

Division of Securities
Utah Department of Commerce
160 East 300 South
P.O. Box 146760
Salt Lake City, Utah 84114-6760
Telephone: 801 530-6600

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**CHRISTOPHER H. ZOCKOLL,
CRD#2954654**

Respondent.

ORDER TO SHOW CAUSE

Docket No. SD-10-0004

It appears to the Director ("Director") of the Utah Division of Securities ("Division") that Respondent Christopher H. Zockoll ("Zockoll") may have engaged in acts and practices that violate the Utah Uniform Securities Act ("Act"), Utah Code Ann. § 61-1-1, *et seq.* Those acts and practices are more fully described herein. Based upon the Division's investigation into 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 FACTS

1. From January 2003 through July 2004, Zockoll was licensed in Utah as a broker-dealer agent of Investment Management Corporation ("IMC"), CRD#37196. Between 1997 and 2003, Zockoll was licensed in Utah as an agent of several other broker-dealer firms. He is not currently licensed in the securities industry in any capacity.
2. Zockoll has taken and passed the Series 6, Investment Company/Variable Contacts

Limited Representative Examination, and Series 63, Uniform Securities Agent State Law Examination.

3. IMC and its agents, including Zockoll, sold securities investments in “Vescor”, which as used herein collectively refers to a network of approximately 150 companies owned or controlled by Val Edmund Southwick (“Southwick”). Those companies include, but are not limited to VesCor Capital Corp., VesCorp Capital, LLC, VesCor Capital, Inc., Siena Vista, LLC, Five Star Lending, LLC, SV Lending, LLC, and VesCor Capital IV-A, LLC.
4. Vescor was a Ponzi scheme in which new investor monies were used to pay interest to prior investors or for personal use. In 2008, Southwick pled guilty to nine felony counts of securities fraud for defrauding investors from Utah and several other states out of approximately \$180 million. He was sentenced to 1-15 years in prison on each count and is presently incarcerated.
5. In 2008, IMC was expelled from membership by the Financial Industry Regulatory Authority (“FINRA”). IMC’s principals, Brian Y. Horne (“Horne”), CRD#1830136, and Kevin D. Kunz (“Kunz”), CRD# 1274540, were barred from associating with any FINRA member in any capacity.
6. Deseret Financial Services (“Deseret Financial”) was a Utah DBA registered with the Utah Division of Corporations from 1996 until 2000. Horne was its registered agent. In 2000 Horne canceled the DBA and incorporated Deseret Financial. Horne was its secretary, director and president. In 2004, Horne changed the name to Horne Financial.
7. Neither Deseret Financial nor Horne Financial were licensed as broker-dealers at any time.

Vescor Sales by Zockoll

8. Between January 2003 and August 2004, Zockoll solicited investors in Utah and elsewhere to purchase investment promissory notes issued by Vescor.
9. The promissory notes offered and sold by Zockoll are securities under the Act.
10. Zockoll sold Vescor notes to approximately 70 investors, raising over \$4.2 million, for which he was paid at least \$233,000 in commissions.

Investor J.G.

11. Sometime in 2003, Utah resident J.G. and her husband W.G. received a flyer from “Retirement Advantage” offering assistance in trust preparation.
12. J.G. and W.G. subsequently met with several individuals at Retirement Advantage, located in Henderson, Nevada, with respect to establishing a trust.
13. After several meetings J.G. and W.G. were introduced to Zockoll, who said he owned Retirement Advantage¹. Zockoll indicated he had reviewed some of the trust documents, and noticed that J.G. and W.G. had several “buckets” of money earning small amounts of interest. He told them he knew how they could earn higher rates of interest than the three or four percent the investments were earning annually at that time.
14. Zockoll recommended that J.G. invest money from her tax-deferred 457 retirement account into a company called Vescorp Capital, LLC.
15. Zockoll told J.G. and W.G. the company invested in and developed successful resort

¹Although Zockoll has been the registered agent, officer, and manager of numerous companies in Nevada, “Retirement Advantage” does not appear on the Nevada Secretary of State’s internet database. A search of corporations databases for Utah, California, and Wyoming returned no information confirming Zockoll’s association with such entity.

properties, such as Deer Valley² and some international resorts, which Zockoll did not identify.

16. Zockoll further represented:
 - a. an investment in Vescorp would yield 12% per year in interest, and the investment was safe and “guaranteed” because it was backed by real estate;
 - b. J.G.’s funds would need to be invested for a period of five years, in which time her funds would double³;
 - c. Southwick had a successful 20-year history;
 - d. Zockoll had personally invested with Vescorp; and
 - e. a Vescorp investment was “perfect” for J.G. and W.G given that they were about 10 years from retirement.
17. J.G. was not provided any offering documents, a private placement memorandum (PPM), prospectus or other disclosure documents prior to investing.
18. At Zockoll’s direction, J.G. opened a self-directed IRA account, to which she transferred \$46,800 from her 457 retirement plan. In October 2003, the money was wired to Vescorp Capital LLC’s Centennial Bank of Ogden account.
19. Thereafter, J.G. received a copy of several documents, including a promissory note, security agreement, and subscription agreement.
20. Despite Zockoll’s representations about real estate security for the investment, the document entitled “Security Agreement” contained no description of any specific

²Deer Valley is a ski resort located in Summit County, Utah.

