

State of Missouri
Office of Secretary of State

Case No. AP-08-01

IN THE MATTER OF:

RCH INVESTMENT GROUP, INC.;
RCH INVESTMENT CORP.;
RIPPEE CUSTOM HOMES, LLC;
RANDY ALLEN RIPPEE; and
FRANKEE LEE ALLEN RIPPEE,

Respondents.

Serve RCH Investment Group, Inc. and
Randy Allen Rippee at:

744 Splitrail Pass
Reeds Spring, Missouri 65737

With copy to:

PO Box 9202
Springfield, Missouri 65809

Serve RCH Investment Corp. and
Randy Allen Rippee at:

3672 East Beaumont Drive
Springfield, Missouri 65909

Serve RCH Custom Homes, LLC and
Randy Allen Rippee at:

3672 East Beaumont Drive
Springfield, Missouri 65909

Serve Frankee Lee Allen Rippee at:

2844 West Nichols Drive
Springfield, Missouri 65737

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

On January 14, 2008, the Enforcement Section of the Securities Division of the Office of Secretary of State, through its Assistant Commissioner of Securities Mary S. Hosmer, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

I. FINDINGS OF FACT

1. RCH Investment Group, Inc. ("RCH Group"), was a Missouri corporation whose registered agent was Randy Allen Rippee ("Randy Rippee"). RCH had, at all times relevant to this order, a business address of 3672 East Beaumont Drive, Springfield, Missouri 65809. RCH Group's corporate status was administratively dissolved on November 14, 2007, by the Missouri Corporations Division.
2. RCH Investment Corp. ("RCH Corp."), purported to be a Missouri corporation^[1] with an address of 3672 East Beaumont Drive, Springfield, Missouri 65809.
3. Rippee Custom Homes, LLC ("Rippee Custom Homes"), was a Missouri limited liability company formed on August 3, 2004. On March 30, 2005, Rippee Custom Homes filed *Articles of Termination for Limited Liability Company* with the Missouri Corporations Division.
4. Elite Developers, LLC ("Elite"), is a Missouri limited liability company whose registered agent is Frankee Lee Allen Rippee ("Frank Rippee"). Elite had, at all times relevant to this order, a business address of 300 Springview Drive, Reeds Spring, Missouri 65737.

5. Randy Rippee is the president and owner of RCH Group and he purported to be the president and owner of RCH Corp. and Rippee Custom Homes. Randy Rippee's last known address is 774 Splitrail Pass, Reeds Spring, Missouri 65737. Randy Rippee is the father of Frank Rippee.
6. Frank Rippee purported to be an owner of RCH Group, the vice-president and owner of RCH Corp., an agent for Rippee Custom Homes, and he was the owner and organizer of Elite. Frank Rippee's last known address is 2844 West Nichols Drive, Springfield, Missouri 65803.
7. As used herein, the term "Respondents" refers to RCH Group, RCH Corp., RCH Custom Homes, Randy Rippee, and Frank Rippee. Randy Rippee and Frank Rippee are jointly referred to herein as "the Rippees."
8. In or around the fall of 2004, a Michigan Resident ("MIR1") met the Rippees at a meeting in Chicago, Illinois. The Rippees told MIR1, in part, that they:
 1. had a website at www.rchinvest.com that explained their investment program;
 2. had built high-end homes;
 3. had years of building experience and had built several homes for customers in the St. Louis area; and
 4. were looking for investors in RCH Corp.
9. In the late fall of 2004, MIR1 viewed the Rippee's website. This website stated, in part, the following:
 - a. a the investor's money, both principal and interest, was guaranteed; and
 - b. bthe investor would receive a certificate that would reflect this guarantee signed by the president, Randy Rippee. This investment guarantee was on Rippee Custom Homes' letterhead and Randy Rippee was identified as the president and owner ("Rippee Custom Homes' Guarantee").
10. On January 10, 2005, MIR1 contacted Frank Rippee and told Frank Rippee that MIR1 was interested in investing in the Rippees' investment program
11. On January 11, 2005, Frank Rippee told MIR1 that the Rippees had purchased twenty-two (22) lots on the water at Table Rock Lake in Branson, Missouri.
12. On January 13, 2005, Frank Rippee sent MIR1 an email that stated, in part, that:
 - a. the Rippees would build homes in the Branson, Missouri, area on lake-front or lake view lots;
 - b. there were currently 4 homes in this area that were selling for at least eight hundred thousand dollars (\$800,000.00);
 - c. the Rippees could build similar homes for as little as four hundred thousand dollars (\$400,000.00) and the homes would appraise at around eight hundred thousand dollars (\$800,000.00);
 - d. the Rippees could put these homes on the market for five hundred ninety-nine thousand dollars (\$599,000.00) and these homes would sell as fast as the Rippees could build them;
 - e. under an investment program called "Simple Cash Investment" an investor could invest up to one million dollars (\$1,000,000.00). The Rippees would pay a flat twenty percent (20%) interest annually for up to five (5) years with a minimum investment of three (3) years; and
 - f. the Rippees offered a second investment option called "Spec Home Investing." Under this program the investor was to obtain a loan from a bank and the Rippees would use these loan proceeds to build and market the home. The Rippees stated under this program the investor would never have any out-of-pocket expenses. The Rippees claimed that they could build and sell the home in as little as six (6) months. The investor would receive a portion of the proceeds from the sale of the home.
13. In late January 2005, MIR1 met with the Rippees in Branson, Missouri. During this meeting the Rippees gave MIR1 a business plan on RCH Corp. letterhead ("RCH Business Plan") that stated, in part, the following:
 - a. the RCH Corp. was "sanctioned by a regulation D Filing. We are set up as a Debt Offering Company, and currently hold a 504 license which allows us to raise up to 1 million dollars per year in capital investments If and when we surpass the 1 million mark we will then file for our 505 regulation witch [sic] will allow us to raise up to 5 million capital;"
 - b. the homes would be "built by Rippee Custom Homes, LLC;"
 - c. the Rippees were offering a "Basic Cash Investment ("BCI")" which offered a fixed annual interest rate as high as twenty-four percent (24%);

