



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
RICHARD CRAIG STITT,) Case No. AP-12-14
)
Respondent.)

**FINAL ORDER TO CEASE AND DESIST AND ORDER AWARDING
RESTITUTION AND IMPOSING CIVIL PENALTIES**

Now on the twenty-second day of May 2015, the Commissioner, having reviewed this matter, issues the following findings and order:

I. FINDINGS OF FACT

A. Respondents and Related Parties

1. Richard Craig Stitt (“Stitt”) is a 57-year-old resident of Michigan with a last known address of 20836 Hall Road Lot 267, Clinton Township, Michigan 48038. A check of the records maintained by the Commissioner indicates that, at all times relevant, Stitt was not registered as a securities agent with the State of Missouri.
2. Liberty Technologies, Inc. was a Kansas corporation. Liberty Technologies, Inc.’s corporate status with Kansas was forfeited on July 15, 2007. Liberty Technologies, Inc. was registered to do business in Missouri under the name Liberty Technologies Group, Inc. Liberty Technologies, Inc.’s corporate status in Missouri was administratively dissolved or revoked as of October 13, 2009. According to records maintained by Missouri’s Business Services Division, Stitt was the president, vice president, secretary, treasurer, and the only director on the board of Liberty Technologies, Inc. As used herein, the term “Liberty” collectively refers to Liberty Technologies, Inc. and Liberty Technologies Group, Inc.
3. Stitt Industries Inc. was a Missouri corporation. Stitt Industries Inc. was administratively dissolved or revoked as of January 6, 2000. According to records maintained by Missouri’s Business Services Division, Stitt was the incorporator of Stitt Industries Inc.
4. As used herein, the term *Respondent* refers to Stitt.

B. Enforcement Section Investigation

5. From January 3, 2011, to October 5, 2011, the Enforcement Section interviewed and received documents from a 75-year-old Sedalia, Missouri resident (“MR”), MR’s daughter, and an investigator with the Missouri Department of Health and Social Services relating to MR’s investments with Stitt and Liberty. A review of this information revealed among other things, the following:
 - a. in or around late 2007, Stitt and MR met at a social event in Sedalia, Missouri;
 - b. Stitt told MR that MR could invest in Liberty;
 - c. in or around October 2008, MR gave Stitt a check made payable to Liberty in the amount of \$15,000 to invest in Liberty;
 - d. Stitt gave MR a preferred stock certificate which set forth, among other things, the following:
 - i. Liberty was a Missouri Corporation;
 - ii. MR was “the record holder of 15,000 shares of preferred stock of Liberty”;
 - iii. the Liberty preferred stock was to pay a dividend of 10% annually, would mature in 12 months, and was automatically renewable for 12 additional months at the same rate; and
 - iv. “The shares represented by this certificate have been acquired for investment and have not been registered under the securities act of 1933. Such shares may not be sold or transferred or pledged in the absence of such registration unless the company receives an opinion of counsel reasonably acceptable to it stating that such sale or transfer is exempt from the registration and prospectus delivery requirements of said act”;
 - e. between October 2008 and August 2010, MR made at least 12 additional investments totaling over \$44,000 in Liberty preferred stock, and MR received Liberty preferred stock certificates signed by Stitt as the president and secretary of Liberty;
 - f. MR used funds from MR’s bank account, investment accounts and/or certificates of deposit to invest in Liberty;
 - g. Stitt lived with MR at MR’s residence from approximately August 2010 through November 2010;

- h. after November 2010, Stitt visited MR on multiple occasions; on at least one of those occasions, Stitt stayed in a van parked in MR's driveway, and MR paid for Stitt's gasoline because Stitt told MR that Stitt could not afford to pay for gasoline;
- i. after MR informed Stitt that MR could not invest additional funds, Stitt did not call or visit MR as frequently; and
- j. as of the date of July 27, 2012, MR has not received any returns on MR's investments with Stitt.

