



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
FSG FUNDRAISING, LLC; and) Case No. AP-15-27
JOANNA L. RICH, CRD No. 3108743,)
)
Respondents.)

**FINAL ORDER TO CEASE AND DESIST AND ORDER AWARDING
RESTITUTION, CIVIL PENALTIES, AND COSTS**

Now on this 4th day of February, 2016, the Commissioner, having reviewed this matter, issues the following findings and order:

I. PROCEDURAL BACKGROUND

1. On July 9, 2015, the Enforcement Section of the Securities Division of the Office of Secretary of State (the “Enforcement Section”), through its Assistant Commissioner Mary S. Hosmer, submitted a Petition for Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed.
2. On October 6, 2015, the Commissioner issued an Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed (the “C&D Order”).
3. On November 4, 2015, the Office of the Commissioner hand-delivered a copy of the C&D Order to Respondents, and Respondent Joanna L. Rich accepted delivery of the C&D Order on behalf of Respondents.
4. Respondents failed to request a hearing in this matter pursuant to Section 409.6-604, RSMo. (Cum. Supp. 2013).¹
5. The Commissioner has not ordered a hearing in this matter pursuant to Section 409.6-604.

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

6. On January 5, 2016, the Enforcement Section, through Director of Enforcement John Phillips, submitted a Motion for Final Order.
7. To date, the Respondents have failed to respond to the Motion for Final Order.

II. FINDINGS OF FACT

A. Respondents and Related Parties

8. Joanna L. Rich (“Rich”) is a 49-year-old insurance agent registered with the Missouri Department of Insurance, No. 225335. Rich resides at 215 Cobblefield Court, Wildwood, Missouri 63011. Rich has Central Registration Depository (“CRD”) number 3108743, but has not been registered in the securities industry since December 31, 2007.
9. FSG Fundraising, L.L.C. (“FSG”) is a Missouri limited liability company formed on August 24, 2011. Rich is listed as the registered agent and organizer for FSG. Rich serves as the managing member of FSG.² FSG has a mailing address of 17209 Chesterfield Airport Road, Suite 262, Chesterfield, Missouri 63005. FSG has a bank account at a bank in Clayton, Missouri (“FSG Account”), and Rich is the only signatory on the FSG Account.
10. Donald A. Schneider (“Schneider”) is a 74-year-old insurance agent who resides at 23 Marine Lane, Maryland Heights, Missouri, 63043. Schneider has a current Missouri Insurance Producer license number 0812091 and was a broker-dealer agent with CRD number 1001144. Schneider has not been registered in the securities industry in Missouri since December 31, 2007. Schneider did business as Schneider & Associates Insurance Agency (“Schneider & Associates”). The fictitious name registration for Schneider & Associates expired in Missouri on October 17, 2009.
11. Financial Solutions Group of St. Peters, Missouri, LLC (“Financial Solutions Group”), is a Missouri limited liability company formed on July 10, 2009. Schneider is listed as the registered agent and organizer for Financial Solutions Group, which has an address of 2046 Queens Brooke Blvd., Suite 205, St. Peters, Missouri 63376.
12. At all relevant times, Rich and FSG had no registration, granted exemption or notice-filing indicating status as a “federal covered security” for the securities offered or sold by Rich or FSG.
13. At all times relevant Rich was not registered as an agent in the State of Missouri.
14. As used herein, the term “Respondents” refers to Rich and FSG.

² Records filed with the Business Services Division of the Missouri Secretary of State state that FSG is member-managed. Rich, through counsel, stated to the Missouri Securities Division that FSG was member-managed. However, subsequently Rich stated that Rich was the only member and the manager of FSG as more fully described below.