- d. all of the Rippees investment plans were backed by real estate;
 - e. the Rippees were offering a "Spec Home Investment." The Spec Home Investment only required that the investor be able to qualify for a non-owner occupied home loan;
 - f. RCH Corp. was "structured as a Limited Liability Company (LLC). By becoming a member of the LLC, investors are actually purchasing equity ownership into the company. All properties and other assets are purchased under the name of the LLC and held within that structure. The LLC was purposely structured by the founders so that the distribution funds derived from the liquidation of corporate held assets would first be realized by investors in the form of principal and second in the form of earned interest;" and
 - g. "We wanted an opportunity for investors to have peace of mind, to know where and who they were investing with, and to be confident they made a wise decision. Limited partnerships, can have failure with the Real Estate [sic]. So we have found that corporation [sic], is the best way to go, as long as you set limitation to Salaries [sic]. Which is exactly what we have done [sic]. We set up the investment side of our business as a corporation, so you don't have to worry about the down falls [sic] of an LLC."
14. On February 12, 2005, MIR1 mailed a check for ten thousand dollars (\$10,000.00) to RCH Corp. and on February 14, 2005, MIR1 wired an additional one hundred forty thousand dollars (\$140,000.00) to RCH Corp. to invest in the Rippees' investment program
 15. In or around February 2005, MIR1 received paperwork from Randy Rippee that documented MIR1's investment that included, in part, the following:
 - a. an investment guarantee signed by Randy Rippee as president and owner of RCH Corp. and dated February 2, 2005, that included a guaranteed payment of the sum of one hundred fifty thousand dollars (\$150,000.00) with interest at the rate of twenty percent (20%) per year;
 - b. a promissory note signed by Randy Rippee, as President of RCH Group but on RCH Corp. letterhead, promising to pay MIR1 and spouse the sum of one hundred fifty thousand (\$150,000.00) with interest at the rate of twenty percent (20%) per year; and
 - c. a security agreement between Randy Rippee as the president/ owner of RCH Corp. and MIR1 dated February 2, 2005, which stated, in part, that Randy Rippee granted to MIR1 and spouse a security interest in one lot of the Split Rail Subdivision ("MIR1's Split Rail Property") and a lien on the home built on that lot.
 16. To date, MIR1 has received no interest payments nor a return of MIR1's principal. In February 2007, Mid-Missouri Bancshares, Inc., foreclosed on MIR1's Split Rail Property, and the bank has retained ownership of this property.
 17. To date, MIR1 has incurred over three hundred thousand dollars (\$300,000.00) in investment and construction expense losses on MIR1's Split Rail Property and from a second investment that MIR1 had with the Rippees and RCH Corp.
 18. In or around the fall of 2004, a Michigan Resident ("MIR2") met the Rippees in Chicago, Illinois. The Rippees told MIR2 about the Rippees' investment program. The Rippees stated, in part, the following:
 - a. they had years of building experience and had built several homes for customers in the St. Louis area;
 - b. they were looking to build high-end homes in the Branson, Missouri area;
 - c. they were looking for investors to fund these construction loans;
 - d. they could build these homes for four hundred fifty thousand dollars (\$450,000.00) to five hundred thousand dollars (\$500,000.00) and the Rippees could sell the homes for over one million dollars (\$1,000,000.00); and
 - e. the investor would be paid a portion of the profit from the sale of the home.
 19. In late January 2005, after viewing the RCH Corp. website, RCH Corp. Business Plan, and the Rippee Custom Homes' Guarantee, MIR2 accompanied MIR1 on a trip to Branson, Missouri to meet with the Rippees. During this meeting, the Rippees told MIR2, among other things, that:
 - a. Randy Rippee needed a construction loan to start building;
 - b. Randy Rippee would pay twenty percent (20%) interest annually on the loan;
 - c. Randy Rippee would repay the principal amount loaned in five (5) years;
 - d. Randy Rippee would use his credit to build other houses, roads, and street lights;
 - e. MIR2's investment would not be at risk since the houses the Rippees built would be secured by the property on which

