

Division of Securities
Utah Department of Commerce
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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:

MASCOT FINANCIAL, L.C.;
SAMUEL DUANE ASTON;
SCOT STOBBE;

Respondents.

**STIPULATION AND CONSENT
ORDER AS TO MASCOT
FINANCIAL, L.C. AND SAMUEL
DUANE ASTON:**

Docket No. SD -07-0035

Docket No. SD -07-0036

Docket No. SD -07-0037

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Mascot Financial, L.C. and Samuel Duane Aston, hereby stipulate and agree as follows:

1. Mascot Financial, L.C. (Mascot Financial), Samuel Duane Aston (Aston), and Scot Stobbe (Stobbe) were the subjects of an investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.

2. In connection with that investigation, the Division issued an Order to Show Cause against them on May 21, 2007, alleging securities fraud and fraudulent practices. Criminal charges were also filed against Aston¹ and Stobbe² in connection with the investigation.
3. On July 11, 2007, default was entered against Aston for failure to file a response or otherwise appear and defend.
4. On July 19, 2007, Aston moved to set aside the default. The motion was never ruled on and Aston never filed a response.
5. Aston agrees to withdraw his motion and, in exchange, the Division agrees to set aside the default.
6. In agreeing to set aside the default, Respondents Aston and Mascot Financial waive any right to a hearing to challenge the Division's evidence and present evidence on his behalf.
7. Aston also acknowledges that this stipulation and consent order does not affect any enforcement action that might be brought by a criminal prosecutor or any other local, state, or federal enforcement authority.
8. Respondents admit the jurisdiction of the Division over him and over the subject matter of

¹*State of Utah v. Samuel Aston*, Case No. 071402432, Fourth Judicial District Court of Utah (2007). Aston later pleaded guilty to three counts of securities fraud, a second degree felony. The plea was held in abeyance. Aston agreed to pay \$622,913 in restitution on February 18, 2010.

²*State of Utah v. Scot Stobbe*, Case No. 071402430, Fourth Judicial District Court of Utah (2008). Stobbe later pleaded guilty to nine counts of securities fraud, a second degree felony. Stobbe agreed to pay \$1,436,939 in restitution on June 10, 2010.

this action.

9. Respondents understand that they have the right to be represented by counsel, and voluntarily and knowing waive the right to have counsel represent them in this matter.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENTS

10. Mascot Financial is a Utah limited liability company. Mascot Financial registered on November 14, 2001, but its corporate status expired in February 2007. Scot Stobbe was Mascot Financial's manager and registered agent.
11. Aston is a Utah resident. At all times relevant herein, Aston held himself out to be one of two principals/presidents of Mascot Financial, the other being Scot Stobbe.

GENERAL ALLEGATIONS

12. In April 2006, investor M. H. was contacted by, Ronnie Daniel (Daniel), a sales agent for Mascot Financial.
13. Daniel explained to M. H. that Mascot Financial was in the business of providing debt elimination services for consumers.
14. Daniel encouraged M. H. to become a sales agent for Mascot Financial, and recommended that M. H. first try out the program by being one of M. H.'s clients.
15. Instead of becoming a client of Mascot Financial's debt elimination services, Daniel later suggested that M. H. consider Mascot Financial's "Turbo Charged" plan.

16. The "Turbo Charged" plan, Daniel said, involved re-mortgaging the home and investing the equity with Mascot Financial's partner company, Champion Capital, LLC (Champion Capital).³
17. Daniel told M. H. that money invested with Champion Capital would yield a return of 30% annually.
18. Daniel told M. H. talk to Aston about the "Turbo Charged" plan.
19. Throughout the month of May 2006, M. H. talked to Aston several times over the telephone.
20. During their telephone conversations, Aston explained to M. H. how the "Turbo Charged" plan worked and encouraged M. H. to sign up.
21. Aston told M. H. the following:
 - a. Mascot Financial had been in business for 10 years;
 - b. Mascot Financial had branch offices in 20 states;
 - c. All of Aston's older children had invested with Mascot Financial, and Aston's daughter invested \$60,000;
 - d. Aston ran successful businesses his whole life;
 - e. Aston was one of the presidents of Mascot Financial;

³Champion Capital, LLC was registered as a Utah limited liability company on January 4, 2006, but its corporate status was "delinquent" as of February 21, 2007. Champion Capital was located in Fountain Green, Utah. Aston and Stobbe were the original owners of Champion Capital, but on June 30, 2006, Greg Bailey and Wendell Jacobson purchased the company and became the new owners.

