

3 | ORDER

IN THE MATTER OF:
BRANDON C. STIMPSON

Division of Securities
Utah Department of Commerce
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**STIPULATION AND CONSENT
ORDER**

BRANDON C. STIMPSON, CRD#4299623

Docket No. SD-20-0030

Respondent.

The Utah Division of Securities ("Division"), by and through its Director of Compliance, Kenneth O. Barton, and Respondent Brandon C. Stimpson ("Stimpson" or "Respondent") hereby stipulate and agree as follows:

1. Respondent 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, et seq., as amended.
2. On or about June 24, 2020 the Division initiated an administrative action against Respondent by filing a Petition to Revoke License, Bar Licensee and Impose a Fine.
3. Respondent 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 Respondent pertaining to the Petition.

4. Respondent admits that the Division has jurisdiction over him and the subject matter of this action.
5. Respondent hereby waives any right to a hearing to challenge the Division's evidence and present evidence on his behalf.
6. Respondent 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 Respondent to enter into this Order, other than as described in this Order.
7. Respondent is represented by Erik Christiansen of Parsons, Behle and Latimer and is satisfied with the legal representation he has received.

I. FINDINGS OF FACT

8. Stimpson is a Utah resident who has been employed in the securities industry in Utah since December 2000. Since July 2018, he has been licensed as an investment adviser representative of ARS Investment Advisors, Inc., IARD#293750. From May 29, 2019 through July 2, 2019, Stimpson was licensed as a broker-dealer agent of United Planners' Financial Services of America, CRD#20804. For the period relevant to this matter, Stimpson was licensed from May 2012 through December 2017 as an investment adviser representative of Allegis Investment Advisors, LLC ("Allegis"), IARD#157314, and from May 2012 through December 2017 as a broker-dealer agent of Allegis Investment Services, LLC ("AIS"), CRD#168557.
9. Stimpson has passed the FINRA Series 6, 63 and 65 examinations. He has never been licensed to trade individual securities such as options nor has he personally traded options in his own accounts.

10. As discussed further below, Stimpson was terminated by Allegis and AIS on December 13, 2017 for "fail[ing] to follow firm policies and code of ethics."
11. Allegis is a defunct Idaho-based investment adviser that was founded in March 2011 as Bowen Group Advisors, later changing its name to Allegis in 2013.
12. AIS is a defunct broker-dealer which was formed in 2013 to serve as a limited broker-dealer for Allegis.
13. Allegis and AIS were under common control and ownership with the same individuals serving in management and supervisory capacities in both entities.
14. Allegis and AIS both withdrew their registrations and closed in 2019 following the failure of an Allegis investment strategy that caused catastrophic investor losses of more than \$38,000,000.00.
15. Summit Group Wealth Advisors, Inc. ("Summit") is an active Utah limited liability company located in Logan, Utah. Summit is not licensed with the Division but has been registered as a branch office with various broker-dealers and investment advisers since its organization, including both Allegis and AIS while they were operating. Summit has various affiliated individuals who were licensed with Allegis and/or AIS, including Stimpson. Summit's web site identifies Stimpson as its Vice President.
16. In September 2015, the Division received complaints from Allegis clients who had lost substantial amounts of money in a failed "net credit spread" options trading strategy offered by Allegis.
17. Among other things, the Division's subsequent examination found that Stimpson and

others offered and sold that strategy as an advisory service – also known as the “RUT strategy” – to numerous Utah investors, and violated the Act by misrepresenting or omitting material facts, and in particular, the significant risk of loss of investor principal.

18. The RUT strategy was a complex and speculative high-risk, low return strategy that was wholly unsuitable for unsophisticated investors, who in many cases were seniors investing their retirement monies in what they were told was a “safe” income-producing investment.
19. In addition, Stimpson engaged in an act, practice, or course of business operating as a fraud by acting as the representative of record for clients solicited by an AIS agent, Todd E. Seeholzer (“Seeholzer”), CRD#2583138, who was not licensed to offer or sell the strategy, with whom Stimpson unlawfully shared investment advisory compensation.¹

Allegis and the RUT Strategy

20. Heath S. Bowen (“Bowen”), CRD#4824684 was the President of Allegis and had primary responsibility for overall firm compliance, training Allegis representatives on the RUT strategy, and explaining the strategy to clients. Following a Colorado regulatory action for securities violations relating to the RUT strategy, in 2018 Bowen was ordered to cease transacting securities business in Colorado and to not apply for licensure in the future.
21. Peter G. Klaass (“Klaass”), CRD#2381681, served in various capacities at Allegis, including its Vice President and Chief Compliance Officer. He was also responsible for training Allegis representatives on the RUT strategy, reviewing and approving client

¹ Seeholzer was named as a respondent in a separate action filed contemporaneously with this action. That action was resolved through a Stipulation and Consent Order.

documents and suitability for the RUT strategy, and for placing trades to carry out the strategy. Following a Colorado regulatory action, in 2018 Klaass's investment adviser representative license was revoked for violations relating to the RUT strategy and he was barred from acting in the securities industry in any capacity in Colorado.

22. Bowen and Klaass began trading options while working together at LPL Financial in approximately 2010. They began doing net credit spread trades at that time for a limited number of clients. Bowen and Klaass founded Allegis together in 2011 and actively marketed the strategy to many more clients.

Options

23. There are many different securities option trading strategies. In general, options are based on or tied to the value of an underlying security or securities index. Options provide a purchaser or seller the opportunity or obligation to buy or sell a security at a future date. Buying a call option, for example, gives a purchaser the right (but not the obligation) to buy 100 shares of a security at a set price, known as the strike price, by a set date, known as the expiration date. Buying a put option provides the purchaser the right (but not the obligation) to sell 100 shares of a security at the strike price by the expiration date. Both calls and puts can be also be sold. Selling a call option obligates the seller (or "writer") to sell the security at the strike price if the security value exceeds the strike price. Selling a put option obligates the seller to purchase the security if the price falls below the strike price.
24. Options strategies are used for various reasons, including to protect a gain or limit losses in securities held by the person. In addition, some options strategies are speculative or seek to take advantage of changes in the values of a volatile security or index.

