

Division of Securities
Utah Department of Commerce
160 East 300 South
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:

**PARAGON INVESTMENTS, INC.,
STEVEN E. ELMONT, and
MARK A. MEILING**

Respondents.

**STIPULATION AND CONSENT
ORDER AS TO PARAGON
INVESTMENTS AND STEVEN E.
ELMONT**

**Docket No. SD 10-0001
Docket No. SD 10-0002
Docket No. SD 10-0003**

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Paragon Investments, Inc. (Paragon) and Steven E. Elmont (Elmont), hereby stipulate and agree as follows:

1. Paragon and Elmont 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. The investigation resulted in the filing of an order to show cause against them on January 13, 2010.

2. Paragon, Elmont and the Division have agreed to settle this matter by way of this Stipulation and Consent Order.¹
3. Paragon and Elmont are represented by attorney Greg Smith and are satisfied with the legal representation he has received.
4. Paragon and Elmont have read this Order, understand its contents, and enter into this Order voluntarily. No promises or threats have been made by the Division, nor by any representative of the Division, other than as contained herein, to induce Paragon and Elmont to enter into this Order.
5. Paragon and Elmont admit the jurisdiction of the Division over them and over the subject matter of this action.
6. Paragon and Elmont waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf in this matter.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENTS

7. Paragon was, at all times relevant, a Utah corporation. Paragon incorporated in Utah on April 26, 2000, and was voluntarily dissolved as of April 28, 2009. Paragon is not and has

¹Elmont has negotiated private agreements with the investors identified below that outline a repayment plan.

never been registered with the Division as an investment firm.

8. Elmont was, at all relevant times, a resident of Utah County, Utah. Elmont is not licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

GENERAL ALLEGATIONS

9. From approximately December 2005 to August 2007, Paragon and Elmont offered and sold securities to investors, in or from Utah, and collected a total of at least \$6,010,000.
10. Paragon and Elmont made material misstatements and omissions regarding the \$6,010,000 invested by the investors at issue.
11. The investors lost \$4,002,000 in principal alone.

INVESTOR HH

12. On or about January 10, 2006, HH spoke to Elmont by telephone while HH was in Salt Lake County, Utah.
13. During the telephone conversation with HH, Elmont made the following statements:
 - a. Paragon was collecting funds to invest with Bannon;
 - b. Paragon offered a 4% per month return on investment funds;
 - c. To participate, HH needed a minimum investment of \$100,000; and
 - d. HH could get his funds back within 15 days notice.
14. Following the telephone conversation with HH, Elmont sent HH an e-mail with a document attached entitled *Financial Joint Venture Agreement* (Agreement.)

15. According to the Agreement, HH agreed to wire \$100,000 to Paragon's Washington Mutual Bank account in Utah County, Utah, on January 11, 2006.
16. The Agreement stated the following:
 - a. Paragon "guaranties (*sic*) to HH the payment of a monthly four percent (4%) return on investment;"
 - b. HH could add to his investment in increments of "no less than \$100,000;" and
 - c. Funds could be liquidated after giving Paragon fifteen days written notice.
17. At no time did Elmont provide HH with disclosure documents.
18. Based on Elmont's statements, HH wired \$100,000 to Paragon's Washington Mutual bank account on or about January 11, 2006. HH only authorized Paragon to invest the funds with Bannon².
19. Bank records reveal that HH's initial \$100,000 investment was deposited into Paragon's Washington Mutual Bank account on or about January 11, 2006, bringing the account balance to \$100,000.21. On January 12, 2006, \$100,000 was wired from Paragon's account to Bannon and Overseas.
20. After HH made the initial investment, Elmont sent HH e-mails, stating HH's interest was "parked" in an account until the lump sum payment was made to HH.

²Elmont believes this was a miscommunication.

21. On or about August 11, 2006, HH invested an additional \$100,000.
22. Bank records reveal that HH's second \$100,000 investment was deposited into Paragon's Washington Mutual Bank account on or about August 11, 2006, and brought the account balance to \$101,120.55.
23. Elmont also transferred \$100,000 from Paragon's account that same day to another account held by Paragon at Washington Mutual, bringing that second account balance to \$133,193.88. A first in first out analysis of the funds shows the \$100,000 was part of a \$400,000 transfer to S3 Consulting, Inc.³
24. On December 12, 2006, HH invested another \$100,000 for a third time.
25. Bank records reveal that HH's third \$100,000 investment was deposited into Paragon's Washington Mutual Bank account on or about December 12, 2006, bringing the account balance to \$214,230.75.
26. To date, HH has received about \$144,000 in interest payments from Paragon and Elmont.