Additional Investigative Findings

- 6. On or about July 11, 2011, an investigator with the Enforcement Section contacted a brother of Stitt, who stated, among other things, that:
 - a. in or around 1998, Stitt offered and sold investments in Stitt Industries Inc. to family members of Stitt;
 - b. some of the investments in Stitt Industries Inc. were evidenced by promissory notes; and
 - c. at least some of these promissory notes have not been fully repaid.
- 7. As part of the Enforcement Section's investigation, a review of Court records revealed among other things, that in July of 1994, Stitt's brother obtained a judgment against Stitt for nonpayment of a promissory note. *Stitt v. Stitt*, No. 7CV193007184 (Clay County, Mo. 1994), *aff'd*, (Mo. App. W.D. 1995).
- 8. On or about July 12, 2011, a Missouri accountant ("PM") responded to the Enforcement Section's request for information regarding Stitt and Liberty. PM stated, among other things, that:
 - a. PM performed accounting services for Stitt and Liberty;
 - b. Stitt and Liberty owed PM approximately \$17,000 for PM's accounting services;
 - c. in 2009, PM began pursuing collection of Stitt and Liberty's \$17,000 debt; and
 - d. Stitt and Liberty have not paid any of PM's outstanding accounting fees.
- 9. Prior to some or all of MR's investment(s) in Liberty, Stitt failed to disclose to MR, among other things, the following:
 - a. that Stitt was not registered to offer and sell securities in the State of Missouri;

- b. financial information to support the promise of a 10% return on MR's investment;
 - c. the risks of the investment;
 - d. how funds obtained from investors would be used;
 - e. that Liberty had outstanding debts for accounting services in the amount of approximately \$17,000;
 - f. that Stitt owed money to investors in Stitt Industries Inc.;
 - g. that a judgment was entered against Stitt for nonpayment of a promissory note;
 - h. the financial condition of Liberty; and
 - i. that Liberty's corporate status in Kansas was forfeited in 2007 and that Liberty's corporate status in Missouri was administratively dissolved or revoked in 2009.
10. On July 27, 2012, Chief Enforcement Counsel Kristine Sonnett Kauflin and Deputy Enforcement Counsel Corinne E. Muller, on behalf of the Enforcement Section, submitted a Petition for Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed ("Petition") in the above-styled matter.
 11. On July 27, 2012, a copy of the Petition was sent to Respondent via certified mail at the above-listed address. The certified mail receipt was returned undeliverable.
 12. On July 31, 2012, the Commissioner issued an Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed ("Order") against Respondent.
 13. On July 31, 2012, a representative of the Commissioner sent a copy of the Order via certified mail to Respondent at the above-listed address. The certified mail was marked refused on August 2, 2102 at 11:36 a.m. and at 4:06 p.m.
 14. A copy of the Order and the press release issued by the Secretary of State's office was e-mailed to Respondent at rick_stitt@hotmail.com on August 6, 2012. Respondent did not respond to the e-mail.
 15. Respondent, on several occasions, responded to the Enforcement Section's e-mails to his e-mail address.
 16. On September 25, 2012, the Secretary of State's office received a 76-page document from Respondent directed to the Secretary titled "Response to SOS 2012 Internet Posting about Richard Stitt" ("Response").

17. Respondent addressed the allegations printed on the Secretary of State's website as a press release, and later as Finding of Fact in the Response.
18. Respondent sent the Response to the Secretary of State's office addressing the allegations contained in the Order; however, the Response did not contain a request for a hearing in this matter.
19. To date, Respondent has not requested a hearing in this matter.
20. The Commissioner did not order a hearing in this matter.
21. On April 21, 2015, the Enforcement Section, through Assistant Commissioner Mary Hosmer, moved the Commissioner to issue a final order in this matter. Attached to that motion was an exhibit detailing the restitution owed to MR and the applicable statutory interest rate. *See* Section 409.6-604(d)(2). A copy of that exhibit is attached to this Final Order as Exhibit 1.

II. CONCLUSIONS OF LAW

22. Because Respondent did not request a hearing within the time allowed by Section 409.6-604, RSMo. (Cum. Supp. 2013),¹ and because the Commissioner never ordered such a hearing, the Order issued on July 31, 2012, against Respondent became **FINAL** by operation of law.

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

23. Respondent violated Section 409.3-301 when he offered and sold securities from the State of Missouri by, among other things:
 - a. soliciting funds from MR1; or
 - b. receiving investment funds from MR1.

