

State of Missouri
Office of Secretary of State

Case No. AP-10-19

IN THE MATTER OF:

RONALD W. SHEPARD, d/b/a
SHEPARD AND ASSOCIATES and TOW-SAFE;
THE REAL ESTATE LLC; and
SAFETY SOLUTIONS USA, LLC;

Respondents.

Serve Respondents The Real Estate LLC and
Safety Solutions USA, LLC at:

200 NE Missouri Road
Suite 200
Lee's Summit, Missouri 64086

Serve Respondent Ronald W. Shepard at:

5272 Horseshoe Bend Parkway
Lake Ozark, Missouri 65049

**Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs
Should Not Be Imposed**

On May 14, 2010, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Enforcement Section"), through the Securities Division's Chief Enforcement Counsel, Nathan Soendker, 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. Ronald W. Shepard ("Shepard"), d/b/a Shepard and Associates ("S&A") and Tow-Safe, has a last known address of 5272 Horseshoe Bend Parkway, Lake Ozark, Missouri 65049. Shepard purports to be the owner and operator of The Real Estate LLC ("TRE"), and Safety Solutions USA, LLC ("Safety Solutions"). A check of records maintained by the Commissioner of Securities indicates that Shepard has never been registered to sell securities in the State of Missouri.
2. TRE is a Missouri limited liability company with a last known business address of 200 NE Missouri Road, Suite 200, Lee's Summit, Missouri 64086. TRE was organized in the State of Missouri on March 14, 2006, by Shepard.
3. American Safety Equipment and Supplies, LLC ("American Safety"), is a Missouri limited liability company with a last known address of 200 NE Missouri Road, Suite 200, Lee's Summit, Missouri 64086. American Safety was organized on October 29, 2007, by Shepard. The company name was amended on September 19, 2008, to Safety Solutions USA, LLC ("Safety Solutions").
4. Shepard filed a Missouri Registration of Fictitious Name for Shepard and Associates ("S&A") on February 15, 2002, which expired August 28, 2009. Shepard does business as S&A out of a last known business address of 200 NE Missouri Road, Suite 200, Lee's Summit, Missouri 64086.
5. Shepard does business as Tow-Safe for the purposes of marketing and sales of a trailer hitch safety device. A patent request for the trailer hitch safety device was filed on May 1, 2008, by a partnership consisting of Shepard, Thomas R. Barnhart, and Mary D. Miller. The partnership listed a last known address of 200 NE Missouri Road, Suite 200, Lee's Summit, Missouri 64086.
6. As used in this Petition, the term "Respondents" refers to Shepard d/b/a S&A and Tow-Safe, TRE, and Safety Solutions.
7. At all times relevant, records maintained by the Commissioner of Securities contained no registration, granted exemption or notice filing indicating status as a "federal covered security" for any securities issued by TRE and Safety Solutions and sold by Shepard.
8. On or before March 1, 2006, Shepard approached a Missouri resident and his spouse (collectively, "MR1") who Shepard met through a mutual friend. Shepard told MR1, among other things, that:
 - a. Shepard had a real estate company that bought and sold commercial and residential real estate;

