

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:

KEITH RICHARD ANDERSON

Respondent.

ORDER TO SHOW CAUSE

Docket No. SD-08-0020

It appears to the Director of the Utah Division of Securities (Director) that Keith Richard Anderson may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondent and the subject matter is appropriate because the Division alleges that he violated § 61-1-1 (securities fraud) of the Act, while engaged in the offer and sale of a security in Utah.

STATEMENT OF FACTS

THE RESPONDENT

2. Keith Richard Anderson (Anderson) resides in Utah County, Utah.

GENERAL ALLEGATIONS

3. In May 2000, in Utah County, investors DR and HR, husband and wife, met with Anderson to discuss investment opportunities in some of Anderson's business ventures. DR and HR told Anderson they were looking for safe investments because DR was on permanent disability and their investment funds were their retirement funds.

The AirSwitch Investment

4. Anderson told DR and HR about an investment in his company AirSwitch Corporation¹ (AirSwitch). Anderson told DR and HR they could purchase stock and stock options in AirSwitch.
5. Anderson told DR and HR the investment in AirSwitch was safe, and that with the purchase of stock options, DR and HR would receive their principal investment in two years, plus a return of 8%.
6. On or about May 10, 2000, DR and HR invested \$126,000 in AirSwitch by giving Anderson a personal check made payable to Anderson.

¹AirSwitch Corporation, purportedly a telecommunications business, was registered as a Utah corporation on May 20, 1998, but its corporate status expired on August 19, 2002. Keith Richard Anderson was the president and director of AirSwitch.

7. In return, DR and HR received a Stock Option Purchase Agreement from Anderson (Option Agreement). The Option Agreement stated that, in the event of Anderson's failure to perform on any of the listed items, Anderson promised to pay DR and HR their principal investment plus a return of 8% in two years.
8. AirSwitch failed to perform as outlined in the Option Agreement, and Anderson failed to repay DR and HR their principal or return.
9. In or about February 2003, DR and HR contacted Anderson regarding the past-due payments on their AirSwitch investment. On February 25, 2003, Anderson agreed to "convert" the AirSwitch investment into a new investment (a personal loan to Anderson) which would be secured by a promissory note in the amount of \$130,000.
10. Anderson told DR and HR he would pay them a return of 100% (\$260,000) within two years.
11. DR and HR agreed to Anderson's new terms, and Anderson issued them a promissory note with the above-mentioned terms.
12. Anderson again failed to pay DR and HR their principal investment and interest.

The WildRail Investment

13. In January 2003, in Utah County, Anderson told DR and HR that his company, WildRail Motor Sports LLC,² had 20,000 customer orders to purchase go-carts, but Anderson

²WildRail Motor Sports LLC, was in the business of building and selling motorized go-cart type vehicles, and was registered as a Utah limited liability company on August 1, 2003, but

- needed additional funds to build them.
14. Anderson asked DR and HR to loan Anderson \$100,000 which would be used to build the go-carts. Anderson told DR and HR he would pay them their principal plus a return of 100% of their investment in one year.
 15. On January 31, 2003, DR and HR invested \$100,000 with Anderson, via wire transfer to Anderson's bank account.
 16. In return, DR and HR received a promissory note from Anderson, promising to pay them a return of 100% within one year.
 17. In February, 2003, based on the same representations from Anderson, DR and HR invested another \$20,000 with Anderson.
 18. In return, DR and HR received a second promissory note from Anderson, promising to pay them their principal plus a return of 100% in one year.
 19. After their promissory notes matured, DR and HR received no return of principal or interest from Anderson, despite several written and oral requests.
 20. After all of their failed investments with Anderson and Anderson's businesses, DR and HR are still owed a total of \$246,000 in principal alone.

its corporate status expired in 2006. Keith Richard Anderson was the registered agent for WildRail, and one of two managers. The other manager of WildRail was a Charles Brown.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act

21. The Division incorporates and re-alleges paragraphs 1 through 20.
22. The option agreement offered and sold by Anderson to DR and HR is an investment contract and therefore a security under § 61-1-13 of the Act. An investment contract includes,

any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor; or . . . any investment by which . . . an offeree furnishes initial value to an offerer; . . . a portion of this initial value is subjected to the risks of the enterprise; . . . the furnishing of the initial value is induced by the offerer's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise; and . . . the offeree does not receive the right to exercise practical or actual control over the managerial decisions of the enterprise.

UTAH ADMIN. CODE R164-13-1(B)(1)(a) and 1(b).