RUT Options

25. The Allegis RUT strategy was based on Russell 2000 Index options² which trade under the ticker symbol RUT. Unlike American-style equity options, which may be exercised any time before expiration, RUT options settle European-style and may only be exercised at expiration on the third Friday of the expiration month. In addition, RUT options expire in the morning rather than at the close of the market. RUT options trading ceases at market close on the Thursday before the expiration date, and the final settlement price is calculated after all underlying securities have been priced Friday morning.
26. RUT options contracts are cash-settled, meaning no shares change hands, and have a contract multiplier of \$100.00. The Chicago Board Options Exchange ("CBOE") describes RUT settlement:

Settlement Value:

Exercise will result in delivery of cash on the business day following expiration. The exercise settlement value, RLS, is calculated using the opening sales price in the primary market of each component security on the expiration date. The exercise-settlement value is equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by \$100.³

² The Russell 2000 Index is a small cap stock market index comprised of the smallest 2000 stocks in the Russell 3000 index, which tracks the largest 3,000 U.S.-traded stocks. The Russell 2000 is capitalization-weighted and includes only common stocks belonging to corporations domiciled in the US and its territories and traded on the NYSE, NASDAQ or the AMEX.

<http://www.cboe.com/products/stock-index-options-spx-rut-msci-ftse/options-on-ftse-russell-indexes/options-on-russell-2000-index-rut/rut-options-specs> The Russell 2000 is often regarded as a bellwether of the American economy because it measures the performance of smaller, domestically focused businesses. <https://www.investopedia.com/terms/r/russell2000.asp>

³ <http://www.cboe.com/products/stock-index-options-spx-rut-msci-ftse/options-on-ftse-russell-indexes/options-on-russell-2000-index-rut/rut-options-specs>

27. Accordingly, the RLS exercise-settlement value is only calculated after all of the underlying stocks in the Russell 2000 index have been priced when the market opens on Friday. Because not all 2000 stocks begin trading at the same time, the RLS may not be immediately known. RLS may therefore be higher or lower than the previous night's market close, and may also vary from the value of the index when the market opens on Friday.

Net Credit Spread Strategy

28. Klaass and Bowen began using a net credit spread trading strategy sometime in 2010, and developed the specific RUT strategy used by Allegis. A net credit spread consists of the simultaneous purchase and sale of the same type of option (either a put or a call) with the same expiration date but a different strike price. The trader receives a credit payment for the sale of the option and pays for the purchase of the other option. The "net credit" to the trader's account is the "spread" which is the difference between the proceeds received for the sale of the option minus the premium paid for the option purchase.
29. For example, a trader might buy 10 put contracts at a set strike price for .75 and sell 10 put contracts at a different strike price for \$1.25. When the transactions are entered, a net credit of .50 is paid to the trader ($\$1.25 \text{ premium received} - .75 \text{ premium paid}$) $\times 10$ contracts with 100 shares per contract = \$500.00. Depending on what happens at expiration, the trader may keep the net credit, in part or in whole, or incur losses.⁴ The

⁴ For examples of net credit spread trade scenario outcomes, see <https://www.schwab.com/resource-center/insights/content/reducing-risk-with-credit-spread-options-strategy-0>

net credit amount, however, represents the maximum gain possible from the transaction.

30. Clients participating in the RUT strategy opened brokerage accounts at T.D. Ameritrade, over which Allegis had discretionary trading authority. After determining how many contracts to purchase, Allegis entered trades on a block trade basis, after which contracts would be allocated automatically to individual client accounts.
31. Investors generally were told Allegis's goal in the RUT strategy was an annual return between 10 and 12%. Allegis typically placed one trade per month, seeking a return of approximately 1% per transaction. Klaass and Bowen chose the Russell 2000 index because of its higher volatility – a necessary and critical factor to earn higher premiums and meet the 1% target.
32. Allegis did not provide clients sales materials, a fact sheet, disclosure documents, or any other written description or illustration of the RUT strategy, how it worked, or various scenarios of how a client could gain or lose money using the strategy. At most, some representatives drew out a one-page chart about the strategy.
33. From 2011 through 2015, Allegis and its representatives, including Stimpson, offered and sold the RUT strategy to Allegis clients as a “safe” way to earn consistent income. Allegis charged an assets under management (“AUM”) fee of 2.5% to all clients investing in the strategy, which was split between Allegis and its investment adviser representative.

Losing Transaction

34. Volatility and a sell-off in the United States securities markets began on August 18, 2015, and the markets fell over the next few days. From August 18th through the 21st, the Dow
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Jones Industrial Average fell approximately 6% and the Russell 2000 index fell approximately 5.5%.

35. In the afternoon of Thursday, August 20, 2015, Allegis entered a net credit put spread, with the expectation that the RUT would gain in value, as follows:
- a. purchasing 39,200 RUT put contracts with an August 21, 2015 expiration and strike price of 1145 at a cost of \$0.4472 per contract.
 - b. selling 39,200 RUT put contracts with an August 21, 2015 expiration date and strike price of 1155, receiving \$0.5272 per contract.
36. The net credit and maximum possible gain for the trade – \$313,600 – was received at that time (the difference in premium prices of $\$0.5272 - \$0.4472 = \$0.08$, multiplied by $39,200 \text{ contracts} \times 100 \text{ shares per contract} = \$313,600$).
37. In order to receive that credit, Allegis placed at risk approximately 50% of investors' account values. Earlier RUT strategy trades risked even more – up to 100% of investors' monies – in each trade.
38. The settlement value for RLS on Friday, August 21, 2015 was 1145.06. As a result, Allegis sustained the near maximum loss possible: it was required to buy 39,200 RUT contracts at the strike price of 1155 = $39,200 \times 1155 \times \text{multiplier of } 100 = \$4,527,600,000$. Since the 1155 contracts were not covered,⁵ Allegis had to simultaneously sell 39,200 RUT contracts at the market price of 1145.06 = $39,200 \times 1145.06 \times \text{multiplier of } 100 = \$4,488,635,200$.

⁵ FINRA Rule 2360(a)(10) defines "covered" in connection with put options: "The term 'covered' in respect of a short position in a put option contract means that the writer holds in the same account as the short position, on a unit-for-unit basis, a long position in an option contract of the same class of options having an exercise price equal to or greater than the exercise price of the option contract in such short position." The trade was not covered because rather than buying puts at the same or higher strike price than the puts Allegis sold, Allegis bought puts at a lower strike price.

39. Allegis investors lost approximately \$38,651,200 from the transaction (\$4,527,600,000 minus \$4,488,635,000 minus net credit received of \$313,600).

Stimpson Clients

40. In 2012, Stimpson attended two RUT strategy training sessions in Idaho Falls, Idaho presented by Allegis leadership, including Klaass and Bowen. He also participated in several later conference calls to discuss the strategy.
41. Beginning in November 2012, Stimpson sold the RUT strategy to 62 Utah residents, the majority of whom were either retired or approaching retirement. Stimpson's clients who invested in the RUT strategy lost approximately \$6,641,371 – more than half the value in their accounts – in the August 2015 trade.
42. Immediately prior to the August 2015 trade Stimpson's clients had approximately \$12,980,083 in the RUT strategy, meaning his annualized income derived from advisory fees would have been approximately \$175,000. ($\$12,980,083 \times 1.35\%$).