- b. MR1 could invest in the real estate company;
 - c. Shepard would assist MR1's liquidation of an equity-indexed annuity held in an IRA to provide funds for the investment;
 - d. MR1's surrender fees incurred through the liquidation of MR1's annuity would be included in the principal of the note;
 - e. MR1 would receive fifteen (15%) interest per annum; and
 - f. MR1 would receive monthly payments of principal and interest on the note.
9. During the solicitation of MR1, Shepard omitted to state, among other things, the following material facts:
- a. that the securities offered or sold were not registered;
 - b. that Shepard and TRE were not registered to offer and sell securities in the State of Missouri;
 - c. that Shepard's offer and sale of the promissory notes to investors was in violation of a prior Cease and Desist Order *In the Matter of RWS Group, Inc., et al., Case AP-04-33*, Missouri Commissioner of Securities 2004;
 - d. that investors' money would be used to pay other investors;
 - e. that investors' money would be used for a purpose other than that stated by Shepard;
 - f. that investors' payments would be stopped before the investor received a total return of money invested; and
 - g. that investors' money would be used for personal expenses and cash payments to Shepard and other family members.
10. On March 1, 2006, MR1 wrote a check made payable to S&A in the sum of sixty thousand dollars (\$60,000) that was deposited by Shepard in his S&A bank account at Bank Midwest, 1205 Douglas Street, Lee's Summit, Missouri 64086. This investment does not appear to be evidenced by any promissory note, contract, or other written document.
11. In anticipation of an additional investment from MR1, Shepard issued a promissory note to MR1 on May 23, 2006, in the amount of four hundred sixty-two thousand four hundred twenty-six dollars (\$462,426). The promissory note indicated that money would be paid by MR1 to TRE as an investment in the amount of four hundred five thousand five hundred forty-four dollars and ninety-six cents (\$405,544.96). In addition to this investment, the promissory note covered an additional fifty-six thousand eight hundred eighty-one dollars and four cents (\$56,881.04). As stated on the promissory note, this amount represented surrender fees incurred by MR1 for the liquidation of equity-indexed annuities to fund MR1's investment.
12. On June 1, 2006, MR1 wrote a check payable to TRE in the amount of four hundred five thousand five hundred forty-four dollars and ninety-six cents (\$405,544.96), which was deposited in a TRE bank account by Shepard.
13. On or before August 31, 2006, MR1 was provided with a document entitled "Ron Shepard & Associates" and signed by Shepard. This document purported to document MR1's investments and the interest that was earned on those investments. The document indicated that, as of August 31, 2006, the total balance due to MR1 by Shepard for repayment of MR1's investments and the interest accrued on those investments was four hundred eighty-one thousand one hundred ten dollars (\$481,110).
14. From June 2006 through August 2008, Shepard made as many as twenty-five (25) payments to MR1 totaling approximately one hundred twenty-seven thousand dollars (\$127,000) from Shepard's TRE and S&A bank accounts at Bank Midwest.
15. After August 2008, MR1 received no payments from Shepard.
16. From August 2008 through October 2009, MR1 contacted Shepard numerous times to inquire about further payments due from Shepard. Shepard informed MR1 that the funds were frozen in a dispute between TRE and Wells Fargo Bank, and that once the suit was settled all investors would receive their funds. The Enforcement Section has been unable to locate any evidence of litigation, pending or otherwise, between TRE and Wells Fargo Bank.
17. On or about December 31, 2009, MR1 was provided with a document entitled "2009 Monthly Account Statement." This statement purported to document MR1's investments with Shepard and the interest that was earned on MR1's investments. The document indicated that, as of December 31, 2009, the total balance due to MR1 by TRE for repayment of MR1's investments and the interest accrued on those investments was six hundred seventy-two thousand seven hundred twenty-one dollars and twenty-three cents (\$672,721.23).
18. In or around May 2004, Shepard approached a Missouri resident ("MR2") about investing in Shepard's real estate company. MR2 heard about Shepard through a co-worker at a previous place of employment.
19. Shepard told MR2, among other things, that:
- a. Shepard had a real estate company that bought and sold commercial and residential real estate;

