00 to \$25,000.00.
37. During an interview with members of the Enforcement Section, MR4 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.
38. Based on information obtained by the Enforcement Section, Respondents used investor funds for, among other things, cash withdraws, payments to members of Tepen's immediate household, and payments on personal credit cards.
39. The Enforcement Section was unable to find any evidence which would indicate that investor funds were used for the purpose of purchasing or trading in commodities.

**I. CONCLUSIONS OF LAW**

40. The Commissioner finds Respondents offered and sold unregistered, non-exempt securities in violation of Sections 409.3-301; 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 violation of Section 409.5-501; and engaged in an act, practice, or course of business that would operate as a fraud or deceit in violation of Section 409.5-501, and that this constitutes grounds to issue an order pursuant to Section 409.6-604.

41. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondents and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondents and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409.

## II. ORDER

**NOW, THEREFORE**, it is hereby Ordered that:

1. Respondents, their agents, employees and servants, and all other persons participating in the above-described violations with knowledge of this order are permanently enjoined and restrained from violating Sections 409.3-301 and 409.5-501
2. Respondents are ordered to pay \$516,235.00 in restitution. \$499,435.00 of this restitution shall be suspended for 84 months.
3. Respondents shall pay \$16,800.00 in restitution. Payments shall be made in 84 equal monthly payments of \$200.00, beginning 30 days from the execution of this Consent Order and recurring monthly thereafter. All payments shall be sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Restitution Fund. These payments will be distributed by that Fund to the investors in the amounts as stated on the attached Exhibit A.
4. Respondents are ordered to pay a \$100,000 to the Investor Education and Protection Fund. This payment shall be suspended for 84 months.
5. All suspended and/or pending payments in paragraphs 2, 3, and 4 shall become due immediately upon the sooner of (1) Respondents' noncompliance with the terms of this Consent Order, or (2) a finding, after notice and opportunity for a hearing, by the Commissioner or a court of competent jurisdiction that Respondents has violated the Missouri Securities Act. Such immediately due payments shall be in addition to all other penalties then available under the law.
6. In the event that Respondent receives any windfall payment (defined as including but not limited to an inheritance, lottery or other prize winnings, and/or investment proceeds of \$10,000 or more), Respondent will alert the Director of Enforcement for the Missouri Securities Division and some portion of any such windfall payment shall be used to further offset the restitution amount in paragraph 2. The failure to report such windfall payment shall be deemed as noncompliance

with this order and shall cause the suspended/pending payments to be immediately due consistent with the terms of paragraphs 2, 3, 4, and 5.

7. In light of potential health issues impacting the Respondent, nothing herein shall be construed to prevent Respondent from petitioning the Commissioner to suspend payment obligations, and/or reduce or fully waive any of the amounts stated hereunder, and the Commissioner and the Securities Division expressly acknowledge that Respondent may so petition.
8. After 7 years from the date of this Consent Order, provided Respondents complied with all terms of this Consent Order, all suspended payments referenced in paragraphs 2, 4, and 6 above are waived.
9. Upon Respondents' failure to comply with the terms of this Consent Order, all remaining payments shall become immediately due and payable upon operation of law, and such immediately due payments shall be in addition to all other penalties then available under the law.
10. Respondents shall pay their own costs and attorneys' fees with respect to this matter.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 5TH DAY OF DECEMBER, 2016.



JASON KANDER  
SECRETARY OF STATE

*Andrew M. Hartnett*


ANDREW M. HARTNETT  
COMMISSIONER OF SECURITIES

Consented to by:

THE ENFORCEMENT SECTION OF THE  
MISSOURI SECURITIES DIVISION

*John Phillips*

John Phillips  
Director of Enforcement

  
Frederick Tepen for himself and on behalf of Pike  
Financial Group, LLC