

State of Missouri  
Office of Secretary of State

Case No. AP-04-98

IN THE MATTER OF:

MID-AMERICA ENTERPRISES, INC.,  
CENTRAL STATES ENTERPRISES, and  
WILLIAM G. MATHES

Respondents,

Serve all at:

411 East Third Street  
Wheatland, Missouri 65779

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

On the 13th day of December 2004, the Enforcement Section of the Securities Division, by and through Omar D. Davis, Enforcement Counsel, submitted a petition, requesting a cease and desist order and other administrative relief. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

**FINDINGS OF FACT**

1. Mid-America Enterprises, Inc., ("Mid-America"), is an entity, later given the name of Central States Enterprises, ("CSE") purportedly organized for the purpose of the development and operation of small businesses in rural, low income communities, and has a business address of 411 East Third Street, Wheatland, Missouri 65779.
2. William G. Mathes ("Mathes") is the president and CEO of Mid-America Enterprises, Inc. and has an address of 411 East Third Street, Wheatland, Missouri 65779.
3. As used in this Cease and Desist Order, the term "Respondents" refers to Mid-America, CSE and Mathes.
4. On May 12 and May 19, 2004, Mid-America ran an advertisement in a local newspaper in Hermitage, Missouri indicating that Mid-America was accepting applications for 26 job classifications.
5. In early May 2004, a Missouri resident ("MR1") obtained a job application from Mathes. Mathes told MR1, among other things, the following:
  - a. Mid-America planned to build a truck stop, restaurant, teen center, movie theatre, and other businesses; and
  - b. Mathes bought 200 acres of land east of Wheatland, Missouri where the Mid-America businesses would be located.
6. On May 12, 2004, MR1 interviewed with Mathes for a job with Mid-America. During this job interview Mathes offered to sell shares of stock in Mid-America to MR1 at \$5 a share.
7. On May 12, 2004, MR1 gave Mathes a personal check for \$20 for four shares of stock in Mid-America. Mathes gave MR1 a receipt that indicated that MR1 purchased 4 shares of stock in Mid-America.
8. During the May 12, 2004 interview, MR1 also noted a flyer, which stated that a shareholders meeting would be held the first weekend in June 2004, at which time the public could purchase shares of stock in Mid-America for \$5 a share.
9. In late May 2004, a Missouri resident ("MR2") saw the newspaper advertisement for jobs with Mid-America. MR2 telephoned and spoke with Mathes about a maintenance job. During this telephone conversation Mathes asked MR2 to invest in Mid-America for \$25 a share. Mathes told MR2 that the stock was going to "skyrocket" in the next year and that MR2 would receive a stock certificate within a week. MR2 did not invest.
10. On June 28, 2004, the Missouri Securities Division received information which indicated that the Respondents offered securities in the State of Missouri.
11. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration, granted exemption or notice filing indicating status as a "federal covered security" for any of the securities offered by the Respondents in the State of Missouri.
12. A check of the records maintained by the Commissioner confirmed no registration for Respondents to sell securities in the State of Missouri.

13. A check of the records maintained by the Missouri Secretary of State-Corporations Division confirmed no corporate registration for any company named Mid-America Enterprises, Inc. associated with Mathes. However, a fictitious name registration for Central State Enterprises, dated 6/18/2004, submitted by Mathes was on file.
14. On July 22, 2004, the Securities Division sent a letter of inquiry to Respondents that requested a claim of exemption from registration or exception from definition upon which Respondents relied in offering unregistered securities or any claim that the securities were federal covered securities. The letter also requested additional information about the offers to Missouri residents and advised Respondents that failure to respond within a reasonable time as set by the Commissioner constituted proper grounds for the entry of an order suspending the right to offer and sell securities in the State of Missouri.
15. On July 27, 2004, Mathes sent a letter to the Secretary of State Corporations Division asking that the Articles of Incorporation for Mid-America/CSE be "null and void" due to problems encountered with the development and operation of the corporation.
16. On July 30, 2004, the Hickory County Assessor's Office sent a letter in response to the Division's request for information regarding property owned by Mathes and/or Mid-America that stated the following:

"Concerning William (Bill) Mathes aka Central States Enterprises Inc. aka Mid-America (American) Enterprises, Inc., I found nothing in our local records. I checked deed records in the Recorder's office back to 1998, I checked with the Clerk's office on suits, liens, etc."
17. Mathes was convicted in Missouri of the misdemeanor of passing a bad check on January 23, 1990.
18. Mathes was convicted in Missouri of the felony of passing a bad check on August 28, 1990.
19. Mathes was convicted in Florida of the felonies of burglary and grand theft on June 8, 1992.
20. Mathes was convicted in Missouri of the misdemeanor of passing a bad check on June 15, 2000.
21. On August 11, 2004, a representative from the Division met with Mathes. Mathes stated that he would retain counsel to respond to the Division's letter. Mathes further stated that he had only put down a deposit of money to buy land for Mid-America, but never went through with the deal.
22. A check of the local real estate office indicates that on April 3, 2004, Mathes deposited \$50 earnest money to purchase a parcel of land, but received a return of the \$50 on April 19, 2004.
23. On August 23, 2004, counsel for Respondent Mathes contacted the Division and stated that he would be retained as counsel for Mathes and that the Division would receive a response by August 27, 2004.
24. On September 20, 2004, a representative from the Division contacted Mathes' counsel concerning the lack of any response. Counsel for Mathes stated that he was never retained by Mathes, therefore the Division would not be receiving a response.
25. To date the Division has received no further communication from Respondents.
26. Respondents were not registered to offer and sell securities in the State of Missouri.
27. Respondents offered and sold unregistered, non-exempt securities to Missouri residents.
28. These securities were not federal covered securities.
29. In connection with the offer, sale or purchase of a security to Missouri residents, Respondents omitted to state the material fact that Respondents were not registered to sell securities in the State of Missouri.
30. In connection with the offer, sale or purchase of a security to Missouri residents, Respondents omitted to state the material fact that the securities offered and sold by Respondents were not registered in the State of Missouri.
31. In connection with the offer, sale or purchase of a security to Missouri residents, Respondents omitted to state the following material facts concerning Mathes' criminal background:
  - a. Misdemeanor of passing a bad check on January 23, 1990 in Missouri.
  - b. Felony of passing a bad check on August 28, 1990 in Missouri.
  - c. Felonies of burglary and grand theft on June 8, 1992 in Florida.
  - d. Misdemeanor of passing a bad check on June 15, 2000 in Missouri.
32. In connection with the offer, sale or purchase of a security to Missouri residents, Respondent Mathes made the untrue statement of material fact that:
  - a. Mathes had purchased land upon which the Mid-America businesses would be located, when in fact, Mathes did not buy land; and