Clients D.L. and J.L.

43. Married couple D.L. and J.L. were long-term Summit clients who were assigned to Stimpson when their previous adviser left. They had a moderate to conservative risk tolerance, were invested in fairly conservative mutual funds and had also purchased life insurance through Summit. Stimpson met with them regularly and eventually approached them to invest in the RUT strategy.
44. D.L. and J.L. never had invested in options before, and did not understand how options worked. They did not understand the RUT strategy but trusted Stimpson. Among other things, Stimpson told them:
- a. the investment was safe and low-risk;

- b. they would gain a return of about 10-12% per year;
- c. the most they could lose was between 8-10% using the strategy; and
- d. and that if a trade "looks bad" Allegis could "pull it" and "get out" with only an 8 to 10% amount of loss.

Those representations were false.

- 45. Stimpson did not give them a prospectus or other written description of the strategy, but showed them a graph on his computer showing the market. Although they asked him to print it for them, he was unable to do so.
- 46. In completing paperwork for the strategy, Stimpson provided the documents and directed D.L. and J.L. to signature pages to sign, which they did without reading the accompanying documents.
- 47. D.L. and J.L.'s initial investments were made in January 2013, after which they later invested additional monies. D.L. was 60 years old at the time and close to retiring.
- 48. Despite being conservative with a low risk tolerance, Stimpson had D.L. and J.L. invest between 70-80% of their assets in the RUT strategy. Allegis's own internal guidelines – of which Stimpson had been trained on and was aware – prohibited clients from investing more than 33% of their monies into the strategy.⁶
- 49. Moreover, Stimpson knew a majority of their invested monies were retirement funds, and also included college savings funds for D.L. and J.L.'s children.
- 50. In total, D.L. and J.L. invested \$830,034 of retirement monies and savings in the RUT strategy. They lost \$507,019 in the August 2015 losing trade.

⁶ At a later point in time, Allegis reduced the limit further to 25%.

51. In addition, D.L. and J.L. invested operating capital from three family businesses into the RUT strategy. The companies invested approximately \$1,000,000 and incurred a loss of \$656,118 in the August 2015 trade.

Clients P.W. and L.W.

52. P.W. and L.W. were also Summit clients who were assigned to Stimpson when their prior adviser left. They were also part owners in D.L. and J.L.'s family businesses that invested in the RUT strategy. When Stimpson initially met with P.W. and L.W. he reviewed all of their financial information and did a risk tolerance assessment which indicated P.W. had a moderate to low risk tolerance and that L.W. was very conservative and risk averse.
53. In late 2012, Stimpson approached P.W. and L.W. to invest in the RUT strategy. He told them it was as safe as their money market;
- a. their account would be FDIC insured;
 - b. only 5% of their money would be at risk in each trade;
 - c. the gain per monthly trade was 1 to 1.5%; and
 - d. their money would not come out of the TD Ameritrade account but just had a "hold" put on "a small percentage of it."

Those representations were false.

54. Stimpson did not provide them any information in writing about the strategy. Neither P.W. nor L.W. recalled hearing the phrase "net credit spread" or any details of how the strategy worked and how their money would be used. They only recalled being told that a man in Idaho Falls who was "great at investing and was getting great returns" would be managing the money.

55. P.W. and L.W. initially liquidated a diverse portfolio of mutual funds to invest in the strategy, adding additional monies later. The funds used to invest consisted of retirement monies, savings, and their children's college savings funds. In total, P.W. and L.W. invested approximately \$525,981. They lost \$328,079 in the August 2015 trade. In addition, P.W. and L.W. shared the losses of the family companies as described in paragraph 51.
56. When interviewed by the Division, P.W. and L.W. were very clear they were never told that they could lose 50% of their account value in every trade using the RUT strategy, and that they never would have invested if that disclosure had been made. They were further surprised when told by Stimpson, after the August 2015 loss, that during an earlier time of the RUT strategy, 100% of account value was put at risk with each trade. Stimpson could not explain why he never told them either of those risks, but P.W. and L.W. believe he did not understand the strategy himself.
57. In addition, following the August 2015 transaction, Stimpson told P.W. and L.W. that he lost half of his money too. However, in an interview with the Division, Stimpson said he did not personally invest in the RUT strategy.

Clients K.W. and A.W.

58. K.W. is a general contractor who was introduced to Stimpson by P.W. K.W. handles his own investments and those of his mother, A.W. In 2014, Stimpson came to K.W.'s office to discuss the RUT strategy. Stimpson told K.W.:
- a. the goal was a 10% return per year, but that in prior years it had returned between 15 to 20%;

- b. his money would be pooled with other investor monies to make the trades;
and
- c. no more than 5% of their investment would be at risk in each trade.

Those representations were false.

- 59. K.W. invested \$370,000 and A.W. invested \$472,486.⁷ At the time, K.W. was 56 years old and A.W. was 78 years old.
- 60. Allegis client documents show K.W. and A.W.'s ranked investment objectives were capital preservation, current income, liquidity, then growth. Their risk tolerance was identified as moderately conservative.
- 61. Following the August 20, 2015 trade, Stimpson called K.W. and told him the trade had been successful. Several days later, Stimpson called again to tell K.W. that something went wrong in the trade and that K.W. and A.W.'s accounts lost 50% of their value from the trade.
- 62. K.W. lost \$226,640 and A.W. lost \$283,328 in that transaction – for a total of \$511,967.

Client K.K.

- 63. K.K. was twenty-nine years old when her husband died unexpectedly in June 2013. She was not employed at the time and had two young children to support. After her husband's death she moved from California to Utah, where she was introduced to Stimpson.
- 64. K.K. and her mother-in-law met with Stimpson to discuss K.K.'s future financial needs. At that time, she had received partial payment from her husband's life insurance policies.

⁷ A.W.'s investment was composed of \$97,486 in IRA monies and \$375,000 from a joint account owned with K.W.

65. K.K. told Stimpson she was only interested in low-risk investments. Stimpson told her that the RUT strategy was low-risk and very safe.
66. Allegis documents describe K.K.'s risk tolerance as moderately conservative, and her ranked investment objectives were current income, liquidity, capital preservation, and growth.
67. In September 2013, K.K. invested \$352,853 with Allegis. Stimpson provided no specific details about the strategy, how it worked, why it was appropriate for K.K. or what the risks were.
68. K.K. lost \$193,849 as a result of the August 2015 trade.