- f. M. H. could not afford to not make this investment;
 - g. The return of M. H.'s investment would be 30% for 36 months;
 - h. The investment had no risk and was guaranteed because if a promissory note was ever in default, Mascot Financial would replace it with a new note; and
 - i. Aston could be trusted because he was a devoted/faithful member of the same church.
22. On May 30, 2006, Aston e-mailed more details about the "Turbo Charged" plan to M. H. The e-mail included the following information:
- a. Champion Capital was borrowing money from various lenders;
 - b. Champion Capital had agreed to promissory notes generated through home refinancing by Mascot Financial's clients;
 - c. Mascot Financial generated approximately \$350,000 in receivables each month from financing client fees;
 - d. Champion Capital offered lenders attractive interest rates, 12-month investments with a return of 21%, 24-month investments with a return of 24%, and a 36-month investments with a return of 30%;
 - e. The agreement with Mascot Financial allowed Champion Capital to purchase client promissory notes from Mascot Financial at a substantial discount;
 - f. Approximately 30% of Mascot Financial's client promissory notes are paid off within

30 days;

- g. The loans would be secured by smaller promissory notes signed by Mascot Financial clients for the payment of Mascot Financial fees;
 - h. The client promissory notes would be assigned to collateralize the loan;
 - i. The lender (M. H.) would not be responsible for servicing or collecting the payments; and
 - j. Over the past four years, Mascot Financial experienced less than 5% default.
23. After reading the e-mail from Aston, M. H. signed up for the “Turbo Charged” plan and began working on obtaining refinancing for his home for the investment.
24. M. H. was not told, among other things, that Aston and Stobbe had each petitioned for bankruptcy twice, that Stobbe owed just under \$1 million in unpaid civil judgments, and that Aston had an unpaid state tax lien of \$6,345.
25. In August 2006, M. H. obtained his home loan and completed the forms provided by Mascot Financial.
26. The first page of the forms was entitled “Financial Profile and Equity Maximizer Plan.”
27. The forms also included, among other things, Mascot Financial’s mission statement, an individualized “Plan Evaluation” for M. H., an “Equity Acceleration Plan Contract,” and a service agreement with a bill paying service.
28. On August 14, 2006, M. H. invested \$340,000 with Mascot Financial by mailing a personal

check made payable to Champion Capital. M. H. also registered for the "Turbo Charged" plan by mailing a personal check for \$11,314.09 to Mascot Financial.

29. On October 27, 2006, Utah's Division of Consumer Protection revoked Mascot Financial's permit to offer credit services for improperly charging up-front fees.
30. In October 2006, Aston telephoned M. H., and said that Champion Capital was purchased by Greg Bailey (Bailey) just before M. H.'s investment. Champion Capital had been previously owned by Aston and Stobbe.
31. Aston also said that Bailey had deposited M. H.'s checks for \$340,000, and had used the money to purchase promissory notes from Mascot Financial.
32. Aston also mentioned a concern about the legality of some aspect of the transaction because M. H. resided in California, but assured him that the situation would be remedied and everything would be fine.
33. On November 1, 2006, Daniel forwarded an e-mail from Stobbe to M. H. The e-mail was entitled "The Dawning of a New Day."
34. In the e-mail, Stobbe explained that Mascot Financial had been shut down and replaced by a company called Freedom Strategies. Stobbe also said that Mascot Financial had some trouble with the State of Utah and would no longer be generating debt elimination plans.
35. M. H. was concerned and began searching for information about Mascot Financial on the Internet. M. H. found numerous sites alleging Mascot Financial had bad business practices

in Utah.

36. M. H. contacted the Utah Division of Securities and was advised to request his money back as soon as possible.
37. M. H. contacted Aston by telephone, and Aston said he left Mascot Financial. Aston then denied ever working for Mascot Financial, and told M. H. that Aston was simply an outside marketing advisor.
38. Aston also denied knowing that M. H. invested in Mascot Financial's "Turbo Charged" plan.
39. On November 8, 2006, M. H. contacted Daniel and told him about M. H.'s conversations with the Division of Securities and Aston. M. H. and Daniel then e-mailed Aston and Stobbe that same day and asked for a refund.
40. Between September and December 2006, M. H. received four interest payments from Champion Capital, for a total of \$37,912.33.
41. In late January 2007, M. H. spoke to Wendell Jacobsen (Jacobsen) of Champion Capital and was told that Champion Capital could either send the worthless notes from Mascot Financial to M. H., that M. H. could attempt to collect on them, or that Champion Capital could return the notes to Mascot Financial in hopes that Mascot Financial would pay M. H.
42. In May 2007, Champion Capital returned \$77,000 of M. H.'s \$340,000 investment to M. H.,

representing only the amount that Champion Capital did not pay to Mascot Financial.

