

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801)530-6980

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

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**IN THE MATTER OF:**

**STEVE SCHATZMAN,  
  
Respondent.**

**NOTICE OF ENTRY OF DEFAULT AND  
ORDER**

**Docket No. SD-10-0049**

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**I. BACKGROUND**

A formal adjudicative proceeding was initiated by the Division's Order to Show Cause (OSC) and Notice of Agency Action (Notice) dated July 6, 2010, against Steve Schatzman advising him to file an answer or appear at a hearing set for August 10, 2010 or default would be entered against him. A hearing was convened on that day, but he failed to appear and no response was received or filed by the Respondent.

**II. FINDINGS OF FACT**

**THE RESPONDENT**

1. 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**

2. 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.
3. Schatzman made material misrepresentations and omissions in connection with the offer and sale of securities to the investor as set forth below.
4. The investor lost \$25,142.19 in principal.

#### INVESTOR E.E.

5. In February of 2008, E.E. met Schatzman at a wedding of mutual friends in Scottsdale, Arizona.
6. 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.
7. Schatzman asked E.E. if she had an IRA account and if so, what the interest rate was.
8. Schatzman told E.E. that if she rolled over her IRA funds with him he could get her an 8% interest rate.
9. 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.

10. Schatzman responded by saying that he would guarantee the safety of her funds.
11. E.E. had several subsequent conversations with Schatzman about the investment opportunity.
12. 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.
13. 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.
14. 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.<sup>2</sup>
15. According to a source and use analysis, \$17,110.19 of the \$17,182.19 E.E. invested was used<sup>3</sup> in the following manner:
  - a. \$10,920.93 withdrawn in cash;
  - b. \$1,329.34 paid to Gateway Bank;

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<sup>2</sup>Schatzman 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.

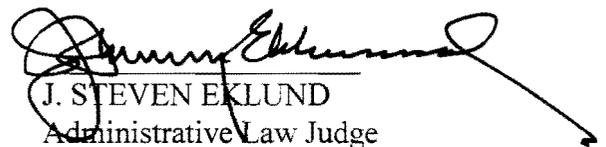
<sup>3</sup>Coth signed all the checks from this account.

- 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.
16. 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.
17. According to a source and use analysis, all of the \$10,000 E.E. invested was used in the following manner:

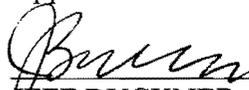
- a. \$4,517.16 withdrawn in cash;
  - b. \$3,074 paid to Harold P. Anten;
  - c. \$664.67 paid to Gateway Bank & Trust;
  - d. \$350 paid to George Leoboldt;
  - e. \$350 paid to Graydon M. Andrews;
  - f. \$325 paid to Macy's;
  - g. \$300.49 paid to Sears Credit Card;
  - h. \$127.80 paid to the City Treasurer;
  - i. \$115 paid to J.C. Penney;
  - j. \$91.42 paid to State Farm; and
  - k. \$84.46 paid to CitiCard.
18. 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.
19. The promissory notes stated that Schatzman would pay E.E. 8% interest in quarterly installments on the unpaid balance until paid.
20. 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.
21. Although E.E. requested her money back, she has only received \$2,040 in interest payments and is still owed \$25,142.19.

### III. CONCLUSIONS OF LAW

22. The service of the OSC and the Notice initiating these proceedings is valid upon the Respondents.
23. Despite notice, Respondent Steve Schatzman failed to file a response or otherwise appear.
24. Because he failed to file a written response to the OSC of July 6, 2010 within 30 days and because he failed to appear at the initial hearing on August 10, 2010, he is in default.
25. The investment opportunity offered and sold by Schatzman is a security under § 61-1-13 of the Act.
26. The security was offered and sold in this state.
27. In connection with the offer and sale of securities to the investor, Respondent, directly or indirectly, made false statements.
28. In connection with the offer and sale of securities to the investor, Respondent, directly or indirectly, failed to disclose material information.
29. Based on the above information, Schatzman violated § 61-1-7 of the Act.