B. Enforcement Section Investigation

Kansas Resident 1 and Kansas Resident 2

15. In early 2012, Rich contacted a 57-year-old Kansas resident (“KR1”) to invest in FSG. KR1 has multiple sclerosis and is retired.
16. Rich had been KR1’s financial advisor for over 10 years. Rich was also a financial advisor for KR1’s spouse who died several years before.
17. KR1 does not like taking risks and does not own any stock.
18. KR1 said that Rich has always driven to Kansas to meet with KR1 regarding KR1’s investments. KR1 was not able to drive to Missouri due to a handicap.
19. Rich told KR1, among other things, that an investment with FSG:
 - a. was low-risk; and
 - b. would earn 10% interest per year.
20. KR1 could not remember what KR1 was told the FSG investment “program” involved or how FSG makes money.
21. KR1 does not remember receiving a prospectus or any type of documentation reflecting the financial condition of FSG.
22. From on or about January 6, 2012, to December 12, 2013, KR1 and KR1’s son (“KR2”) invested in excess of \$170,000 with Rich and FSG. KR1’s and KR2’s funds were deposited in the FSG Account in Missouri as described more fully below.
23. KR1 received refunds in excess of \$14,000 from Rich for KR2’s investments. After these refunds, KR1 had in excess of \$157,000 invested with Rich and FSG.
24. KR1 received quarterly statements from Rich and FSG, and KR1 believed KR1’s investment in FSG has continued to earn money.

Missouri Resident 1

25. In or around late 2012, Rich contacted a 76-year-old resident of Missouri (“MR1”) about an investment. MR1 is a retired school teacher and met Rich through MR1’s school district. Rich was the insurance agent who represented the company through which MR1 had an annuity. Rich also assisted MR1’s spouse with retirement planning.

26. In August of 2012, MR1's spouse died unexpectedly, and MR1 received approximately \$16,000 from a life insurance benefit. After the death of MR1's spouse, Rich helped MR1 with MR1's finances and bills.
27. Rich suggested MR1 put the money from the life insurance benefit "in a safe place where it will make money" by investing it with Rich and FSG.
28. Rich told MR1 that MR1 "could not touch the money" invested in FSG for "at least a year."
29. MR1 understood that MR1's investment return would come from the profits of the company.
30. MR1 did not receive a prospectus or any type of documentation reflecting what the investment involved.
31. On or about November 1, 2012, while at a bank in St. Louis County, Missouri, MR1 invested \$16,000 via check to Rich. MR1 signed an agreement with Rich and FSG ("Investor Application").
32. Rich and FSG did not tell MR1, among other things, that:
 - a. Rich was not registered to offer or sell securities;
 - b. the securities were not registered to be offered or sold in the State of Missouri;
 - c. investment funds would be commingled with Rich's personal funds and used for Rich's personal expenses;
 - d. the financial condition of FSG; or
 - e. that there were risks related to the investment in FSG.
33. Rich provided MR1 with a Transaction Confirmation document, which:
 - a. was on PharmaCare RX letterhead;
 - b. listed the transaction date as November 1, 2012;
 - c. listed the "Investment Amount" as \$16,000;
 - d. listed the "Transaction Description" as an "Investment Payment" of \$16,000; and
 - e. stated that any first year withdrawal would be subject to a penalty.

34. MR1 received a few statements after MR1's investment with Rich. Some of the statements appear to be "just a typed document without any letterhead" that contain MR1's alleged account balance details.
35. The statement period from January 1, 2012, to December 31, 2012, lists MR1's beginning balance as \$16,000 and MR1's ending account balance of \$17,818.43.
36. The last statement MR1 received from Rich and FSG stated MR1's account would have a balance of \$21,560.20 in December 2014.
37. When MR1 thought MR1 was going to be "short" on funds in April of 2015, MR1 contacted Rich to ask if MR1 could "cash-in" some of MR1's investment, if needed. Rich told MR1 that MR1 could not withdraw any of MR1's funds until at least October 2015.

Missouri Resident 2

38. In or about 2005, a resident of St. Peters, Missouri, currently 81 years old ("MR2"), decided to sell MR2's shares of stock and purchase an annuity to lower MR2's investment risk. A friend suggested that MR2 contact Schneider at Financial Solutions Group.
39. MR2 met with Rich, who was Schneider's employee at the time, at Financial Solutions Group's office in St. Louis, Missouri. Rich assisted MR2 in liquidating MR2's securities and purchasing an annuity.
40. In 2009, Rich contacted MR2 about another annuity, which MR2 purchased through Rich.
41. MR2 has stated that, "Rich is handling my money. . . I get a statement once a year that tells me my balance in both my accounts."
42. From February 2012 to November 20, 2013, MR2 gave Rich \$15,500. MR2's funds were deposited into the FSG Account.
43. Rich provided MR2's name to the Enforcement Section as a "contributor" to Rich and FSG.
44. Rich and FSG did not tell MR2, among other things, that:
 - a. MR2's investment funds would be deposited in an FSG Account;
 - b. MR2's funds would be invested in Rich's company FSG;
 - c. there were risks related to the investment;