- b. The Mid-America stock would "skyrocket" within the next year, when, in fact, there was no public market for the stock.

33. This Order is in the public interest.

### CONCLUSIONS OF LAW

1. §409.1-102, RSMo Cumulative Supp. 2003 includes "stock" within the definition of a security. The interests offered and sold by Respondents as described in the above findings of fact constitute securities.
2. §409.5-501 RSMo Cumulative Supp. 2003 provides that it is unlawful for a person, in connection with the offer, sale or purchase of any security, directly or indirectly (1) to employ a device, scheme, or artifice to defraud, (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading or (3) to engage in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person. The conduct described in the above findings of fact constitutes a violation of this section.
3. §409.3-301 RSMo Cumulative Supp. 2003 provides that it is unlawful for any person to offer or sell any security in this state unless (1) The security is a federal covered security; (2) the security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or (3) The security is registered under this act. The conduct described in the above findings of fact constitutes a violation of this section.
4. §409.5-503 RSMo Cumulative Supp. 2003 provides that the person claiming an exemption, exception, preemption or exclusion has the burden of proving its applicability. As described in the above findings of fact, Respondents failed to prove any exemptions, exceptions, preemption or exclusions.
5. §409.6-602(b) RSMo Cumulative Supp. 2003 provides that, for the purpose of an investigation under the act, the Commissioner or its designated officer may administer oaths and affirmations, subpoena witnesses, seek compulsion of attendance, take evidence, require the filing of statements and require the production of any records that the commissioner considers relevant or material to the investigation.
6. §409.6-604(a) RSMo Cumulative Supp. 2003 provides:

If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act, the commissioner may:

1. Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary and appropriate to comply with this act;
2. Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under section 409.4-401(b)(1)(D) or (F) or an investment advisor under section 409.4-403(b)(1)(C); or
3. Issue an order under section 409.2-204

7. §409.6-604(d) RSMo Cumulative Supp. 2003 provides:

In a final order...the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.

8. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. §409.6-604(a) RSMo Cumulative Supp. 2003.

### ORDER

**NOW, THEREFORE**, it is hereby ordered that Respondents and their agents, employees and servants with knowledge of this order are immediately prohibited from:

- A. Offering or selling investments in Mid-America Enterprises, Inc. or Central States Enterprises;
- B. Violating or materially aiding in the violation of §409.5-501 RSMo Cumulative Supp. 2003 by omitting to state, in connection with the offer, sale or purchase of these securities to Missouri residents, the material fact that:
  1. Respondents are not registered to sell securities in the State of Missouri; and
  2. The securities offered and sold by Respondents are not registered in the State of Missouri;

3. The stock could not be sold in the name of Mid-America since Mathes had not registered Mid-America with the Division of Corporations of the Secretary of State.

4. Mathes has the following prior criminal convictions:

- a. Misdemeanor of passing a bad check on January 23, 1990 in Missouri.
- b. Felony of passing a bad check on August 28, 1990 in Missouri.
- c. Felonies of burglary and grand theft on June 8, 1992 in Florida.
- d. Misdemeanor of passing a bad check on June 15, 2000 in Missouri.

C. Violating or materially aiding in the violation of §409.5-501, RSMo Cumulative Supp. 2003, by making an untrue statement of material fact to a Missouri resident that:

1. Mid-America stock would "skyrocket" when Mathes knew that the stock was not traded on any securities market.
2. Mathes had purchased 200 acres of land on which to locate and construct Mid-America's businesses, when in fact this was not true.

D. Violating or materially aiding in the violation of §409.3-301 RSMo Cumulative Supp. 2003 by offering or selling any security that is not registered, unless the security is a federal covered security or has an effective exemption from registration;

**IT IS FURTHER ORDERED** that the Enforcement Section has petitioned for civil penalties, and specifically, the award of two thousand five hundred (\$2,500) against each Respondent in this proceeding. The commissioner will issue a final order awarding this penalty, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that the Enforcement Section is granted leave to petition for costs of investigation and prosecution of this proceeding against Respondents. The Commissioner may issue a final order awarding at least two thousand dollars (\$2,000) to the credit of the Investor Education and Protection Fund, unless Respondents request a hearing and shows cause why the award should not be charged against them.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS \_\_\_\_ DAY OF DECEMBER, 2004.

MATT BLUNT  
SECRETARY OF STATE

DOUGLAS M. OMMEN  
COMMISSIONER OF SECURITIES