

Division of Securities
Utah Department of Commerce
160 East 300 South
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Salt Lake City, UT 84114-6760
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**KEVIN LAWRENCE WRIGHT
MICHAEL STEPHEN HURST**

Respondents.

STIPULATION AND CONSENT
ORDER

Docket No. SD-06-0008
Docket No. SD-06-0009

The Utah Division of Securities (Division), by and through its Director of Enforcement, Michael Hines, and Michael Stephen Hurst (Hurst or Respondent) hereby stipulate and agree as follows:

1. Hurst was the subject of an investigation conducted by the Division into allegations that he violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, et seq., as amended.
2. Hurst and the Division have agreed to settle this matter by way of this Stipulation and Consent Order (Consent Order).
3. Hurst is represented by attorney Janet Conway and is satisfied with the legal representation he has received.

4. Hurst admits the jurisdiction of the Division over Hurst and over the subject matter of this action.
5. Hurst waives any right to a hearing to challenge the Division's evidence and present evidence on his behalf.

THE DIVISION'S INVESTIGATIVE FINDINGS

From January 2004 to March 2006, the Division conducted an investigation of Hurst which revealed the following:

6. Michael Stephen Hurst is a resident of Davis County, Utah.
7. In or around May 2002, Utah residents (the Investors), met with Hurst's business associate, Kevin Lawrence Wright (Wright), in Salt Lake County, to discuss purchasing a home as an investment.
8. Wright told the Investors he was a mortgage broker and knew of a home for sale in Bluffdale, Utah. Wright also told the Investors that:
 - a. They could buy the Bluffdale home for \$590,000, although it was actually worth \$810,000;
 - b. If the Investors purchased the home, they could obtain a loan for the full value of the home, pay the purchase price to the seller and have the difference available to invest;
 - c. The Investors could invest the excess equity with Wright and his business associate, Hurst, in a high yield mutual fund account entitled Capital Enhancement Club (Capital Enhancement); and

- d. That Wright himself was making a return of 30% on his own investment with Capital Enhancement.
9. In or around August 2002, the Investors met with Wright for a second time to discuss an investment in Capital Enhancement. Wright showed the Investors documentation asserting that return rates for an investment in Capital Enhancement ranged from 8 to 10% for a lower risk, more conservative investment.
10. In or around October 2002, the Investors met with Hurst and Wright to review the different possible investment packages in Capital Enhancement. Hurst and Wright represented to the Investors that the investment packages would yield returns of 8 to 10% for lower risk, more conservative investments, or up to 30% for higher risk, more aggressive investments.
11. At the October 2002 meeting, the Investors agreed to buy the Bluffdale home and invest the excess equity in a conservative Capital Enhancement account yielding 8 to 10%.
12. Wright told the Investors he would send them \$75,000 of their equity to put into a personal savings account as a backup in the event they could not make the mortgage payment.
13. Wright told the Investors he and Hurst owned ten other homes and could help with the Investors' mortgage payment if there was ever a problem.
14. The Investors agreed to purchase the home for \$590,000, but planned to obtain a loan for the claimed full value of the home (\$810,000), and invest the excess equity in Capital Enhancement. Wright arranged financing for the Investors through Majestic Mountain Mortgage.

15. On or about January 22, 2003, the Investors met at Advantage Title Company (Advantage Title), in South Jordan, Utah, and closed on the purchase of the Bluffdale home. The Investors were not given the first page of the HUD Uniform Settlement Statement which showed two disbursements, one to Reminders Inc. for \$195,000, and another to an entity called BDG Group for \$15,000. Hurst and Wright never told the Investors that some of their money would go to these entities.
16. Reminders Inc. was owned and controlled by Hurst and his wife, Audrey.
17. Hurst acknowledged to the Division that \$128,410¹ was routed to his company, Reminders Inc., from the Investors' escrow account at Advantage Title. Hurst told the Division that \$50,000 was a "finders fee" for himself and Wright, for finding the Investors a house, and that he invested the remaining \$78,410 in the purchase of uncut diamonds with an individual, B.W.
18. On February 5, 2003, \$128,410 was in fact sent by wire transfer to Reminders Inc.'s account from the Investors escrow account at Advantage Title.
19. On February 6, 2003, \$125,000 was sent by wire transfer from Reminders Inc. to B.W.
20. B.W. acknowledged to the Division that he received \$125,000 from Hurst, and that Hurst knew he was going to invest it in rough cut diamonds. B.W. said he was not aware of the Investors and their investment in Capital Enhancement. According to B.W., the investment in diamonds was not successful.