- d. the securities where MR2's funds were invested were not registered to be offered or sold in the State of Missouri;
 - e. Rich was not registered to offer or sell securities in the State of Missouri at that time; and
 - f. MR2's investment funds would be commingled in the FSG Account with Rich's personal funds and used for personal expenses.
45. MR2 has never received a statement from Rich regarding any investment in FSG.
46. MR2 stated MR2 would have never given money to any fundraising company because MR2 believes the majority of fundraisers are mismanaged, and the funds usually end up in someone's pocket.
47. MR2 has not received any return or refund from Rich or FSG.

Schneider Interview

48. On June 16, 2015, an investigator with the Enforcement Section interviewed Schneider. During this interview, Schneider stated, among other things that:
- a. Rich was an insurance producer who did business through two companies that were Schneider's clients;
 - b. Rich and Schneider were part of an organization called Fundraising Midwest;
 - c. Schneider was not aware that Rich had a company named FSG and does not know anything about the company;
 - d. Schneider was not aware Rich had solicited investors in FSG;
 - e. Schneider was not aware Rich was issuing statements to investors in FSG on letterhead of Financial Solutions Group;
 - f. Schneider denied receiving any money from Rich or FSG; and
 - g. when asked why Schneider sent at least \$7,466 to Rich and FSG in the form of multiple checks, Schneider replied it was likely for commissions on insurance products.
49. A review of the FSG Account shows that Rich wrote checks in excess of \$24,000 to Schneider or Schneider's company. These checks were endorsed for deposit by Schneider.

Rich Target Letter Response

50. In early 2014, Rich and FSG, through counsel, stated to the Enforcement Section, among other things, that:
- a. “seven persons...were conveyed membership interests in FSG”; and
 - b. FSG was a member-managed limited liability company.

On-the-Record Examination of Joanna Rich

51. On February 20, 2015, Rich appeared before the Enforcement Section for an on-the-record examination (“Rich OTR”).
52. During the Rich OTR, Rich stated, among other things, that seven persons gave money to Rich or FSG as “contributors,” even though:
- a. Rich told these individuals, who Rich solicited, that they were investing in FSG;
 - b. Rich had at least one of the contributors sign a document titled “Investor Application”;
 - c. Rich supplied statements to several contributors that referred to the funds as an “Investment Amount” and the return after the three years as an “Investment Payment”; and
 - d. Rich, through counsel, referred to the investors as members of FSG and stated that FSG was member-managed.
53. During this Rich OTR, Rich additionally stated, among other things, the following:
- a. with regard to Rich or FSG:
 - i. Rich resided in Wildwood, Missouri;
 - ii. Rich was an insurance agent;
 - iii. Rich created FSG in October or November of 2011;
 - iv. Rich was the manager of FSG;
 - v. FSG was a start-up company to sell fundraising packages to non-profit organizations and schools (“Organizations”);
 - vi. the FSG fundraising packages consisted of discounts, among other things, for entertainment and/or meals;

- vii. both FSG and the participating Organizations would receive a portion of money paid for the packages that were sold by the Organizations;
 - viii. Rich and FSG had not signed up any Organizations as of February 2015; and
 - ix. delays in signing up Organizations were because another entity, Fundraising Midwest, was still in development;
- b. with regard to the contributors:
- i. Rich received “contributions” from KR1, KR2, MR1, and MR2;
 - ii. Rich also received “contributions” from the following individuals:
 - A. a now-deceased Kansas resident (“KR3”) who provided \$15,000 to Rich in 2013; and
 - B. two other Missouri residents (respectively, “MR3” and “MR4”);
 - iii. Rich had personal agreements with these contributors;
 - iv. Rich then stated that the personal agreements were with both Rich and FSG;
 - v. the money raised from these contributors was to be used for “the start-up of FSG”;
 - vi. all contributors were told that they could earn a 10% annual return and that they could withdraw their money in three years;
 - vii. this 10% was a “guaranteed” return;
 - viii. some contributors were to receive a 10% premium bonus;
 - ix. the “contributions” were for a minimum of three years because “the start-up probably wouldn’t profit for the first three years”;
 - x. all “contributors were for three years”;
 - xi. the contributors could receive their money prior to the three year minimum;
 - xii. if a contributor took money out before the three years, that contributor would not “receive the bonus”;

