

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**MARIA GUADALUPE MAYNES,
CARLOS HUMBERTO RODRIGUEZ,

Respondents.**

**STIPULATION AND CONSENT
AGREEMENT**

Docket No. 19-0007

Docket No. 19-0008

The Utah Division of Securities (“Division”), by and through its Director of Enforcement, Dave Hermansen, and Respondent Maria Guadalupe Maynes (“Maynes”) hereby stipulate and agree as follows:

1. Maynes has been the subject of an investigation by the Division into allegations that she violated the Utah Uniform Securities Act (“Act”), Utah Code Ann. §61-1-1 (securities fraud), and §61-1-3 (unlicensed activity) while engaged in the offer and/or sale of securities in or from Utah.
2. On or about February 11, 2019, the Division initiated an administrative action against Maynes and Carlos Humberto Rodriguez (“Rodriguez”) (collectively referred to as Respondents) by filing an Order to Show Cause. Rodriguez and the Division entered into a settlement agreement in May of 2019, which was approved by the Utah Securities Commission on May 23, 2019.

3. Maynes hereby agrees to settle this matter with the Division by way of this Stipulation and Consent Order (“Order”). If entered, the Order will fully resolve all claims the Division has against Maynes pertaining to the Order to Show Cause.
4. Maynes admits that the Division has jurisdiction over her and over the subject matter of this action.
5. Maynes hereby waives any right to a hearing to challenge the Division’s evidence and present evidence on her behalf.
6. Maynes has read this Order, understands its contents, and voluntarily agrees to the entry of the Order as set forth below. No promises or other agreements have been made by the Division, nor by any representative of the Division, to induce Maynes to enter into this Order, other than as described in this Order.
7. Maynes is represented by attorney Thomas Weber, from Weber Law, and is satisfied with the legal representation she has received.

FINDINGS OF FACTS

THE RESPONDENTS

8. Maynes resided in Utah during all times relevant to the allegations asserted herein and has never been licensed in the securities industry. Maynes is a solicitor for a company called My Trader Coin (“MTC”) and she collected funds from investors on behalf of MTC.¹ MTC has no known ownership structure, origin, entity registration, or location

¹ Top level MTC solicitors were referred to as “leaders” within the organization who were primarily responsible for collecting investor funds and opening “investment accounts” on the MTC online platform. Maynes is believed to be a “leader” of MTC.

information currently available.² According to Respondents, MTC's purpose was to generate returns for investors by trading cryptocurrencies.

9. Rodriguez resided in Utah during all times relevant to the allegations asserted herein and has never been licensed in the securities industry.

GENERAL ALLEGATIONS

10. The Division's investigation of this matter revealed that from approximately March 2017 to August 2018, while conducting business in or from the state of Utah, Respondents offered and sold several investment opportunities to at least 18 investors, and raised approximately \$73,700 in connection therewith.
11. The investment opportunities offered and sold by Respondents are investment contracts, which are securities under §61-1-13 of the Act.
12. In connection with the offer and/or sale of securities, Respondents, either directly or indirectly, made material omissions and/or misrepresentations of material facts.
13. Maynes utilized investor funds in a manner inconsistent with the representations Maynes made to investors including, but not limited to paying personal expenses, and making several personal car loan payments.
14. In connection with the offer and/or sale of securities, Maynes and Rodriguez solicited investor funds on behalf of MTC, and hosted several investment seminars where Maynes and Rodriguez distributed investment literature and presented information regarding the MTC investment.
15. To date, investors are owed approximately \$62,000 in principal alone.

² Many investors believe MTC was started in the Dominican Republic, and was introduced to Utah in or about February 2017 by Juan Tacuri and David Carmona from the state of New York.

INVESTOR INFORMATION

16. From approximately March 2017 to August 2018, Respondents solicited at least 18 investors to invest in MTC.
17. Maynes, Rodriguez, and other MTC solicitors specifically targeted members of the Latino community to invest in MTC.
18. Maynes and Rodriguez solicited investors primarily located in Utah but also solicited investors located in Texas and Nevada. The solicitations primarily occurred in person during seminars hosted by Respondents.
19. MTC's business model was based on a multi-level marketing structure in which investors could receive referral bonuses by introducing new investors to MTC. With the exception of a few investors who introduced new investors to Respondents to invest in MTC, most investors did not receive any referral bonuses for introducing new investors to Respondents, and no investor had a role in the managerial functions or investment opportunities, other than providing investment funds.³

MTC Cryptocurrency Investment

THE SOLICITATION

20. Maynes began soliciting investors to invest in MTC in or about March 2017, and recruited Rodriguez shortly thereafter to become a solicitor for MTC. Maynes and Rodriguez called their MTC solicitor group, "Global Trader Coin Team".
21. Respondents solicited investors by hosting seminars at investors' homes, Maynes's Utah health and wellness store location⁴, and presenting at locations such as the Megaplex

³ Any investor who may have received a referral bonus for introducing new investors to Respondents, only invited new investors to Respondents' seminars, were not involved in the solicitation, and lost their investment in MTC as well.