43. On February 9, 2007, Aston deposited \$4,100 into M. H.'s checking account after telling him that Aston would pay his mortgage for one year, and at the end of that year, would pay M. H. the full amount he invested in Mascot Financial.
44. M. H. did not receive another mortgage payment from Aston.
45. M. H. is Respondents still owe M. H. \$220,988 in principal alone from his investment Mascot Financial, plus the \$11,314.09 paid for the "Turbo Charged" plan.

SECURITIES FRAUD

46. In connection with the offer and sale of a security to the investors, Respondents directly or indirectly, made false statements, including but not limited to, the following:
 - a. Mascot Financial had been in business for 10 years and had branch offices in 20 states, when in fact, records at the Utah Division of Corporations state that the company was registered in 2001, and Mascot Financial's website provided only one company address;
 - b. An investment with Mascot Financial had no risk and was guaranteed;
 - c. The investment would be secured;
 - d. Mascot Financial generated approximately \$350,000 in receivables each month;
 - e. Aston ran successful businesses his whole life, when he had no reasonable basis on

which to make this representation, given that one of Aston's businesses, First American Capital, petitioned for bankruptcy protection in 1992;

- f. The return on M. H.'s investment would be 30% per year for three years;
 - g. All of Aston's older children had invested with Mascot Financial, and that one had invested as much as \$60,000; and
 - h. Approximately 30% of Mascot Financial's client promissory notes are paid off within 30 days, and Mascot financial experienced less than 5% default.
47. In connection with the offer and sale of a security, Aston, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations not misleading:
- a. That on April 15, 2005, the Utah Division of Consumer Protection (Consumer Protection) issued an administrative citation to Mascot Financial for failing to register as a credit services organization and become bonded, and that Mascot Financial was defaulted in May 2005 for failing to respond to the citation;
 - b. On March 2, 2006, Consumer Protection issued an administrative citation to Mascot Financial for violating the Credit Services Organizations Act, and that Mascot Financial was defaulted and fined \$2,000 on March 21, for failing to respond.
 - c. Scot Stobbe petitioned for bankruptcy in 1990 and 2003;

- d. Aston petitioned for bankruptcy in 1992 and 1996;
- e. Stobbe had \$956,141 in outstanding civil judgments;
- f. The Utah State Tax Commission filed a \$6,345 tax lien against Aston;
- g. Mascot Financial was being investigated by the Division of Consumer Protection, and the reasons why;
- h. Champion Capital had just changed ownership;
- I. Some or all of the information typically provided in an offering circular or prospectus regarding Mascot Financial and Champion Capital, such as:
 - i. The business and operating history for Mascot Financial and Champion Capital;
 - ii. Identities of Mascot Financial's and Champion Capital's principals along with their experience in the area of credit services;
 - iii. Mascot Financial's and Champion Capital's financial statements;
 - iv. The market for the product of the companies;
 - v. The nature of the competition for the product;
 - vi. Current capitalization of the companies;
 - vii. A description of how the investment would be used by the businesses;
 - viii. The track record of the companies to investors;

- ix. Risk factors for investors;
 - x. The number of other investors;
 - xi. The minimum capitalization needed to participate in the investment;
 - xii. The disposition of any investments received if the minimum capitalization were not achieved;
 - xiii. The liquidity of the investment;
 - xiv. Discussion of pertinent suitability factors for the investment;
 - xv. The proposed use of the investment proceeds;
 - xvi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
 - xvii. Agent commissions or compensation for selling the investment;
 - xviii. Whether the investment is a registered security or exempt from registration;
and
 - xix. Whether the person selling the investment is licensed.
48. Based upon the foregoing, Mascot Financial, L.C. and Samuel Duane Aston violated § 61-1-1(2) of the Act.

