

State of Missouri
Office of Secretary of State

Case No. AP-07-54

IN THE MATTER OF:

DALE A. ENGEL;
MARKET BIAS INVESTORS, LLC; and
MID-STATE PROPERTIES, LLC d/b/a
MID-STATE ADVISORS,

Respondents.

Serve all Respondents at:

29598 Cove View Lane
Gravois Mills, Missouri 65037

CONSENT ORDER

The Enforcement Section of the Securities Division of the Office of Secretary of State alleges that the above named respondents engaged in unregistered investment adviser activities in violation of the Missouri Securities Act.

Respondents and the Securities Division desire to settle the allegations and the matters raised by the Securities Division relating to Respondents' alleged activities.

CONSENT TO JURISDICTION

1. Respondents and the Securities Division stipulate and agree that the Commissioner has jurisdiction over this Respondents and these matters pursuant to the Missouri Securities Act, Chapter 409, *et seq.*
2. Respondents and the Securities Division stipulate and agree that the Commissioner has authority to enter this Consent Order pursuant to §409.6-604(h), RSMo Supp. 2005, which provides:

The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.

WAIVER AND EXCEPTION

3. Respondents waive any rights to a hearing with respect to this matter.
4. Respondent waives any rights that they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner of Securities and their respective representatives and agents from any and all liability and claims arising out of, pertaining to or relating to this matter.
5. Respondents and the Securities Division stipulate and agree that, should the facts contained herein prove to be false or incomplete, the Missouri Securities Division reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

6. Respondents and the Securities Division stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
7. Respondents consent to the Commissioner's Findings of Fact or Conclusions of Law as set forth below solely for the purposes of this proceeding and any other proceeding that may be brought to enforce the terms of this Consent Order.
8. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without a factual basis.

I. FINDINGS OF FACT

9. Market Bias Investors, LLC ("Market Bias") is a Missouri limited liability company whose registered agent is Dale A. Engel ("Engel"). Market Bias has an address of 29598 Cove View Lane, Gravois Mills, Missouri 65037.
10. Mid-State Properties, LLC, d/b/a Mid-State Advisors ("Mid-State"), is a Missouri limited liability company whose registered agent is Engel. Mid-State has an address of 29598 Cove View Lane, Gravois Mills, Missouri 65037.

11. Engel is the registered agent and purported owner of Market Bias and Mid-State, and has an address of 29598 Cove View Lane, Gravois Mills, Missouri 65037.
12. As used herein, the term “Respondents” refers to Engel, Market Bias and Mid-State.
13. In August, 2007, a Missouri resident (“MRI”) received a letter through the mail from Engel. The letter was soliciting MRI’s participation in Engel’s “very successful way to make money in stocks” through MRI’s investment in Engel’s “Market Bias,” a “proprietary indicator” created by Engel. The letter solicitation contained, in part, the following statements:
 - a. “Over my many years of research in the stock market, I have created and use [*sic*] my proprietary indicator to produce extremely high returns while keeping risks very low and it is successful in all types of markets.”
 - b. “My proprietary indicator is called ‘Market Bias’ and has been averaging over a 92% correct track record and the few times that it is incorrect, the loss is cut quickly.”
 - c. “I have discovered and researched a very successful way to make money in stocks and desire other individuals that would also like high returns with minimal risk. . . . There are exceptional returns, with minimal risks”
 - d. “You must be a ‘Qualified Investor’ to participate and there is no cost, as a small percentage of net profits is the only way I receive anything!”
 - e. “You can learn more by going to my website at www.dukestrading.com”
 - f. “High returns, with very low risk is finally here! Why not see if this can benefit you?”

....