⁴ Entity documents registered with the Utah Division of Corporations and Commercial Code lists Maynes as the

Theatres at the Valley Fair Mall in West Valley City, Utah.⁵

22. Respondents represented to investors that MTC would use investors' funds to trade cryptocurrencies, and that investors would realize the following returns based on the investment plan selected: a return of \$12 each day per \$1,000 invested in MTC over a three hundred-day time period, \$6 each day per \$500 invested in MTC over a three hundred-day time period, and \$1 each day per \$100 invested in MTC over a three hundred-day time period.
23. During the solicitation, Respondents provided investors with investment brochures, written in Spanish and created by Respondents, displaying hypothetical returns and projections, and an overview of MTC's investment offering.
24. Respondents also circulated a pamphlet to investors which included information on MTC's three investment plan offerings, contact information for the Global Trader Coin Team (including the physical address of Maynes's retail store, Vida Y Salud), and various statements regarding cryptocurrencies and the use of social media. The pamphlet was written in Spanish and created by Respondents.
25. While at least one individual invested via personal check made payable to Maynes, most investors used cash to invest in MTC, and primarily communicated with Respondents through the social media platform, WhatsApp. If investors became weary of delays in communication and/or asked for return of their investment, Maynes deleted their profile

director and owner of Vida Y Salud, Inc. with an entity address as 427 E 3300 S, Salt Lake City, UT 84106. Vida Y Salud is a health and wellness retail store located in Utah.

⁵ MTC leaders circulated an advertisement written partially in Spanish entitled, "SEMINARIO DE EDUCACIÓN FINANCIERA EN UTAH USA" with a date and time of March 18 at 7:00 PM. The advertisement contains MTC's website (mytradercoin.com) and photographs with names listed as: Rodrigo Murga, Claudia Gonzalez, Juan Tacuri, Edith Plancarte, Fernando Luna, and Maria Maynes. The location of the seminar is listed as the Megaplex Theatres at the Valley Fair Mall, with an address of 3620 South 2400 West, West Valley City, UT 84119.

from the WhatsApp group chat, leaving investors with no history of their communication with Maynes.

26. After investors gave Respondents their investment check or cash, Maynes created an alleged investment account on MTC's website immediately displaying the investor's funds within the account.
27. Respondents promised investors a "bonus referral" of \$200 to \$300 in cash or MTC account credits if investors referred a new investor to invest in MTC.
28. During the solicitation, Respondents made numerous statements and representations to investors regarding the investment opportunity in MTC, including, but not limited to, the following:
 - a. That MTC was offering an opportunity for investors to receive a substantial return by trading in cryptocurrencies;
 - b. That investors would receive a return of \$1 to \$12 each day depending upon which investment plan was chosen;
 - c. That investors would realize a return on their investment in 100 to 300 days;
 - d. That investors would be able to access their investment account and funds on the MTC website;
 - e. That investors could sell their MTC investment to other investors at any time and withdraw their funds;
 - f. That investors could earn referral bonuses by introducing other investors to Respondents; and
 - g. That MTC was an opportunity to gain financial security and independence.
29. Based upon Respondents' statements and representations, investors provided funds by

checks and cash totaling approximately \$73,700 to Respondents to invest in MTC, as they were instructed to do by Maynes.

THE INVESTMENT AGREEMENT

30. In exchange for their investment in MTC, Maynes gave investors a username and password to access their investment account on the MTC website. When investors asked for additional documentation of their MTC investment, Respondents informed investors that their usernames and passwords were evidence of their investment.
31. MTC's online account access allowed investors to review their alleged account balances, daily credits, and e-wallets to transfer cryptocurrency or additional funds.
32. Respondents promised investors a return of \$1 to \$12 each day in 100 to 300 days for their investment in MTC.

FRAUDULENT CONDUCT: USE OF INVESTOR FUNDS

33. An analysis of Maynes's bank records revealed that Maynes used investor funds in a manner inconsistent with what Maynes and Rodriguez represented at the time of solicitation.
34. Maynes used investor funds in a manner including, but not limited to the following:
 - a. To pay over \$6,200 in personal car loan payments; and
 - b. To pay over \$1,800 in personal expenses at grocery stores, gas stations, Amazon, and travel expenses.
35. In addition, Respondents collected over \$65,000 in cash from investors that could not be immediately accounted for during the Division's investigation.
36. For investors who invested by check, the funds were spent by Maynes within four months of receipt of funds.

MISSTATEMENTS AND OMISSIONS

37. In connection with the offer and/or sale of securities, Respondents made the following material misstatements to investors including, but not limited to, the following:
- a. That all investor funds would be invested in MTC to trade cryptocurrencies, when in fact, this representation was false, there is no evidence that cryptocurrencies were ever traded, and Maynes used a portion of investor funds for personal expenses and her car loan;
 - b. That investors would receive a return of \$1 to \$12 each day in 100 to 300 days, when in fact, this representation was false, there was no reasonable basis for making this statement, and investors lost their entire investment in MTC; and
 - c. That investors would be able to withdraw their funds at any time using their online MTC investment account, when in fact, this representation was false, investor balances reflected on the online MTC account were fictitious and not actually deposited within the investor's account during the solicitation, and the MTC online platform did not provide a functioning system for investors to withdraw funds.
38. In connection with the offer and/or sale of securities, Respondents failed to disclose material information to investors including, but not limited to, the following:
- a. That Maynes would use investor money to fund her personal lifestyle;
 - b. That Respondents would collect substantial cash investments from investors without maintaining accurate accounting records detailing business expenses and the use of investor funds;
 - c. That Respondents would not provide to investors account statements or receipts

verifying their MTC investments;