Red Flags

69. Stimpson told the Division he believed the RUT strategy was a moderate risk income strategy. In 2014 and into 2015, Allegis made several purported policy changes to the strategy, which according to Stimpson were to make it even more safe. Those changes included:
- a. reducing the amount of client monies at risk in some trades from 100% to 50%;
 - b. a stop-loss was lowered from 15% to 10% to "flatten" a trade before expiration and minimize losses⁸;
 - c. the maximum limit of client investable assets permitted in the strategy was reduced from 33% to 25%.
70. At the same time, however, clients investing in the strategy were required to change their risk tolerance -- which, for many, was moderate or conservative -- to "speculative."

⁸ A stop-loss is an order to liquidate a position at a specified price in order to limit a loss.

Stimpson said Allegis did not give a reason for that change, nor did he ask why. Instead, he checked the "speculative" box on new account forms regardless of the client's actual risk tolerance.⁹

Fraudulent Conduct with Seeholzer

71. Seeholzer worked with Stimpson in Summit's Logan, Utah office and was licensed as a broker-dealer agent during the relevant time period. He has never been licensed as an investment adviser representative.¹⁰ Despite the lack of licensure, with the assistance of Stimpson he recommended the RUT strategy to his insurance and broker-dealer clients.
72. Stimpson agreed to prepare RUT strategy account applications and gave those documents to Seeholzer for delivery and execution. After execution, Stimpson signed the paperwork as the investment adviser representative of record and submitted the documents to Allegis for approval. Stimpson then gave Seeholzer updates after each successful RUT strategy transaction and Seeholzer relayed that information to the clients. Stimpson received the investment advisory fees for each account and shared that compensation with Seeholzer.¹¹
73. Most of Seeholzer's clients were retired or near retirement and were investing all of their retirement money. All of the clients had a moderate or conservative risk tolerance.
74. The Seeholzer clients lost approximately \$932,442 in the August 2015 trade.
75. Allegis was unaware of Stimpson and Seeholzer's activities until after the August 2015

⁹ For example, another investor, R.W. had a "balanced" investor profile risk tolerance but "speculative" was checked for risk tolerance on his Allegis account application.

¹⁰ Seeholzer has failed the applicable Series 65 exam seven times.

¹¹ Of the 2.5% AUM fee, Stimpson typically received 1.35% and Allegis retained the rest. Seeholzer estimated he received \$25,000.00 in fees from Stimpson.

trade. During an internal Allegis examination in October 2015, Stimpson and Seeholzer both certified in writing that all securities-related compensation was solely received, shared, and split through Allegis, which was false.¹²

¹² Sometime after the losing trade, Stimpson and Seeholzer admitted to Allegis management that Seeholzer had presented the strategy to his clients while unlicensed. They did not, however, disclose sharing compensation until December 2017, when testimony about that conduct came out in a client's arbitration action, at which time Allegis terminated Stimpson and Seeholzer.

II. CONCLUSIONS OF LAW

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

76. In connection with the RUT strategy, Stimpson misrepresented material facts to clients including but not limited to the following:
- a. the strategy was appropriate for moderate and conservative investors;
 - b. the strategy was appropriate for retirement monies;
 - c. the strategy was appropriate for retirees and senior citizens;
 - d. the risk of loss was low;
 - e. it would take an unexpected "black swan"¹³ event such as "World War III" or "another 9/11" for the strategy to lose money;
 - f. the risks could be almost completely mitigated, by, among other things "pulling" a trade that "looks bad";
 - g. investor losses would not exceed 5% or 10%;
 - h. only a "small percentage" of investor monies had a "hold" placed on them during trades;
 - i. the investment was FDIC insured; and
 - j. the investment was "as safe as a money market."
77. In connection with the RUT strategy Stimpson omitted material facts to clients including but not limited to:

¹³ A black swan event is defined in the Oxford English Dictionary as "an unpredictable or unforeseen event, typically one with extreme consequences."

- a. Stimpson completed no due diligence on the strategy and had no reasonable basis for the representations described in paragraph 76;
 - b. the RUT strategy was only suitable for aggressive or speculative investors;
 - c. each trade placed by Allegis would risk 50% or 100% of investors' funds;
 - d. Allegis policy limited investments in the strategy to 25% or 33% of a person's investable assets; and
 - e. the actual amount of client monies invested in the RUT strategy.
78. With regard to his activities with Seeholzer, Stimpson misrepresented material facts to clients and Allegis including but not limited to:
- a. falsely representing that Stimpson was the investment adviser representative of record;
 - b. falsely representing that Stimpson had met with investors, collected relevant information, and recommended the RUT strategy after an analysis of investors' individual objectives in consideration of their risk tolerance; and
 - c. falsely certifying to Allegis that he was not sharing compensation with any person other than Allegis.
79. With regard to his activities with Seeholzer, Stimpson omitted material facts to clients or Allegis including but not limited to:
- a. Seeholzer's involvement in the RUT strategy sales process;
 - b. Seeholzer was not qualified or licensed to recommend the RUT strategy to clients;
 - c. Seeholzer was the sole contact person with the clients;
 - d. Stimpson submitted client applications in his own name on behalf of Seeholzer;

- e. Stimpson had not met with the client or reviewed their profiles; and
- f. Stimpson and Seeholzer were unlawfully sharing investment advisory fees.

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

80. As described above, Stimpson conspired with Seeholzer to facilitate the sale of investment advisory services, and specifically the RUT strategy, to Seeholzer's clients despite Seeholzer's lack of qualifications and licensure to recommend the strategy.

Among other things, Stimpson:

- a. fraudulently initiated the application process with Allegis and T.D. Ameritrade;
- b. falsely identified himself as investment adviser representative of record;
- c. signed and submitted the applications without mention of Seeholzer;
- d. received investment advisory compensation not actually earned; and
- e. shared advisory compensation with Seeholzer.

Stimpson concealed that conduct from Allegis and in fact affirmatively certified he was not unlawfully sharing compensation with Seeholzer. In so doing, Stimpson engaged in an act, practice, or course of business that operated as a fraud on clients and Allegis.

Unlawful Acts of Investment Adviser under Section 61-1-2 of the Act

81. Seeholzer was not licensed as an investment adviser representative at any time. Stimpson violated Section 61-1-2(1)(c) of the Act by unlawfully sharing approximately \$25,000 in investment advisory compensation with Seeholzer.