³An investment earning 12% annually will not double in five years.

collateral.

21. J.G. began receiving statements on a quarterly basis in late 2003. The statements showed interest accruing.
22. J.G. first learned there was a problem with her investment in early 2007, when Zockoll called a meeting between his Vescorp investors and a bankruptcy attorney. J.G. and W.G. left the meeting with the understanding that Vescorp was not going to survive as a company.
23. J.G. never received any repayment of principal or interest on her investment.
24. Zockoll was paid a commission of \$3,790.80 for the sale to J.G.
25. In connection with the sale of Vescor to J.G., Zockoll misrepresented material facts, including but not limited to the following:
 - a. the investment would earn 12% per year;
 - b. J.G.'s monies would double in five years;
 - c. the investment was safe and "guaranteed" because it was backed by real estate, when in fact, i) the note carried substantial risk, and ii) no legal description of any real estate was included in the note nor was any interest in any real estate created by the note;
 - d. the investment was "perfect" for retirement funds belonging to a person planning to retire in ten years; and
 - e. Vescor had a successful 20-year history.
26. In connection with the sale of Vescor to J.G., Zockoll omitted material facts, including but not limited to the following:

- a. risk factors of the investment;
- b. characteristics of the investment and how it was suitable for J.G.;
- c. relevant disclosures about Vescor including its financial condition and liabilities;
- d. Southwick's extensive prior litigation history and outstanding judgments, including prior 1992 and 2002 Consent Orders with the Utah Securities Division relating to the offer or sale of unregistered securities;
- e. Zockoll's compensation of \$3,790.80 in commissions for selling the investment;
- f. Zockoll was not licensed to sell a private offering or to give investment advice;
- g. Zockoll would be compensated for the transaction through an entity other than his broker-dealer, which entity was not licensed as a broker-dealer, in violation of securities laws and industry rules;
- h. J.G. received no legal interest in any real property; and
- i. Vescor was a Ponzi scheme.

Unlicensed Activity

Compensation Paid through Non-Broker-Dealer Entities

27. In addition to J.G., Zockoll sold Vescor to four other Utah investors, for which he was paid commissions totaling \$16,578.27, as follows:

<u>Investor</u>	<u>Commission</u>
R.S.	\$3,847.50
R.S. (IRA)	2,219.04
M.S.	1,457.28
K.S.	2,257.20
M.B.	6,797.25

28. The commissions for these sales as well as the sale to J.G. were not paid to Zockoll

through Zockoll's broker-dealer, IMC,⁴ but rather through Deseret Financial, which was not a broker-dealer. At no time was Zockoll a licensed agent of Deseret Financial.

29. In 2003, Deseret Financial paid Zockoll a total of \$233,194.52 for sales of Vescor.
30. In addition, Vescor Capital Inc. directly paid Zockoll \$5,107.63 in 2003. Although Zockoll sold securities issued by Vescor Capital Inc., he was never licensed as an issuer-agent of that entity.
31. In 2004, Horne Financial – the renamed Deseret Financial corporation – paid Zockoll \$56,489.30. At no time was Zockoll a licensed agent of Horne Financial.
32. Zockoll's employing broker-dealer, IMC, in contrast, only paid Zockoll \$8,784.33 in 2004.
33. Zockoll was not licensed to sell a private securities offering such as Vescor because his Series 6 license limited his securities activities to selling mutual funds and variable insurance products through IMC.
34. Despite being paid compensation by Deseret Financial and Horne Financial for securities transactions, Zockoll's Form U4⁵ failed to disclose any business activities with either entity.
35. Zockoll's Form U4 further failed to disclose Zockoll's business relationship with Vescor

⁴As a result of a prior disciplinary action, IMC had been prohibited by FINRA's predecessor, NASD, from selling private securities offerings.

⁵The Form U4, Uniform Application for Securities Registration or Transfer, is filed with FINRA and the Division in order for an individual to become a licensed securities agent in Utah. It is submitted electronically to the Division through the Central Registration Depository ("CRD"). The Form U4 requires the disclosure of all business activities conducted by licensed individuals.

Capital Inc., for which he was paid compensation as described above.

FIRST CAUSE OF ACTION
Unlicensed Agent Under § 61-1-3 of the Act

36. The only entity through which Zockoll was licensed to sell securities was IMC.
37. As described in paragraphs 27 through 32, Zockoll conducted securities transactions through and was paid compensation by Deseret Financial and Horne Financial. He was not a licensed agent of either entity.
38. Zockoll likewise received compensation directly from Vescor Capital Inc., an entity with which he was not licensed as an issuer-agent.
39. Zockoll's Series 6 license limited his securities activities to selling mutual funds and variable insurance products through IMC.
40. Accordingly, each offer or sale of Vescor securities by Zockoll violated Section 61-1-3(1) of the Act.