FRAUDULENT PRACTICES

49. Respondents engaged in acts, practices, or courses of business that operated as a fraud or

deceit on investor M. H., including, but not limited to, the following:

- a. Aston could be trusted because he was a devoted/faithful member of the same church;
 - b. Telling M. H. that the investment had no risk and was guaranteed because if a promissory note was ever in default, Mascot Financial would replace it with a new note; and
 - c. Allowing M. H. to believe that Champion Capital was owned by Aston and Stobbe, when in fact, prior to M. H. investing, Champion Capital had been sold to two individuals about whom M. H. had no information.
44. Based upon the foregoing, Mascot Financial, LLC and Samuel Duane Aston, wilfully violated § 61-1-1(3) of the Act.

II. THE DIVISION'S CONCLUSIONS OF LAW

50. Based on the Division's investigative findings, the Division concludes that:
- a. The investment opportunities offered and sold by Aston are securities under § 61-1-13 of the Act;
 - b. Mascot Financial and Aston violated § 61-1-1(2) of the Act by misstating and omitting to state material facts in connection with the offer and sale of a security.
 - c. Mascot Financial and Aston violated § 61-1-1(3) of the Act by engaging in an act

which operated as a fraud.

III. REMEDIAL ACTIONS/SANCTIONS

51. Respondents neither admit nor deny the Division's findings and conclusions and consents to the sanctions below being imposed by the Division.
52. Respondents represent that any information they provided to the Division as part of the Division's investigation of this matter is accurate.
53. Respondents agree to the imposition of a cease and desist order, prohibiting them from any conduct that violates the Act.
54. Aston agrees that he will be barred from (i) associating⁴ with any broker-dealer or investment adviser licensed in Utah; (ii) acting as an agent for any issuer soliciting investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah.
55. Aston agrees to cooperate with the Division, the State of Utah, and the Federal Government in any future investigations and/or prosecutions relevant to the matter herein.

⁴"Associating" includes, but is not limited to, acting as an agent of, receiving compensation directly or indirectly from, or engaging in any business on behalf of a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah. "Associating" does not include any contact with a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah incidental to any personal relationship or business not related to the sale or promotion of securities or the giving of investment advice in the State of Utah.

56. Aston agrees to pay restitution as ordered in the criminal case, *State of Utah v. Samuel Aston*, Case No. 071402432, Fourth Judicial District Court of Utah (2007).

IV. FINAL RESOLUTION

57. Respondents acknowledge that this Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.
58. Respondents further acknowledge that if the Securities Commission does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.
59. Respondents acknowledge that the Order does not affect any civil or arbitration causes of action that third-parties may have against him rising 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 his conduct referenced herein.
60. The Stipulation and 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 the Order in any way.

Utah Division of Securities

Date: 5/24/11

By: [Signature]

Michael Hines
Director of Enforcement

Respondent Aston

Date: May 16, 2011

By: [Signature]

Samuel Duane Aston

Approved:

[Signature]

Jeff Buckner
Assistant Attorney General
J.S.

ORDER

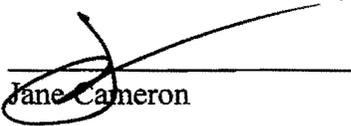
IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Respondents cease and desist from violating the Utah Uniform Securities Act.
3. Aston agrees to be permanently barred from the securities industry.
4. Respondents cooperate with the Division in any future investigations.
5. Aston agrees to pay restitution as ordered in the criminal case, *State of Utah v. Samuel Aston*, Case No. 071402432, Fourth Judicial District Court of Utah (2007).

BY THE UTAH SECURITIES COMMISSION:

DATED this 28th day of July, 2011.

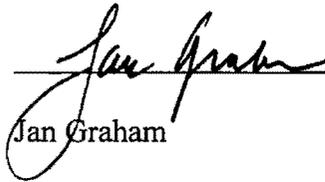
Tim Bangerter



Jane Cameron



Erik Christiansen



Jan Graham



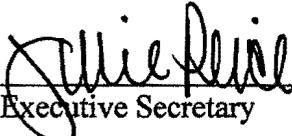
Laura Polacheck

Certificate of Mailing

I certify that on the 7th day of AUGUST, 2011, I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

Samuel Duane Aston
4298 Vintage Dr.
Provo, UT 84604

Certified Mailing # 7057 0220 0001 0002 U288



Executive Secretary