they were built; and

- f. the house the Rippees would build would take about six (6) months to complete.
20. In early February 2005, Randy Rippee sent documents to MIR2 in Michigan. These documents included, in part, the following:
 - a. a consumer loan agreement dated February 4, 2005, signed by Randy Rippee as President and Owner of RCH Corp., which stated, in part, that Randy Rippee promised to pay MIR2 fifty thousand dollars (\$50,000.00) with interest within sixty (60) months;
 - b. a promissory note signed by Randy Rippee as president of RCH Group but on RCH Corp. letterhead, dated February 3, 2005, which stated, in part, that Randy Rippee promised to pay MIR2 fifty thousand dollars (\$50,000.00) on February 28, 2010, with twenty percent (20%) interest per year;
 - c. an investment guarantee signed by Randy Rippee as president and owner of RCH Corp. and dated February 2, 2005, promising to pay MIR2 fifty thousand dollars (\$50,000.00) at twenty percent (20%) interest per year, with the principal payable on February 28, 2010; and
 - d. a security agreement between Randy Rippee as president and owner of RCH Corp. and MIR2 dated February 2, 2005, which stated, in part, that Randy Rippee granted MIR2 a security interest in one (1) lot of Split Rail Subdivision and a lien on the new home located in Branson West, Missouri ("MIR2's Split Rail Property").
 21. On February 12, 2005, MIR2 mailed a check to Randy Rippee for fifty thousand dollars (\$50,000.00) made payable to the title company as specified by Randy Rippee to invest in the Rippees' investment program
 22. In March 2005, Randy Rippee told MIR2 that Randy Rippee needed an additional five hundred seventy thousand dollars (\$570,000.00) to complete MIR2's Split Rail Property and asked if MIR2 would sign on a loan at a mortgage company for the five hundred seventy thousand dollars (\$570,000.00). Randy Rippee told MIR2 that Randy Rippee would give MIR2 an additional seventy-five thousand dollars (\$75,000.00) for signing for this loan when the house was completed and sold. MIR2 agreed to obtain a loan and invested the proceeds from this five hundred seventy thousand dollar (\$570,000.00) loan into the Rippees' investment program
 23. In April 2005, the Rippees broke ground on MIR2's Split Rail Property.
 24. In March 2006, Randy Rippee paid MIR2 ten thousand dollars (\$10,000.00) in interest payments.[\[2\]](#)
 25. In late winter 2006, the Rippees discontinued work on this property. To date, MIR2 has not received any further interest payments or a return of MIR2's principal, and Respondents did not complete work on MIR2's Split Rail Property.
 26. On November 14, 2007, Mid Missouri Bank[\[3\]](#) foreclosed on MIR2's Split Rail Property and the bank is the current owner of this property.
 27. To date, MIR2 has incurred over ninety thousand dollars (\$90,000.00) in investment and expense losses from MIR2's investments with the Rippees and RCH Corp.
 28. On or about September 2005, a Missouri resident ("MR") read information on the Internet at a website titled, *InvestorsWanted.com* under the general discussion forum posted by Frank Rippee and RCH Group on August 25, 2005, about the Rippees' investment program. This information stated, in part, the following:
 - a. "My name is Frank, and I own an investment company RCH Investment Group, Inc., . . . I do have a way to make \$50K - \$150K using only your credit, and our system of lenders and investors to invest in real estate."
 - b. "This is no scam, no money required . . . this is truly a real opportunity to invest in real estate. I have several investors now but I'm always looking for more. I build new lakefront homes in Branson, Missouri where I own an entire subdivision of lots that already have water, sewer, and electric on them. Each lot comes with a boat slip worth \$15k."
 - c. "[I]f you go to my website www.rchinvest.com i [sic] have the entire investor package that you can download (free of charge) that breaks down all the ways to invest."
 - d. "Of course everything we do is backed by real estate All you do as the investor is acquire [sic] the loan, from a bank or from the lenders that we use. Next we will choose the home, build it, market it, and sell it for you. And best of all, we make all your loan payments the entire way of the process from start to finish So if this sounds like something you may be interested in go to www.rchinvest.com read the documents, look at the homes we build. This system works, we have built over 10 homes in the last 2 years using this exact meathod. [sic]"
 29. On or about September 2005, MR viewed this website that stated, in part, the following:
 - a. the investor's money, both principal and interest, was guaranteed; and