SECOND CAUSE OF ACTION
Securities Fraud Under § 61-1-1(2) of the Act

41. As set forth in paragraphs 25 and 26, in connection with the offer or sale of securities, Zockoll misrepresented or omitted material facts necessary in order to make the statements made not misleading, in violation of Section 61-1-1(2) of the Act.

THIRD CAUSE OF ACTION
Securities Fraud Under § 61-1-1(3) of the Act

42. Zockoll engaged in acts, practices or a course of business which operated as a fraud, including but not limited to:
 - a. accepting compensation for securities transactions through Deseret Financial and

Horne Financial – two entities not licensed as broker-dealers – with which he was not licensed as a securities agent;

- b. accepting compensation from Vescor Capital Inc., with which he was not licensed as an issuer-agent;
- c. offering and selling securities he was not licensed to sell;
- d. failing to report his business activities with Deseret Financial, Horne Financial, and Vescor Capital Inc.; and
- e. failing to provide J.G. with any disclosure documents prior to her investment, despite telling her a Vescor investment was “safe” and “guaranteed”.

FOURTH CAUSE OF ACTION
False Statements to Division Under § 61-1-16 of the Act

43. Zockoll’s Form U4, a document filed with the Division through CRD, was false and misleading at the time it was filed because it failed to disclose Zockoll’s business activities with Deseret Financial, Horne Financial, or Vescor Capital Inc., and significantly, did not disclose that Zockoll was receiving substantial securities compensation from such entities, rather than the broker-dealer with which he was licensed.

REQUEST FOR RELIEF

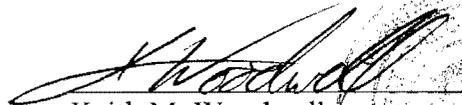
The Director, pursuant to Utah Code Ann. § 61-1-20, hereby orders the Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202 and 63G-4-204 through -209, and held before the Division. As set forth in the Notice of Agency Action accompanying this Order, Respondent is required to file a written response with the

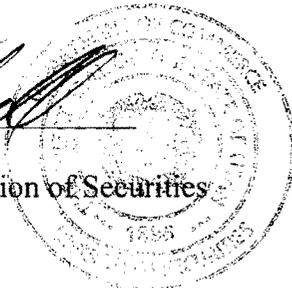
Division, and an initial hearing on this matter has been scheduled for February 23, 2010 at 9am. The initial hearing will take place at the Division of Securities, 2nd floor, 160 East 300 South, Salt Lake City, Utah. The purpose of the initial hearing is to establish a scheduling order and address any preliminary matters. If Respondent fails to file a written response or appear at the initial hearing, findings may be entered, a permanent Order to Cease and Desist may be issued, and a fine may be imposed against Respondent, as provided by Utah Code Ann. §§ 63G-4-206 or -209.

At the Order to Show Cause hearing, Respondent may show cause, if any he has:

1. Why Respondent should not be found to have engaged in the violations of the Act alleged by the Division in this Order to Show Cause;
2. Why Respondent should not be ordered permanently to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, -3, -7 or any other section of the Act;
3. Why Respondent should not be ordered to pay a fine to the Division in an amount to be determined at a hearing.
4. Why Respondent should not be barred from: a) associating with a licensed broker-dealer or investment adviser licensed in this state; and b) from acting as an agent for any issuer raising funds in this state.

Dated this 21st day of January, 2010


Keith M. Woodwell
Director, Utah Division of Securities



Approved:



D. Scott Davis

Assistant Attorney General

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:

**CHRISTOPHER H. ZOCKOLL,
CRD#2954654**

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-10-0004

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the

facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, 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
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

D. Scott Davis
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

An initial hearing in this matter has been set for February 23, 2010 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9am.

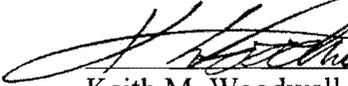
If you fail to file a response, as described above, or fail to appear at any hearing that is set,

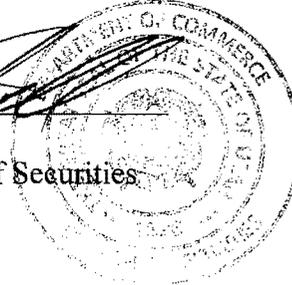
the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

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. This adjudicative proceeding will be heard by Mr. Eklund and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to D. Scott Davis, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 21st day of January, 2010.


Keith M. Woodwell
Director, Division of Securities



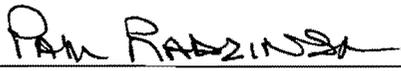
Certificate of Mailing

I certify that on the 21st day of January, 2010, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Christopher H. Zockoll
1896 Fairfield Terrace
Henderson, NV 89074

Certified Mail # 7609 2820 0001 2594 6590

Jay Gurmankin
HOLME ROBERTS & OWEN LLP
299 South Main Street, Ste 1800
Salt Lake City, UT
84111-2263
Counsel for Respondent



Executive Secretary