- d. That Maynes filed for bankruptcy in 2002;
- e. That Maynes opened MTC online accounts for investors that displayed a credit balance of their investment before Maynes or another MTC leader actually deposited investor funds into the MTC account;
- f. That Maynes and Rodriguez were not licensed to sell securities; and
- g. Some or all of the information typically provided in an offering circular or prospectus concerning Respondents and MTC relevant to the investment opportunity, such as:
 - i. Business and operating history;
 - ii. Financial statements;
 - iii. Information regarding principles involved in the company;
 - iv. Conflicts of interest;
 - v. Risk factors;
 - vi. Suitability factors for investment; and
 - vii. Whether the securities offered were registered in the state of Utah.

39. To date, investors are owed approximately \$62,000 in principal alone on their investments in MTC.

MAYNES' PARALLEL CRIMINAL PROCEEDING

40. On January 25, 2019, Maynes was charged in a parallel criminal action in Utah's Third District Court, Salt Lake County, Utah, Case Number 191900810 (the "Criminal Action").

41. On December 30, 2019, Maynes entered into a plea agreement with the state, and pleaded

guilty to Securities Fraud, a 3rd degree felony.

42. Maynes was sentenced to an indeterminate term not to exceed five years in the Utah State Prison, but the prison term was suspended. Maynes was placed on probation for 24 months, and ordered to complete 80 hours of community service. Maynes was also ordered to pay restitution in the amount of \$5,000 (plus interest) beginning February 1, 2020, in 20 monthly payments of \$250.00 a month, and a final payment of \$210.59 due October 1, 2021.
43. As of the signing of this Order, Maynes has paid a total of \$1,922.17 in restitution to investor B.M., and Maynes owes a remaining balance of \$3,077.83.

CONCLUSIONS OF LAW

Securities Fraud under § 61-1-1(2) of the Act

44. Based upon the Division's investigative findings, the Division concludes that the investment opportunities offered and sold by Maynes are investment contracts which are securities under §61-1-13 of the Act.
45. As described herein, in connection with the offer and/or sale of securities, Maynes directly or indirectly misrepresented material facts and/or omitted material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of Section 61-1-1(2) of the Act.

Securities Fraud under § 61-1-1(3) of the Act

46. In violation of § 61-1-3(1) of the Act, Maynes directly or indirectly engaged in an act, practice, or course of business which operated as a fraud or deceit on investors, when she converted and misused investor funds for purposes not disclosed to or authorized by investors, including, but not limited to, personal use of funds.

Unlicensed Activity under § 61-1-3(1) of the Act

47. In violation of § 61-1-3(1) of the Act, Maynes was not licensed in the securities industry in any capacity when she offered and sold securities on behalf of MTC, and received compensation in connection therewith.

REMEDIAL ACTIONS/SANCTIONS

48. Maynes admits the Division's Findings of Fact and Conclusions of Law, and consents to the below sanctions being imposed by the Division.
49. Maynes represents that the information she has provided to the Division as part of its investigation is accurate and complete.
50. Maynes agrees to cease and desist from violating the Act and to comply with the requirements of the Act in all future business in the state of Utah.
51. Maynes agrees to be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.
52. Maynes agrees to pay restitution in the amount of \$5,000 (plus interest) to investor B.S. pursuant to the Criminal Action. Maynes also agrees to pay restitution in the amount of \$19,000 to the Division as follows: \$6,000 paid within 45 days of the Utah Securities Commission's (the "Commission") approval of this Order, and the remaining \$13,000 paid in consecutive equal monthly payments within two years of the Commission's approval of this Order. The Division will distribute the \$19,000 to the investors included in Exhibit A (attached hereto) on a pro-rata basis.

53. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, the Division imposes a total fine amount of \$64,500 against Maynes. If Maynes timely pays restitution pursuant to the Criminal Action and this Order, the Division will offset the fine amount dollar-for-dollar by restitution paid in the Criminal Action and this Order. After restitution is timely paid pursuant to the Criminal Action and this Order, the Division will waive the remaining \$40,500 fine.

FINAL RESOLUTION

54. Maynes acknowledges that this Order, upon approval by the Commission, shall be the final compromise and settlement of this matter. Maynes acknowledges that the Commission is not required to approve this Order, in which case the Order shall be null and void and have no force or effect. In the event the Commission does not approve this Order, however, Maynes expressly waives any claims of bias or prejudgment of the Commission, and such waiver shall survive any nullification.
55. If Maynes materially violates any term of this Order, after notice and an opportunity to be heard before an administrative judge solely as to the issue of a material violation, Maynes consents to entry of an order in which the total fine amount of \$64,500, less any payments already made, becomes immediately due and payable. Notice of the violation will be provided to Maynes at her last known address and to her counsel if she has one. If Maynes fails to request a hearing within ten (10) days following the notice, there will be no hearing and the order granting relief will be entered.
56. In addition, the Division may institute judicial proceedings against Maynes in any court of competent jurisdiction and take any other action authorized by the Act or under any other applicable law to collect monies owed by Maynes or to otherwise enforce the terms

of this Order. Maynes further agrees to be liable for all reasonable attorneys' fees and costs associated with any collection efforts pursued by the Division, plus the judgment rate of interest.

