UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20927

In the Matter of **George McKown,** **Respondent.**	**DIVISION OF ENFORCEMENT'S MOTION FOR ENTRY OF ORDER OF DEFAULT AND REMEDIAL SANCTIONS**

The Division of Enforcement (the "Division"), by and through its undersigned counsel, respectfully submits this Motion for Entry of Order of Default and Remedial Sanctions against Respondent George McKown ("McKown"), as directed by the Securities and Exchange Commission's (the "Commission") Order to Show Cause, dated October 17, 2023. Specifically, the Division requests that the Commission bar McKown from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical ratings organization ("NRSRO").

I. Procedural Background

The Commission issued an Order Instituting Administrative Proceedings ("OIP") on July 7, 2022, pursuant to Section 203(f) of the Investment Advisers Act of 1940 (the "Advisers Act"). On

OS Received 01/31/2024

August 10, 2023, the Division filed a status report concerning service, which report included a completed USPS return receipt, establishing that McKown had been served with the OIP by the date of the status report.

As stated in the OIP, McKown was required to file an answer within 20 days after service of the OIP. As of October 17, 2023, McKown had not done so. Accordingly, the Commission continued the prehearing conference and the hearing in this matter indefinitely and ordered McKown to show cause by December 1, 2023, why he should not be deemed to be in default and why this proceeding should not be determined against him for failure to file an answer or to otherwise to defend the proceeding. As of the date of this motion, McKown has not responded to the Commission's Order to Show Cause. Nor has McKown made any other efforts to defend the proceeding. Accordingly, as directed by the Commission's October 17, 2023 Order to Show Cause, the Division now submits this Motion for Entry of Order of Default and Remedial Sanctions.

II. Factual Background

On December 22, 2016, McKown and a co-defendant were indicted by a grand jury in the United States District Court for the Northern District of Indiana and charged with one count of conspiracy to commit securities fraud, four counts of securities fraud, and two counts of wire fraud. (*See* Indictment, attached hereto as Exhibit A). On October 29, 2021, following a jury trial, McKown was found guilty of one count of conspiracy to commit securities fraud and one count of

wire fraud in violation of 18 U.S.C. §§ 371 and 1343, respectively. (*See* Docket, *U.S. v. McKown*, entry No. 298, attached hereto as Exhibit B).[1]

The counts of the indictment of which McKown was found guilty alleged, among other things, that he knowingly and willfully conspired, in connection with the offer, purchase, and sale of securities, to use and employ manipulative devices and contrivances contrary to 17 CFR 240.10b-5 that acted as a fraud and deceit upon investors in violation of 15 USC §§ 78j(b) and 78ff(a). *See* Exhibit A, Count 1. The indictment further alleged that McKown knowingly devised a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations, promises and concealment of material information by knowingly transmitting by wire communications in interstate commerce certain writings for the purpose of executing the scheme and artifice to defraud through the sale of a security. *See* Exhibit A, Count 6.

The evidence presented at McKown's trial proved that McKown and his co-defendant raised more than $7 million from investors to whom they sold securities issued by Asset Preservation Specialists ("APS"), a company owned and operated by McKown and his co-defendant.[2] (*See* Excerpts from Trial Transcripts, p. 967, line 25 - 968, lines 1-3, attached hereto as Exhibit C; OIP ¶ II.B.3.) McKown and his co-defendant promised investors that their original investments would be returned to them upon request within a specified time period with interest and no loss of principal. *See* OIP ¶ II.B.3. For example, McKown explained to one 76-year-old

[1] Counts 2-5 and 7 of the indictment (charging securities fraud and wire fraud) were dismissed on the government's motion at the final pretrial conference on September 16, 2021. *See,* Exhibit B at entry No. 269.