Unsuitable Investments - Dishonest or Unethical Practices under
Section 61-1-6(2)(a)(II)(G) of the Act

82. Net credit spread strategies like the RUT strategy are high-risk, low-reward transactions

that require speculation on market or stock movements. The strategy is not suitable for any investor who cannot shoulder large losses, especially those seeking safety of principal, predictable income, or who have immediate or near immediate need of the invested monies.

83. Stimpson admitted he did not investigate the RUT strategy beyond performing a few internet searches, attending the Allegis training, and discussing the strategy with other Summit affiliates.
84. Stimpson's average client age was 62 with a median age of 61. Twenty-four clients were 65 or older. Only two clients were under 40 years of age, one of whom was K.K., a young recent widow. Most of his clients had a moderate or conservative risk tolerance. Nearly all were unsophisticated as investors. A significant amount of investor monies were retirement funds. Further, despite Allegis's policy limiting investment in the RUT strategy to 33% and later 25% of investable assets, many of Stimpson's clients invested far greater percentages of their assets. They had never traded options before and, perhaps most importantly, were not looking to speculate or risk 50% to 100% of their account value to gain a minimal return. For the Seeholzer clients, Stimpson obtained no information about risk tolerances, investment horizons, or individual situations from which to make a suitable recommendation of the strategy.
85. Based upon information provided to Stimpson by his clients concerning their objectives, risk tolerance, financial situation, needs, and other information known by Stimpson, his recommendations of the RUT strategy were unsuitable under Utah Admin. Code Rule R164-6-1g(E)(1), which constitutes dishonest or unethical practices warranting sanctions under Section 61-1-6(2)(a)(ii)(G) of the Act.

Unreasonable Advisory Compensation
Dishonest or Unethical Practices under Section 61-1-6(2)(a)(ii)(G) of the Act

86. For an advisory fee to be reasonable, the fee must directly relate to the actions and services an investment adviser representative provides to the client. Stimpson did not sell the RUT strategy to Seeholzer's clients, he did not establish or maintain contact with the clients, and did not reach out to the clients after the August 2015 trade. Instead, those services were provided by Seeholzer. Nonetheless, Stimpson took advisory fees for those clients, for whom he provided no advisory services, which constitutes an unreasonable advisory fee under Rule R164-6-1g(E)(10), warranting sanctions under Section 61-6(2)(a)(ii)(G) of the Act.

III. REMEDIAL ACTIONS/SANCTIONS

87. Respondent neither admits nor denies the Division's Findings and Conclusions, but consents to the sanctions below being imposed by the Division.
88. Respondent agrees to cease and desist from violating the Act and to comply with the requirements of the Act in all future business in this state.
89. Respondent agrees that he will be barred from associating with any broker-dealer or investment adviser licensed in Utah or from acting as an agent for any issuer soliciting funds in Utah.
90. Pursuant to Utah Code Ann. Section 61-1-6 and in consideration of the factors contained in Utah Code Ann. Section 61-1-31 and Respondent's financial situation and ability to pay, the Division imposes a fine of \$125,000.00 against Respondent. Up to \$53,000.00¹⁴

¹⁴ Stimpson agreed to pay restitution in that amount through settlement agreements with several investors.

of the fine may be offset, dollar for dollar, by proof of restitution paid to non-family member investors within four years following entry of this Order. If Respondent does not violate the Act and submits proof to the Division no later than January 31, 2025 that the \$53,000 has been paid to investors or their representative(s), the Division will waive all but \$20,000.00 of the remaining fine. Not later than March 31, 2025 Respondent shall make the first of sixteen (16) quarterly payments in the amount of \$1,250 to the Division. Each additional quarterly payment is due on or before the last day of the calendar quarter. The full \$20,000 fine shall be paid to the Division on or before December 31, 2028.

91. Respondent agrees that if he files bankruptcy, he will not seek a discharge of the monies owed to investors. Respondent understands that if he were to seek a discharge of the monies owed to investors, the Division would not allow him a dollar for dollar credit or waive any portion of the remaining fine, and the remaining amount of the fine would become immediately due and payable to the Division.

IV. FINAL RESOLUTION

92. Respondent acknowledges that this Order, upon approval by the Utah Securities Commission ("Commission"), shall be the final compromise and settlement of this matter. Respondent 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, Respondent expressly waives any claims of bias or prejudgment of the Commission, and such waiver shall survive any nullification.

93. If Respondent materially violates any term of this Order, after notice and an opportunity to be heard before an administrative law judge solely as to the issue of a material violation, Respondent consents to entry of an order in which:
- a. Respondent admits the Division's Findings and Conclusions as set forth in this Order; and
 - b. Any unpaid portion of the fine becomes immediately due and payable.
- Notice of the violation will be provided to Respondent's counsel and sent to Respondent's last known address. If Respondent fails to request a hearing within ten (10) days following notice there will be no hearing and the order granting relief will be entered. In addition, the Division may institute judicial proceedings against Respondent 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 Respondent or to otherwise enforce the terms of this Order. Respondent 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.
94. Respondent shall notify the Division within thirty (30) days of any change of address.
95. Respondent 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. Respondent 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.

96. 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 are canceled. The Order may be docketed in a court of competent jurisdiction.

Dated this 4th day of January, ²⁰²¹~~2020~~

K. Barton
KBarton (Jan 4, 2021 15:37 MST)

Kenneth O. Barton
Director of Compliance
Utah Division of Securities

Dated this 31 day of December, 2020

[Signature]
Brandon Stimpson

Approved:

[Signature]

Paula Faerber
Assistant Attorney General
Counsel for Division

Approved:

[Signature]

Erik Christiansen
Counsel for Respondent

ORDER

IT IS HEREBY ORDERED THAT:

1. The Division's Findings and Conclusions, which Respondent neither admits nor denies, are hereby entered.
2. Respondent 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. Respondent is barred from associating with any broker-dealer or investment adviser licensed in Utah or from acting as an agent for any issuer soliciting funds in Utah.
4. Pursuant to Utah Code Ann. §61-1-6, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, Respondent shall pay a fine of \$125,000 to the Division pursuant to the terms set forth in paragraph 90.