- b. the investor would receive a certificate that would reflect this guarantee signed by the president, Randy Rippee. This investment guarantee was on Rippee Custom Homes' letterhead and Randy Rippee was identified as the president and owner.
30. In or around March 2006, MR met the Rippees. The Rippees told MR about the Rippees' investment program. The Rippees stated, among other things, that:
 - a. the Rippees could use investors with good credit to borrow money to finance the building of homes. When the home was completed and sold, the investor could make ten percent (10%) above the mortgage amount;
 - b. the Rippees would make the interest, insurance and tax payments while the home was being built;
 - c. the Rippees knew of two (2) people wanting to buy a home built by the Rippees;
 - d. MR could make thirty-eight thousand dollars (\$38,000.00) on a three hundred eighty thousand dollar (\$380,000.00) loan; and
 - e. there were no risks since the construction would be backed by the properties that the Rippees owned.
31. In early October 2006, MR was approved for a three hundred eighty thousand dollar (\$380,000.00) loan. MR invested the proceeds of this loan in the Rippees' investment program. The Rippees were to use these funds to finance the building of a house located in the Springview Subdivision in Branson, Missouri ("MR's Springview Property").
32. In the Spring of 2007, the Rippees discontinued work on MR's Springview Property and failed to make loan and insurance payments on this property. To date, the Rippees have not paid MR any interest or principal and MR's Springview Property is scheduled for foreclosure.
33. To date, MR has incurred over four hundred thousand dollars (\$400,000.00) in investment and construction expenses from MR's investment with the Rippees and RCH Group.
34. A check of the records maintained by the Missouri Commissioner of Securities confirmed that:
 - a. none of the Respondents were registered to offer and sell securities in or from the State of Missouri; and
 - b. there was no registration, granted exemption or notice filing indicating status as a "federal covered security" for any of the securities offered or sold by Respondents in or from Missouri.
35. A check of the records for Rippee Custom Homes revealed that Randy Rippee filed *Articles of Termination for Limited Liability Company* on March 30, 2005, with the State of Missouri Corporations Division. The State of Missouri issued a Certificate of Termination on Rippee Custom Homes on April 14, 2005.
36. On August 21, 2007, an investigator with the Division received, among other things, an affidavit from a subcontractor on MIR1's Split Rail Property. The subcontractor stated, among other things, that:
 - a. Randy Rippee gave the subcontractor a check from MIR1 in the amount of forty-nine thousand nine hundred and sixty-five dollars (\$49,965.00) made payable to the subcontractor's construction company and asked the subcontractor to refund thirteen thousand four hundred and ninety dollars (\$13,490.00) to Randy Rippee. The subcontractor refunded this money to Randy Rippee;
 - b. Randy Rippee had billed twenty-six thousand nine hundred and seventy-five dollars (\$26,975.00) to MIR1's Split Rail Property for streets built in the Spring View Subdivision;
 - c. Randy Rippee had used materials purchased for investor properties in a home that Randy Rippee was remodeling;
 - d. Randy Rippee had used materials purchased for investor properties in a home being built for Frank Rippee; and
 - e. Randy Rippee had double-billed MIR1 for work on MIR1's Split Rail Property.
37. MIR1 stated to an investigator that MIR1 did not receive the refund of the thirteen thousand four hundred and ninety dollars (\$13,490.00) the subcontractor paid to Randy Rippee.
38. MIR1 stated to an investor, among other things, that:
 - a. The Rippees returned items paid for by MIR1 to Home Depot and the Rippees and RCH Group received a gift card in the amount of five thousand, six hundred ninety-eight dollars (\$5,698.00) on October 25, 2005. These funds were not returned to MIR1; and
 - b. the Rippees had returned items paid for by MIR1 to Lowes Home Center, Inc., and the Rippees had received cash of over eight thousand dollars (\$8,000.00). This cash was not returned to MIR1.

39. MIR2 stated to an investigator with the Division, among other things, that Randy Rippee failed to pay subcontractors for work in the subdivision and that these subcontractors quit.
40. MR stated to an investigator with the Division, among other things, that construction changes were made to MR's Springview Property without MR's knowledge or approval.
41. In August 2007, an investigator with the Division sent letters of inquiry to the Rippees that requested a claim of exemption from registration or exception from definition upon which they relied in offering unregistered securities or any claim that the securities were federal covered securities. The letters also requested additional information about the Rippees' Investment Program
42. On September 25, 2007, Randy Rippee sent the Division a letter that stated, among other things, that:
- a. the offering was exempt under Section 409.2-202(14), RSMo. (Cum. Supp. 2006); and
 - b. no filing was required.
43. On September 24, 2007, Frank Rippee sent the Division a letter that stated, in part, that:
- "I was simply acting as an employee of my fathers [sic] to help build his company up, i [sic] used several methods of promoting his company but my main contribution was the creating of a web site to show the people who where [sic] building homes through RCH Investment Group, progress of there [sic] homes, and any future people interested in building homes, homes that we had built."
44. On or before December 5, 2007, an investigator with the Division obtained bank records for RCH Group from Great Southern Bank in Springfield, Missouri and from Liberty Bank in Springfield, Missouri (the "RCH Group Bank Accounts"). Randy Rippee was the signatory on both of these accounts.
45. On December 5, 2007, an investigator with the Division sent a letter to Randy Rippee that requested, among other things, the following:
- a. a detailed explanation of the payment from the RCH Group Bank Accounts of two hundred and twenty thousand dollars (\$220,000.00) to Randy Rippee in the form of payroll and cash expenses between February 7, 2005, and March 14, 2007;
 - b. a detailed explanation regarding the following expenditures from the RCH Group Bank Accounts between February 18, 2005, through February 12, 2007:

i.	Reliable Imports	2/18/2005	\$7,000.00
ii.	Springfield Cardinals, LLC	2/24/2005	898
iii.	HBC Card Services	8/15/2005	2,450.00
iv.	Dr. Judy Steward, DDS	2/18/05-2/12/07	4,832.00
v.	Sam's Club	2/18/05-2/12/07	3,483.00
vi.	Toyota Financial Services	2/18/05-2/12/07	10,270.00
vii.	Washington Mutual	2/18/05-2/12/07	6,309.00
viii.	Chase Auto Finance	2/18/05-2/12/07	10,560.00
ix.	Lenscrafters	2/18/05-2/12/07	625
x.	Capital One Auto Finance	2/18/05-2/12/07	1,360.00
xi.	Franklin Financial	2/18/05-2/12/07	2,717.00
xii.	Fairfield Resort	2/12/05-2/17/07	6,176.00
xiii.	Franklin Loan Services	2/12/05-2/17/07	17,682.00
xiv.	Stereo One	2/12/05-2/17/07	10,000.00
xv.	Walnut Lawn Funeral Home	2/12/05-2/17/07	8,349.00

xvi.	HSBC Auto Finance	2/12/05-2/17/07	797
xvii.	Skaggs Community Health Ctr.	2/12/05-2/17/07	304
xviii.	Home Video Satellite	2/12/05-2/17/07	209

- c. an explanation as to how investors' money, both principal and interest, was guaranteed; and
- d. an explanation as to why the Rippees did not follow through with the promise to make all payments on an investor's home until it sold.

