

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

IN THE MATTER OF:	)	
	)	CASE NO.:SEC-2008-4
STYLE N'TILE INTERNATIONAL, INC.	)	(10-18-07-256-C)
8250 Highway 35	)	
P.O. Box 2888	)	
Bigfork, MT 59911	)	
	)	TEMPORARY CEASE AND DESIST
FREDERICK "FRITZ" KECK, individually	)	ORDER AND NOTICE OF
and in his capacity as an unregistered	)	OPPORTUNITY FOR HEARING
broker-dealer salesperson, SYDNEE KECK,	)	
individually and in her capacity acting as an	)	
unregistered broker-dealer salesperson,	)	
LOUISE TIDWELL, individually and in	)	
her capacity acting as an unregistered	)	
broker-dealer salesperson, and	)	
JAMES COOLIDGE, individually and in	)	
his capacity acting as an unregistered	)	
broker-dealer salesperson,	)	
	)	
Respondents.	)	

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The Commissioner of Securities for the State of Montana (Commissioner), pursuant to the authority of the Securities Act of Montana, §§ 30-10-101, *et seq.*, Montana Code Annotated (2007)(MCA), hereby issues the following ORDER AND NOTICE OF OPPORTUNITY FOR HEARING for Respondents Style N' Tile International, LLC (SNT), Frederick "Fritz" Keck (F. Keck), Sydnee Keck (S. Keck), Louise Tidwell (Tidwell), and James Coolidge (Coolidge) as identified above for violations of the Montana Securities Act. This Order is based upon the good cause shown in Notice of Proposed Agency Disciplinary Action and Opportunity for Hearing in this case. To wit:

## ALLEGATIONS

1. On or about September 25, 2007 the Department received a complaint from Elizabeth O'Halloran, an attorney representing six investors of SNT. The investors allege SNT and their representatives, agents and employees made misrepresentations and omissions in relation to the offer and sale of securities of SNT.

2. SNT makes decorative tiles for wholesale to big box stores such as Lowe's. SNT is not now nor has it ever been registered with the Department.

2. F. Keck is listed as the registered agent for SNT, and on correspondence provided to and reviewed by the Department, identifies himself as general manager. F. Keck is not now nor has he ever been registered with the Department in any capacity.

3. Documents provided to and reviewed by the Department list S. Keck as the President of SNT. S. Keck is not now nor has she ever been registered with the Department in any capacity.

4. Documents provided to and reviewed by the Department list Tidwell as the Chief Operating Office for SNT. Tidwell is not now nor has she ever been registered with the Department in any capacity.

5. Documents provided to and reviewed by the Department identify Coolidge as a general manager for SNT. Coolidge is not now nor has he ever been registered with the Department in any capacity.

6. On or about October 18, 2007, the Department requested specific information and documentation from SNT. The Department's request was sent to and received by F. Keck. The Department indicated in its letter that the requested information should be received by the Department not later than October 31, 2007.

7. On or about October 25, 2007, F. Keck contacted the Department and indicated he would be unable to provide the requested information by October 31, 2007. F. Keck indicated that he would be out of town for several days and that he no longer had keys to the SNT office. F. Keck indicated SNT's general manager was Jim Coolidge. The Department indicated to F. Keck it would extend the deadline, but he would need to provide the requested information by November 7, 2007.

8. On or about October 28, 2007, the Department again requested SNT provide the same items as listed above. This letter was sent to Jim Coolidge and indicated the requested information was due to the Department on November 7, 2007.

9. On or about November 5, 2007, F. Keck contacted the Department and asked if the Department had received the requested information. The Department indicated the request had not been received. F. Keck indicated he wanted to cooperate with the Department, but he did not have access to the requested information. He told the Department the information requested was held at the SNT office and he was not welcome there.

10. As of February 14, 2008, the Department has not received any of the information requested from SNT. However, Ms. O'Halloran's clients provided specific information and documentation of actions taken by SNT, F. Keck, S. Keck, Tidwell and Coolidge.

11. From on or about September 8, 1998 until the present, at least 19 individuals have been offered and sold one or more promissory notes by SNT and the Keck's. These promissory notes were signed by either F. Keck or S. Keck, representatives of SNT. The promissory notes offered a rate of return of 7% to 10% annually with a term of generally between one and two years.

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

13. Beginning on or about July 15, 2003, SNT converted 12 investors' promissory note(s) to "membership interests" that are limited liability company ownership units.