[2] The Commission may rely on the facts established in McKown's criminal prosecution because the doctrine of collateral estoppel prevents him from attempting to re-litigate any of those findings. *See In re Allan Michael Roth*, Exchange Act Release No. 90343, 2020 WL 6488283, at *3 (Nov. 4, 2020); *In re*

widow that he had a safe way to get her a higher return than she was earning on an account she had held at Prudential for 21 years. (Exhibit C, p. 229, lines 16-23; 230, lines 10-15). He advised the investor that he could pay her a consistent return of 8 percent on the nearly $300,000 she held in the Prudential account – and that if she ever needed her money back, she could get it. (*Id.* at p. 234, lines 13-24; p. 235, lines 1-15.) But that turned out not to be true. Instead, while losing investors' money in the market, APS sent statements to its investors advising them that their accounts were accruing 8% interest. (*Id.* at p. 943, lines 8-24.) And without telling investors that they were doing so, McKown and his co-defendant used investor proceeds to fund businesses in which one or both of them were officers, owners, or members, to make Ponzi-like payments to other investors, and to pay for other expenses not disclosed to investors. (*Id*. at p. 944, lines 20-25; p. 945, lines 9-19; p. 946, lines 18-25; p. 949, lines 21-25; p. 950, lines 1-3; *See also,* OIP at ¶ II.B.3.)

During the time of the violations of which he was convicted following a jury trial, McKown was associated with an investment adviser by virtue of his position as CEO of Vantage Advisors, LLC, a registered investment adviser located in Indianapolis, IN. *See* OIP at ¶ II.B.4.

III. Argument

A. McKown is in Default, and the Factual Allegations of the OIP Should Be Deemed True.

Under Rule 155(a) of the Commission's Rules of Practice, "a party to a proceeding may be deemed to be in default and the Commission . . . may determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the

James S. Tagliaferri, Exchange Act Release No. 80047, Advisers Act Release No. 4650, 2017 WL 632134, at *3 (Feb. 15, 2017).

allegations of which may be deemed to be true, if that party fails . . . to answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding . . ."[3] *See* 17 C.F.R. § 201.155(a). In this case, McKown failed to answer the OIP within 20 days of service. Accordingly, on October 17, 2023, the Commission ordered McKown to show cause by December 1, 2023, why he should not be deemed to be in default and why this proceeding should not be determined against him for failure to file an answer or to otherwise to defend the proceeding. McKown did not respond to the Commission's Order to Show Cause. Nor has he made any other effort to defend this proceeding. Accordingly, McKown is in default and all of the factual allegations against him in the OIP should be deemed true. *See In re Reginald Buddy Ringgold, III*, Advisers Act Release No. 6267, 2023 WL 2705591, at *2 (March 29, 2023) (deeming allegations of OIP true as against respondent in default).

Here, the allegations of the OIP, deemed true, establish that: (1) McKown was associated with an investment adviser by virtue of his position as CEO of Vantage Advisors, LLC, a registered investment adviser located in Indianapolis, IN; (2) following a jury trial, McKown was convicted of conspiracy to commit securities fraud and wire fraud in violation of 18 U.S.C. §§ 371 and 1343, respectively; (3) the evidence presented at trial proved that McKown and another individual raised more than $7 million from investors by manipulative devices and contrivances and through false and fraudulent pretenses; and (4) McKown used the money to fund businesses in which he and his co-conspirator were officers, owners, or members, to make Ponzi-like payments to other investors, and to pay for personal expenses. *See* OIP at ¶ II.B. 1-4.

[3] The OIP expressly advised McKown of this possibility. *See* OIP at IV ("If Respondent fails to file the directed Answer, or fails to appear at a hearing or conference after being duly notified, the Respondent

B. McKown Should be Barred

This case meets all the requirements for the imposition of remedial sanctions against McKown. Barring McKown from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent or NRSRO would serve the public interest and protect investors.