46. To date, Randy Rippee has not responded to the Division's letter.

47. On December 5, 2007, the Division sent a letter to Frank Rippee that requested, among other things, the following:

- a. a detailed explanation as to the seventy three thousand dollars (\$73,000.00) paid to Frank Rippee and Elite in the form of payroll and expenses from the Rippees' investment program account between February 7, 2005, and March 14, 2007; and
- b. a detailed explanation as to why the Rippees did not build, market and sell the homes in the time period specified.

48. To date, Frank Rippee has not responded to the Division's letter.

49. In connection with the offer or sale of these investments:

a. RCH Group and/or the Rippees:

- i. omitted to disclose to MIR1, MIR2 and/or MR the financial condition, background and/or operational history of RCH Group;
- ii. omitted to disclose to MIR1, MIR2 and/or MR that the securities were not registered in the State of Missouri;
- iii. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp., RCH Group and/or the Rippees were not registered to offer and sell securities in or from the State of Missouri; or
- iv. omitted to disclose to MR that investor funds would be used for personal expenses of Randy Rippee and/or Frank Rippee; or
- v. posted an email on a website at <http://investorswanted.com> that MR reviewed that stated that Frank Rippee owned RCH Group, when in fact, RCH Group records provided to other investors represented that Randy Rippee was the sole owner of RCH Group;

b. RCH Corp. and/or the Rippees:

- i. omitted to disclose to MIR1, MIR2 and/or MR the financial condition, background and/or operational history of RCH Corp.;
- ii. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp. was not registered as a corporation in the State of Missouri;
- iii. omitted to disclose to MIR1, MIR2 and/or MR that the securities were not registered in the State of Missouri;
- iv. omitted to disclose to MIR1, MIR2 and/or MR that the RCH Corp., RCH Group and/or the Rippees were not registered to offer and sell securities in or from the State of Missouri;
- v. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp. and/or Rippees would use some of the investor funds for personal expenses of the Rippees;
- vi. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp. and/or Rippees would use some of the investor funds for other properties that the Rippees were constructing or remodeling;
- vii. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp. and/or Rippees would bill an investor for work and materials that were not used on the investor's property;
- viii. provided a document to MIR1, MIR2 and/or MR that stated that RCH Corp. held a "504 license which allows us to raise up to 1 million dollars per year" without disclosing the governmental entity that granted the "504 license" or that an offering exclusively under section 504 of Regulation D would not be legal under Missouri law;

- ix. provided a document to MIR1, MIR2 and/or MR that stated that all properties and other assets of RCH Corp. were “purchased under the name of the LLC and held within that structure” without disclosing that RCH Corp. was not registered as an LLC in the State of Missouri;
- x. provided a document to MIR1, MIR2 and/or MR that stated that “[w]e set up the investment side of our business as a corporation” without disclosing that RCH Corp. was not registered as a corporation in the State of Missouri;
- xi. provided a document to MIR1, MIR2 and/or MR that contained the financial projection that RCH Corp. expected to make “\$6,064,000 pure profit” in three years without providing a meaningful financial basis for this projection;
- xii. provided a document to MIR1, MIR2, and/or MR that contained the statement that the “only risk involved is the estimated time frame of completion And with such a very high profit to debt margin this would be absorbed very easily” without disclosing any current financial information about RCH Corp.;
- xiii. provided a document to MIR1, MIR2, and/or MR that contained the statement that “[t]his system works, we have built over 10 homes in the last 2 years” using this method without disclosing the addresses of these homes, the annual interest rates paid to the investors, the time period expended to build these homes or the corporate profits earned from these transactions; or
- xiv. provided a document to MIR1, MIR2, and/or MR that contained the statement that RCH Corp. through its president and owner Randy Rippee would provide an investment guarantee of the principal and the interest without disclosing the financial condition, background, business status and/or operational history of RCH Corp. and/or the financial condition of Randy Rippee;

c. RCH Corp., the Rippees, and/or Rippee Custom Homes:

- i. omitted to disclose to MIR1 and/or MIR2 that Rippee Custom Homes’ status as an LLC had been terminated in the State of Missouri;
- ii. provided a document to MIR1 and/or MIR2 that contained the statement that Rippee Custom Homes, through its president and owner Randy Rippee, would provide an investment guarantee of the principal and the interest without disclosing the financial condition, background, business status and/or operational history of Rippee Custom Homes and/or the financial condition of Randy Rippee; or
- iii. provided a document to MIR1 and/or MIR2 that contained the statement that the homes “will be built by Rippee Custom Homes, LLC” without disclosing the financial condition, background, business status, and/or operational history of Rippee Custom Homes.

