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BEFORE THE MONTANA STATE AUDITOR  
AND COMMISSIONER OF INSURANCE  
HELENA, MONTANA

|                                    |   |                             |
|------------------------------------|---|-----------------------------|
| IN THE MATTER OF:                  | ) | Case No. SEC-2008-4         |
|                                    | ) | (10-18-07-256-C)            |
| STYLE N'TILE INTERNATIONAL, LLC    | ) |                             |
| 8250 Highway 35                    | ) |                             |
| P.O. Box 2888                      | ) |                             |
| Bigfork, MT 59911                  | ) |                             |
|                                    | ) | HEARING EXAMINER'S          |
| FREDERICK "FRITZ" KECK,            | ) | <u>PROPOSED</u>             |
| individually and in his capacity   | ) | FINDINGS OF FACT,           |
| as an unregistered broker-dealer   | ) | CONCLUSIONS OF LAW,         |
| salesperson, SYDNEE KECK,          | ) | AND                         |
| individually and in her capacity   | ) | ORDER                       |
| acting as an unregistered broker-  | ) | (PURSUANT TO MOTION FOR     |
| dealer salesperson, LOUISE         | ) | DEFAULT JUDGMENT RE:        |
| TIDWELL, individually and in her   | ) | STYLE N'TILE INTERNATIONAL) |
| capacity acting as an unregistered | ) |                             |
| broker-dealer salesperson, and     | ) |                             |
| JAMES COOLIDGE, individually and   | ) |                             |
| in his capacity acting as an       | ) |                             |
| unregistered broker-dealer         | ) |                             |
| salesperson,                       | ) |                             |
|                                    | ) |                             |
| Respondents.                       | ) |                             |

On June 11, 2009, the Securities Department of the Office of the Montana State Auditor ("Department") submitted Department's "Motion for Default Judgment Re: Style N'Tile International"

1 seeking issuance of a default judgment imposing the relief  
2 requested in the Department's February 15, 2008, "Notice of  
3 Proposed Agency Disciplinary Action and Opportunity for Hearing"  
4 ("Complaint"). Section § 30-10-305(1)(a)(ii), MCA, provides:

5  
6 (1) If it appears to the commissioner that any  
7 person has engaged or is about to engage in any act or  
8 practice constituting a violation of any provision of  
9 parts 1 through 3 of this chapter or any rule or order  
10 under this chapter, the commissioner may:

11 (a) issue an order directing the person to cease  
12 and desist from continuing the act or practice after  
13 reasonable notice and opportunity for a hearing. The  
14 commissioner may issue a temporary order pending the  
15 hearing that:

16 . . . .  
17 (ii) becomes final if the person to whom notice is  
18 addressed does not request a hearing within 15 days  
19 after receipt of the notice.

20 Rules 6.2.101 and 1.3.214 of the Administrative Rules of Montana  
21 (ARM), respectively provide:

22 6.2.101 INCORPORATION OF ATTORNEY GENERAL'S MODEL  
23 PROCEDURAL RULES BY THE INSURANCE DEPARTMENT

24 (1) The insurance department of the state  
25 auditor's office has adopted the attorney general's  
26 Model Procedural Rules by reference to such rules as  
stated in ARM 1.3.101 through 1.3.234 with the  
exceptions enumerated in this chapter.

1.3.214 MODEL RULE 10 CONTESTED CASES, DEFAULT ORDER

(1) If a party does not appear to contest an  
intended agency action, the agency may enter a default  
order. If a default is entered, the order must contain  
findings of fact and conclusions of law.