- xiii. the contributors did not have to do any work for FSG to receive this return;
 - xiv. none of the contributors participated in any meetings in which the business of FSG was discussed;
 - xv. Rich did not “believe there was a risk because if the company failed, [Rich] was still going to personally guarantee” the investment;
 - xvi. Rich provided statements to the “contributors.” Rich believed that all “contributors” received a statement; and
 - xvii. Rich created a document titled, Investor Application to keep a record of the funds received from “contributors”;
- c. with regard to MR1:
- i. Rich “made up” the Investment Application document supplied to MR1; and
 - ii. MR1 signed an Investor Application;
- d. with regard to KR1:
- i. KR1 “contributed” funds to FSG; and
 - ii. KR1’s funds were placed in the FSG Account to be used for the start-up business;
- e. with regard to MR3:
- i. Rich supplied a statement to MR3, titled “Transaction Confirmation,” which listed an “Investment Amount,” “Investment Payment,” and a “Total Investment Amount”;
 - ii. the Transaction Confirmation provided to MR3 did not provide the name of FSG, but used the name of PharmaCare RX and Schneider’s company, Financial Solutions Group;
 - iii. it was an error that MR3’s Transaction Confirmation did not reference FSG;
 - iv. Rich received \$18,000 from MR3 in 2011, and MR3 was to receive around \$31,000 in three years;
 - v. the money from MR3 was to be used for FSG; and

- vi. Rich had not returned MR3's funds, because MR3 wanted to withdraw funds before the three years were up and wanted more money than Rich believed was owed to MR3. Subsequently, Rich and MR3 agreed to "settle after the three years";
- f. with regard to MR4:
 - i. Rich received \$15,000 from MR4, who was a "contributor," the day before the Rich OTR. This \$15,000 had not posted to the FSG Account;
 - ii. MR4's "contribution" was similar to the other "contributions";
 - iii. MR4 was to receive a 10% annual return and a 10% bonus; and
 - iv. MR4's funds were to be deposited in the FSG Account and that Rich would pay Rich's salary from that amount;
- g. with regard to Schneider:
 - i. Rich paid Schneider from the FSG Account:
 - A. to market for FSG;
 - B. to grow "[Schneider's] marketing and [Schneider's] role in Fundraising Midwest"; and
 - C. to "advance Fundraising Midwest";
 - ii. Schneider did not provide an invoice to Rich or FSG for the work Schneider performed for FSG;
 - iii. Rich did not keep track of the work that Schneider performed for FSG; and
 - iv. Rich did not discuss with the contributors that Rich would pay Schneider from the FSG Account;
- h. with regard to the FSG Account, Rich's salary, Rich's personal bank accounts, and funds received:
 - i. Rich was the only signatory on the FSG Account;
 - ii. funds in that FSG Account were to be used for FSG business;
 - iii. Rich received checks from FSG for Rich's salary;

- iv. the amount of the salary Rich received from FSG “wasn’t predetermined”;
 - v. Rich did not know how much she had received as salary;
 - vi. Rich had filed personal tax returns but did not keep track of what Rich received as a salary, because Rich “[had] to pay it all back, so I guess I didn’t look at it from that standpoint”;
 - vii. Rich also put Rich’s personal funds in the FSG Account;
 - viii. Rich had seven other personal bank accounts;
 - ix. Rich did not know the amount of Rich’s personal funds put into the FSG Account;
 - x. Rich did not keep track of how much money Rich took out of the FSG Account in personal expenses;
 - xi. Rich did not tell contributors that their funds would be commingled with Rich’s personal funds in the FSG Account and used by Rich for personal expenses;
 - xii. Rich paid Rich’s son from the FSG Account, even though Rich’s son did not provide FSG invoices for the work the son performed;
 - xiii. Life Point Church, Accent Lawn, Andrick’s Roofing, and Schrader Funeral Home did not provide services to FSG;³ and
 - xiv. as of February 20, 2015, the FSG Account had \$7,000;
- i. as of February 2015, FSG had not made a profit; and
 - j. Rich could repay all “contributors” by selling Rich’s house or borrowing funds from friends.