50. An order is in the public interest and consistent with the purposes intended by the Missouri Securities Act of 2003. See Section 409.6-605(b) RSMo. (Cum. Supp. 2007).

II. STATUORY PROVISIONS

- 51. Section 409.6-601(a), RSMo. (Cum. Supp. 2007), provides that the Missouri Securities Act of 2003 “shall be administered by the commissioner of securities”
- 52. Section 409.1-102(28), RSMo. (Cum. Supp. 2007), includes “notes; stock . . . evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement . . . [and an] investment contract” within the definition of a security.
- 53. Section 409.1-102(26), RSMo. (Cum. Supp. 2007), defines “Sale” to include, “every contract of sale, contract to sell, or disposition of, a security or interest in a security for value.” That same section defines “offer to sell” as “every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value.”
- 54. Section 409.2-202(14), RSMo. (Cum. Supp. 2007), states:

The following transactions are exempt from the requirements of sections 409.3-301 to 409.3-306 and 409.5-504:

...

(14) A sale or an offer to sell securities of an issuer, if part of a single issue in which:

- (A) Not more than twenty-five purchasers are present in this state during any twelve consecutive months, other than those designated in paragraph (13);
- (B) A general solicitation or general advertising is not made in connection with the offer to sell or sale of the securities;
- (C) A commission or other remuneration is not paid or given, directly or indirectly, to a person

other than a broker-dealer registered under this act or an agent registered under this act for soliciting a prospective purchaser in this state; and

(D) The issuer reasonably believes that all the purchasers in this state, other than those designated in paragraph (13), are purchasing for investment.

55. Section 409.3-301, RSMo. (Cum. Supp. 2007), states:

It is unlawful for a person to offer or sell a 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.

56. Section 409.4-402(a), RSMo. (Cum. Supp. 2007), states:

It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (b).

57. Section 409.4-402(d), RSMo. (Cum. Supp. 2007), states:

It is unlawful for any broker-dealer or an issuer engaged in offering, selling, or purchasing securities in this state, to employ or associated with an agent who transacts business in this state on behalf of broker-dealers or issuers unless the agent is registered under subsection (a) or exempt from registration under subsection (b).

58. Section 409.5-501, RSMo. (Cum. Supp. 2007), states:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) To employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is 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.

59. Section 409.5-503(a), RSMo. (Cum. Supp. 2007), states:

In a[n] . . . administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the claim.

60. Section 409.6-604(a), RSMo. (Cum. Supp. 2007), states:

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 . . . 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 adviser under section 409.4-403(b)(1)(C); or
- (3) Issue an order under section 409.2-204.

61. Section 409.6-604(d), RSMo. (Cum. Supp. 2007), states:

In a final order . . . the commissioner may impose a civil penalty up to one thousand dollars (\$1,000.00) for a single violation or up to ten thousand dollars (\$10,000.00) for more than one violation.

62. Section 409.6-604(e), RSMo. (Cum. Supp. 2007), states:

In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted or order issued under this act. These funds may be paid into the investor education and

protection fund.

63. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

III. CONCLUSIONS OF LAW

Multiple Violations of Offering or Selling Nonexempt, Unregistered Securities by RCH Corp., RCH Group and/or the Rippees

64. Paragraphs 1 through 63 are incorporated by reference as though fully set forth herein.
65. The investments offered and sold by RCH Corp., RCH Group, and/or the Rippees to MIR1, MIR2 and/or MR are "securities" as defined in Section 409.1-102(28), RSMo. (Cum. Supp. 2007).
66. Respondents' actions in offering securities to Missouri residents are an "attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value," which satisfies the definition of an "offer to sell" under Section 409.1-102(26), RSMo. (Cum. Supp. 2007).
67. Respondents' actions in selling securities to Missouri residents constitute a "contract to sell, or disposition of, a security or interest in a security for value," which satisfies the definition of a "Sale" under Section 409.1-102(26), RSMo. (Cum. Supp. 2007).
68. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration, granted exemption or notice filing indicating status as a "federal covered security" for any security allegedly offered or sold by Respondents.
69. Respondents have failed to prove that they are entitled to rely on the claimed exemption.
70. Respondents RCH Corp., RCH Group, and/or the Rippees violated Section 409.3-301, RSMo. (Cum. Supp. 2007), when they offered or sold securities in Missouri without the securities being (1) a federal-covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-202, RSMo. (Cum. Supp. 2007), or (3) registered under the Missouri Securities Act of 2003.
71. The offering or selling of unregistered, nonexempt securities constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

Multiple Violations by Respondent RCH Corp. and/or RCH Group of Employing Unregistered Agents

72. Paragraphs 1 through 63 are incorporated by reference as though fully set forth herein.
73. Respondent RCH Corp. and/or RCH Group created the promissory notes offered in this matter and are thus the issuers of these securities as that term is defined under Section 409.1-102(17), RSMo. (Cum. Supp. 2007).
74. As the issuers, Respondent RCH Corp. and/or RCH Group employed Randy Rippee and Frank Rippee who solicited investors in Missouri on numerous occasions to purchase a security. These solicitations constitute transacting business in the State of Missouri.
75. Respondent RCH Corp. and/or RCH Group have not registered any issuer agents in the State of Missouri.
76. Respondent RCH Corp. and/or RCH Group violated Section 409.4-402(d), RSMo. (Cum. Supp. 2007), when they employed unregistered agents who transacted business in the State of Missouri.
77. Employing unregistered agents who transact business in this state constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

Multiple Violations of Transacting Business as an Unregistered Agent by Randy Rippee and/or Frank Rippee

78. Paragraphs 1 through 63 are incorporated by reference as though fully set forth herein.
79. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration or granted exemption for Respondents Randy Rippee or Frank Rippee to transact business as agents in the State of Missouri.
80. Respondents Randy Rippee and Frank Rippee violated Section 409.4-402(a), RSMo. (Cum. Supp. 2007), when they offered or sold securities in the State of Missouri without being registered or exempt from registration as agents when they offered or sold these investments to MIR1, MIR2 and or MR.