CAPITAL VENTURES' INVESTMENTS (TW AND VW)

27. In or about February 2006, TW and VW contacted Elmont by telephone while in Boise,

³S3 Consulting, Inc. (S3) incorporated in Utah on April 13, 2005. Joseph R. Jackson (Jackson) is listed as Director and President. S3's status is active as of September 2, 2009. S3 is not registered with the Utah Division of Securities.

Idaho. Elmont was in, Utah County during the call. Subsequently, TW and VW had numerous discussions with Elmont via telephone and in person while in Nampa, Idaho.

28. During these conversations, Elmont made the following statements:
- a. He owned and operated Paragon;
 - b. Funds placed with Paragon would be invested with a retired banker in New York (Bannon;)⁴
 - c. Bannon used investment funds for overnight banking, including the buying and selling of financial instruments;
 - d. Bannon made a profit by engaging in arbitrage;
 - e. Arbitrage minimized or eliminated risk, because Bannon would not have to hold on to an instrument for any length of time;
 - f. There was risk involved in the investment;
 - g. Investors had to have funds available to invest;
 - h. Bannon leveraged investment funds by using a line of credit equal to ten times the amount of capital placed with Bannon;
 - i. Bannon did not need to make much of a profit when selling the instruments to make

⁴TW and VW did not learn that the retired banker was Bannon until months after the investment.

- money;
- j. If Bannon made 0.1% on a transaction, it was as if Bannon actually made 1% on the transaction because of the leveraging;
 - k. He had known Bannon for about six years, but had invested with Bannon for about one year;
 - l. Bannon never missed a payment during the year Elmont and Paragon had been investing;
 - m. He would be able to pay Paragon's investors as long as Bannon continued to pay Paragon;
 - n. Paragon always had less than ten investors, but Elmont did not disclose the exact number;
 - o. A minimum investment of \$100,000 was needed to participate;
 - p. TW and VW could get their funds back by giving Elmont thirty days notice, but the maximum they were allowed back per month was \$250,000;
 - q. Paragon would receive a 5% per month return from Bannon on investment funds;
 - r. 4% per month would be paid to TW and VW; and
 - s. Both Paragon and Mark Meiling would earn 0.5% per month each.
29. TW and VW wanted to raise investment funds for Paragon through a company called Capital Ventures, LLC (CVL.)

30. On or about April 13, 2006, Elmont emailed TW and VW a document entitled *Financial Joint Venture Agreement* (Agreement.) The agreement stated CVL agrees “to make available to Paragon” \$150,000.
31. The agreement made the following statements:
 - a. “Paragon guaranties (*sic*) the payment of a monthly 4% return on investment;”
 - b. CVL “may increase the amount of Funds (*sic*) in increments of no less than \$100,000;”
 - c. CVL may “withdraw all or part of its total Funds (*sic*), together with any accrued profits, upon giving Paragon thirty days notice;” and
 - d. “[E]ach withdrawal shall be limited to a maximum of \$250,000.”
32. Elmont failed to provide TW and VW with any disclosure documents.
33. Based on Elmont’s statements, TW and VW wired \$50,000 from CVL’s bank account to Paragon’s Washington Mutual Bank account on or about April 14, 2006. TW and VW authorized Elmont and Paragon to invest the funds solely with Bannon⁵.
34. Bank records reveal TW’s and VW’s \$50,000 into Paragon’s Washington Mutual Bank

⁵Elmont believes this was a miscommunication.

account on or about April 14, 2006, bringing the account balance to \$51,023.80. Later that day, Paragon withdrew \$50,000 in order to purchase a \$50,000 official check made payable to S3.

35. Between April 2006 and May 2007, CVL invested approximately \$5.65 million in Paragon. Several of CVL's clients wired money directly to Paragon and had contact with Elmont prior to investing.
36. Bank records reveal that Elmont used funds provided by TW and VW, CVL, and CVL's investors in the following manner:
 - a. \$980,000 to Bannon;
 - b. Approximately \$3 million to S3;
 - c. \$1 million to Rochester Foundation, Inc.;
 - d. Approximately \$450,000 to ADP payroll services;
 - e. Approximately \$200,000 to Joseph Jackson; and
 - f. Approximately \$125,000 to unknown sources.
37. On or about July 14, 2007, Elmont sent TW and VW a \$250,000 check as part of their request for principal to be returned.
38. Elmont and Paragon have paid CVL about \$1.85 million in interest and principal to date.