These activities constitute an offer and sale.

24. The interests offered or sold were investment contracts and are, therefore, securities.
25. At all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a "federal covered security" for the securities offered and sold by Respondent.

¹ Unless otherwise specified, all statutory references are to the 2013 cumulative supplement of the revised Statutes of Missouri.

26. Respondent offered and sold securities in or from Missouri without these securities being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-203, or (3) registered under the Missouri Securities Act of 2003.
27. Respondent offered and sold unregistered securities in violation of Section 409.3-301.
28. The conduct of Respondent in violation of Section 409.3-301 constitutes engaging in an illegal act, practice, or course of business and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

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

29. Respondent, in connection with the offer, sale or purchase of a security, Respondent made an untrue statement of material fact to MR regarding some or all of MR's investments, including but not limited to, that Liberty was a Missouri corporation.
30. Prior to some or all of MR's investments in Liberty, Respondent 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, to MR, among other things, the following:
 - a. that Stitt and Liberty were not registered to offer and sell securities in the State of Missouri;
 - b. financial information to support the promise of a 10% return on MR's investment;
 - c. the risks of the investment;
 - d. how funds obtained from investors would be used;
 - e. that Liberty had outstanding invoices payable to PM for accounting services in the amount of approximately \$17,000;
 - f. that Stitt owed money to investors in Stitt Industries Inc.;
 - g. that a judgment was entered against Stitt for nonpayment of a promissory note;
 - h. the general financial condition of Liberty; and
 - i. that Liberty's corporate status in Kansas was forfeited in 2007 and that Liberty's corporate status in Missouri was administratively dissolved or revoked in 2009.
31. Respondent made untrue statements of material facts, or 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 in violation of Section 409.5-501.

32. MR was over the age of 60 and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B) at the time of Respondent's 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.
33. Respondent's conduct in violation of Section 409.5-501 constitutes engaging in an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
34. 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).

III. ORDER

NOW THEREFORE, it is hereby ordered that Respondent, his 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 by offering or selling unregistered, non-exempt securities; and
- B. violating or materially aiding in any violation of Section 409.5-501 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 Respondent shall pay a civil penalty in the amount of \$10,000 for multiple violations of Section 409.3-301. This amount shall be made payable to the State of Missouri. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent shall send or deliver these payments to the Securities Division, at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102 within 30 days from the date of this Final Order;

IT IS FURTHER ORDERED that Respondent shall pay a civil penalty in the amount of \$10,000 for multiple violations of Section 409.5-501. This amount shall be made payable to the State of Missouri. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent shall send or deliver these payments to the Securities Division, at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102 within 30 days from the date of this Final Order;

IT IS FURTHER ORDERED that Respondent shall pay an additional civil penalty in the amount of \$5,000 for violations of Section 409.5-501 committed against an elderly person. This amount shall be made payable to the State of Missouri. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent shall send or deliver these payments to the Securities Division, at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102 within 30 days from the date of this Final Order;

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay restitution and interest in the total amount of \$62,433. This amount shall be made payable to the Missouri Secretary of State's Investor Restitution Fund, and the Commissioner will take reasonable and necessary actions to distribute such funds to those persons referenced in Exhibit 1. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, Jefferson City, Missouri 65101, within 30 days from the date of this Final Order;

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(e), Respondent shall pay costs of the investigation in this matter in the amount of \$8,762. These funds shall be made payable to the Investor Education and Protection Fund and shall be sent to the Securities Division at 600 West Main Street, Jefferson City, Missouri 65101, within 30 days from the date of this Final Order; and

IT IS FURTHER ORDERED that Respondent shall pay his own costs and attorney's fees in this matter.

SO ORDERED.

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS TWENTY-SECOND DAY OF MAY 2015.



JASON KANDER
SECRETARY OF STATE

A handwritten signature in blue ink that reads "Andrew M. Hartnett".

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of May, 2015, a copy of the foregoing Order in the above styled case was mailed by **U.S. mail and e-mail** to:

Richard Craig Stitt
20836 Hall Road, Lot 267
Clinton, Michigan 48038

and

rick_stitt@hotmail.com



Marsha Presley
Securities Office Manager