81. Respondents Randy Rippee and Frank Rippee's actions in transacting business as unregistered agents constitute an illegal act, practice, or course of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

Multiple Violations of 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

82. Paragraphs 1 through 63 are incorporated by reference as though fully set forth herein.

83. In connection with the offer and/or sale of securities:

a. RCH Group and/or the Rippees:

- i. omitted to disclose to MIR1, MIR2 and/or MR the financial condition, background and/or operational history of RCH Group;
- ii. omitted to disclose to MIR1, MIR2 and/or MR that the securities were not registered in the State of Missouri;
- iii. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp., RCH Group and/or the Rippees were not registered to offer and sell securities in or from the State of Missouri; or
- iv. omitted to disclose to MR that investor funds would be used for personal expenses of Randy Rippee and/or Frank Rippee; and
- v. posted an email on a website at <http://investorswanted.com> that MR reviewed that stated that Frank Rippee owned RCH Group, when in fact, RCH Group records provided to other investors represented that Randy Rippee was the sole owner of RCH Group;

b. RCH Corp. and/or the Rippees:

- i. omitted to disclose to MIR1, MIR2 and/or MR the financial condition, background and/or operational history of RCH Corp.;
- ii. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp. was not registered as a corporation in the State of Missouri;
- iii. omitted to disclose to MIR1, MIR2 and/or MR that the securities were not registered in the State of Missouri;
- iv. omitted to disclose to MIR1, MIR2 and/or MR that the RCH Corp., RCH Group and/or the Rippees were not registered to offer and sell securities in or from the State of Missouri;
- v. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp. and/or Rippees would use some of the investor funds for personal expenses of the Rippees;
- vi. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp. and/or Rippees would use some of the investor funds for other properties that the Rippees were constructing or remodeling;
- vii. omitted to disclose to MIR1, MIR2 and/or MR that RCH Corp. and/or Rippees would bill an investor for work and materials that were not used on the investor's property;
- viii. provided a document to MIR1, MIR2 and/or MR that stated that RCH Corp. held a "504 license which allows us to raise up to 1 million dollars per year" without disclosing the governmental entity that granted the 504 license or that an offering exclusively under section 504 of Regulation D would not be legal under Missouri law;
- ix. provided a document to MIR1, MIR2 and/or MR that stated that all properties and other assets of RCH Corp. were "purchased under the name of the LLC and held within that structure" without disclosing that RCH Corp. was not registered as an LLC in the State of Missouri;
- x. provided a document to MIR1, MIR2 and/or MR that stated that "[w]e set up the investment side of our business as a corporation" without disclosing that RCH Corp. was not registered as a corporation in the State of Missouri;
- xi. provided a document to MIR1, MIR2 and/or MR that contained the financial projection that RCH Corp. expected to make "\$6,064,000 pure profit" in three years without providing a meaningful financial basis for this projection;
- xii. provided a document to MIR1, MIR2, and/or MR that contained the statement that the "only risk involved is the estimated time frame of completion And with such a very high profit to debt margin this would be

absorbed very easily” without disclosing any current financial information about RCH Corp.;

- xiii. provided a document to MIR1, MIR2, and/or MR that contained the statement that “[t]his system works, we have built over 10 homes in the last 2 years” using this method without disclosing the addresses of these homes, the annual interest rates paid to the investors, the time period expended to build these homes or the corporate profits earned from these transactions; or
- xiv. provided a document to MIR1, MIR2, and/or MR that contained the statement that RCH Corp. through its president and owner Randy Rippee would provide an investment guarantee of the principal and the interest without disclosing the financial condition, background, business status and/or operational history of RCH Corp. and/or the financial condition of Randy Rippee;

c. RCH Corp., the Rippees, and/or Rippee Custom Homes:

- i. omitted to disclose to MIR1 and/or MIR2 that Rippee Custom Homes’ status as an LLC had been terminated in the State of Missouri;
- ii. provided a document to MIR1 and/or MIR2 that contained the statement that Rippee Custom Homes through its president and owner Randy Rippee would provide an investment guarantee of the principal and the interest without disclosing the financial condition, background, business status and/or operational history of Rippee Custom Homes and/or the financial condition of Randy Rippee; or
- iii. provided a document to MIR1 and/or MIR2 that contained the statement that the homes “will be built by Rippee Custom Homes, LLC” without disclosing the financial condition, background, business status, and/or operational history of Rippee Custom Homes.

84. Respondents RCH Corp., RCH Group, and/or the Rippees violated Section 409.5-501(3), RSMo. (Cum Supp. 2007), when they engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person as described in the paragraph immediately above.

