

State of Missouri
Office of Secretary of State

Case No. AP-06-42

IN THE MATTER OF:

AFG CAPITAL MANAGEMENT, INC.;
JAMES A FREESE, CRD #2635569

Respondents.

Serve all at:

11020 King Street, Ste. 330
Overland Park, Kansas 66210-1201

**FINAL ORDER TO CEASE AND DESIST AND ORDER AWARDING CIVIL
PENALTIES AND COSTS OF INVESTIGATION**

On the January 17, 2007, the Enforcement Section of the Securities Division (the "Division" or the "Securities Division"), by and through Nathan J. Soendker, Chief Registration Counsel, submitted a Motion for Costs of Investigation (the "Motion"). After reviewing the Motion, and notice to Respondents and having provided Respondents the time required by law to request a hearing on this matter, the Commissioner of Securities issues the following findings of fact and order:

FINDINGS OF FACT

1. On September 13, 2006, Nathan J. Soendker, Chief Registration Counsel, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed (the "Petition").
2. On September 13, 2006, the Commissioner issued an Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed. On that same date, notice and a copy of such Order were sent to AFG Capital Management, Inc. ("AFG"), and James A. Freese ("Freese") (AFG and Freese are hereinafter referred to collectively as "Respondents"), by Certified U.S. Mail, pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2005).
3. On October 20, 2006, the notice and copy of the Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed sent to AFG was returned undelivered to the Commissioner.
4. On October 26, 2006, the notice and copy of the Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed sent to Freese was returned undelivered to the Commissioner.
5. On October 23, 2006, the Commissioner was served with process pursuant to Section 409.6-611(b), RSMo. (Cum. Supp. 2005). On October 24, 2006, notices of service and copies of the process were sent to Respondents, via Registered U.S. Mail, to their last known addresses.
6. The Respondents did not request a hearing, and the Commissioner did not receive any communication or contact from the Respondents.
7. In the Motion, the Securities Division requested that the Commissioner issue an Order requiring the Respondents to pay, jointly and severally, the costs of investigation in this matter in the amount of eight hundred seventy dollars (\$870).
8. In its Petition the Securities Division requested the Commissioner issue an Order requiring that each Respondent pay a separate civil penalty in the amount of one thousand dollars (\$1,000) for violation of Section 409.3-301, RSMo. (Cum. Supp. 2005).
9. In its Petition the Securities Division requested the Commissioner issue an Order requiring that Respondent AFG pay a civil penalty in the amount of up to ten thousand dollars (\$10,000) for multiple violations of Section 409.4-403(a), RSMo. (Cum. Supp. 2005).
10. In its Petition the Securities Division requested the Commissioner issue an Order requiring that Respondent AFG pay a civil penalty in the amount of up to ten thousand dollars (\$10,000) for multiple violations of Section 409.4-403(d), RSMo. (Cum. Supp. 2005).
11. In its Petition the Securities Division requested the Commissioner issue an Order requiring that each Respondent pay a separate civil penalty in the amount of up to ten thousand dollars (\$10,000) for multiple violations of Section 409.5-501(2), RSMo. (Cum. Supp. 2005).
12. This Order is in the public interest and is consistent with the purposes intended by the Missouri Securities Act of 2003.

ORDER

NOW, THEREFORE, it is hereby ordered that:

- A. The Cease and Desist Order entered in Case Number AP-06-42 on September 13, 2006, is **FINAL** as to all Respondents.
- B. Pursuant to Section 409.6-604(d), RSMo., each of Respondent AFG and Respondent Freese shall pay, within thirty (30) days from the date of service of this Order, a sum of one thousand dollars (\$1,000) to the State of Missouri as a civil penalty for violation of Sections 409.3-301, RSMo. This amount shall be sent to the Secretary of State and made payable to the State of Missouri, and 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. Respondents shall deliver this payment to the Securities Division, 600 W. Main Street, PO Box 1276, Jefferson City, Missouri 65102.
- C. Pursuant to Section 409.6-604(d), RSMo., Respondent AFG shall pay, within thirty (30) days from the date of service of this Order, a sum of five thousand dollars (\$5,000) to the State of Missouri as a civil penalty for multiple violations of Sections 409.4-403, RSMo. This amount shall be sent to the Secretary of State and made payable to the State of Missouri, and 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. Respondents shall deliver this payment to the Securities Division, 600 W. Main Street, PO Box 1276, Jefferson City, Missouri 65102.
- D. Pursuant to Section 409.6-604(d), RSMo., each of Respondent AFG and Respondent Freese shall pay, within thirty (30) days from the date of service of this Order, a sum of five thousand dollars (\$5,000) to the State of Missouri as a civil penalty for multiple violation of Sections 409.5-501(2), RSMo. This amount shall be sent to the Secretary of State and made payable to the State of Missouri, and 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. Respondents shall deliver this payment to the Securities Division, 600 W. Main Street, PO Box 1276, Jefferson City, Missouri 65102.
- C. Pursuant to Section 409.6-604(e), RSMo., Respondents AFG and Freese shall pay, within thirty (30) days from the date of service of this Order, the additional sum of eight hundred seventy dollars (\$870) as reimbursement for the costs of the investigation and administration of this matter. This amount shall be sent to the Secretary of State and made payable to the Missouri Secretary of State's Investor Education and Protection Fund. Respondents shall deliver this payment to the Securities Division, 600 W. Main Street, PO Box 1276, Jefferson City, Missouri 65102. Respondents AFG and Freese, shall be jointly and severally liable for this amount.
- D. Pursuant to Section 409.6-604(f), RSMo., this matter shall be referred to the Missouri Attorney General's Office to collect the fines and costs described in this Final Order, as necessary.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 23rd DAY OF JANUARY, 2007.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of January, 2007, a copy of the foregoing Final Order issued in the above styled case was mailed by certified U.S. Mail, postage prepaid to Respondents at address first listed above.

John Hale
Specialist