23. In connection with the offer and sale of a security to DR and HR, Anderson made false statements, including, but not limited to, the following:
 - a. An investment in AirSwitch was safe; and
 - b. Anderson would pay the investors their principal plus a return of 8% in two years.
24. In connection with the offer and sale of a security to DR and HR, Anderson failed to disclose material information, including, but not limited to, the following, which was

necessary in order to make representations made not misleading:

- a. That Anderson filed for bankruptcy in 1996;
- b. Some or all of the information typically provided in an offering circular or prospectus regarding AirSwitch, such as:
 - i. The business and operating history for AirSwitch;
 - ii. Identities of the principals for AirSwitch, along with their experience in the area of telecommunications;
 - iii. Financial statements for AirSwitch;
 - iv. The market for AirSwitch's product(s);
 - v. The nature of the competition for the product(s);
 - vi. The current capitalization for AirSwitch;
 - vii. The track record of AirSwitch to investors;
 - viii. Risk factors for investors;
 - ix. The number of other investors;
 - x. The minimum capitalization needed to participate in the investment;
 - xi. The disposition of any investments received if the minimum capitalization were not achieved;
 - xii. The liquidity of the investment;
 - xiii. Discussion of pertinent suitability factors for the investment;
 - xiv. The proposed use of the investment proceeds;

- xv. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
 - xvi. Agent commissions or compensation for selling the investment;
 - xvii. Whether the investment is a registered security or exempt from registration; and
 - xviii. Whether the person selling the investment is licensed.
25. Based upon the foregoing, Keith Richard Anderson violated § 61-1-1 of the Act.

COUNT II
Securities Fraud under § 61-1-1 of the Act

26. The Division incorporates and re-alleges paragraphs 1 through 25.
27. The promissory notes offered and sold by Anderson to DR and HR are securities under § 61-1-13 of the Act.
28. In connection with the offer and sale of securities to investors, Anderson made false statements, including, but not limited to, the following:
- a. WildRail had 20,000 customer orders to purchase go-carts from WildRail; and
 - b. Anderson would pay the investors their principal plus a return of 100% within one year of their investment.
29. In connection with the offer and sale of securities to investors, Anderson failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

- a. That Anderson filed for bankruptcy in 1996;
- b. Some or all of the information typically provided in an offering circular or prospectus regarding WildRail, such as:
 - i. The business and operating history for WildRail;
 - ii. Identities of the principals for WildRail, along with their experience with building and marketing go-carts;
 - iii. Financial statements for WildRail;
 - iv. The market for WildRail's product;
 - v. The nature of the competition for the product;
 - vi. The current capitalization for WildRail;
 - vii. The track record of WildRail to investors;
 - viii. Risk factors for investors;
 - ix. The number of other investors;
 - x. The minimum capitalization needed to participate in the investment;
 - xi. The disposition of any investments received if the minimum capitalization were not achieved;
 - xii. The liquidity of the investment;
 - xiii. Discussion of pertinent suitability factors for the investment;
 - xiv. The proposed use of the investment proceeds;
 - xv. Any conflicts of interest the issuer, the principals, or the agents may have

with regard to the investment;

xvi. Agent commissions or compensation for selling the investment;

xvii. Whether the investment is a registered security or exempt from registration; and

xviii. Whether the person selling the investment is licensed.

30. Based upon the foregoing, Keith Richard Anderson violated § 61-1-1 of the Act.

ORDER

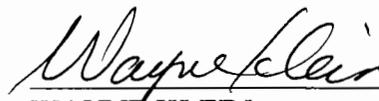
The Director, pursuant to § 61-1-20 of the Act, hereby orders Anderson to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on April 1, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondent may show cause, if any they have:

- a. Why Keith Richard Anderson should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Keith Richard Anderson should not be ordered to cease and desist from

engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and

- c. Why Keith Richard Anderson should not be ordered to pay a fine of two hundred fifty thousand dollar (\$250,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

DATED this 20th day of February, 2008.



WAYNE KLEIN

Director, Utah Division of Securities



Approved:



JEFF BUCKNER

Assistant Attorney General

D. H.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
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:

KEITH RICHARD ANDERSON

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD - 08 - 0020

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Pam Radzinski
Division of Securities
160 E. 300 S., Second Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
160 E. 300 S., Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

A hearing date has been set for Tuesday, April 1, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

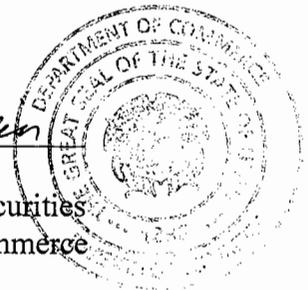
If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed

against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities. The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 20th day of February, 2008.


WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce



Certificate of Mailing

I certify that on the 20TH day of February, 2008, I mailed, via certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Keith Richard Anderson
560 North 75 West
Springville, UT 84773

Certified Mail # 70051820003 71907042

PAMALA BASSINER
Executive Secretary