85. Violating Section 409.5-501, RSMo. (Cum. Supp. 2007), as described above constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner’s authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

**Materially Aiding an Act, Practice, or Course of
Business that Would Violate the Act**

86. Paragraphs 1 through 63 are incorporated by reference as though fully set forth herein.

87. In connection with the offer and/or sale of securities, Respondent Rippee Custom Homes materially aided an act, practice, or course of business that would operate as a fraud or deceit upon MIR1, MIR2 and/or MR by allowing its name to be used by RCH Corp., RCH Group and/or the Rippees as the entity that would guarantee the payment of principal and interest to the investors when, in fact, the none of the Respondents provided information to MIR1, MIR2 and/or MR about the current financial condition, business status, background and or operational history of Rippee Custom Homes.

88. Respondent Rippee Custom Homes violated Section 409.5-501(3), RSMo. (Cum Supp. 2007), when it materially aided an act, practice, or course of business that would operate as a fraud or deceit upon another person as described in the paragraph immediately above.

89. Violating Section 409.5-501, RSMo. (Cum. Supp. 2007), as described above constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner’s authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

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 are prohibited from:

- A. offering or selling any securities as defined by Section 409.1-102(28), RSMo. (Cum. Supp. 2007), 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 409.3-304, RSMo. (Cum. Supp. 2007);
- B. transacting business in this state as an agent without being registered as an agent in this state under the Missouri Securities Act of 2003 or being exempt from registration as an agent;
- C. employing an unregistered agent; and/or
- D. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2007), 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 the 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), RSMo. (Cum. Supp. 2007), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each of Respondents RCH Corp., RCH Group, Randy Rippee and Frank Rippee, for multiple violations of Section 409.3-301, RSMo. (Cum. Supp. 2007), in a final order, unless those Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2007), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000.00) against each of Respondents RCH Corp., and RCH Group for multiple violations of Section 409.4-402(d), RSMo. (Cum. Supp. 2007), in a final order, unless those Respondents request a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2007), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000.00) against each of Respondents Frank Rippee and Randy Rippee for multiple violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2007), in a final order, unless those Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2007), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000.00) against each of Respondents RCH Corp., RCH Group, Randy Rippee and Frank Rippee for multiple violations of Section 409.5-501, RSMo. (Cum. Supp. 2007), in a final order, unless those Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, as the Enforcement Section has petitioned for an award for the costs of the investigation against Respondents in this proceeding, the Commissioner will issue a final order, pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2007), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why an award should not be made to the agency.

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 30th DAY OF JANUARY, 2008.

ROBIN CARNAHAN
SECRETARY OF STATE

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

State of Missouri
Office of Secretary of State

Case No. AP-08-01

IN THE MATTER OF:

RCH INVESTMENT GROUP, INC.;
RCH INVESTMENT CORP.;
RIPPEE CUSTOM HOMES, LLC;
RANDY ALLEN RIPPEE; and
FRANKEE LEE ALLEN RIPPEE,

Respondents.

Serve RCH Investment Group, Inc. and
Randy Allen Rippee at:

744 Splitrail Pass
Reeds Spring, Missouri 65737

With copy to:

PO Box 9202
Springfield, Missouri 65809

Serve RCH Investment Corp. and
Randy Allen Rippee at:

3672 East Beaumont Drive
Springfield, Missouri 65909

Serve RCH Custom Homes, LLC and
Randy Allen Rippee at:

3672 East Beaumont Drive
Springfield, Missouri 65909

Serve Frankee Lee Allen Rippee at:

2844 West Nichols Drive
Springfield, Missouri 65737

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. (Cum. Supp. 2007), and 15 CSR 30-55.020. 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:

**Matthew D. Kitz, Commissioner of Securities
Office of the Secretary of State, Missouri
Kirkpatrick State Information Center
600 West Main Street, Room 229
Jefferson City, Missouri, 65102.**

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of January, 2008, copies of the foregoing Order and Notice in the above styled case was **mailed by certified U.S. Mail, postage prepaid, to:**

RCH Investment Group, Inc.
744 Splitrail Pass
Reeds Spring, Missouri 65737

and

PO Box 9202
Springfield, Missouri 65809

Randy Allen Rippee
744 Splitrail Pass
Reeds Spring, Missouri 65737

RCH Investment Corp.
3672 East Beaumont Drive
Springfield, Missouri 65909

Randy Allen Rippee
3672 East Beaumont Drive
Springfield, Missouri 65909

RCH Custom Homes, LLC
3672 East Beaumont Drive
Springfield, Missouri 65909

Frankee Lee Allen Rippee
2844 West Nichols Drive
Springfield, Missouri 65737

And hand delivered to:

Mary Hosmer
Assistant Commissioner
Securities Division

[1] There were more than seventy-two (72) lots in the Cobble Creek Subdivision but this document did not indicate which seventy-two (72) lots were “under contract” to Cobble Creek Homes.

[2] RCH Corp. documents state that RCH Corp. “is structured as a Limited Liability Company.”

[3] MIR2’s father helped with MIR2’s original fifty thousand dollar (\$50,000.00) loan. MIR2 received a check for eight thousand dollars (\$8,000.00) and MIR2’s father received two thousand dollars (\$2,000.00) in interest from Randy Rippee.