- b. MR2 could invest in the real estate company;
 - c. Mary Shepard, Shepard's wife, would assist MR2 in a rollover of MR2's 401(k) investments to free up funds to invest in TRE;
 - d. TRE would add funds to MR2's initial investment to cover surrender penalties incurred by MR2 for the liquidation of Allianz annuities; and
 - e. MR2 would receive fifteen percent (15%) interest per annum on MR2's investment.
20. During the solicitation of MR2, Shepard omitted to state, among other things, the following material facts:
- a. that the securities offered or sold were not registered;
 - b. that Shepard, TRE, and Safety Solutions were not registered to offer and sell securities in the State of Missouri;
 - c. that Shepard's offer and sale of the promissory notes to investors was in violation of a prior Cease and Desist Order *In the Matter of RWS Group, Inc., et al., Case AP-04-33*, Missouri Commissioner of Securities 2004;
 - d. that investors' money would be used to pay other investors;
 - e. that investors' money would be used for a purpose other than that stated by Shepard;
 - f. that investors' payments would be stopped before the investor received a total return of money invested; and
 - g. that investors' money would be used for personal expenses and cash payments to Shepard and other family members.
21. On May 25, 2004, MR2 invested seventy-five thousand dollars (\$75,000) with Shepard, and TRE, payable with interest at the rate of fifteen percent (15%) per annum
22. On November 6, 2004, MR2 invested fifty-six thousand dollars (\$56,000) with Shepard and TRE, payable with interest at the rate of fifteen percent (15%) per annum
23. From October 25, 2006, through July 22, 2008, MR2 made eleven (11) additional investments with Shepard and TRE totaling one hundred eighty-eight thousand eight hundred fourteen dollars and twenty-five cents (\$188,814.25).
24. From March 9, 2006, through February 8, 2009, Shepard made three payments to MR2 payable from an S&A bank account totaling seven thousand seven hundred dollars (\$7,700).
25. From July 31, 2006, through November 7, 2008, Shepard made thirty-two (32) payments to MR2 payable from a TRE bank account totaling one hundred thirty-two thousand forty-one dollars (\$132,041).
26. On or about December 1, 2006, Shepard and TRE issued a promissory note to MR2 in the amount of thirty-nine thousand dollars (\$39,000), interest payable at the rate of fifteen (15%) percent per annum. The promissory note indicated that the funds represented an IRA rollover to TRE and reflect an actual deposit of thirty-three thousand eight hundred eleven dollars and sixty-five cents (\$33,811.65) and additional funds by TRE to cover surrender penalties assessed by the annuity company and incurred by MR2.
27. On or about October 1, 2007, MR2 was provided with an undated letter entitled "To All Clients" and signed by Shepard. This document stated that:
- a. Shepard had started another company called American Safety Equipment and Supplies and that all investors would benefit;
 - b. Projections for the new company in 2008 might exceed 10-20 million dollars net profit and 50-100 million dollars in three years;
 - c. TRE had sold all residential properties and purchased commercial properties, which were producing enough profits to pay out the interest to investors as scheduled;
 - d. Adding another company would increase the interest pay outs and would make the principal of the investment double each year;
 - e. The phone was being answered as "American Safety Equipment and Supplies" because they were "taking orders for all over the nation and expected to go international";
 - f. They already had the attention of buyers from Wal-Mart, Target, Bass Pro, Cabella's, Tracker Boats, and Ranger Boats; and
 - g. They planned to introduce their products in February 2008 in Miami and Las Vegas.