Bank Records

54. FSG Account records from November 23, 2011, to January 31, 2014, revealed the following:
- a. the account was listed under the name FSG and was located at a bank in Clayton, Missouri;
 - b. Rich was the sole signatory on the account;

³ Rich paid money to the entities listed from the FSG Account as more fully described below.

- c. the account was opened on November 23, 2011;
- d. from November 23, 2011 to December 12, 2013, in excess of \$246,000 was deposited in the FSG Account from KR1, including the amount invested on KR2's behalf, as well as from KR3, MR1, MR2, MR3, and MR4. During that same period, Rich deposited other funds totaling \$46,216;
- e. payments to investors totaled \$18,680;
- f. payments were made to Schneider in excess of \$24,000;
- g. from January 1, 2012, to January 4, 2014, Rich withdrew cash, transferred funds and made purchases of a personal nature in excess of \$173,000 that included, but were not limited to, the following:
 - i. withdrawals of cash, via ATM transactions (including fees) and checks to Rich, in excess of \$34,000;
 - ii. payments of over \$45,580 to Thrifty Car Rental, Life Point Church, Accent Lawn, Andres's Roofing, and Schrader Funeral Home; and
 - iii. debit card purchases in excess of \$110,000 at, among others, the following: Ameristar Casino Resort & Spa, K-Mart, Traffic Law Hotline, a fireworks store, the Chicago White Sox, Majestic Nails, St. Louis Zoo, Six Flags, grocery stores, Southwest Airlines, Delta Airlines, Lane Bryant, local dentists, Bowling.com, The Tan Company, Best Buy, PlayStation Network, Salon West, and Supercuts.

III. CONCLUSIONS OF LAW

- 55. Because Respondents failed to request a hearing within the time allowed by Section 409.6-604, and because the Commissioner never ordered such a hearing, the Order issued on October 6, 2015, against Respondents became **FINAL** by operation of law.

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

- 56. **THE COMMISSIONER CONCLUDES** that Respondents violated Section 409.3-301 when Respondents offered and sold unregistered, non-exempt securities in or from Missouri by, among other things:
 - a. soliciting investors, including KR1, KR2, KR3, MR1, MR2, MR3, and MR4, to invest with FSG through Rich;
 - b. receiving investment funds from these investors with the investors' expectations of a return on their investments dependent upon the efforts of others and not on the efforts of the investors;

- c. engaging in agreements to pay these investors in the future for funds presently received;
 - d. promising investors that they would receive a return on their respective investments and that they could withdraw their funds in the future;
 - e. providing statements to the investors documenting the transactions; and
 - f. pooling the investor funds with Rich's personal funds and the funds of other investors.
57. These activities constitute an offer and/or sale as those terms are defined in Section 409.1-102(26).
58. The investments that Respondents offered and sold constitute securities as that term is defined in Sections 409.1-102(28).
59. 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/or sold by Respondents.
60. Respondents offered and/or sold securities in Missouri without these securities being (1) federal covered securities, (2) exempt from registration under Sections 409.2-201 or 409.2-203, or (3) registered under the Missouri Securities Act of 2003, in violation Section 409.3-301.
61. Respondents' conduct in violation of Section 409.3-301 constitutes an illegal act, practice, or course of business and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

Violation of Transacting Business as an Unregistered Agent

62. **THE COMMISSIONER FURTHER CONCLUDES** that Respondent Rich violated Section 409.4-402(a) when Respondent Rich, on behalf of FSG, offered and sold securities to investors, including KR1, KR2, KR3, MR1, MR2, MR3, and MR4; created and provided to some of those investors documents purporting to memorialize and report investments with FSG; received investment funds from investors; deposited investment funds in the FSG account; and received a salary and payments from FSG without being registered or exempt from registration as an agent.
63. These activities constitute transacting business as an agent in the State of Missouri under Section 409.1-102(1).
64. At all times relevant, Respondent Rich was not registered as an agent in the State of Missouri.