57. Maynes acknowledges that the Order does not affect any civil or arbitration causes of action that third-parties may have against her arising in whole or in part from her actions, and that the Order does not affect any criminal causes of action that may arise as a result of the conduct referenced herein. Maynes also acknowledges that any civil, criminal, arbitration or other causes of actions brought by third-parties against her have no effect on, and do not bar this administrative action by the Division against her.

58. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way. Upon entry of the Order, any further scheduled hearings involving Respondent Maynes are canceled. The Order may be docketed in a court of competent jurisdiction.

Dated this 30 day of July, 2020

Dated this 16 day of July, 2020

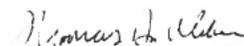

Hermansen Dave (Jul 30, 2020 14:23 MDT)

Dave R. Hermansen
Director of Enforcement
Utah Division of Securities


Maria Guadalupe Maynes

Approved


Jennifer Korb
Assistant Attorney General
Counsel for Division


Thomas Weber
Counsel for Respondent Maynes

ORDER

IT IS HEREBY ORDERED THAT:

1. The Division's Findings and Conclusions, which Maynes admits, are hereby entered.
2. Maynes shall cease and desist from violating the Act and comply with the requirements of the Act in all future business in the state of Utah.
3. Maynes shall be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.
4. Maynes shall pay restitution in the amount of \$5,000, pursuant to the Criminal Action, and \$19,000 pursuant to the terms set forth in paragraph 52.
5. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, Maynes shall pay a fine of \$64,500 to the Division pursuant to the terms set forth in paragraph 53.

BY THE UTAH SECURITIES COMMISSION:

DATED this 6th day of August, 2020

Lyndon Ricks
Lyndon Ricks (Aug 6, 2020 13:34 MDT)

Lyndon L. Ricks

Lyle White
Lyle White (Aug 6, 2020 11:46 MDT)

Lyle White

Peggy Hunt
Peggy Hunt (Aug 6, 2020 16:43 MDT)

Peggy Hunt

Gary Cornia
Gary Cornia (Aug 6, 2020 19:13 MDT)

Gary Cornia

Brent A Cochran
Brent A Cochran (Aug 6, 2020 14:53 MDT)

Brent Cochran

Exhibit A

Maria Maynes – Stipulation and Consent Order

Restitution to Investors

Investor	Investment Losses
P.P.	\$200
E.L.	1,000
V.P.	5,000
E.I.	5,500
A.A.	4,000
M.B.	3,800
P.J.	3,000
Y.R.	3,000
J.R.	5,000
B.G.	3,000
L.S.	15,000
Total:	\$48,500.00

CERTIFICATE OF SERVICE

I certify that on the 10th day of August 2020, I sent a true and correct copy of the foregoing **Stipulation and Consent Agreement**, to be sent to the parties as follows:

Via Email:

Respondent Maria Guadalupe Maynes, through counsel
Thomas Weber
Weber Law
tom@law.ninja

Bruce Dibb, Administrative Law Judge
Department of Commerce
bdibb@utah.gov

Robert Wing, Assistant Attorney General
Utah Attorney General's Office
rwing@agutah.gov

Jennifer Korb, Assistant Attorney General
Utah Attorney General's Office
jkorb@agutah.gov

Dave R. Hermansen, Manager of Enforcement
Utah Division of Securities
dhermans@utah.gov

Sabrina Afridi

Sabrina Afridi
Administrative Assistant
Utah Division of Securities
safridi@utah.gov

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

<p>IN THE MATTER OF:</p> <p>SHIP GROUP INC,</p> <p>PATRICK JOHN HUTTON,</p> <p>THOMAS ROBERT SANFORD,</p> <p>Respondents.</p>	<p>STIPULATION AND CONSENT AGREEMENT</p> <p>Docket No. <u>SD-20-0010</u></p> <p>Docket No. <u>SD-20-0011</u></p> <p>Docket No. <u>SD-20-0012</u></p>
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The Utah Division of Securities (“Division”), by and through its Director of Enforcement, Dave Hermansen, and Respondent Patrick John Hutton (“Hutton”) hereby stipulate and agree as follows:

1. Hutton has been the subject of an investigation by the Division into allegations that he violated the Utah Uniform Securities Act (“Act”), Utah Code Ann. §61-1-1 (securities fraud), §61-1-3 (unlicensed activity) and §61-1-7 (sale of unregistered security) while engaged in the offer and/or sale of securities in or from Utah.
2. On or about April 27, 2020, the Division initiated an administrative action against Ship Group Inc. (“Ship Group”), Hutton, and Thomas Robert Sanford (“Sanford”) (collectively referred to as Respondents) by filing an Order to Show Cause.

3. Hutton hereby agrees to settle this matter with the Division by way of this Stipulation and Consent Order (“Order”). If entered, the Order will fully resolve all claims the Division has against Hutton pertaining to the Order to Show Cause.
4. Hutton admits that the Division has jurisdiction over him and over the subject matter of this action.
5. Hutton hereby waives any right to a hearing to challenge the Division’s evidence and present evidence on his behalf.
6. Hutton has read this Order, understands its contents, and voluntarily agrees to the entry of the Order as set forth below. No promises or other agreements have been made by the Division, nor by any representative of the Division, to induce Hutton to enter into this Order, other than as described in this Order.
7. Hutton is represented by attorney Aaron Dodd, from Fillmore Spencer LLC, and is satisfied with the legal representation he has received.