Entry of a default is proper in the event an adverse party fails  
to appear to contest the Department's action. Such inaction

1 renders the facts as alleged in the Department's pleading(s)  
2 undisputed and therefore admitted. At no time has Style N'Tile  
3 International, LLC (SNT) appeared before the undersigned, or  
4 responded to the Department's Motion for a Default Order. SNT  
5 should have responded to the Department's motion not later than  
6 the first part of July, 2009, allowing for the mail. As a  
7 result, the facts as alleged in the Department's pleading(s) are  
8 therefore deemed undisputed, and therefore admitted as to SNT.  
9

10 Based on the foregoing, and SNT's failure to timely request  
11 a hearing, the undersigned makes the following proposed:

12 FINDINGS OF FACT

13 1. Respondent, Style N'Tile International, LLC (SNT) was  
14 properly served a copy of the Department's Complaint and a copy  
15 of its Temporary Cease and Desist Order pursuant to § 30-10-  
16 107(8), MCA, on or about February 15 and 19, 2008, respectively.  
17 SNT has not requested a hearing at any time since being served.  
18

19 2. SNT is a Montana Limited Liability Company, organized  
20 on March 12, 2001, and subsequently involuntarily dissolved,  
21 according to the official records of the Montana Secretary of  
22 State's Office, which lists SNT's address as 8250 Highway 35,  
23 Bigfork, MT 59911. Its registered agent is listed as Fritz Keck.  
24 SNT makes decorative tiles for wholesale to big box stores such  
25

1 as Lowe's, and is not now, nor has it ever been registered with  
2 the Department in any capacity.

3 3. From on or about September 8, 1998, until the  
4 February 15, 2008, date of the Department's Complaint, at least  
5 19 individuals have been offered and sold one or more promissory  
6 notes by SNT, its registered agent and S. Keck, its President,  
7 neither of which has ever been registered with the Department in  
8 any capacity. The promissory notes were signed by either F. Keck  
9 or S. Keck, representatives of SNT. The promissory notes offered  
10 a rate of return of 7% to 10% annually with a term of generally  
11 between one and two years.  
12

13 4. When the promissory notes became due, instead of paying  
14 the investor as promised, SNT rolled the promissory note into a  
15 new note, or converted the note into a membership interest.  
16

17 5. Beginning on or about July 15, 2003, SNT converted  
18 twelve investors' promissory note(s) to "membership interests"  
19 that are limited liability company ownership units.

20 6. Beginning on or about July 15, 2003, SNT rolled  
21 promissory notes belonging to six investors into new promissory  
22 notes.

23 /////

24 /////

1           7.    At least twenty-two individuals invested money in  
2 securities offered and sold by the Kecks and SNT, either as  
3 promissory notes or limited liability company ownership units.

4           8.    In written correspondence dated June 28, 2005, F. Keck  
5 indicates that "SNT will begin making \$1,000 payments on a  
6 monthly basis in August, 2005" to pay the outstanding promissory  
7 notes of investors identified herein as BKC. There is no  
8 evidence that SNT began to make the payments it represented in  
9 this letter. On or about April 7, 2006, BKC, SNT, and the Kecks  
10 entered into a judgment note. The note specified that BKC were  
11 to be paid \$20,000 plus 10% annual interest until the note was  
12 paid in full. This note was to be paid in full by October 1,  
13 2006, by SNT.

14           9.    Although SNT indicated that it would be unable to meet  
15 note obligations, each note provided to investors had a maturity  
16 date. From the Department's analysis, it appears that SNT failed  
17 to meet the terms of each and every note offered and sold to SNT  
18 investors.

19           10.   Between February 2, 2006, and March 28, 2006, investors  
20 CW, CO, KR, SS, and Coolidge, converted their investments to  
21 limited liability company ownership units. SNT backdated these  
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1 membership conversions to December 31, 2005, allowing the  
2 investor to claim membership in SNT's LLC for 2005.