14. A review of the website www.dukestrading.com disclosed, in part, the following statements:
 - a. “The Market will provide clear signals to their future direction and I understand this and make money from it!!!”
 - b. “. . . I DID THIS AND CREATED AN EASY TRADING METHOD SO YOU CAN MAKE SOME MAJOR MONEY AND I CAN MAKE SOME MONEY AS WELL!” [Emphasis in the original.]
 - c. There are many ways to make money! My vast market experience and over 35 years of trading and research have proved that I’ve found the very best way!”
15. The website www.dukestrading.com also provided investment details outlining the terms and conditions for investing in Market Bias. Those details are, in part, as follows:

“THIS INVESTMENT IS LIMITED TO INDIVIDUALS THAT ARE QUALIFIED INVESTORS! For an individual to be considered a qualified investor (also termed an accredited investor), that person must either have a net worth of about a million dollars or have an annual income in excess of \$200,000. [Emphasis in the original.]

The details of the investment are included in this document and supersede any statements that are contained in the Operating Agreement. . . .

Operations and Investments shall be executed through ‘Market Bias Investors, LLC’ (#LC0836431), a State of Missouri Limited Liability Company. The company shall have one manager (Dale A. Engel) and be limited to 100 members. Each member shall provide capital in the amount of \$50,000, payable to Market Bias Investors, LLC. All of the members are nonvoting members. A nonvoting member may cancel at anytime, in writing (email of [*sic*] FAX is OK). Once cancelled, the current brokerage account will [*sic*] divided by the number of members and manager and this money will be forwarded. There are no withdrawal fees. The only fees will be those listed below. . . .

A trading account will be established with a major insured brokerage firm in the name of the company. This account will be a margin account and by the rules of the Securities and Exchange Commission, four times the account equity can be traded on a day trade basis. This is much higher than normal margin trading, because it is much safer and the trade is always closed by the end of the trading day to greatly reduce risk!

....

This is a for-profit business and profits will be paid at the close of business every two months and the members [*sic*] investment starts the beginning of each of the two month payment cycle (just easier to keep thinks [*sic*] straight).

....

A management fee shall be paid to Mid-State Advisors, which is a dba of Mid-State Properties, LLC by the following schedule:

- If the two month net profit when computed on an annual basis is less than 75% there is a 10% fee on the earnings.
- If the two month net profit when computed on an annual basis is more than 75% and less than 120% there is a 15% fee on the earnings.
- If the two month net profit when computed on an annual basis is more than 120% there is a 20% fee on the earnings.

This return is calculated prior to the management fee deduction and the returns have been averaging over 160% for this year. Past results are here, but future returns can not be guaranteed. It is believed, however, that future returns of this magnitude are realistic and achievable. . . .

There is a 1% annual fee on the \$50,000 that is used to cover the Accounting and Legal Fees. This will be deducted at .0017% per every two months and will be ducted [sic] from the profits so the investment stays at \$50,000.”

. . . .

16. In early September, 2007, a Missouri resident (MR2) contacted Engel via e-mail requesting information regarding Market Bias investment opportunities available to MR2. Engel responded to MR2’s e-mail, in part, with the following statements:
 - a. “The profits from using my Market Bias Indicators, on a daily basis, far exceed those for long term investing. . . .”
 - b. “. . . I go where the profits are the best and the risk is the lowest!”
 - c. “I know that the way I do things, [sic] will always produce exceptional profits long term! I trade short term, with a long term attitude! This is probably why what I do is so successful!”
 - d. “. . . I don’t want to ‘brag’, but my Market Bias Indicators do a pretty good job of predicting where the market is headed, before it does!”
17. Engel’s e-mail to MR2 also highlighted an investment program opportunity for MR2 that would not be detailed on Engel’s website:

“I have sent about 500 letters and have gotten a pretty good response! A large amount [sic] of those that I have talked to, want a good guaranteed return, but still want some upside potential. To address this, I’m going to offer a 15/15 program. In summary, this is a 15% guaranteed annual return on your investment, paid monthly and 15% of the annual profits, based upon the amount invested. This provides a very good monthly return and provides considerable upside profit potential. This will not be on the website! If this is of interest to you, let’s talk!”
18. For the period May 10, 2001 until May 10, 2005, Engel was a Missouri-licensed insurance agent licensed to sell life and health insurance.
19. Respondents Engel purports to hold a doctorate degree from Chelsea University. He holds himself out as a Ph.D. by including this designation in connection with his signature on his correspondence and solicitation, and Engel stated to MR2 in his email that “[m]any years ago I developed an indicator that was designed to determine when the market was ready and about to turn. This used one time frame and [sic] the research from this was the cornerstone for my PhD degree.” The following accreditation databases do not show a Chelsea University as an accredited institution and/or program: (a) U.S. Department of Education Database of Accredited Postsecondary Institutions and Programs; (b) Council for Higher Education Accreditation Database of Institutions and Programs; (c) Association to Advance Collegiate Schools of Business Database of Accredited Schools; and (d) Association of Collegiate Business Schools and Programs Database of Accredited Member Institutions.
20. A check of the records maintained by the Missouri Commissioner of Securities confirmed that Respondents Engel is not registered and never has been registered as an investment adviser representative, nor as a registered agent of a broker-dealer, in the State of Missouri, and is not listed on the Central Registration Depository (“CRD”) maintained by the Financial Industry Regulatory Authority (“FINRA”).
21. A check of the records maintained by the Missouri Commissioner of Securities confirmed that Respondents Market Bias and Mid-State are not registered as investment advisers nor registered as broker-dealers in the State of Missouri.
22. A check of the records maintained by the Missouri Commissioner of Securities confirmed no granted exemption for the Respondents in the State of Missouri.
23. A check of the records with the Missouri Department of Insurance Financial Institutions and Professional Registration

("MDI") confirmed that Respondents Engel's Missouri life and health insurance license expired May 10, 2005.

24. In connection with the offering of investment advice Respondents, among other things:

- a. omitted to state that Respondents Engel was not registered to offer investment advice in the State of Missouri;
- b. omitted to state in the letter solicitation to MR1 and e-mail solicitation to MR2 that Respondents Market Bias was not registered as an investment adviser in the State of Missouri;
- c. omitted to state in their letter solicitation to MR1 and e-mail solicitation to MR2 that Respondents Mid-State was not registered as an investment adviser in the State of Missouri; and
- d. omitted to state in their letter solicitation to MR1 and e-mail solicitation to MR2 that Respondents Market Bias and Mid-State were employing or associating with an unregistered investment adviser.

ORDER

WHEREAS, the Commissioner, after consideration of the above and on the consent of Respondents and the Securities Division, finds the following Order to be in the public interest, necessary for the protection of public investors and consistent with the provisions of Chapter 409, RSMo. (Cum. Supp. 2006).

NOW THEREFORE, it is hereby Ordered that:

Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order, are prohibited from:

- A. engaging in the business of advising others as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities;
 - B. employing or associating with an individual required to be registered under this act as an investment adviser representative who transacts business in this state on behalf of the investment adviser;
 - C. making any recommendations or otherwise offering investment advice regarding the purchase or sale of securities in or from the State of Missouri, managing accounts or portfolios of clients, determining which recommendations or advice regarding securities should be given, providing investment advice or holding himself out as providing investment advice, receiving compensation to solicit, offer, or negotiate for the sale of or for selling investment advice, or supervising any employee who performs any of the foregoing;
 - D. in connection with the offering of investment advice, engaging in an act, practice or course of business which would operate or operates as a fraud or deceit upon any person; and
 - E. willfully violating an order issued under the Missouri Securities Act of 2003.
1. Respondents shall pay two thousand five hundred dollars (\$2,500) to the Missouri Secretary of State's Investor Education and Protection Fund and will deliver these funds to the Division and the Division shall forward these funds to the Investor Education and Protection Fund. This amount shall be due and payable within ten days of the effective date of this order; and
 2. Respondents shall pay their own costs and attorneys fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 19TH DAY OF NOVEMBER, 2007.

ROBIN CARNAHAN
SECRETARY OF STATE

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

Consented to by:

Dale Engel

Lori J. Neidel
Chief Enforcement Counsel
Missouri Securities Division