FINDINGS OF FACTS

THE RESPONDENTS

8. Ship Group is a corporation registered with the California Secretary of State on August 25, 2014.¹ In entity filing documents, Sanford was listed as the CEO, CFO, officer, and director of Ship Group; and Hutton was listed as an officer. Ship Group’s entity status with the California Secretary of State is listed as suspended. Ship Group’s purported purpose was to purchase investment properties and secure loans from hard money lenders to lend to other businesses. Ship Group has never been licensed with the Division, and

¹ Ship Group’s entity documents filed with the California Secretary of State lists the entity’s contact address as 30100 Town Center Dr., Building O, Suite 122, Laguna Niguel, CA 92677.

has never recorded a securities registration, exemption from registration, or notice filing with the Division.

9. Sanford resided in California during all times relevant to the allegations asserted herein and was once licensed (Series 7, Series 24, and Series 63) in the securities industry.² Sanford established a Ship Group bank account at Citi Bank, account ending in 1580, where Sanford was the sole signatory on the account. There is currently a parallel criminal proceeding against Sanford related to this matter in the Fourth District Court, American Fork, Utah, case number 191100881.
10. Hutton resided in Florida during all times relevant to the allegations asserted herein and has never been licensed in the securities industry. On July 5, 2019, a parallel criminal proceeding was filed against Hutton related to this matter in the Fourth District Court, American Fork, Utah, case number 191100880. On January 14, 2020, Hutton entered a plea in abeyance for securities fraud, sale of an unregistered security, and unregistered securities agent. The court ordered Hutton to pay restitution to investor H.V. of \$50,000 (plus interest) in monthly installments beginning February 15, 2020.³ If Hutton completes the terms of the plea in abeyance by February of 2022, then all charges filed against him will be dismissed.

GENERAL ALLEGATIONS

11. The Division's investigation of this matter revealed that in or about September 2014, while conducting business in or from the state of Utah, Respondents offered and sold an

² On or about August 25, 1999, the state of Wisconsin filed an administrative action against Sanford alleging the offer and sale of an unregistered security and selling securities without a license; *See* case number S-98313. According to the Central Registration Depository ("CRD"), Sanford's CRD record contains numerous complaints and internal reviews related to allegations of churning, breach of fiduciary duty, failure to supervise, sale of unsuitable securities, and misappropriation of customer funds.

³ *See* case number 191100880 in Fourth District Court, American Fork, Utah.

- investment opportunity to one Utah investor, and raised approximately \$100,000.⁴
12. The investment opportunity offered and sold by Respondents is an investment contract or promissory note, which are defined as securities in §61-1-13 of the Act.
 13. In connection with the offer and/or sale of securities, Respondents, either directly or indirectly, made material omissions and/or misrepresentations of material facts regarding Respondents' intended use of the investors' funds.
 14. Respondents utilized investor funds in a manner inconsistent with the representations Respondents made to investors. For example, investor money was used to make cash withdrawals of at least \$32,300 without providing a legitimate business use for the funds.
 15. To date, investor H.V. is owed approximately \$86,000 in principal alone.

INVESTOR INFORMATION

16. Investor H.V. is a resident of Provo, Utah and owns a company that supports employment services for individuals with disabilities.
17. In or about July 2014, investor H.V. met Hutton after attending a real estate investment seminar hosted by Hutton at the Sheraton Hotel in Salt Lake City.
18. During the seminar, Hutton asked investor H.V. to provide financial documentation to assess whether or not real estate investing would be suitable for investor H.V.
19. Hutton invited investor H.V. to purchase Hutton's real estate coaching program, as Hutton claimed to have over thirty years of experience as a successful real estate investor. The cost of Hutton's real estate coaching program was \$40,000.
20. Hutton informed investor H.V. that Hutton would personally mentor investor H.V. if he purchased the coaching program, and that investor H.V. would earn the \$40,000 cost of

⁴ Respondents solicited at least two other investors who are not residents of Utah and are not included in the Division's administrative proceeding.

the program back within 90 days.

21. Hutton decided not to purchase Hutton's real estate coaching program; but, Hutton remained in contact with investor H.V. to offer other real estate investment ventures.
22. Investor H.V. had no role in Ship Group, other than providing investment funds.