BY THE UTAH SECURITIES COMMISSION:

DATED this 7th day of January, 2021

Lyndon Ricks

Lyndon Ricks (Jan 7, 2021 12:59 MST)

Lyndon L. Ricks

Lyle White

Lyle White (Jan 7, 2021 20:43 MST)

Lyle White

Peggy Hunt

Gary Cornia

Gary Cornia (Jan 8, 2021 06:35 MST)

Gary Cornia

Brent A Cochran

Brent A Cochran (Jan 7, 2021 14:31 MST)

Brent Cochran

CERTIFICATE OF SERVICE

I certify that on the 11th day of January 2021, I provided a true and correct copy of the foregoing Stipulation and Consent Order, to be sent to the parties as follows:

Via Email:

Erik Christiansen
Parsons Behle & Latimer
echristiansen@parsonsbehle.com
Counsel for Respondent

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

Paula Faerber, Assistant Attorney General
Utah Attorney General's Office
pfaerber@agutah.gov

Kenneth O. Barton, Manager of Compliance
Utah Division of Securities
kbarton@utah.gov

Sabrina Afridi

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

4 | ORDER

IN THE MATTER OF:

ALLAN C. MILLET AND
PC CAPITAL LP

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:	STIPULATION AND CONSENT ORDER
ALLAN CHARLES MILLET,	Docket No. <u>SD-29-0036</u>
P.C. CAPITAL LP,	Docket No. <u>SD-20-0037</u>
Respondents.	

The Utah Division of Securities ("Division"), by and through its Director of Enforcement, Dave Hermansen, and Respondents Allan Charles Millet ("Millet") and P.C. Capital LP ("PC Capital") (collectively referred to as "Respondents") hereby stipulate and agree as follows:

1. Respondents have been the subjects of an investigation by the Division into allegations that they 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 August 5, 2020, the Division initiated an administrative action against Respondents by filing an Order to Show Cause.

3. Respondents hereby agree 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 Respondents pertaining to the Order to Show Cause.
4. Respondents admit that the Division has jurisdiction over them and over the subject matter of this action.
5. Respondents hereby waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.
6. Respondents have read this Order, understand its contents, and voluntarily agree 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 Respondents to enter into this Order, other than as described in this Order.
7. Respondents are aware that they are able to obtain legal counsel to review the terms of the Order, and have elected not to obtain counsel.

FINDINGS OF FACTS

THE RESPONDENTS

8. Millet resided in Utah during all times relevant to the allegations asserted herein, and was licensed in the securities industry from 1967 – 1968 in Alaska.¹ From about 2016 to 2018, Millet was employed by Paramount Financial Services, Inc., dba Paramount Insurance and dba Live Abundant (collectively the entity and dba referred to as "Live Abundant") as a sales agent.

¹ Millet once held an insurance license with the state of Utah, license number 433743.

9. PC Capital is a Utah limited partnership registered with the Utah Division of Corporations and Commercial Code in February 2002.² P.C. Management, Inc., a Nevada corporation which was registered with the Utah Division of Corporations and Commercial Code as a foreign corporation in March 2002, is listed as the registered agent and general partner; and Millet and Patricia P. Millet are listed as limited partners. Millet used PC Capital to receive commissions from the sales of the FIP and Woodbridge investments.

RELATED ENTITY INFORMATION

10. Live Abundant is a Utah corporation registered with the Utah Division of Corporations and Commercial Code on November 15, 1995.³ Douglas R. Andrew ("Douglas Andrew") is listed as the sole principal of Live Abundant. Live Abundant has been a licensed insurance provider with the Utah Division of Insurance since 1991. Live Abundant often advertises on the radio and hosts seminars to obtain new clients. After attending a Live Abundant seminar, a prospective client is assigned to a "wealth architect" or sales agent to guide the prospective client through a financial analysis and purchase of a financial product.
11. Woodbridge Group of Companies, LLC ("Woodbridge") is a Delaware limited liability company registered with the Delaware Division of Corporations on December 11, 2014. Woodbridge is an entity owned by Robert Shapiro ("Shapiro") and purported to offer short-term commercial lending secured by commercial real estate.⁴

² PC Capital's entity documents list a principal address as 785 E 3000 N, North Ogden, UT 84414. The entity's registration is currently active.

³ Live Abundant's entity documents list a principal address as 6340 S 3000 E #280, Salt Lake City, UT 84121. The Utah Division of Corporations and Commercial Code lists the entity's registration status as active.

⁴ Woodbridge engaged sales agents to sell two Woodbridge investment offerings. The two investment offerings were first position commercial mortgages, and fund investments.

12. In April 2019, Shapiro was indicted in U.S. District Court, Southern District of Florida, case number 19-20178-CR-Altonaga/Goodman. In connection with Shapiro's operation of the Woodbridge Ponzi scheme, Shapiro was charged with conspiracy to commit mail fraud and wire fraud, conspiracy to commit money laundering, mail fraud, wire fraud, and evasion of payment of federal income taxes, all federal felonies. In August 2019, Shapiro entered into a plea agreement and was sentenced to 25 years in federal prison.
13. Future Income Payments, LLC ("FIP") is a Nevada limited liability company registered with the Nevada Secretary of State on December 23, 2015.⁵ The purported purpose of FIP was to provide loans to pensioners who would later repay the loans after receiving their monthly pension distributions. However, FIP did not comply with consumer lending regulations because FIP classified its activity as a temporary purchase of the right to receive pension income, rather than a loan. FIP is currently the subject of several pending legal actions, bankruptcies, and state and federal regulatory actions for the sale of an unregistered security, consumer lending violations and/or operating an unlawful business model.⁶
14. Scott Kohn ("Kohn") is listed as the manager of FIP and is a convicted felon. On December 11, 2006, Kohn pled guilty in the United States District Court for the District of Columbia, to conspiracy, trafficking in counterfeit goods, and aiding and abetting trafficking, all federal felonies. On December 11, 2006, Kohn was sentenced to 15

⁵FIP's current entity status is listed as "default" with the Nevada Secretary of State. FIP's business license expired on December 31, 2018. FIP's registered agent is Conservitas Company Services, LLC, and lists a contact address as 2505 Anthem Village Dr., Ste. E-599, Henderson, NV 89052.

⁶The State of Alabama Securities Commission issued a Cease and Desist Order against FIP and Scott Kohn (FIP's Manager) on May 25, 2018, No. CD-2018-0011. The Alabama Securities Commission determined that FIP's structured pension cash flows are securities as defined under Alabama law.

months in federal prison.⁷ Kohn and FIP are also currently the subject of a federal, criminal indictment in the District Court of the United States for the District of South Carolina Greenville for attempt and conspiracy to commit mail fraud (case number 6:19-cr-00239). Kohn and FIP have never been licensed with the Division and have never recorded a securities registration, exemption from registration, or notice filing with the Division.

