

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:

STEVE SCHATZMAN,

Respondent.

ORDER TO SHOW CAUSE

Docket No.

10-10-0079

It appears to the Director of the Utah Division of Securities (Director) that Steve Schatzman has 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 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 securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENT

2. Steve Schatzman (Schatzman) was, at all relevant times, a resident of the State of Virginia. Schatzman has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

GENERAL ALLEGATIONS

3. From approximately May 2008 to September 2008, Respondent offered and sold securities to an investor, in or from Utah, and collected a total of \$27,182.19.
4. Schatzman made material misrepresentations and omissions in connection with the offer and sale of securities to the investor as set forth below.
5. The investor lost \$25,142.19 in principal.

INVESTOR E.E.

6. In February of 2008, E.E. met Schatzman at a wedding of mutual friends in Scottsdale, Arizona.
7. In May or June of 2008, while she was at her home in St. George, Utah, E.E. received a telephone call from Schatzman. Schatzman told E.E. that his girlfriend was mad at him because he had not offered to help E.E. financially like he had done with several other friends.
8. Schatzman asked E.E. if she had an IRA account and if so, what the interest rate was.
9. Schatzman told E.E. that if she rolled over her IRA funds with him he could get her an

8% interest rate.

10. E.E. told Schatzman that she could not afford to lose any of her IRA funds, as it was a third of all the money she had.
11. Schatzman responded by saying that he would guarantee the safety of her funds.
12. E.E. had several subsequent conversations with Schatzman about the investment opportunity.
13. During these conversations, E.E. asked Schatzman if her IRA roll-over would still be tax free and would not affect her 2008 taxes. Schatzman assured her that her IRA roll-over would remain tax free and that the roll-over would not affect her 2008 taxes.
14. Based on Schatzman's representations, E.E. decided to invest approximately \$28,000 with Schatzman. However, \$10,000 of her investment funds were in an IRA CD and she told Schatzman she would wait and invest that portion once the account matured.
15. On July 23, 2008, E.E. withdrew \$17,182.19 from her IRA held at Beneficial Financial Group. Beneficial Financial Group issued a check to Gateway Bank & Trust, ATTN: Steve Schatzman for \$17,182.19 and mailed the check directly to Schatzman in Virginia.¹
16. According to a source and use analysis, \$17,110.19 of the \$17,182.19 E.E. invested was used² in the following manner:

¹Schatzman deposited E.E.'s funds into a Gateway Bank & Trust bank account in Virginia, though he did not control the account. Virginia Coth (Coth), Schatzman's girlfriend, had signatory authority over the account.

²Coth signed all the checks from this account.

- a. \$10,920.93 withdrawn in cash;
 - b. \$1,329.34 paid to Gateway Bank;
 - c. \$1,045 paid to Advanta Card;
 - d. \$630 paid to Randall Oaks;
 - e. \$584.27 paid to CitifiAuto;
 - f. \$550 paid to Graydon M. Andrews;
 - g. \$404.34 paid to the City Treasurer;
 - h. \$270 paid to Capital One;
 - i. \$213.64 paid to Cox Communications;
 - j. \$188.07 paid to Exxon Mobile;
 - k. \$180 paid to Dillards;
 - l. \$167 paid to Anthem Bank;
 - m. \$150 paid to Lowe's Visa;
 - n. \$124.99 paid to The Virginian-Pilot;
 - o. \$121.78 paid to Citgo Payment;
 - p. \$95 paid to Wal-Mart;
 - q. \$82.70 paid to AETNA; \$72 paid to Sam's Club; and
 - r. \$53.13 paid to HRSD.
17. On September 2, 2008, E.E. withdrew \$10,000 of IRA funds from Village Bank in the form of a cashier's check and delivered the check to Schatzman.