MATERIAL OMISSIONS

39. In connection with the offer and sale of a security, Paragon and Elmont, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:
- a. That Elmont filed for Chapter 7 bankruptcy in 2003.⁶
 - b. Some or all of the information typically provided in an offering circular or prospectus regarding Paragon, such as:
 - i. The identity of Paragon's principals;
 - ii. Paragon's financial statements;
 - iii. The business and operating history of Paragon and Bannon;
 - iv. The track record of Paragon and Bannon to other investors;
 - v. The number of other investors;
 - vi. The risk factors for Paragon investors;
 - vii. Discussion of pertinent suitability factors for the investment;
 - viii. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;

⁶Case number 03-32697 filed July 23, 2003 and terminated October 28, 2003.

- ix. Any involvement of Paragon or its principals in certain legal proceedings, including bankruptcy or prior violations of state or federal securities laws;
- x. Whether the investment is a registered security or exempt from registration; and
- xi. Whether the person selling the investment is licensed.

II. THE DIVISION'S CONCLUSIONS OF LAW

- 40. Based on the Division's investigative findings, the Division concludes that:
 - a. The investment opportunities offered and sold by Paragon and Elmont are securities under § 61-1-13 of the Act; and
 - b. Paragon and Elmont violated § 61-1-1 of the Act by omitting to state material facts in connection with the offer and sale of a security.

III. REMEDIAL ACTIONS/SANCTIONS

- 41. Paragon and Elmont admit the Division's findings and conclusions and consent to the sanctions below being imposed by the Division.
- 42. Paragon and Elmont represent that any information they provided to the Division as part of the Division's investigation of this matter is accurate.
- 43. Paragon and Elmont agree to the entry of a cease and desist order, prohibiting them from any

conduct that violates the Act.

44. As part of the resolution of this matter, Paragon and Elmont have negotiated private agreements with the investors which outline a repayment plan.
45. Elmont agrees that he will be barred from (i) associating with any broker-dealer or investment adviser licensed in Utah; and (ii) acting as an agent for any issuer soliciting investor funds in Utah.
46. Paragon and Elmont agree to cooperate with the Division, the State of Utah, and the Federal Government in any future investigations and/or prosecutions.

IV. FINAL RESOLUTION

47. Paragon and Elmont acknowledge that this Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.
48. Paragon and Elmont 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.
49. Paragon and Elmont 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 their conduct referenced herein.

50. The Stipulation and Consent Order constitute 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: 3/8/11

By: [Signature]

Michael Hines

Director of Enforcement

Respondent Elmont

Date: 2/17/2011

By: [Signature]
Steven E. Elmont

Approved:

[Signature]
Jeff Buckner
Assistant Attorney General
J.N.

Approved:

[Signature]
Greg Smith
Attorney for Respondent

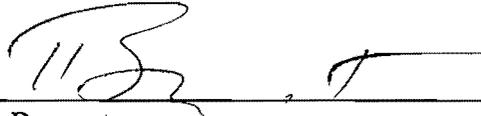
ORDER

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. Elmont is barred from (i) associating with any broker-dealer or investment adviser licensed in Utah; and (ii) acting as an agent for any issuer soliciting investor funds in Utah.
4. Respondents cooperate with the Division in any future investigations.

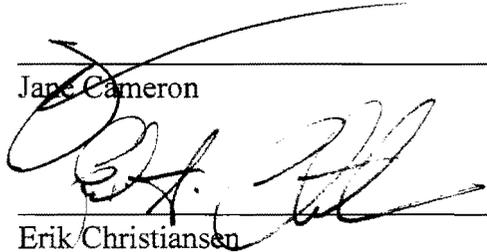
BY THE UTAH SECURITIES COMMISSION:

DATED this 17th day of March, 2011.

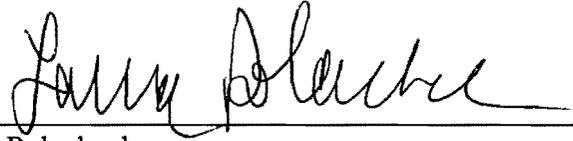


Tim Bangerter

Jane Cameron



Erik Christiansen

A handwritten signature in cursive script, appearing to read "Laura Polacheck".

Laura Polacheck

A handwritten signature in cursive script, appearing to read "Michael O'Brien".

Michael O'Brien

Certificate of Mailing

I certify that on the 21st day of March, 2011, I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

Steven E. Elmont

281 River Way

Lehi, UT 84043

Certified Mailing # 700X 1140 0004 1142 2930


Executive Secretary