

State of Missouri
Office of Secretary of State

Case No. AP-09-10

IN THE MATTER OF:

WARREN & MASSEY ASSET
MANAGEMENT LTD., INC.;
DEBORAH REYNOLDS; and
MICHAEL CHURCH,

Respondents.

Serve: Warren & Massey Asset Management Ltd., Inc. at:
c/o Commissioner of Securities
Missouri Secretary of State
600 West Main Street
Jefferson City, Missouri 65102

Serve: Deborah Reynolds at:
c/o Commissioner of Securities
Missouri Secretary of State
600 West Main Street
Jefferson City, Missouri 65102

Serve: Michael Church at:
c/o Commissioner of Securities
Missouri Secretary of State
600 West Main Street
Jefferson City, Missouri 65102

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

On February 4, 2009, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Enforcement Section"), 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. Warren & Massey Asset Management Ltd., Inc., a/k/a W&M Asset Management ("Warren Massey"), purports to be a corporation with an address at 400 Chesterfield Center, Suite 400, St. Louis, Missouri 63107, and a telephone number of 314-361-3380. Warren Massey maintained a website at warren-massey.net.^[1] Warren Massey is not registered in Missouri, or any other state, as a broker-dealer or investment adviser.
2. Deborah Reynolds ("Reynolds") is the only contact person identified on the Warren Massey website. Reynolds' address was listed as 400 Chesterfield Center, Suite 400, St. Louis, Missouri 63107. There is no Deborah Reynolds registered in Missouri or any other state as a securities agent or investment adviser representative associated with Warren Massey.
3. Michael Church ("Church") purported to be an agent of Warren Massey. Church made cold calls to investors purportedly on behalf of Warren Massey. Church purported to have a business address of 400 Chesterfield Center, Suite 400, St. Louis, Missouri 63107.
4. The Warren Massey website stated, in part, as follows:
 - a. It is our goal to grow clients' wealth through outstanding long-term investment results;
 - b. In order to provide professional advice concerning the clients' financial matters, a financial plan may be recommended to identify goals, analyze current financial situation and outline steps necessary to accomplish those goals;
 - c. Warren Massey is preeminent among corporate and securities firms worldwide, for a number of reasons;
 - d. With years of experience representing companies in transactional matters and securities offerings – both in the United

- States and internationally – it has developed keen insights into the legal, regulatory and business environments in which its clients operate;
- e. We advise clients on the best way to avoid or, where necessary, confront potential SEC problems; and
 - f. We also provide counseling on the disclosure and regulatory obligations of public companies including compliance with securities laws and the rules of the securities exchanges.
5. On or about December 18, 2008, a citizen of Great Britain ("FT1") telephoned the Registration Section of the Missouri Securities Division inquiring about Warren Massey. No registration was found for Warren Massey so the call was transferred to the Enforcement Section. FT1 told an investigator with the Enforcement Section, among other things, the following:
- a. FT1 owns stock in United States Oil & Gas Corporation ("U.S. Oil");
 - b. Recently an individual identifying himself as "Michael Church" called FT1 "out-of-the-blue" and asked FT1 if FT1 was interested in selling FT1's stock in U.S. Oil;
 - c. FT1 did not have any prior knowledge of Church or Warren Massey and does not know how they obtained information about FT1;
 - d. Church subsequently provided a purchase agreement to FT1 showing a market value of the U.S. Oil stock at two hundred forty-five thousand, two hundred and eighteen dollars and fifty-four cents (\$245,218.54);
 - e. Church and Warren Massey offered FT1 two hundred and thirty seven thousand, eight hundred and sixty-one dollars and ninety-eight cents (\$237,861.98) for his shares of U.S. Oil. Church stated that the difference of seven thousand, three hundred and fifty-six dollars and fifty-six cents (\$7,356.56) would be retained as a transaction fee; and
 - f. Church told FT1 that Warren Massey was located at 400 Chesterfield Center, Suite 400, St. Louis, Missouri 63017 and that their phone number was 314-361-3390.
6. On or about January 28, 2009, another citizen of Great Britain ("FT2") telephoned the Enforcement Section about an offer to purchase stock made by an agent of Warren Massey. FT2 told the investigator he was contacted by an agent of Warren Massey with an offer to purchase stock FT2 owned in Global Realty. FT2 believed the offer was approximately ten times the current market value of the stock. During this offer, Warren Massey attempted to extract private banking information from FT2.
7. FT2 did not have the name of the Warren Massey agent but stated that the address for Warren Massey was purportedly 400 Chesterfield Center, Suite 400, St. Louis, Missouri 63017 and their phone number was 314-361-3390.
8. Multiple attempts to contact Warren Massey by the Missouri Securities Division via the telephone number provided resulted only in communication with an answering machine. The answering machine did not provide any identifying information and simply instructed the caller to leave a name and telephone number. None of the usual databases of telephone listings yielded a listing for this telephone number or any information about Warren Massey.
9. On or about January 29, 2009, an investigator with the Enforcement Section contacted the manager for the property located at 400 Chesterfield Center in St. Louis, Missouri and was told that no entity by the name of Warren Massey was located at that address.
10. The website at Warren-Massey.net was created on or about October 9, 2008, and was registered to Nokiahost.com, an anonymous web-hosting company located in the Philippines. An investigator with the Enforcement Section filed a complaint with the server and the website was subsequently removed.
11. A check of the records maintained by the Missouri Commissioner of Securities confirmed that:
- a. Warren Massey has never been registered as a broker-dealer in Missouri;
 - b. Reynolds has never been registered as a securities agent in Missouri; and
 - c. Church has never been registered as a securities agent in Missouri.
12. Respondents did not tell FT1 and FT2, among other things:
- a. that Respondents were not registered in Missouri to offer or sell securities; and
 - b. that while Respondents stated that their goal was to grow clients' wealth through outstanding long-term investment results, they omitted to disclose complete and accurate information about the history and experience of Warren Massey, its officers, directors and agents.
13. Respondents made untrue statements including, but not limited to, the following:

- a. Warren Massey was preeminent among corporate and securities firms worldwide;
- b. Warren Massey was located at 400 Chesterfield Center, Suite 400, St. Louis, Missouri 63017; and
- c. Warren Massey has years of experience representing companies in transactional matters and securities offerings – both in the United States and internationally.

II. STATUTORY PROVISIONS

14. Section 409.1-102(1), RSMo. (Cum Supp. 2008), defines "Agent" as "an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities."
15. Section 409.1-102(4), RSMo. (Cum Supp. 2008), defines a "Broker-dealer" as a person engaged in the business of effecting transactions in securities for the account of others or for the person's own account.
16. Section 409.1-102(26), RSMo. (Cum Supp. 2008), 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."
17. Section 409.1-102(28), RSMo. (Cum Supp. 2008), provides the definition of a "Security." That definition included, among other things: "stock;" "evidence of indebtedness;" and "investment contract."
18. Section 409.4-401(a), RSMo. (Cum Supp. 2008), states:

It is unlawful for a person to transact business in this state as a broker-dealer unless the person is registered under this act as a broker-dealer or is exempt from registration.

19. Section 409.4-402, RSMo. (Cum Supp. 2008), states:

(a) 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)

(c) It is unlawful for a broker-dealer, or for an issuer engaged in offering, selling or purchasing securities in this state, to employ or associate 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).

20. Section 409.5-501, RSMo. (Cum Supp. 2008), 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 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.

21. Section 409.6-604(a), RSMo. (Cum Supp. 2008), 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 or that a person has materially aided . . . an act, practice or course of business constituting a violation of 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.

22. Section 409.6-604(d), RSMo. (Cum Supp. 2008), states:

In a final order . . . the commissioner may impose a civil penalty up to one thousand dollars (\$1,000) for a single violation or up to ten thousand dollars (\$10,000) for more than one violation.

23. Section 409.6-604(e), RSMo. (Cum Supp. 2008), provides the following:

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.

24. Section 409.6-611, RSMo. (Cum. Supp. 2008), provides:

(a) A consent to service of process complying with section 409.6-611 required by this act must be signed and filed in the form required by a rule or order under this act. A consent appointing the commissioner the person's agent for service of process in a noncriminal action or proceeding against the person, or the person's successor or personal representative under this act or a rule adopted or order issued under this act after the consent is filed, has the same force and validity as if the service were made personally on the person filing the consent. A person that has filed a consent complying with this subsection in connection with a previous application for registration or notice filing need not file an additional consent.

(b) If a person, including a nonresident of this state, engages in an act, practice, or course of business prohibited or made actionable by this act or a rule adopted or order issued under this act and the person has not filed a consent to service of process under subsection (a), the act, practice, or course of business constitutes the appointment of the commissioner as the person's agent for service of process in a noncriminal action or proceeding against the person or the person's successor or personal representative.

(c) Service under subsection (a) or (b) may be made by providing a copy of the process to the office of the commissioner, but it is not effective unless:

(1) The plaintiff, which may be the commissioner, promptly sends notice of the service and a copy of the process, return receipt requested, to the defendant or respondent at the address set forth in the consent to service of process or, if a consent to service of process has not been filed, at the last known address, or takes other reasonable steps to give notice; and

(2) The plaintiff files an affidavit of compliance with this subsection in the action or proceeding on or before the return day of the process, if any, or within the time that the court, or the commissioner in a proceeding before the commissioner, allows.

(d) Service pursuant to subsection (c) may be used in a proceeding before the commissioner or by the commissioner in a civil action in which the commissioner is the moving party.

(e) If process is served under subsection (c), the court, or the commissioner in a proceeding before the commissioner, shall order continuances as are necessary or appropriate to afford the defendant or respondent reasonable opportunity to defend.