14. Beginning on or about July 15, 2003, SNT rolled promissory notes belonging to six investors into new promissory notes.

15. At least 22 individuals invested money in securities offered and sold by the Keck's and SNT, either as promissory notes or limited liability company ownership units.

16. F. Keck began seeking investors for his business venture as early as 1998. It appears that F. Keck solicited funds from friends and acquaintances. F. Keck informed these potential investors that he was unable to obtain financing through banks, and therefore was relying on investors to obtain the capital necessary to make his venture successful.

17. In written correspondence dated March 26, 2002, F. Keck solicits investment from investors identified herein as PPK, indicating that "another \$20,000 would put you at 4% if you convert to ownership at this point it looks like the investment will prove very profitable." It appears that investors PPK have not received any return on this investment.

18. In written correspondence dated September 5, 2002, to investor identified herein as CO, F. Keck stated, "I have budgeted a \$1.5 million term life insurance on myself with the investors as beneficiaries up to the amount of their investment. I am receptive to setting up a line of credit, a loan/equity arrangement or whatever it takes to get this venture running big-time. We have valued the company at \$2 million and are selling 1% units for \$20,000. I am willing to sell up to 35% of the LLC. If our conservative projections become reality, the investor gets his

money back within 10-20 months, if not sooner.” To date, the Department is aware of only 1 investor who received a return of principal.

19. In written correspondence dated, November 8, 2003, F. Keck indicated to investors identified herein as BKA, “all members have a promissory note for the amount of their investment which would be recouped in the event of my untimely demise. It is a term life policy for \$1,500,000 with Mony Group, Syracuse, New York. At this point of the venture the only chance of failure would be if I wasn’t around to run the show. In addition, I have a one million-dollar AD&D policy. Bottom-line, nobody is left holding the bag.” The Department has received no evidence supporting that such a life policy naming SNT investors as beneficiaries exists.

20. In written correspondence dated, September 14, 2002, F. Keck indicated to investor identified herein as CW, “per our conversation, this letter will also confirm our agreement that you will be ‘first out’ on disbursements of monies available formulated by general accounting procedures.” The Department has no evidence indicating CW has ever received any disbursements or any return on the investment. Further, the Department has no evidence that it was disclosed to other SNT investors that CW would be the first investor to receive monies from SNT.

21. On or about November 19, 2002, F. Keck wrote a letter to investors PPK regarding SNT. F. Keck indicated SNT’s executive summary “is 90% reality and 10% blue sky.” Further, F. Keck states, “I feel we can be at \$10 million in sales in 18 months. I obviously need investors to seize this once-in-a-lifetime opportunity (at least for yours truly).” It does not appear that F. Keck disclosed to other SNT investors or potential investors that SNT’s executive summary was 90% reality and 10% “blue sky”. Furthermore, it is not apparent that an executive

summary actually exists or existed because the Department was not provided a copy of any executive summary for SNT.

22. In written correspondence dated November 8, 2003, F. Keck indicated to BKA, that, “there will be no dilution of your interest by bringing in additional members. Ideally, I would like to keep our membership small and seek only two more individuals.” However, after November 8, 2003, there were at least 12 additional investments made in SNT, this included investments by 8 new investors.

23. In written correspondence dated, November 8, 2003, F. Keck told BKA, “as an incentive to bring you into the membership, we will stay with the value of 1% for \$15,000 and not the \$20,000 currently being offered.” It does not appear that F. Keck disclosed to other SNT investors or potential investors that SNT was offering BKA a 1% equity position for \$15,000, while other potential investors were offered a 1% equity position for \$20,000.

Over the last several years, F. Keck and Tidwell have provided written communication to these investors and potential investors. Some of the information provided by F. Keck and Tidwell appears to be either false or misleading.

24. In written correspondence dated January 27, 2004, F. Keck tells investors identified herein as JMLM, “[I] appreciate your participation, after 3 very hard years; we now are riding a big winner.” It appears that only one investor has received any return on their investment.

25. In written correspondence dated June 28, 2005 F. Keck indicates that “SNT will begin making \$1,000 payments on a monthly basis in August, 2005” to pay the outstanding promissory notes of investors identified herein as BKC. There is no evidence that SNT began to make the payments it represented in this letter. On or about April 7, 2006, BKC, SNT, and the

Keck's entered into a judgment note. This note specified that BKC were to be paid \$20,000 plus 10% annual interest until the note was paid in full. This note was to be paid in full by October 1, 2006 by SNT. Keck's never provided a signed copy to BKC's attorney and the judgment was never effective. To date the Keck's have failed to fulfill any note they offered or sold to BKC.