GENERAL ALLEGATIONS

15. The Division's investigation of this matter revealed that from approximately November 2015 to January 2018, while conducting business in or from the state of Utah, Respondents offered and sold FIP investment opportunities to at least two Utah investors, raising approximately \$420,000. Respondents also offered and sold a Woodbridge investment opportunity to one Utah investor, raising approximately \$30,000 in connection therewith. According to Millet, he raised a total of \$640,000 from the offer and sale of investments in FIP and Woodbridge.
16. The investment opportunities offered and sold by Respondents are investment contracts or promissory notes, which are securities under §61-1-13 of the Act.
17. In connection with the offer and/or sale of securities, Respondents, either directly or indirectly, made material omissions and/or misrepresentations of material facts.
18. In connection with the offer and/or sale of securities, Millet acted as an unlicensed sales agent for PC Capital, FIP, and Woodbridge, and received \$13,020 in commissions in connection therewith.
19. In connection with the offer and/or sale of securities, PC Capital acted as an unlicensed

⁷ See case number 8:03-cr-00330.

broker-dealer when it accepted commissions for the sale of FIP and Woodbridge securities and employed Millet as an unlicensed sales agent.

20. To date, investors are owed at least \$376,701 in principal alone from their investments in FIP and Woodbridge.

FIP and Woodbridge Investments

THE SOLICITATIONS

21. Millet was initially introduced to Live Abundant when he attended a seminar and was assigned to Aaron Andrew ("Aaron Andrew") as Millet's wealth architect. Aaron Andrew is the son of Douglas Andrew.
22. After attending the Live Abundant seminar, in or about July 2012, Millet invested approximately \$166,299 in FIP and received approximately \$53,709 in returns from his investment.⁸
23. Since Millet had experience in the insurance industry and held an insurance license, Douglas Andrew and Aaron Andrew invited Millet to weekly insurance producer meetings where they discussed the FIP and Woodbridge investment products.
24. From about 2016 to 2018, Millet was employed by Live Abundant as a "wealth architect" or sales agent.
25. Millet primarily worked with Aaron Andrew as his Live Abundant managerial support.
26. While employed as a "wealth architect" with Live Abundant, Millet sold two primary securities, FIP and Woodbridge, as well as insurance products.
27. The FIP investment purported to be a secured investment with a promised 5% - 8% return over a 12 to 120-month term. FIP purported to generate investment returns by providing

⁸ When Millet discovered that FIP was a fraud, he attempted to collect the money he invested in FIP directly from the pensioners and was mostly unsuccessful.

- loans to pensioners who would later repay the loans with interest after receiving their monthly pension distributions. Investors provided the capital to provide loans to pensioners.
28. The Woodbridge investment purported to be a secured investment with a promised 5% - 8% return. Woodbridge purported to generate investment returns by providing short-term, high interest rate secured commercial loans. Investors provided the capital to provide commercial loans to those seeking capital for real estate projects.
 29. Millet primarily solicited clients who were family and friends, and generally communicated with investors by telephone, email, and in-person.
 30. During the Division's April 23, 2019 interview with Millet, Millet acknowledged that he sold the FIP and Woodbridge securities to several investors and received commissions for selling the securities. The commissions were paid to Millet by Live Abundant through his limited partnership, PC Capital.
 31. Millet gave investors a Woodbridge brochure and an FIP brochure and discussed the benefits of the two investments.
 32. During the solicitations, Millet made the following statements to investors regarding Woodbridge when he provided investors with an investment brochure:
 - a. The Woodbridge investment was secured by a recorded, first-position-lien on the commercial mortgages subject to the investment;
 - b. The Woodbridge investment was a short-term investment that offered an annual 5% return in immediate monthly payments;
 - c. Woodbridge had 35 years of unsurpassed experience and reliability; and
 - d. Woodbridge had never defaulted.

FRAUDULENT CONDUCT: FIP AND WOODBRIDGE'S USE OF INVESTOR FUNDS

33. FIP hired Faw Casson ("FC"), an escrow-agent service provider, to receive and retain investor funds before FIP distributed the funds to other sources.
34. Woodbridge hired JRH Marketing ("JRH") to distribute commissions to sales agents from the sale of Woodbridge investments.
35. Generally, after investor funds were sent to FIP or Woodbridge, FIP or Woodbridge used a portion of investor funds in the following manner:
 - a. To send sales commissions to FC or JRH who ultimately sent the funds to Live Abundant to pay Respondents approximately \$13,020 in commissions for the sale of the FIP and Woodbridge investments, undisclosed to investors;⁹
 - b. To pay previous investors with funds from later investors; and
 - c. To fund Shapiro's personal lifestyle from sales of the FIP investment.¹⁰

MISSTATEMENTS AND OMISSIONS

36. In connection with the offer or sale of securities, Respondents made material misstatements to investors including, but not limited to, the following:
 - a. Investments in Woodbridge would produce an annual return of 5%, when in fact, there was no reasonable basis to make this claim; and
 - b. Investments in Woodbridge would be secured by a recorded, first-position-lien on the commercial real estate subject to the Woodbridge investment, when in fact, this claim was false.

⁹ Live Abundant disbursed Millet's commissions from the sales of the FIP and Woodbridge investments to Millet's limited partnership PC Capital.

¹⁰ According to the Securities and Exchange Commission complaint, case number 17-24624, filed against Shapiro, Woodbridge, and Woodbridge affiliates, Shapiro "*spent exorbitant amounts of investor money in alarming fashion, on items such as luxury automobiles, jewelry, country club memberships, fine wine, and chartering private planes.*" See also. U.S. District Court, Southern District of Florida, case number 19-20178-CR-Altonaga/Goodman.

37. In connection with the offer or sale of securities, Respondents failed to disclose material information to investors including, but not limited to, the following:
- a. Respondents had not conducted reasonable due diligence on the FIP and Woodbridge securities before soliciting investors;
 - b. Current investor returns were paid almost exclusively from investments made by new investors;
 - c. At the time of Respondents' solicitations to invest in FIP, FIP (and its predecessor, Pensions, Annuities, and Settlements, LLC ("PAS")) was/or had been the subject of numerous regulatory actions and/or investigations for its business practices, including but not limited to, the following:
 - i. Washington Department of Financial Institutions on May 7, 2014 entered a Statement of Charges and Notice of Intention to Enter An Order to Cease and Desist, Prohibit From Industry, Impose Fine, and Refund Fees and Interest dated May 7, 2014, and followed by a Consent Order entered on December 2, 2016;
 - ii. The Administrator of the Colorado Uniform Consumer Credit Code entered an Assurance of Discontinuance and Final Agency Order dated January 21, 2015;
 - iii. California Department of Business Oversight entered a Desist and Refrain Order dated March 3, 2015, and followed by a Stipulation Order entered on September 15, 2015;
 - iv. Massachusetts Attorney General entered an Assurance of Discontinuance dated March 24, 2016;
 - v. North Carolina Consumer Protection Division entered into a settlement dated

June 14, 2016;

vi. New York State Department of Financial Services entered a Consent Order dated October 18, 2016;

vii. Iowa Attorney General entered an Assurance of Voluntary Compliance dated December 22, 2016;

viii. Consumer Financial Protection Bureau entered a petition to enforce a civil investigative demand filed in federal court on February 21, 2017; and

ix. Minnesota Attorney General filed a complaint in state court on August 16, 2017.

d. Scott Kohn, FIP's owner, had been convicted of multiple federal felonies, including aiding and abetting trafficking, conspiracy, and trafficking in counterfeit goods;

e. Respondents had not reviewed FIP's audited financial statements, and did not know FIP's financial condition;

f. Respondents were not licensed to sell securities; and

g. 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 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.