¹ The difference between the \$195,000 that was supposedly going to Reminders Inc. according to the closing statement, and the \$128,410 that actually was paid to Reminders Inc. is the fictitious down payment of \$61,000 and approximately \$5,000 in closing costs.

21. BDG Group was owned and controlled by an individual, S.H. S.H. told the Division the \$15,000 routed to BDG Group from the Investor's escrow account at Advantage Title was to repay S.H. for a past due debt owed to him by Wright from a separate transaction.
22. The Investors never received the promised \$75,000 for their savings account from Hurst, they saw none of the equity created from the purchase of the Bluffdale home from Hurst, and until the Division got involved they received no return of principal or interest on what they believed to be an investment in Capital Enhancement, from Hurst.
23. At the time of the Investors' investment, Wright had three outstanding civil judgments against him, totaling \$327,225, which were not disclosed to the Investors.
24. Wright was also delinquent on his income taxes owed to the State of Utah for the years 1995 through 1997, and 1999 through 2001, and still owes a total of \$56,970. These delinquencies were not disclosed to the Investors.
25. In March 2006, the State of Utah filed criminal charges against Hurst and Wright in connection with the same acts outlined in this Consent Order. In July 2006, Hurst and Wright both pled guilty to a single 3rd degree felony count of securities fraud, and they were both sentenced on September 11, 2006. The judge first sentenced Wright to the following: 5 years in state prison (suspended), 30 days in the Salt Lake County jail, 2 years of probation, a \$1,000 fine, and 500 hours of community service. The judge then distinguished Hurst's culpability from Wright, and acknowledged that Hurst played a much smaller role in the transaction. Hurst was sentenced to 5 years in state prison (suspended), a \$1,000 fine, and 500 hours of community service. However, unlike

Wright, Hurst did not receive any jail time, and received “good behavior” probation (as opposed to supervised probation).

26. In April 2006, the Division entered a default order against Wright for failing to file a response to the Order to Show Cause that initiated this administrative action.
27. As of July 2006, Hurst and Wright have returned to the Investors all of their principal invested through the mortgage loans (\$143,410), plus a small amount of interest (\$490).

Misrepresentations and Omissions

28. In connection with the offer and sale of a security to Investors, Hurst, directly or indirectly, made the following false statements:
 - a. That Wright would send the Investors \$75,000 of their equity to place in savings, when in fact, investors never received the \$75,000;
 - b. That Wright and Hurst would help the Investors with mortgage payments if they were unable to make them, when in fact, Wright and Hurst had no reasonable basis to offer financial assistance to the Investors due to their own financial difficulties; and
 - c. That the Investors’ money would be invested in a mutual fund account with Capital Enhancement, when in fact, the Investors’ funds were transferred to a personal account, used to pay a personal debt, and invested in the purchase of uncut diamonds.
29. In connection with the offer and sale of a security to Investors, Hurst, directly or indirectly, failed to disclose material information, including, but not limited to, the

following, which was necessary in order to make the representations made not misleading:

- a. That Wright had several outstanding civil judgments against him, totaling \$327,225;
- b. That Wright had several state tax liens against him, totaling \$56,970;
- c. That the Investors' money would be transferred to a personal account, used to pay personal expenses, and be invested in uncut diamonds without the Investors having any interest in the diamonds;
- d. The risk factors involved in the investment;
- e. Information or documentation about how the investment in Capital Enhancement would make money; and
- f. Whether the Capital Enhancement investment was marketable, *i.e.*, liquid.