26. In written correspondence dated February 15, 2006, Tidwell told investors identified herein as CS, LRM, PPK, JMLM, BKC, LB, KR, TJW, CW, LSV, SS, SKR, and Coolidge that "[d]espite the progress to date, current SNT performance does not allow for the repayment of notes to any note holders at this time." Tidwell also encouraged note holders to convert to a membership interest (limited liability company ownership unit), because "there will be losses in the FY 2005 year which would be available to those who make the conversion to equity based on the 2005 year." Although SNT indicated that they would be unable to meet note obligations, each note provided to investors had a maturity date. From the Department's analysis, it appears that SNT failed to meet the terms of each and every note offered and sold to SNT investors.

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

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

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

30. In written correspondence dated April 26, 2006, Tidwell informed PPK, CS, LRM, JMLM, SKR, LB, LSV, TJW, CW, SS, and Coolidge that “we are currently in the process of enhancing our investor package so we can provide complete financial information and meet all legal/disclosure requirements. In the near future, we will be providing this completed package to prospective investors.” It appears that SNT did not attempt to register its securities with either the Department or the Securities and Exchange Commission either before or after this correspondence.

31. On or about June 29, 2006, investor identified herein as CS expressed anger and frustration about not having the ability to liquidate CS’s promissory note. CS communicated to Tidwell, that CS was “very upset that (Keck’s) are putting an addition onto (their) home and yet [CS] can’t get [CS’s] money back.” Tidwell told CS that “Style N’ Tile isn’t in any position to even make payments at this time.” CS’s promissory note has been rolled over at least three times since the original note of January 1, 2001.

32. On or about November 20, 2006, investor identified herein as LM emailed Tidwell, and asked “If we decide not to convert but want to cash in our note, is that possible”. Tidwell responded by saying, “at this moment SNT is not able to cash out either of the two



investor notes. If you want to cash in your note in the future you can certainly make that request to current SNT members or to any new SNT investor to see if they want to pay out your note.”

33. On or about December 8, 2006, Coolidge encouraged CS to convert CS’s promissory note to a limited liability ownership unit in SNT. However, it appears that CS has refused to convert CS’s note into an ownership unit.

34. On or about December 8, 2006, Coolidge encouraged PPK to convert PPK’s promissory note to an ownership unit in SNT. However, it appears PPK refused to convert the note into an ownership unit.

35. On or about April 19, 2007, the Keck’s entered into a “Comprehensive, Final and Irrevocable Release of Prior All Claims and Rights” with investors identified herein as CJ and WRC. The terms of this agreement indicate that the Keck’s owe CJ and WRC \$230,000 from previous agreements. Further, under the terms of the agreement, the debt owed by the Keck’s would be reduced to \$200,000, and this debt would be settled by converting it to a 25% membership interest in SNT. It appears this agreement was not disclosed to other SNT investors or potential investors.

36. In an email dated December 8, 2006, sent to investors LRM, JMLM, LB, KR, CO, SS, LSV, TJW, and CW, Tidwell states, “time is of the essence for the members to get issues resolved between SNT and Fritz/Sydney. The past two weeks have been spent “churning” through SNT accounts: tying expenses to taxes that have been filed each year, identifying (F. Keck) \$\$ in and out of SNT by each year, again so that those expenses can be correctly identified as either SNT or (F. Keck) and correctly tied with tax returns.” It appears this information was not relayed to any other SNT investors. SNT has failed to provide any information regarding

any of the investments, including where those investments were located or how they were utilized to the benefit of the company or the investors.

37. At least 22 individuals invested money through securities offered and/or sold by the Keck's, Tidwell, Coolidge and SNT. The total amount of money invested is at least \$1,156,750.00. These investors were provided updates on SNT's business operations through written correspondence with the Keck's, SNT's Chief Operation Officer, Tidwell, and SNT's general manager Coolidge.