SHIP GROUP INVESTMENT

THE SOLICITATION AND INVESTMENT

23. Investor H.V. made two investments with Ship Group. The first investment was in a property located in California. Hutton repaid investor H.V. for his first investment as agreed upon.
24. Hutton later approached investor H.V. about a larger real estate investment located in Arcadia, California that would require a \$100,000 investment, and would produce a 25% return on investment in three or four months.
25. Investor H.V. did not have cash available to invest, but informed Hutton that he had access to a \$100,000 business line of credit that investor H.V. could use to invest in the Arcadia property.
26. After investor H.V. became interested in learning more about the Arcadia property, Sanford began contacting investor H.V. with property details and bank wiring instructions for the investment. Hutton also sent investor H.V. a market analysis for the Arcadia property.
27. Hutton did not tell investor H.V. about Sanford's role in Ship Group. Investor H.V. initially believed that Sanford was a student from Hutton's real estate seminars.
28. During the solicitation, Respondents made numerous statements to investor H.V. regarding the Arcadia investment opportunity with Ship Group, including, but not limited

to, the following:

- a. That investor H.V.'s investment in the Arcadia property would be secured by the property itself, and investor H.V.'s property interest would be recorded on the deed of trust;
 - b. Investor H.V.'s investment was needed quickly to purchase the Arcadia property, and that funds should be wired directly to the escrow company immediately;
 - c. Investor H.V. could expect a 25% return on investment after selling the Arcadia property in three or four months;
 - d. Investor H.V. would receive a promissory note that would be "*secured and included in the bylaws or operating agreement of Ship Group, Inc. until paid off*";
 - e. Respondents would provide home owners association statements, hazard insurance statements, and property tax statements every six months;
 - f. Hutton had over 30 years of experience in real estate investing, and was very successful;
 - g. Hutton would manage the purchase, renovation, and resale of the Arcadia project; and
 - h. The Arcadia property would be purchased for \$1,250,000 and sold for \$1,600,000, realizing a gross profit of \$268,705 after fees and commissions.
29. Based upon Respondents' statements, investor H.V. wired \$100,000 to an escrow company by the name of Central Escrow on or about September 25, 2014, as he was directed to do by Respondents.

THE INVESTMENT AGREEMENT

30. In return for his investment, investor H.V. received a notarized document entitled

“Promissory Note” dated September 22, 2014, and signed by Sanford.

31. The agreement identified the Arcadia property securing the “promissory note” and offered investor H.V. a “25% return on investment upon sale of the property” and return of investor H.V.’s \$100,000 principal investment.
32. In the agreement, Sanford also promised to provide to investor H.V. “*HOA statements, HO-6 Extended Hazard Insurance statements and Parcel Tax Roll Statements (paid in full receipts) bi-annual and every six (6) months thereafter*”.
33. Hutton also told investor H.V. that investor H.V. would be placed on the Arcadia property deed to secure his property and investment interest. However, Hutton did not initially place investor H.V. on the Arcadia property deed.

FRAUDULENT CONDUCT: USE OF INVESTOR FUNDS

34. Respondents told investor H.V. that his investment would be used to purchase the Arcadia property; and, therefore investor H.V. should wire \$100,000 directly to the escrow company to immediately close on the purchase of the Arcadia property.
35. However, because Respondents had already obtained investment funds from several other investors (unbeknownst to investor H.V.), Respondents did not need investor H.V.’s investment to purchase the Arcadia property. As a result, the escrow company sent Respondents a refund of \$107,006.75 to Ship Group’s bank account ending in 1580 as an overpayment of the purchase price of the Arcadia property.⁵
36. Rather than informing investor H.V. that his funds were no longer needed to purchase the Arcadia property, Respondents instead used investor H.V.’s funds in a manner not authorized by the investor.

⁵ In addition to the use of investor funds, Respondents also obtained a \$900,000 home mortgage on the Arcadia property from Rediger Investment Mortgage to finance the initial purchase of the property. Hutton signed the note and deed of trust for the mortgage from Rediger.

37. Respondents used investor H.V.'s investment in a manner including, but not limited to the following:
- a. Approximately \$32,200 in cash withdrawals without providing a legitimate business use for the funds;
 - b. Approximately \$59,500 to Creation Builders, a construction company located in California;
 - c. Approximately \$7,862.47 on building supplies;
 - d. Approximately \$5,543.44 on mortgage interest; and
 - e. Approximately \$925.84 on fast food, gas, groceries, bank fees, and general merchandise.
38. In or about February 2015, Sanford refinanced the Arcadia property (unknown to investor H.V.) granting the new lender, Moreiko Heritage LP, a first lien mortgage on the property, and providing Respondents with \$73,613.17 in equity from the Arcadia property. Sanford transferred the cash equity value into Ship Group's entity bank account ending in 1580.
39. The \$73,613.17 in equity transferred to Ship Group's account was used in the following manner:
- a. Approximately \$20,181 transferred to an entity owned by Hutton;
 - b. Approximately \$9,000 transferred to an entity owned by Sanford;
 - c. Approximately \$17,502.35 in cash withdrawals;
 - d. Approximately \$16,861.52 paid to American Express;
 - e. Approximately \$9,634.25 in mortgage payments; and
 - f. Approximately \$434.05 paid for fast food, gas, utilities, parking, bank fees, and tolls.

40. Prior to Respondents refinancing the Arcadia property, Respondents had still not recorded a lien or deed of trust under investor H.V.'s name to secure his ownership interest in the Arcadia property.
41. Respondents did not inform investor H.V. that there were several parties recorded on the deed of the Arcadia property ahead of investor H.V., including other investors like investor H.V.
42. Sanford did not sign and record a deed of trust for the Arcadia property to secure investor H.V.'s interest in the property until February 2016.
43. Investor H.V.'s interest was not recorded until Respondents had already refinanced the Arcadia property and over-encumbered the property to other ownership interests, effectively diluting any potential return investor H.V. could have received upon sale or foreclosure of the property.