THE DIVISION'S CONCLUSIONS

30. Based on the Division's investigative findings, the Division concludes that:
 - a. The investment opportunity offered and sold by Hurst is a security under § 61-1-13 of the Act; and
 - b. Hurst willfully violated § 61-1-1 of the Act by making misrepresentations of material fact and omitting to state material facts in connection with the offer and sale of a security.
31. Hurst admits the substance of the Division's investigative conclusions and consents to the Division entering an Order:

- a. Requiring Hurst to cease and desist from engaging in any further conduct in violation of the Utah Securities Act; and
 - b. Requiring Hurst to pay a fine of ten thousand dollars (\$10,000) to the Division. The Division has agreed to waive the fine in its entirety based on Hurst's willingness to admit to wrongdoing, and because Hurst has paid full restitution to the Investors, pursuant to the criminal action.
35. Hurst acknowledges that this Consent Order, upon approval by the Division Director, shall be the final compromise and settlement of this matter. Hurst further acknowledges that if the Division Director does not accept the terms of the Consent Order, it shall be deemed null and void and without any force or effect whatsoever.
36. Hurst acknowledges that the Consent Order does not affect any civil or arbitration causes of action that third parties may have against Hurst arising in whole or in part from Hurst's actions, and that the Consent Order does not affect any criminal cause of action that a prosecutor might bring.
37. This Consent 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 Consent Order in any way.
38. Hurst represents that any information he has provided to the Division is accurate and complete.
39. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.

40. Hurst has read this Consent Order, understand its contents, and enters into this Consent Order voluntarily. No promises or threats have been made by the Division, nor by any employee, agent, or representative of the Division other than as contained herein, to induce Hurst to enter into this Consent Order.

Utah Division of Securities

Respondent Hurst

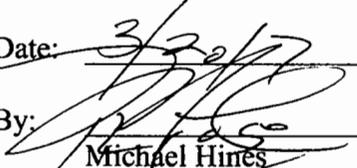
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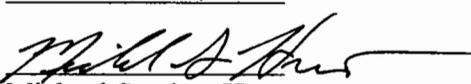
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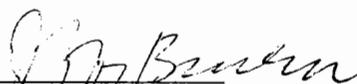
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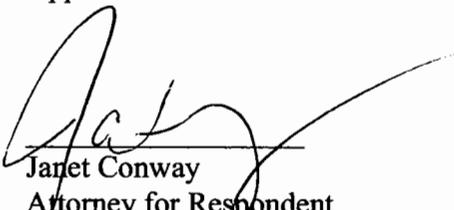

Michael Hines
Director of Enforcement


Michael Stephen Hurst

Approved:

Approved:


Jeffrey Buckner
Assistant Attorney General


Janet Conway
Attorney for Respondent

ORDER

Pursuant to the terms of the Stipulation and Consent Order defined above, the Director of the Utah Division of Securities hereby orders that:

1. Michael Stephen Hurst CEASE and DESIST from engaging in any further conduct in violation of the Utah Securities Act; and
2. Michael Stephen Hurst pay a fine of ten thousand dollars (\$10,000) to the Division, to be waived in its entirety due to Hurst's willingness to admit to wrongdoing, and because Hurst has paid full restitution to the Investors, pursuant to the criminal action.

DATED this 22 day of ^{March}~~February~~, 2007.

Wayne Klein

WAYNE KLEIN

Director, Utah Division of Securities

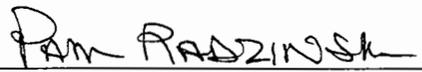


Certificate of Service

I certify that on the 22nd day of March, 2007, I mailed a true and correct copy of the Stipulation and Consent Order to:

Michael Stephen Hurst
1002 Fairway Circle
Fruit Heights, UT 84037

Janet Conway (Counsel for Hurst)
Conway and Moore LLC
155 S. 300 W., Suite 205
Salt Lake City, UT 84101



Executive Secretary