III. CONCLUSIONS OF LAW

Multiple Violations of Transacted Business as an Unregistered Broker-Dealer

25. Paragraphs 1 through 24 are incorporated by reference as though fully set forth herein.

26. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration or granted exemption for Warren Massey to transact business as a broker-dealer in or from the State of Missouri.

27. Warren Massey violated Section 409.4-401(a), RSMo. (Cum. Supp. 2008), when it attempted to effect purchases or sales of securities from the State of Missouri without being registered or exempt from registration as a broker-dealer.

28. Warren Massey's actions in transacting business as an unregistered broker-dealer constitute an illegal act, practice, or course of business and such actions are therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2008).

Transacting Business as an Unregistered Agent

29. Paragraphs 1 through 24 are incorporated by reference as though fully set forth herein.

30. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration or granted exemption for Church to transact business as an agent in or from the State of Missouri.

31. Church transacted business as an unregistered agent by holding himself out in telephone calls to investors as an agent of Warren Massey. In addition, Church attempted to effect trades in an investor's account. Church's actions constitute an illegal act, practice, or course of business and such actions are therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2008).

Multiple Violations of Employing and Unregistered Agent

32. Paragraphs 1 through 24 are incorporated by reference as though fully set forth herein.
33. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration or granted exemption for Church or any other agent to transact business as an agent of Warren Massey in the State of Missouri.
34. Church and another unidentified agent purported to represent Warren Massey in offering to purchase securities from investors.
35. Warren Massey's actions of employing unregistered agents constitute an illegal act, practice, or course of business and such actions are therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2008).

Multiple Violations of Making an Untrue Statement or Omitting to State Material Facts in Connection with the Offer or Sale of a Security

36. Paragraphs 1 through 24 are incorporated by reference as though fully set forth herein.
37. In connection with the offer, sale or purchase of securities from Missouri, Respondents made the following untrue statements of material fact:
 - a. Warren Massey was preeminent among corporate and securities firms worldwide;
 - b. Warren Massey was located at 400 Chesterfield Center, Suite 400, St. Louis, Missouri 63017; and
 - c. Warren Massey has years of experience representing companies in transactional matters and securities offerings – both in the United States and internationally.
38. In connection with the offer or sale of securities from Missouri, Respondents 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, including, but not limited to, the fact that Respondents were not registered in Missouri to offer or sell securities.
39. Respondents' actions in making untrue statements and omitting 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 connection with the offer, sale or purchase of a security, constitute a violation of Section 409.5-501, and are illegal acts, practices, or courses of business and such actions are therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2008).
40. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b), RSMo. (Cum. Supp. 2008).

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. violating or materially aiding in any violation of Section 409.4-401(a), RSMo. (Cum. Supp. 2008), by transacting business as an unregistered broker-dealer;
- B. violating or materially aiding in any violation of Section 409.4-402(a), RSMo. (Cum. Supp. 2008), by transacting business as an unregistered agent;
- C. violating or materially aiding in any violation of Section 409.4-402(d), RSMo. (Cum. Supp. 2008), by employing an unregistered agent; and
- D. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2008), 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.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2008), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent Warren Massey for multiple violations of Section 409.4-401, RSMo. (Cum. Supp. 2008), in a final order, unless Respondent Warren Massey requests 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. 2008), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of one thousand dollars (\$1,000) against Respondent Church for a violation of Section 409.4-402(a), RSMo. (Cum. Supp. 2008), in a final order, unless Respondent Church requests 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. 2008), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars

(\$10,000) against Respondent Warren Massey for multiple violations of Section 409.4-402(d), RSMo. (Cum. Supp. 2008), in a final order, unless Respondent Warren Massey requests 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. 2008), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent for multiple violations of Section 409.5-501(2), RSMo. (Cum. Supp. 2008), in a final order, unless 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. 2008), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why such an award should not be made.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 19TH DAY OF FEBRUARY, 2009.

ROBIN CARNAHAN
SECRETARY OF STATE

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

State of Missouri
Office of Secretary of State

Case No. AP-09-10

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WARREN & MASSEY ASSET
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Serve: Michael Church at:
c/o Commissioner of Securities
Missouri Secretary of State

600 West Main Street
Jefferson City, Missouri 65102

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 19th day of February, 2009, copies of the foregoing Order and Notice in the above styled case was **mailed by certified U.S. Mail, postage prepaid, to:**

Warren & Massey Asset Management Ltd., Inc.
c/o Commissioner of Securities
Missouri Secretary of State
600 West Main Street
Jefferson City, Missouri 65102

Deborah Reynolds
c/o Commissioner of Securities
Missouri Secretary of State
600 West Main Street
Jefferson City, Missouri 65102

Michael Church
c/o Commissioner of Securities
Missouri Secretary of State
600 West Main Street
Jefferson City, Missouri 65102

And hand delivered to:

Mary Hosmer
Assistant Commissioner
Securities Division

John Hale, Specialist

[1] After the Enforcement Section contacted the server the Warren Massey website was taken down as explained more fully below.