28. On or about October 1, 2007, MR2 was provided with a document entitled "The Real Estate LLC." This document purports to be a balance sheet for TRE dated October 1, 2007, and indicates TRE has total assets and total liabilities each of eleven million three hundred eighty-nine thousand three hundred dollars (\$11,389,300).
29. On or about July 22, 2008, MR2 invested three thousand five hundred dollars (\$3,500) with Shepard. This investment was deposited in Shepard's S&A bank account at Bank Midwest.
30. On or about December 2, 2008, Shepard and Safety Solutions issued a promissory note to MR2 in the amount of three thousand dollars (\$3,000). The promissory note indicated that MR2 would receive ten percent (10%) interest per annum. In addition, MR2 would have an option of making additional investments in 2009 at one hundred percent (100%) interest.
31. On or about November 30, 2009, MR2 was provided with a document entitled "2009 Monthly Account Statement." This statement purported to document MR2's May 25, 2004, investment with Shepard in the original amount of seventy-five thousand dollars (\$75,000) and the interest that was earned on MR2's investments. The document indicated that, as of November 30, 2009, the total balance due to MR2 by Shepard for repayment of MR2's seventy-five thousand dollar (\$75,000) investment and the interest accrued on that investment was one hundred sixty-two thousand five hundred forty-two dollars and eighty cents (\$162,542.80).
32. On or about November 30, 2009, MR2 was provided with an additional document entitled "2009 Monthly Account Statement." This statement purported to document MR2's November 6, 2004 investment with Shepard in the original amount of fifty-six thousand dollars (\$56,000) and the interest that was earned on MR2's investment. The document indicated that, as of November 30, 2009, the total balance due to MR2 by Shepard for repayment of MR2's fifty-six thousand dollar (\$56,000) investment and the interest accrued on that investment was sixty-nine thousand three hundred forty-nine dollars and twenty-six cents (\$69,349.26).
33. On or about November 30, 2009, MR2 was provided with a third document entitled "2009 Monthly Account Statement." This statement purported to document MR2's investment of thirty-three thousand eight hundred eleven dollars and sixty-five cents (\$33,811.65), surrender charges incurred by MR2, and interest thereon. These amounts were covered by a promissory note signed by Shepard for TRE. The document indicated that, as of November 30, 2009, the total balance due to MR2 by Shepard for repayment of the thirty-nine thousand dollar (\$39,000) promissory note and the interest accrued on that investment was fifty-nine thousand three hundred fourteen dollars and thirteen cents (\$59,314.13).
34. In or around October 2006, Shepard approached a Missouri resident ("MR3") and MR3's spouse ("MR4") about investing in Shepard's real estate company. MR3 had worked with MR2 at a prior place of employment and had heard of Shepard through mutual friends.
35. During the solicitation of MR3, Shepard omitted to state, among other things, the following material facts:
 - a. that the securities offered or sold were not registered;
 - b. that Shepard, TRE, and Safety Solutions were not registered to offer and sell securities in the State of Missouri;
 - c. that investors' money would be used to pay other investors;
 - d. that investors' money would be used for a purpose other than that stated by Shepard; and
 - e. that investors' money would be used for personal expenses and cash payments to Shepard and other family members.
36. On or about October 23, 2006, MR3 made a check payable to TRE in the amount of fifteen thousand dollars (\$15,000). The check's memo note stated: "Ron Shepard."
37. Shepard made a payment to MR3 on or about January 2, 2007, in the amount of eighteen thousand dollars (\$18,000). The check's memo note stated: "(15k)."
38. On or about January 22, 2008, Shepard issued a promissory note to MR3 in the amount of nine thousand five hundred twenty-eight dollars (\$9,528). The promissory note indicated, among other things, that:
 - a. MR3's funds were to be deposited with American Safety;
 - b. MR3 was to receive interest at one hundred percent (100%) per annum; and
 - c. MR3 was to be paid a total amount of nineteen thousand sixty-six dollars (\$19,066) on December 31, 2008.
39. Shepard made one payment to MR3 on or about February 28, 2008, in the amount of two thousand one hundred dollars (\$2,100).
40. MR4, the spouse of MR3, became acquainted with Shepard through MR3 and other mutual friends. Shepard approached MR4 to invest MR4's IRA funds in Safety Solutions.