18. According to a source and use analysis, all of the \$10,000 E.E. invested was used in the following manner:
 - a. \$4,517.16 withdrawn in cash;
 - b. \$3,074 paid to Harold P. Anten;
 - c. \$664.67 paid to Gateway Bank & Trust;
 - d. \$350 paid to George Leiboldt;
 - e. \$350 paid to Graydon M. Andrews;
 - f. \$325 paid to Macy's;
 - g. \$300.49 paid to Sears Credit Card;
 - h. \$127.80 paid to the City Treasurer;
 - i. \$115 paid to J.C. Penney;
 - j. \$91.42 paid to State Farm; and
 - k. \$84.46 paid to CitiCard.
19. In exchange for the investment funds, Schatzman mailed E.E. a hand-written letter and two signed promissory notes, one dated July 24, 2008 for \$18,000 and one dated September 8, 2008 for \$10,000.
20. The promissory notes stated that Schatzman would pay E.E. 8% interest in quarterly installments on the unpaid balance until paid.
21. E.E. received a total of four interest payments from Schatzman, all dated March 25, 2009. Two of the checks were for \$655 and the other two were for \$365 for a total of \$2,040.

22. Although E.E. requested her money back, she has only received \$2,040 in interest payments and is still owed \$25,142.19.

CAUSES OF ACTION

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

23. The Division incorporates and re-alleges paragraphs 1 through 22.
24. The investments offered and sold by Respondent are securities under § 61-1-13 of the Act.
25. In connection with the offer and sale of securities to the investor, Respondent, directly or indirectly, made false statements, including, but not limited to, the following:
- a. That Schatzman would guarantee the safety of E.E.'s funds, when in fact, Schatzman had no basis to make such a statement;
 - b. That E.E.'s investment funds would be used for investment purposes, when in fact, much of the funds were used for Coth's personal expenses; and
 - c. That E.E.'s IRA roll-over would remain tax free and would not affect her 2008 taxes, when in fact, Schatzman had no basis to make such a statement.
26. In connection with the offer and sale of securities to the investor, Respondent, directly or indirectly, 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 E.E.'s investment funds would be deposited into a banking account over

which Schatzman had no control;³

- b. That Schatzman had an outstanding judgment from 2002 for \$15,000 against him;
- c. A detailed description of how the investment worked and made a profit;
- d. How Schatzman could guarantee an 8% return on E.E.'s investment; and
- e. Some or all of the information typically provided in an offering circular or prospectus regarding Schatzman, such as:
 - i. Financial statements;
 - ii. Risk factors for investors;
 - iii. Suitability factors for the investment;
 - iv. Schatzman's business and operating history;
 - v. Schatzman's track record to investors;
 - vi. Whether the investment is a registered security or exempt from registration; and
 - vii. Whether Schatzman was licensed to sell securities.

ORDER

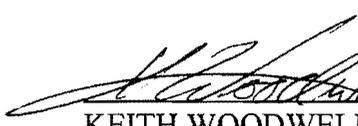
The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on Tuesday, August 10, 2010, at 9:00 a.m., at the office of the Utah Division of Securities, located in the

³See footnote 1.

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 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. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondent may show cause, if any they have:

- a. Why Respondent should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondent 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 Respondent should not be ordered to pay a fine of \$35,000 to the Division of Securities, which may be reduced by restitution paid to the investor.

DATED this 6th day of July, 2010.


KEITH WOODWELL
Director, Utah Division of Securities



Approved:


SCOTT DAVIS
Assistant Attorney General
J.S.

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

IN THE MATTER OF:

STEVE SCHATZMAN,

Respondent.

NOTICE OF AGENCY ACTION

Docket No. 00-11-0049

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

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

A copy to:

Jeff Buckner
Assistant Attorney General
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

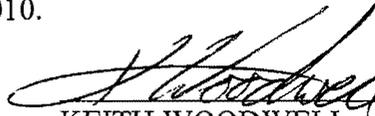
An initial hearing in this matter has been set for August 10, 2010 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

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 Securities Division. Questions regarding the Order to Show Cause should be directed to the Division's attorney, Scott Davis, at (801) 366-0358.

Dated this 6th day of July, 2010.


KEITH WOODWELL
Director, Division of Securities



Certificate of Mailing

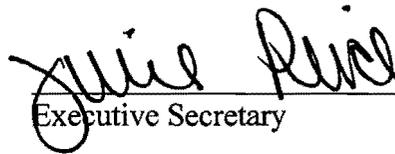
I certify that on the TH day of July, 2010, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Steve Schatzman

4716 Crossborough Rd.

Virginia Beach, VA 23455

Certified Mail # 7008 1140 0000 1142 2877



Executive Secretary