3 11. On or about March 27, 2006, an investor identified  
4 herein as LB, signed a conversion notice converting LB's  
5 promissory note to a limited liability company ownership unit.  
6 SNT indicated it would backdate LB's membership to 2005 so that  
7 LB could receive a K-1, and claim a portion of the LLC's loss.  
8 From the documentation reviewed by the Department, it does not  
9 appear that SNT backdated LB's membership interest.  
10

11 12. In written correspondence dated April 11, 2006, to TW,  
12 KR, CW, LSV, SS, and Coolidge, Tidwell states "it has taken  
13 considerable time this year to completely identify and separate  
14 all of SNT accounting from Keck account. During March we  
15 reviewed all of SNT accounts with our CPA. She in turn has made  
16 numerous changes to SNT's inventory valuation/assets and in SNT's  
17 liabilities." It does not appear that all of these changes to  
18 SNT's financial situation were provided to other SNT investors  
19 and potential investors.  
20

21 13. In written correspondence dated April 26, 2006, Tidwell  
22 informed PPK, CS, LRM, JMLM, SKR, LB, LSV, TJW, CW, SS, and  
23 Coolidge that "we are currently in the process of enhancing our  
24 investor package so we can provide complete financial information  
25

1 and meet all legal/disclosure requirements. In the near future,  
2 we will be providing this completed package to prospective  
3 investors." It appears that SNT did not attempt to register its  
4 securities with either the Department of the Securities and  
5 Exchange Commission either before or after this correspondence.

6 14. At least twenty-two individuals invested money through  
7 securities offered and/or sold by the Kecks, Tidwell, Coolidge,  
8 and SNT. The total amount of money invested is at least  
9 \$1,156,750.00. These investors were provided updates on SNT's  
10 business operations through written correspondence with the  
11 Kecks, ANT's Chief Operations Officer, Tidwell, and SNT's general  
12 manager Coolidge.  
13

14 From the foregoing Findings Of Fact, the Hearing Examiner  
15 makes the following proposed:

16 CONCLUSIONS OF LAW

17 1. The Department's motion for entry of a default order  
18 imposing the relief requested in the Department's February 15,  
19 2008, Notice of Proposed Agency Disciplinary Action and  
20 Opportunity for Hearing is granted. § 30-10-305(1)(a)(ii), MCA;  
21 ARM 6.2.101 and 1.3.214.  
22

23 2. According to § 30-10-107, MCA, the Montana State  
24 Auditor is the Commissioner of Securities (COS).  
25

1           3.     The COS has jurisdiction over this matter pursuant to  
2 §§ 30-10-102, 30-10-107, 30-10-201, 30-10-301, 30-10-304, 30-10-  
3 305, 30-10-307, MCA.

4           4.     SNT collected at least \$1,156,750.00 in investment  
5 dollars without proper registration to conduct such business in  
6 Montana in violation of § 30-10-201, MCA.

7           5.     SNT offered and/sold securities of SNT to at least  
8 twenty-two individuals while not registered to offer or sell  
9 securities to or from the State of Montana in violation of § 30-  
10 10-201, MCA.

11           6.     SNT offered and/sold securities of SNT, an unregistered  
12 security, from the State of Montana to at least twenty-two  
13 individuals, in violation of § 30-10-202, MCA.

14           7.     SNT engaged in fraudulent acts when it issued SNT  
15 promissory notes to investors and omitted the material facts for  
16 investors that SNT had no intention of meeting the terms of those  
17 notes, in violation of § 30-10-301(1)(b), MCA.

18           8.     SNT engaged in fraudulent acts by misleading investors  
19 about the likely return on their investment and success of SNT,  
20 including but not limited to when it told investors "if our  
21 conservative projections become reality, the investor gets his  
22 money back within ten to twenty months, if not sooner," and when  
23  
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1 it indicated SNT would likely have "ten million dollars in sales  
2 in eighteen months," in violation of § 30-10-301(1)(b), MCA.

3 9. SNT engaged in fraudulent acts when it misrepresented  
4 both the amount of total investment offered in SNT and the value  
5 of each unit sold by SNT, in violation of § 30-10-301(1)(b), MCA.

6 10. SNT engaged in fraudulent acts when it told investors  
7 SNT would provide all legal/disclosure requirements to potential  
8 investors, when it appears SNT did not provide this potential  
9 information to investors, in violation of § 30-10-301(1)(b), MCA.