41. During the solicitation of MR4, Shepard omitted to state, among other things, the following material facts:
 - a. that the securities offered or sold were not registered;
 - b. that Shepard, TRE, and Safety Solutions were not registered to offer and sell securities in the State of Missouri;
 - c. that Shepard's offer and sale of the promissory notes to investors was in violation of a prior Cease and Desist Order *In the Matter of RWS Group, Inc., et al., Case AP-04-33*, Missouri Commissioner of Securities 2004;
 - d. that investors' money would be used to pay other investors;
 - e. that investors' money would be used for a purpose other than that stated by Shepard;
 - f. that investors' payments would be stopped before the investor received a total return of money invested; and
 - g. that investors' money would be used for personal expenses and cash payments to Shepard and other family members.
42. On or before December 2, 2008, Shepard issued a promissory note to MR4 in the amount of fifty-two thousand eighty-five dollars and fourteen cents (\$52,085.14). The promissory note indicated, among other things, that:
 - a. MR4's money was to be deposited with Safety Solutions;
 - b. MR4 was to receive interest at fifteen percent (15%) per annum "or dividends, whichever is greater;" or
 - c. MR4 would have an "option to buy into [the] company if return is greater."
43. On December 2, 2008, MR4, on behalf of J. D. Rose Enterprise, LLC, wrote a check payable to Safety Solutions in the amount of fifty-two thousand eighty-five dollars and fourteen cents (\$52,085.14), which included the term "Investment" in the memo line.
44. Bank records reveal that:
 - a. MR4's December 2, 2008, check was not deposited in Shepard's bank accounts for either TRE or Safety Solutions; and
 - b. From December 2008 through March 2010, neither Shepard nor Safety Solutions paid MR4 a return on MR4's investment.
45. On or about October 28, 2009, MR4 was provided with a letter from Shepard dated October 28, 2009, indicating that because of an "economical crisis" in September 2008, "monies got delayed and we are now in litigation with Wells Fargo"
46. On or about November 30, 2009, MR4 was provided with a document entitled "2009 Monthly Account Statement." This statement purported to document MR4's investments with Shepard and the interest that was earned on MR4's investments. The document indicated that, as of November 30, 2009, the total balance owed to MR4 by Shepard for repayment of MR4's investments and the interest accrued on those investments was fifty-nine thousand eight hundred ninety-seven dollars and ninety-one cents (\$59,897.91).
47. From November 30, 2009, through May 4, 2010, MR4 contacted Shepard numerous times to inquire about further payments due. Shepard informed MR4 that the funds were frozen in a dispute between TRE and Wells Fargo and that once the suit was settled all investors would receive their funds.
48. Based on information obtained by the Enforcement Section, during the period of January 2006 through December 2009, additional investments were made with Shepard and/or Shepard's entities by approximately thirty-five (35) investors. The amount of these additional investments totaled at least two million six hundred eighteen thousand seven hundred twenty-six dollars (\$2,618,726).
49. From the funds obtained from investors, the following amounts, among others, were taken out in either cash withdrawals, checks payable to cash, or checks payable to the business or individual listed below:

a. Respondent Ron Shepard	\$396,419
b. Mary Shepard (spouse)	\$142,410
c. Rick Shepard (son)	\$129,998
d. Randy Shepard (son)	\$80,690
e. Dale Shepard (brother)	\$18,500
f. Luke Shepard (relative)	\$700
g. Micah Shepard (relative)	\$2,760
h. Jerry McGuire (brother of Mary Shepard)	\$1,500

i. Alaskan Fur	\$10,268
j. Zales Jewelry	\$25,747
k. Executive Auto	\$13,999
l. Don Vance Ford	\$24,675
m. Lakeway Ford	\$40,441
n. Lloyd Belt Chrysler	\$45,321
o. Nationwide Credit	\$1,225
p. Beneficial Finance	\$3,980
Total	\$938,633