CONCLUSIONS OF LAW

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

38. Based upon the Division's investigative findings, the Division concludes that the investment opportunities offered and sold by Respondents are investment contracts and/or promissory notes, which are securities under §61-1-13 of the Act.
39. In violation of § 61-1-1(2) of the Act, and in connection with the offer and/or sale of a security, Respondents, directly or indirectly misrepresented material facts, as described above.
40. In violation of § 61-1-1(2) of the Act, and in connection with the offer and/or sale of a security, Respondents 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.

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

41. In violation of § 61-1-3(1) of the Act, Millet was not licensed in the securities industry in any capacity when he offered and sold securities on behalf of PC Capital, FIP and Woodbridge and received compensation in connection therewith.

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

42. In violation of § 61-1-3(1) of the Act, PC Capital was not licensed in the securities industry in any capacity when it engaged in the business of effecting transactions in securities for the account of others and/or for PC Capital's own account, and received compensation in connection therewith.

Unlicensed Activity under § 61-1-3(2)(a) of the Act

43. In violation of §61-1-3(2)(a) of the Act, PC Capital acted as an unlicensed broker-dealer

at the time of the offering, and employed Millet, an unlicensed agent of PC Capital.

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

44. In violation of § 61-1-7 of the Act, the FIP and Woodbridge investments were not registered with the Division, did not qualify for an exemption from registration, and were not federal-covered securities for which any notice filing was made before Respondents offered and sold the securities in the state of Utah. It is unlawful for any person to offer or sale any security in this state unless it is registered, an exempted security or transaction, or is a federal-covered security for which notice filing has been made.

REMEDIAL ACTIONS/SANCTIONS

45. Respondents admit the Division's Findings of Fact and Conclusions of Law, and consent to the below sanctions being imposed by the Division.
46. Respondents represent that the information they have provided to the Division as part of its investigation is accurate and complete.
47. Respondents agree 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.
48. Respondents agree 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.
49. 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 \$17,000 against Respondents to be paid jointly and severally. The U.S. Attorney's Office has filed criminal charges in *United States v. Kohn, et al*, CR No. 6:19-239, in the United States

District Court for the District of South Carolina. Respondents have been apprised of this case. The Court appointed Beattie B. Ashmore as the Receiver. The Receiver will coordinate disgorgement of commissions received either directly or indirectly from FIP. The Division agrees to offset Respondents' fine, on a dollar-for-dollar basis up to \$13,020 by any disgorgement Respondents pay to the receivership estate, or by disgorgement Respondents have already paid to the investors. Respondents agree to pay the remaining amount of the fine to the Division within 30 days of entry of the final Order.

FINAL RESOLUTION

50. Respondents acknowledge that this Order, upon approval by the Utah Securities Commission ("Commission"), shall be the final compromise and settlement of this matter. Respondents acknowledge 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, Respondents expressly waive any claims of bias or prejudgment of the Commission, and such waiver shall survive any nullification.
51. If Respondents materially violate 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, Respondents consent to entry of an order in which the total fine amount of \$17,000, less any payments already made, becomes immediately due and payable. Notice of the violation will be provided to Respondents at their last known address, and to their counsel if they have one. If Respondents fail to request a hearing within ten (10) days following the notice, there will be no hearing and the order granting relief will be entered.

52. In addition, the Division may institute judicial proceedings against Respondents 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 Respondents or to otherwise enforce the terms of this Order. Respondents further agree 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.
53. Respondents acknowledge that the Order does not affect any civil or arbitration causes of action that third-parties may have against them arising in whole or in part from their actions, and that the Order does not affect any criminal causes of action that may arise as a result of the conduct referenced herein. Respondents also acknowledge that any civil, criminal, arbitration or other causes of actions brought by third-parties against them have no effect on, and do not bar this administrative action by the Division against them.
54. 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 Respondents are canceled. The Order may be docketed in a court of competent jurisdiction.

Dated this 28 day of December, 2020

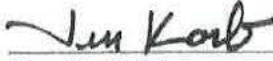


Dave R. Hermansen
Director of Enforcement
Utah Division of Securities

Dated this 19th day of October, 2020


Allan Charles Millet


Approved



Jennifer Korb
Assistant Attorney General
Utah Attorney General's Office
Counsel for the Division

P.C. Capital LP

By:


Allan Charles Millet

Its: Managing Partner

ORDER

IT IS HEREBY ORDERED THAT:

1. The Division's Findings and Conclusions, which Respondents admit, are hereby entered.
2. Respondents 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. Respondents 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. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, Respondents shall pay a fine of \$17,000 to the Division pursuant to the terms set forth in paragraph 49.

BY THE UTAH SECURITIES COMMISSION:

DATED this 7th day of January, 2021

Lyndon Ricks
Lyndon Ricks (Jan 7, 2021 10:25 MST)

Lyndon L. Ricks

Lyle White
Lyle White (Jan 7, 2021 30:44 MST)

Lyle White

Peggy Hunt

Gary Cornia
Gary Cornia (Jan 8, 2021 06:34 MST)

Gary Cornia

Brent A Cochran
Brent A Cochran (Jan 7, 2021 14:36 MST)

Brent Cochran

CERTIFICATE OF SERVICE

I certify that on the 11th day of January 2021, I provided a true and correct copy of the foregoing Stipulation and Consent Order, to be sent to the parties as follows:

Via standard and certified mail:

Allen Charles Millet, *Respondent*

[REDACTED]

Certified mail tracking no: [REDACTED]

P.C. Capital, LP, *Respondent*

Attn: P.C. Management, Inc., Registered Agent

[REDACTED]

Certified mail tracking no: [REDACTED]

Via Email:

Allen Charles Millet, *Respondent*

[REDACTED]

Bruce Dibb, Administrative Law Judge
Department of Commerce
bdibb@utah.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 Court Clerk
Utah Division of Securities
safridi@utah.gov