  
J. STEVEN EKLUND  
Administrative Law Judge

Approved:

  
JEFF BUCKNER  
Assistant Attorney General  
J.S.

**IV. ORDER**

Based on the above, the Securities Commission hereby:

1. Declares Steve Schatzman in default for failing to file a written response to the July 6, 2010 OSC and for failing to appear at the August 10, 2010 hearing.
2. Enters, as its own findings, the Findings of Fact described in Section II above.
3. Enters, as its own conclusions, the Conclusions of Law described in Section III above.
4. Finds that Respondents violated the Utah Uniform Securities Act by failing to register or file a claim of exemption relating to the offer and sale of a security in or from Utah in violation of § 61-1-7.
5. Orders Respondents to permanently CEASE and DESIST from any violations of the Act.
6. Orders Steve Schatzman and Steve Schatzman to pay a fine of thirty-five thousand dollars (\$35,000) to the Division within 30 days of the entry of this Order.

DATED this 28<sup>th</sup> day of October 2010.



\_\_\_\_\_  
Tim Bangerter

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Jane Cameron

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Erik Christiansen

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Laura Polacheck

A handwritten signature in black ink, appearing to read "Michael O'Brien", written over a horizontal line.

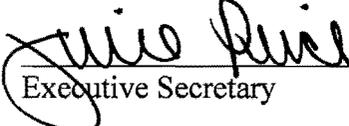
Michael O'Brien

Pursuant to § 63-46b-11(3), Respondent may seek to set aside the Default Order entered in this proceeding by filing such a request with the Division consistent with the procedures outlined in the Utah Rules of Civil Procedure.

I certify that on the 9th day of ~~October~~ <sup>Nov.</sup>, 2010, I mailed a true and correct copy of

the Notice of Entry of Default and Order to:

Steve Schatzman  
4716 Crossborough Rd.  
Virginia Beach, VA 23455

  
Executive Secretary

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
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**IN THE MATTER OF:**

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**Respondent.**

**AFFIDAVIT OF SERVICE AND NON  
RESPONSE**

**Docket No. SD-10-0049**

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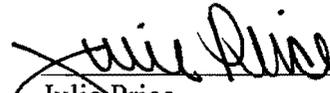
I, Julie Price, first being duly sworn, depose and state as follows:

1. I am the Executive Secretary for the Department of Commerce Division of Securities (Division).
2. As executive secretary for the Division, I am responsible for supervising the mailing of the Division's Orders to Show Cause and for receiving any responses filed by respondent.
3. On July 7, 2010, the Division mailed, by certified mail, an Order to Show Cause (OSC) dated July 6, 2010, to Steve Schatzman (Schatzman) along with a Notice of Agency Action (Notice), advising that a default order would be entered if they failed to appear at a hearing set for Tuesday August 10, 2010, or file a written response to the OSC within

thirty (30) days of the mailing date of the Notice. The Notice designated the adjudicative proceeding as formal.

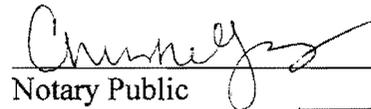
4. On July 17, 2010, the mailing to Schatzman's address at 4716 Crossborough Rd. Virginia Beach, VA 23455 was delivered to and signed by Steve Schatzman.<sup>1</sup>
5. On August 10, 2010, a hearing was convened. Respondent did not appear nor did he file a Response.
6. As of the date of this Affidavit, the respondent has not filed the required response.

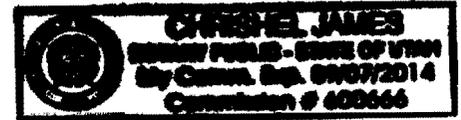
DATED this 13<sup>th</sup> day of October 2010.

  
Julie Price  
Executive Secretary

SALT LAKE COUNTY     )  
  ) ss  
STATE OF UTAH         )

Signed and subscribed to before me this 13<sup>th</sup> day of October 2010.

  
Notary Public



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<sup>1</sup>USPS Tracking Number 7008 1140 0004 1642 2873