50. During the course of its investigation the Enforcement Section has not obtained any evidence of sales, profits or income derived from the business activities of the Respondents.
51. On or about December 1, 2004, the Missouri Commissioner of Securities issued a Cease and Desist Order, *In the Matter of RWS Group, Inc., et al., Case AP-04-33*, Missouri Commissioner of Securities 2004. This Order permanently prohibited Respondent Ronald W. Shepard and others from, among other things:
- Violating or materially aiding in the violation of Section 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;
 - Violating or materially aiding in the violation of Section 409.5-501 RSMo. (Cumulative Supp. 2003), by omitting to state, in connection with the offer, sale or purchase of securities to Missouri residents, material facts;
 - Violating or materially aiding in the violation of Section 409.5-501, RSMo. (Cumulative Supp. 2003), by making an untrue statement of material facts to Missouri residents;
 - Violating or materially aiding in the violation of Section 409.5-501, RSMo. (Cumulative Supp. 2003), by engaging in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person in connection with the offer, sale or purchase of a security;
 - Violating or materially aiding in the violation of Section 409.4-402(a) RSMo. (Cumulative Supp. 2003), by transacting business as an agent without an effective registration;
 - Violating or materially aiding in the violation of Section 409.402(d), RSMo. (Cumulative Supp. 2003), by employing or associating with an unregistered agent; and
 - Violating or materially aiding in the violation of Section 409.5-505, RSMo. (Cumulative Supp. 2003), by causing to be made, in any record that is used in an action or proceeding or filed under this act, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.
52. On January 20, 2010, the Commissioner of Securities for the State of Missouri issued a Subpoena Duces Tecum to Ronald W. Shepard ordering him to appear and produce certain documents on February 1, 2010. The appearance of Shepard was postponed to February 17, 2010, and again to March 17, 2010.
53. On March 16, 2010, the Chief Enforcement Counsel for the Enforcement Section of the Missouri Securities Division received a telephone call from Shepard's attorney indicating that Shepard would not appear on March 17, 2010.
54. On March 19, 2010, the Commissioner of Securities for the State of Missouri requested the enforcement of the Subpoena Duces Tecum by the Office of the Missouri Attorney General, and on April 5, 2010, and an Application to Enforce Subpoena Duces Tecum was filed by the Attorney General's office in the Circuit Court of Cole County, Missouri.

II. STATUTORY PROVISIONS

55. Section 409.6-601(a), RSMo. (Cum. Supp. 2009), provides that the Missouri Securities Act of 2003 "shall be administered by the commissioner of securities. . . ."
56. Section 409.1-102(1), RSMo. (Cum. Supp. 2009), 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."
57. Section 409.1-102(17), RSMo. (Cum. Supp. 2009), defines "Issuer" as "a person that issues or proposes to issue a security. . . ."

58. Section 409.1-102(26), RSMo. (Cum. Supp. 2009), 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."

59. Section 409.1-102(28), RSMo. (Cum. Supp. 2009), provides the definition of a "Security." That definition includes:

a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or, in general, an interest or instrument commonly known as a "security"; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

60. Section 409.3-301, RSMo. (Cum. Supp. 2009), 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.

61. Section 409.4-402(a), RSMo. (Cum. Supp. 2009), 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).

62. Section 409.4-402(d), RSMo. (Cum. Supp. 2009), states:

It is unlawful 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 . . . issuers unless the agent is registered under subsection (a) or exempt from registration under subsection (b).

63. Section 409.5-501, RSMo. (Cum. Supp. 2009), states:

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

- (1) employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit 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.

64. Section 409.6-604(a), RSMo. (Cum. Supp. 2009), 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, 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 adviser under section 409.4-403(b)(1)(C); or
- (3) Issue an order under section 409.2-204.

65. Section 409.6-604(d), RSMo. (Cum Supp. 2009), 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.

66. Section 409.6-604(e), RSMo. (Cum Supp. 2009), 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.

III. CONCLUSIONS OF LAW

Multiple Violations of Offering and Selling Unregistered, Non-Exempt Securities

67. Paragraphs 1 through 66 are incorporated by reference as though fully set forth herein.

68. Respondents offered and sold a security as those terms are defined in Sections 409.1-102(26) and (28), RSMo. (Cum Supp. 2009).

69. At all times relevant, records maintained by the Commissioner of Securities contained no registration, granted exemption or notice filing indicating status as a "federal covered security" for the investments offered and sold by Respondents.