MISSTATEMENTS AND OMISSIONS

44. In connection with the offer and/or sale of securities, Respondents made material misstatements to investor H.V. including, but not limited to, the following:
 - a. That investor H.V.'s funds would be used to purchase the Arcadia property, when in fact, Respondents did not need investor H.V.'s investment to purchase the Arcadia property and instead used his investment for other purposes not related to the purchase of the property;
 - b. Investor H.V. would receive a return on investment of 25% within three or four months, when in fact, there was no reasonable basis to make this claim;
 - c. Investor H.V.'s investment would be secured by a trust deed on the Arcadia property, when in fact, this claim was false and Respondents did not record investor

H.V.'s interest until over a year later when the property was already over-encumbered; and

- d. Hutton would exclusively be responsible for the management, operations, renovations, and resale of the Arcadia property, when in fact, this claim was false, considering Sanford was responsible for a significant portion of the operation of the Arcadia project and had sole ownership of the Ship Group entity bank account where investor H.V.'s funds were eventually deposited.
45. In connection with the offer and/or sale of securities, Respondents failed to disclose material information to investors including, but not limited to, the following:
- a. That Respondents did not need investor H.V.'s funds to purchase the Arcadia property;
 - b. That Respondents would use investor H.V.'s funds for purposes unauthorized by the investor;
 - c. That Sanford would refinance the Arcadia property and remove the equity from the property to pay himself and Hutton;
 - d. That Respondents would fail to file and record investor H.V. on the trust deed of the Arcadia property to secure investor H.V.'s investment;
 - e. That Respondents would over-encumber the Arcadia property by refinancing the property and promising other investors a high return on investment ahead of investor H.V.;
 - f. That Sanford, and not Hutton primarily would be managing the Arcadia project because Sanford was the CEO of Ship Group;
 - g. That Hutton was sued in 2008 for selling and marketing investment properties in

- Cape Coral, FL using real estate investment seminars;
- h. That Hutton previously filed for bankruptcy;
 - i. That Sanford was barred from the securities industry for misappropriating client funds, and was also the subject of a Wisconsin state administrative action for the unlicensed sale of an unregistered security;
 - j. That Respondents were not licensed to sell securities; and
 - k. Some or all of the information typically provided in an offering circular or prospectus concerning Respondents relevant to the investment opportunity, such as:
 - i. Business and operating history;
 - ii. Financial statements;
 - iii. Information regarding principals involved in the company;
 - iv. Conflicts of interest;
 - v. Risk factors;
 - vi. Suitability factors for investment; and
 - vii. Whether the securities offered were registered in the state of Utah.
46. To date, investor H.V. is owed approximately \$86,000 in principal alone on his investment in Ship Group.

HUTTON'S PARALLEL CRIMINAL PROCEEDING

47. On July 5, 2019, Hutton was charged in a parallel criminal action in Utah's Fourth District Court, Utah County, Utah, Case Number 191100880 (the "Criminal Action").
48. On January 14, 2020, Hutton entered into a plea agreement with the state, and pleaded no contest to Securities Fraud (3rd degree felony), Sale of Unregistered Security (2nd degree felony) and Unregistered Securities (2nd degree felony).

49. Hutton's plea will be held in abeyance for twenty-four months; and Hutton was ordered by the court to pay \$50,000 in restitution in twenty-four monthly installments of \$2,083 to investor H.V.
50. As of the signing of this Order, Hutton has paid a total of \$14,282.24 in restitution to Investor H.V., and Hutton owes a remaining balance of \$35,717.76.

CONCLUSIONS OF LAW

Securities Fraud under § 61-1-1(2) of the Act

51. Based upon the Division's investigative findings, the Division concludes that the investment opportunity offered and sold by Hutton is an investment contract and/or a promissory note, which are securities under §61-1-13 of the Act.
52. In violation of § 61-1-1(2) of the Act, and in connection with the offer and/or sale of a security, Hutton, directly or indirectly misrepresented material facts, as described above.
53. In violation of § 61-1-1(2) of the Act, and in connection with the offer and/or sale of a security, Hutton omitted material facts which were necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading as described above.

Securities Fraud under § 61-1-1(3) of the Act

54. In violation of § 61-1-3(1) of the Act, Hutton was not licensed in the securities industry in any capacity when he engaged in an act, practice, or course of business which operated as a fraud or deceit on investors. That conduct includes but is not limited to Hutton's conversion and misuse of investor funds for purposes not disclosed to or authorized by investors, including, but not limited to, personal use of funds.

Unlicensed Activity under § 61-1-3(1) of the Act

55. In violation of § 61-1-3(1) of the Act, Hutton was not licensed in the securities industry in any capacity when he offered and sold securities on behalf of Ship Group and received compensation in connection therewith.

Sale of Unregistered Securities under § 61-1-7 of the Act

56. In violation of § 61-1-7 of the Act, the Ship Group investment was not registered with the Division, did not qualify for an exemption from registration, and was not a federal covered security for which any notice filing was made before Hutton offered and sold the security in the state of Utah.