1. Section 203(f) of the Advisers Act

Under Section 203(f) of the Advisers Act, the Commission may impose remedial sanctions on a person associated with an investment adviser, consistent with the public interest, if the associated person has been convicted of, among other enumerated offenses: (1) any felony or misdemeanor that involves the purchase or sale of any security or conspiracy to commit any such offense; or (2) any felony or misdemeanor that is punishable by imprisonment for 1 or more years. *See* 15 U.S.C. § 80b-3(e) and (f). Here, McKown was associated with an investment adviser during the period in which the misconduct occurred. He was convicted of conspiracy to commit securities fraud and wire fraud, both of which involved the purchase or sale of a security and both of which are punishable by imprisonment for 1 or more years.[4] And, as explained below, imposing an industry bar against McKown would serve the public interest.

2. An Industry Bar Against McKown Serves the Public Interest

In determining whether an administrative remedy is in the public interest, the Commission considers the following factors:

> the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his

---

may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true…").

[4] Indeed, as the OIP notes, McKown was sentenced to 5 years' incarceration on the conspiracy charge and 2 years' incarceration on the wire fraud charge.

> conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.

Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981) (*quoting SEC v. Blatt*, 583 F.2d 1325, 1334 n.29 (5th Cir. 1978)). The Commission also considers the age of the violation, the degree of harm to investors and the marketplace resulting from the violation, and the extent to which the sanction will have a deterrent effect. *See In re Stanley C. Brooks*, S.E.C. Rel. No. 475, 2012 WL 6132660 at *3 (Dec. 11, 2012). A severe sanction is warranted when a respondent's misconduct involved fraud "because opportunities for dishonesty recur constantly in the securities business." *In re Anthony Tyrone Jones, Jr.*, S.E.C. Rel. No. 1088, 2016 WL 7210100 at *3 (Dec. 12, 2016).

In this case, each of the foregoing factors weighs in favor of imposing an industry bar against McKown. His conduct was egregious, repeated, and involved a high degree of scienter. McKown convinced numerous investors – including retirees in their 80's – to invest money in securities issued by APS. He then used investor's proceeds – without their knowledge or authorization – to fund other businesses, to make principal and interest payments to other investors, and to pay for personal expenses. As demonstrated by the order of restitution entered against McKown at sentencing – approximately $5.2 million – the degree of harm to investors was high.[5] McKown has not made any meaningful assurances against future violations or taken any steps in this matter to demonstrate that he recognizes the wrongful nature of his conduct. McKown has spent much of his adult life working in financial services – as a licensed insurance agent and as a person associated with registered investment advisers, including more than 10 years as the chief

[5] *See* OIP at ¶ II.B.1.

executive officer of Vantage Advisors, LLC. As such, any future employment opportunities when he is released from prison are likely to present him with opportunities for additional misconduct.

IV. Conclusion

For all of the foregoing reasons, the Division respectfully requests that the Commission enter a default judgment against Respondent George McKown pursuant to Rules 155(a) and 220(f) of the Rules of Practice. The Division also requests that McKown be barred from any position in the securities industry pursuant to Section 203(f) of the Advisers Act.

Respectfully submitted,

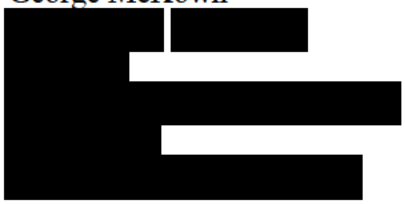
/s/ Andrew P. O'Brien
Andrew P. O'Brien
Counsel for Division of Enforcement

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20927

In the Matter of **George McKown,** **Respondent.**	**CERTIFICATE OF SERVICE**

I hereby certify that on January 31, 2024, the Division of Enforcement electronically filed its Motion for Entry of Order of Default and Remedial Sanctions in the above-captioned matter. The Division then served that document, together with the attachments thereto, upon George McKown on January 31, 2024 by mailing a copy of the same to:

George McKown


Respectfully submitted,

/s/ Andrew P. O'Brien
Andrew P. O'Brien
Counsel for Division of Enforcement

OS Received 01/31/2024