10 11. SNT engaged in fraudulent acts when it failed to  
11 disclose to investors the risks associated with their investment,  
12 in violation of § 30-10-301(1)(b), MCA.

13 12. SNT engaged in a fraudulent act, practice, and course  
14 of business when it engaged in a practice of issuing promissory  
15 notes to investors with no intention of meeting the terms of  
16 these notes, in violation of § 30-10-301(1)(b), MCA.

17 13. SNT engaged in a fraudulent act, practice, and course  
18 of business when it engaged in a practice of offering a security  
19 in the form of a membership interest, when it was unable to meet  
20 the obligations of securities it had previously sold to  
21 investors, in violation of § 30-10-301(1)(c), MCA.

22 14. SNT engaged in a fraudulent act, practice, and course  
23 of business when it engaged in a practice of not fully disclosing  
24

1 to potential investors that it was not registered to offer  
2 securities, that SNT was an unregistered security, and that there  
3 were risks associated with their investment in SNT, in violation  
4 of § 30-10-301(1)(c), MCA.

5 From the foregoing Findings of Fact and Conclusions of Law,  
6 the Hearing Examiner proposes to the Commissioner of Securities  
7 (COS) the following:  
8

9 ORDER

10 1. The Department's motion for entry of a default order  
11 imposing the relief requested in the Department's February 15,  
12 2008, Notice of Proposed Agency Disciplinary Action and  
13 Opportunity For Hearing is granted.

14 2. Pursuant to § 30-10-309, MCA, Respondent SNT is liable  
15 to pay restitution to the Montana Investors who engaged in  
16 investment activity with SNT in this case, in the amount of  
17 \$1,156,750.00, including the statutory annual interest rate of  
18 10% from the date of the wrongdoing (i.e. the violation).  
19

20 3. Pursuant to § 30-10-305(3), MCA, Respondent SNT shall  
21 pay a fine of \$5,000 for each of the twenty-two identifiable  
22 violations of § 30-10-301(1)(c), MCA.

23 4. Pursuant to § 30-10-305(3), MCA, Respondent SNT shall  
24 pay a fine of \$5,000 for each of the twenty-two identifiable  
25 violations of § 30-10-301(1)(b), MCA.  
26

1 5. Pursuant to § 30-10-305(3), MCA Respondent SNT shall  
2 each pay a fine of \$5,000 for each of the twenty-two identifiable  
3 violations of § 30-10-202, MCA.

4 6. Pursuant to § 30-10-305(3), MCA Respondent SNT shall  
5 pay a fine of \$5,000 for each of the twenty-two identifiable  
6 violations of § 30-10-201, MCA.

7 Dated this 7<sup>th</sup> day of October, 2009.

8   
9 \_\_\_\_\_  
10 Michael J. Rieley, Hearing Examiner

11  
12 CERTIFICATE OF SERVICE

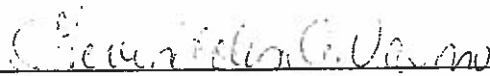
13  
14 I do hereby certify I served a copy of the foregoing Hearing  
15 Examiner's Proposed Findings of Fact, Conclusions of Law, and  
16 Order (Pursuant to Motion for Default Judgment Re: Style N'Tile  
17 International) upon all parties of record on the 7<sup>th</sup> day of  
18 October, 2009, by mailing, faxing, or hand delivering a copy  
19 thereof to:

20 Ms. Roberta Cross Guns  
21 Special Assistant Attorney General  
22 State Auditor's Office  
23 840 Helena Avenue  
24 Helena, MT 59601

Style N'Tile  
8250 Highway 35  
P.O. Box 2888  
Bigfork, MT 59911

25 Ms. Linda Deola  
26 Attorney at Law  
401 North Last Chance Gulch  
Helena, MT 59601

Mr. Richard DeJana  
Attorney at Law  
P.O. Box 1757  
Kalispell, MT 59903

27   
28 \_\_\_\_\_  
29 Gwendolyn A. Vashro