REMEDIAL ACTIONS/SANCTIONS

57. Hutton neither admits nor denies the Division's Findings of Fact and Conclusions of Law, but consents to the below sanctions being imposed by the Division.
58. Hutton represents that the information he has provided to the Division as part of its investigation is accurate and complete.
59. Hutton agrees to cease and desist from violating the Act and to comply with the requirements of the Act in all future business in the state of Utah.
60. Hutton agrees to be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.
61. Hutton agrees to pay restitution in the amount of \$50,000 pursuant to the Criminal Action.
62. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, the Division imposes a total fine amount of \$70,000 against

Hutton. If Hutton timely pays restitution pursuant to the Criminal Action, the Division will offset the fine amount dollar-for-dollar by restitution paid in the Criminal Action, and will waive all but \$10,000 of the remaining fine. After restitution is paid pursuant to the Criminal Action, Hutton agrees to pay the remaining fine amount of \$10,000 to the Division in equal monthly payments over a period of five months. The first monthly payment of \$2,000 will be due February 1, 2022.

FINAL RESOLUTION

63. Hutton acknowledges that this Order, upon approval by the Utah Securities Commission (“Commission”), shall be the final compromise and settlement of this matter. Hutton acknowledges that the Commission is not required to approve this Order, in which case the Order shall be null and void and have no force or effect. In the event the Commission does not approve this Order, however, Hutton expressly waives any claims of bias or prejudgment of the Commission, and such waiver shall survive any nullification.
64. If Hutton materially violates any term of this Order, after notice and an opportunity to be heard before an administrative judge solely as to the issue of a material violation, Hutton consents to entry of an order in which the total fine amount of \$70,000, less any payments already made, becomes immediately due and payable. Notice of the violation will be provided to Hutton at his last known address, and to his counsel if he has one. If Hutton fails to request a hearing within ten (10) days following the notice, there will be no hearing and the order granting relief will be entered.
65. In addition, the Division may institute judicial proceedings against Hutton in any court of competent jurisdiction and take any other action authorized by the Act or under any other applicable law to collect monies owed by Hutton or to otherwise enforce the terms of this

Order. Hutton further agrees to be liable for all reasonable attorneys' fees and costs associated with any collection efforts pursued by the Division, plus the judgment rate of interest.

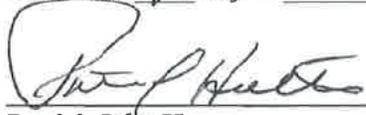
66. Hutton acknowledges that the Order does not affect any civil or arbitration causes of action that third-parties may have against him arising in whole or in part from his actions, and that the Order does not affect any criminal causes of action that may arise as a result of the conduct referenced herein. Hutton also acknowledges that any civil, criminal, arbitration or other causes of actions brought by third-parties against him have no effect on, and do not bar this administrative action by the Division against him.
67. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way. Upon entry of the Order, any further scheduled hearings involving Respondent Hutton are canceled. The Order may be docketed in a court of competent jurisdiction.

Dated this 30 day of July, 2020


Hermansen Dave (Jul 30, 2020 14:23 MDT)

Dave R. Hermansen
Director of Enforcement
Utah Division of Securities

Dated this 18 day of June, 2020


Patrick John Hutton

Approved:


Jennifer Korb
Assistant Attorney General
Counsel for Division

Approved:


Aaron Dodd
Counsel for Respondent Hutton

ORDER

IT IS HEREBY ORDERED THAT:

1. The Division's Findings and Conclusions, which Hutton neither admits nor denies, are hereby entered.
2. Hutton shall cease and desist from violating the Act and comply with the requirements of the Act in all future business in the state of Utah.
3. Hutton shall be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.
4. Hutton shall pay restitution in the amount of \$50,000, pursuant to the Criminal Action.
5. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, Hutton shall pay a fine of \$70,000 to the Division pursuant to the terms set forth in paragraph 62.

BY THE UTAH SECURITIES COMMISSION:

DATED this 6th day of August, 2020

Lyndon Ricks

Lyndon Ricks (Aug 6, 2020 13:34 MDT)

Lyndon L. Ricks

Lyle White

Lyle White (Aug 6, 2020 13:45 MDT)

Lyle White

Peggy Hunt

Peggy Hunt (Aug 6, 2020 13:43 MDT)

Peggy Hunt

Gary Cornia

Gary Cornia (Aug 6, 2020 13:13 MDT)

Gary Cornia

Brent A Cochran

Brent A Cochran (Aug 6, 2020 14:53 MDT)

Brent Cochran

CERTIFICATE OF SERVICE

I certify that on the 10th day of August 2020, I sent a true and correct copy of the foregoing **Stipulation and Consent Agreement**, to be sent to the parties as follows:

Via regular and Certified Mail:

Aaron Dodd (Attorney for Respondent Hutton)
Fillmore Spencer LLC
3301 N University Ave.
Provo, UT 84604
Certified Mail tracking no: 7019 1120 0002 2738 1248

Patrick John Hutton

Via Email:

Aaron Dodd
adodd@fslaw.com

Patrick John Hutton
[REDACTED]

Bruce Dobb, Administrative Law Judge
Department of Commerce
bdobb@utah.gov

Jennifer Korb, Assistant Attorney General
Utah Attorney General's Office
jkorbb@agutah.gov

Dave R. Hermansen, Manager of Enforcement
Utah Division of Securities
dhermans@utah.gov

Sabrina Afridi

Sabrina Afridi
Administrative Assistant
Utah Division of Securities
safridi@utah.gov