65. Respondent Rich transacted business in Missouri without being registered or exempt from registration as an agent in violation of Section 409.4-402(a).
66. Respondent Rich's conduct in violation of 409.4-402(a) constitutes an illegal act, practice, or course of business and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

Violation of Employing an Unregistered Agent

67. **THE COMMISSIONER FURTHER CONCLUDES** that Respondent FSG violated Section 409.4-402(d) when Respondent FSG employed or associated with Respondent Rich, who offered and sold securities in the State of Missouri on behalf of FSG.
68. Respondent FSG's activities constitute employing or associating with an agent in the State of Missouri under Section 409.4-402(d).
69. At all times relevant to this matter, Respondent Rich was not registered as an agent in the State of Missouri.
70. Respondent FSG employed or associated with Rich, who transacted business in Missouri as an agent without being registered or exempt from registration as an agent, in violation Section 409.4-402(d).
71. Respondent FSG's conduct in violation of Section 409.4-402(d) constitutes 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 Omitting to State Material Facts and 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

72. **THE COMMISSIONER FURTHER CONCLUDES** that Respondents violated Section 409.5-501 when, in connection with the offer, sale or purchase of a security as described above, Respondents engaged in an act, practice or course of business that operated or would operate as a fraud or deceit on KR1, when Respondents:
 - a. convinced KR1 – who does not like taking risks – to invest in FSG, a risky start-up company;
 - b. deposited KR1 funds in the FSG Account;
 - c. commingled investment funds with personal funds in the FSG Account;
 - d. used investment funds for personal expenditures;

- e. failed to keep track of the personal expenditures made in the FSG Account;
 - f. paid Rich a salary from the FSG Account that was not “pre-determined”; and
 - g. provided KR1 investment statements which detailed the investment and returns generated when Respondents had not generated any revenue and thereby lulled KR1 and prevented detection of this fraudulent scheme.
73. These activities operated or would operate as a fraud by preventing KR1 from having the necessary information to adequately evaluate the risks of this investment or the validity of Respondents’ assertions.
74. **THE COMMISSIONER FURTHER CONCLUDES** that Respondents violated Section 409.5-501 when, in connection with the offer, sale, or purchase of a security as described above, Respondents engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit on MR2, when Respondents:
- a. invested MR2’s funds in FSG, a risky startup company without MR2’s knowledge or consent;
 - b. deposited MR2’s funds in the FSG Account without MR2’s knowledge or consent;
 - c. commingled investment funds with personal funds in the FSG Account without MR2’s knowledge or consent;
 - d. used investment funds for personal expenditures without MR2’s knowledge or consent;
 - e. failed to keep track of the personal expenditures made in the FSG Account; and
 - f. paid Rich a salary from the FSG Account that was not “predetermined.”
75. These activities operated or would operate as a fraud on MR2 by investing funds for MR2 without MR2’s knowledge or consent.
76. **THE COMMISSIONER FURTHER CONCLUDES** that Respondents violated Section 409.5-501 when, in connection with the offer, sale, or purchase of a security as described above, Respondents told MR1 that: (1) invested funds would be used for FSG; (2) the investment returns were guaranteed; (3) the investor would receive 10% annual return; or (4) MR1 could receive MR1’s funds and the guaranteed return in three years from the date of the investment. In light of the circumstances under which they were made, the above statements were misleading, because Respondents omitted to state to MR1 the following material facts:
- a. Rich was not registered to offer or sell securities;