70. Respondents violated Section 409.3-301, RSMo. (Cum Supp. 2009), when they offered and sold securities in Missouri without these securities being (1) a federal offered security, (2) exempt from registration, or (3) registered under the Missouri Securities Act of 2003.

71. Respondents' actions in offering or selling securities that were not registered, exempt or a federal covered security constitute an illegal act, practice, or course of business and thus such actions are subject to the commissioner's authority under Section 409.6-604, RSMo. (Cum Supp. 2009).

Multiple Violations of Transacting Business as an Unregistered Agent

72. Paragraphs 1 through 66 are incorporated by reference as though fully set forth herein.

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

74. Respondent Shepard violated Section 409.4-402(a), RSMo. (Cum Supp. 2009), when he offered or sold securities in the State of Missouri without being registered or exempt from registration as an agent.

75. Respondent Shepard's actions in transacting business as an unregistered agent constitutes an illegal act, practice, or course of business and thus such actions are subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum Supp. 2009).

Employing an Unregistered Agent

76. Paragraphs 1 through 66 are incorporated by reference as though fully set forth herein.

77. Respondent TRE and Respondent Safety Solutions employed or associated with Respondent Shepard as an agent who transacted business on behalf of Respondents TRE and Safety Solutions. These activities constitute transacting business in the State of Missouri.

78. Neither Respondent TRE nor Respondent Safety Solutions have registered any agents in the State of Missouri.

79. Respondent TRE and Respondent Safety Solutions violated Section 409.4-402(d), RSMo. (Cum Supp. 2009), when they employed an unregistered agent who transacted business in the State of Missouri.

80. Respondents TRE and Safety Solution's actions of employing an unregistered agent who transacted business in this state constitute illegal acts, practices, or courses of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum Supp. 2009).

Multiple Violations of Engaging in an Act, Practice, or Course of Business that Operates as a Fraud or Deceit Upon Another Person

81. Paragraphs 1 through 66 are incorporated by reference as though fully set forth herein.

82. In connection with the offer, sale or purchase of a security, Respondents employed a device, scheme, or artifice to defraud by engaging in a Ponzi scheme in which Respondents disbursed funds to multiple investors which were obtained from other investors. This scheme gave the appearance of legitimate returns and induced investors into placing additional monies with

Respondents.

83. Respondents violated Section 409.5-501(1), RSMo. (Cum. Supp. 2009), when they employed a device, scheme, or artifice to defraud in connection with the offer, sale, or purchase of a security.
84. Respondents' actions in engaging in an act, practice or course of business that operates as a fraud or deceit upon another person constitute illegal acts, practices, or courses of business and thus such actions are subject to the commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).

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

85. Paragraphs 1 through 66 are incorporated by reference as though fully set forth herein.
86. In connection with the offer or sale of securities to investors, Respondents Shepard, TRE, and/or Safety Solutions made untrue statements of material fact when Shepard stated the following:
- a. that investors would receive payments of principal and interest on their notes at rates of return varying from 10% per annum to 100% per annum;
 - b. that Respondents already had the attention of buyers from Wal-Mart, Target, Bass Pro, Cabella's, Tracker Boats, and Ranger Boats for the sale of a trailer hitch safety device;
 - c. that Respondents and Wells Fargo Bank were in litigation and, once that litigation was settled, all investors would receive their funds; or
 - d. that Respondents had sold all residential properties and purchased commercial properties, which were producing enough profits to pay out the interest to investors as scheduled.
87. In connection with the offer, sale or purchase of a security, Shepard omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, the following:
- a. that the securities offered or sold were not registered;
 - b. that Respondents were not registered to offer or sell securities in or from the State of Missouri;
 - c. that Shepard's offer and sale of securities to the investors was in violation of a Cease and Desist Order, *In the Matter of RWS Group, Inc., et al., Case AP-04-33*, Missouri Commissioner of Securities 2004;
 - d. that investors' money would be used to pay other investors;
 - e. that investors' money would be used for cash payments to Shepard and other family members; or
 - f. that investors' money would be used to pay expenses for furs, jewelry, autos and/or credit card companies for Shepard and other family members.
88. Respondents violated Section 409.5-501(2), RSMo. (Cum. Supp. 2009), when, in connection with the offer, sale or purchase of a security, they made untrue statements of material fact or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.
89. Respondents' actions in making untrue statements or 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 constitute illegal acts, practices, or courses of business and thus such actions are subject to the commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).
90. 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. 2009).