Based on the foregoing allegations, the Department submitted the following:

### **CONCLUSIONS OF LAW**

1. The State Auditor is the Commissioner of Securities (Commissioner) pursuant to § 30-10-107, MCA.
2. The administration of the Securities Act of Montana, Title 30, Chapter 10, Parts 1 through 3, MCA, is under the supervision and control of the Securities Commissioner. Section 30-10-107, MCA.
3. The Securities Act of Montana shall be construed to protect investors, persons engaged in securities transactions, and the public interest. Section 30-10-102, MCA.
4. SNT collected at least \$1,156,750.00 in investment dollars without proper registration to conduct such business in Montana in violation of § 30-10-201, MCA.
5. Respondents offered and/or sold securities of SNT to at least 22 individuals, while not registered to offer or sell securities to or from the state of Montana in violation of § 30-10-201, MCA.
6. Respondents offered and sold securities of SNT, an unregistered security, from the state of Montana to at least 22 individuals, in violation of § 30-10-202, MCA.

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

8. Respondents engaged in fraudulent acts by misleading investors about the likely return on their investment and the success of SNT, including but not limited to when Respondents told investors “If our conservative projections become reality, the investor gets his money back within 10-20 months, if not sooner,” and when Respondents indicated SNT would likely have “\$10 million in sales in 18 months,” in violation of § 30-10-301 (1) (b), MCA.

9. F. Keck engaged in fraudulent acts when he told investors that he had a \$1.5 million term life insurance on himself with the investors as beneficiaries up to the amount of their investment when it appears this policy does not exist, in violation of § 30-10-301 (1) (b), MCA.

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

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

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

13. Respondents engaged in a fraudulent act, practice and course of business when they engaged in a practice of issuing promissory notes to investors with no intention of meeting the terms of these notes, in violation of § 30-10-301 (1) (c), MCA.

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

15. Respondents engaged in a fraudulent act, practice and course of business when they engaged in a practice of not fully disclosing to potential investors that they were not registered to offer securities, that SNT was an unregistered security, and that their were risks associated with their investment in SNT, in violation of § 30-10-301 (1) (c), MCA.

Based on these Allegations and Conclusions of Law, the Commissioner hereby enters the following:

#### ORDER

Pursuant to § 30-10-305(1)(a), MCA, it appears to the Commissioner that the above named Respondents Style N' Tile International, LLC (SNT), Frederick "Fritz" Keck (F. Keck), Sydnee Keck (S. Keck), Louise Tidwell (Tidwell), and James Coolidge (Coolidge) have engaged in or are about to engage in an act or practice constituting a violation of the Securities Act of Montana, and pursuant to § 30-10-102, MCA, it is in the public interest to ORDER Respondents to CEASE AND DESIST from engaging in the following actions:

1. Making untrue statements or omissions of material facts that would make the statements made, in the light of the circumstances under which they are made, misleading in violation of § 30-10-301 (1) (b), MCA;
2. Any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person in violation of § 30-10-301 (1) (c), MCA;

3. Any act that constitutes conducting or transacting securities business in Montana without proper registration or licenses to do so in violation of § 30-10-201, MCA.

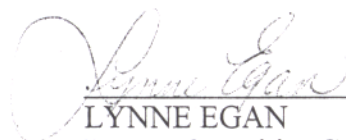
Section 30-10-306(1), MCA, provides that any willful violation of this cease and desist order, upon conviction, may be punished by imprisonment for not more than 10 years and/or a fine not exceeding five thousand dollars (\$5,000).

#### NOTICE

Respondents are notified that the Commissioner has issued this temporary cease and desist order. If Respondents wish to contest the allegations herein, they should make a written request for a hearing to Roberta Cross Guns, Special Assistant Attorney General, State Auditor's Office, 840 Helena Avenue, Helena, MT 59601 within 15 days of receipt of this order. The hearing shall then be held within 30 days of the Commissioner's receipt of the hearing request unless otherwise agreed by the parties. If no hearing is requested within 15 days of receipt of this order by Respondents, and the Commissioner orders none, this order shall become permanent.

Should you request a hearing, you have the right to be accompanied, represented and advised by counsel. If the counsel you choose has not been admitted to the practice of law in the State of Montana, he or she must comply with the requirements of Application of American Smelting and Refining, Co., 164 Mont. 139, 520 P.2d 103 (1973) and *Montana Supreme Court Commission on the Unauthorized Practice of Law v. Jerry O'Neil* (2006), 2006 MT 284, 334 Mont. 311, 147 P.3d 200.

SO ORDERED this 19<sup>th</sup> day of February, 2008.



LYNNE EGAN  
Deputy Securities Commissioner

Copies to: Style N' Tile International, LLC, Fritz Keck, Sydnee Keck, Louise Tidwell and James Coolidge