- b. the securities Respondents were offering to sell and selling were not registered to be offered or sold in the State of Missouri;
 - c. MR1's investment funds would be commingled with Rich's personal funds and used for personal expenses by Rich;
 - d. FSG's financial condition; or
 - e. that there were risks related to the investment.
77. **THE COMMISSIONER FURTHER CONCLUDES** that Respondents violated Section 409.5-501 when, in connection with the offer, sale, or purchase of a security as described above, Respondents engaged in the following acts or practices that operated or would operate as a fraud or deceit on MR1 by telling MR1 that: (1) invested funds would be used for FSG; (2) the investment returns were guaranteed; (3) MR1 would receive 10% annual return; or (4) MR1 could receive MR1's funds and the guaranteed return in three years from the date of the investment and then:
- a. providing MR1 statements that listed the funds as an "investment" and subsequently claiming that the funds were personal loans;
 - b. providing MR1 statements on letterhead reflecting the name of entities other than FSG;
 - c. failing to maintain documentation of the expenditures of these invested funds; and
 - d. telling MR1 that MR1 could withdraw funds after one to three years, but failing to disclose how FSG and Rich would pay these investors.
78. **THE COMMISSIONER FURTHER CONCLUDES** that Respondents violated Section 409.5-501 when, in connection with the offer, sale, or purchase of a security as described above, Respondents engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit on MR3 and MR4 when Respondents:
- a. convinced MR3 and MR4 to invest in FSG, a risky start-up company;
 - b. deposited MR3's and MR4's funds in the FSG Account;
 - c. commingled investment funds with personal funds in the FSG Account;
 - d. used investment funds for personal expenditures;
 - e. failed to keep track of the personal expenditures made in the FSG Account; and
 - f. paid Rich a salary from the FSG Account that was not "predetermined."

79. These activities operated or would operate as a fraud by preventing MR3 and MR4 from having the necessary information to adequately evaluate the risks of this investment, as well as the validity of Respondents' assertions.
80. At the time Respondents engaged in the conduct set forth above, KR1 was a disabled person as that term is defined under Section 409.6-604(d)(3)(A).
81. At the time Respondents engaged in this conduct, MR1 and MR2 were over 60 years-old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B).
82. Respondents omitted to state to these investors, material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person in violation of Section 409.5-501.
83. Respondents' 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.
84. 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).

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 be prohibited from violating or materially aiding in any violation of:

- A. Section 409.3-301, by offering or selling any securities as defined by Section 409.1-102(28), 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. Section 409.4-402(a), by transacting business as an unregistered agent;
- C. Section 409.4-402(d), by employing an unregistered agent; and
- D. 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, pursuant to Section 409.6-604(d), each 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. This amount shall be sent to the Missouri Securities Division at 600 West Main, 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 Rich shall pay a civil penalty in the amount of \$1,000 for violating of Section 409.4-402(a). 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. This amount shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri 65102, within 30 days of the date of this Final Order.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent FSG shall pay a civil penalty in the amount of \$1,000 for violating of Section 409.4-402(d). 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. This amount shall be sent to the Missouri Securities Division at 600 West Main, 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), Respondents shall each pay a civil penalty in the amount of \$25,000 for multiple violations of Section 409.5-501, when at least three of these violations were committed against disabled and elderly persons. 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. This amount shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri 65102, within 30 days of the date of this Final Order.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondents shall jointly and severally pay restitution and interest in the amount of \$286,878 for violations of Sections 409.3-301, 409.4-402, and 409.5-501. 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 the investors listed on Exhibit 1. This amount shall be sent to the Missouri Securities Division at 600 West Main, 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(e), Respondents shall jointly and severally pay \$6,807.63 in actual costs for the investigation into, and the proceedings associated with, this matter. This amount shall be made payable to the Investor Education and Protection Fund, and shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri 65102, within 30 days of the date of this Final Order.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS FOURTH DAY OF FEBRUARY, 2016.



JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of February 2016, a copy of the foregoing Final Order to Cease and Desist and Order Awarding Restitution, Civil Penalties, and Costs in the above styled case was **mailed by certified U.S. mail, Return Receipt Requested, to:**

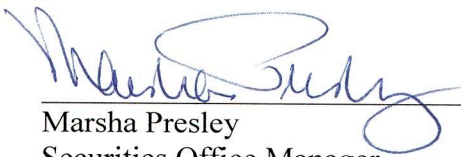
Joanna L. Rich
215 Cobblefield Court
Wildwood, Missouri 63011

and

FSG Fundraising, L.L.C.
17209 Chesterfield Airport Road, Suite 262
Chesterfield, Missouri 63005

and by hand-delivery to:

John Phillips
Director of Enforcement
Missouri Securities Division



Marsha Presley
Securities Office Manager