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 409.3-301, RSMo. (Cum. Supp. 2009), by offering or selling any securities as defined by Section 409.1-102(28), RSMo. (Cum. Supp. 2009), 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 409.3-301;
- B. violating or materially aiding in any violation of Section 409.4-402(a), RSMo. (Cum. Supp. 2009), by transacting business as

an unregistered agent;

- C. violating or materially aiding in any violation of Section 409.4-402(d), RSMo. (Cum. Supp. 2009), by employing an unregistered agent; and
- D. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2009), 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 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. 2009), 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 409.3-301, RSMo. (Cum. Supp. 2009), in a final order, unless 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. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of civil penalties of up to ten thousand dollars (\$10,000) against Respondent Shepard for multiple violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2009), in a final order, unless Respondent Shepard 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. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of civil penalties of up to ten thousand dollars (\$10,000) against Respondents TRE and Respondent Safety Solutions for multiple violations of Section 409.4-402(d), RSMo. (Cum. Supp. 2009), in a final order, unless Respondent TRE and Respondent Safety Solutions 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. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of civil penalties of up to ten thousand dollars (\$10,000) against each Respondent for multiple violations of Section 409.5-501(1), RSMo. (Cum. Supp. 2009), in a final order, unless 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. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of civil penalties of up to ten thousand dollars (\$10,000) against each Respondent for multiple violations of Section 409.5-501(2), RSMo. (Cum. Supp. 2009), in a final order, unless Respondents request a hearing and shows 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. 2009), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and shows cause why such award should not be made.

IT IS FURTHER REQUESTED that, the Commissioner provide such other relief as he deems just.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 19TH DAY OF MAY, 2010.

ROBIN CARNAHAN
SECRETARY OF STATE

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

State of Missouri
Office of Secretary of State

Case No. AP-10-19

IN THE MATTER OF:

RONALD W. SHEPARD, d/b/a
SHEPARD AND ASSOCIATES and TOW-SAFE;
THE REAL ESTATE LLC; and

SAFETY SOLUTIONS USA, LLC;

Respondents.

Serve Respondents The Real Estate LLC and
Safety Solutions USA, LLC at:

200 NE Missouri Road
Suite 200
Lee's Summit, Missouri 64086

Serve Respondent Ronald W. Shepard at:

5272 Horseshoe Bend Parkway
Lake Ozark, Missouri 65049

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. 2008), 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 Kitzi, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102.

CERTIFICATE OF SERVICE

I hereby certify that on this 19th day of May, 2010, copies of the foregoing Order and Notice in the above styled case was **mailed by certified U.S. Mail, postage prepaid, to:**

Ronald W. Shepard d/b/a
Shepard and Associates and
Tow-Safe
5272 Horseshoe Bend Parkway
Lake Ozark, Missouri 65049

The Real Estate LLC
200 NE Missouri Road
Suite 200
Lee's Summit, Missouri 64086

Safety Solutions USA, LLC
200 NE Missouri Road
Suite 200
Lee's Summit, Missouri 64086

And regular U.S. mail to:

Robert N. Calbi
Law Offices of Calbi & Yotz, P.C.
819 Walnut, Suite 401
Kansas City, MO 64109-1810
COUNSEL FOR RESPONDENTS

And hand delivered to:

Nathan J. Soendker
Chief Enforcement Counsel
Securities Division

John Hale
Specialist