

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:**

**WEST STATES INVESTMENTS, INC.  
JASON KIM BROWN,**

**Respondents.**

**ORDER TO SHOW CAUSE**

Docket No. ~~SD-10-00103~~

Docket No. ~~SD-10-00104~~

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It appears to the Director of the Utah Division of Securities (Director) that West States Investments, Inc. and Jason Kim Brown 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 Respondents and the subject matter is appropriate because the Division alleges that they 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 RESPONDENTS**

2. West States Investments, Inc. (WSI) is a Utah corporation, formed on April 21, 2006. Jason Kim Brown is the registered agent, director, and treasurer of WSI. WSI's status as a business entity is expired. WSI has never been licensed by the Division as a broker/dealer agent nor an issuer/agent to sell securities.
3. Jason Kim Brown (Brown) was, at all relevant times, a resident of the State of Utah. Brown has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

### **GENERAL ALLEGATIONS**

4. From approximately early 2007 to September 2007, Respondents offered and sold securities to an investor, in or from Utah, and collected a total of \$250,000.
5. Brown made material misrepresentations and omissions in connection with the offer and sale of a security to the investor below.
6. The investor lost all \$250,000 in principal.

### **INVESTOR VW**

7. In or about early 2006, VW met Brown when Brown moved into VW's neighborhood in South Jordan, Utah.

8. In early 2007, VW received an insurance settlement from the death of her husband.<sup>1</sup> Shortly thereafter, Brown approached VW at the local church they attended, told her that he felt bad for her and wanted to help her.
9. Brown told VW that he had an investment opportunity in WSI for her that would provide a good return.
10. Between early 2007 and September 2007, Brown visited VW at her home approximately six times to talk to her about the investment. VW told Brown that keeping her home was her biggest concern.<sup>2</sup>
11. During the discussions, Brown said that he was building storage units in Billings, Montana for U-Haul. Brown made the following representations about the investment opportunity:
  - a. Several other widows had already invested with him;
  - b. The investment would be for at least a year, at which point, VW could get her money back;
  - c. VW would earn 12% interest after one year;
  - d. The return on VW's investment was guaranteed;

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<sup>1</sup>On February 12, 2007, VW's husband was one of five people shot and killed when a gunman opened fire in public with a handgun and shot gun at Trolley Square Mall in Salt Lake City, Utah. VW's son was also seriously injured during the incident.

<sup>2</sup>VW's bank has since foreclosed on her home.

- e. This is VW's "Get Out of Jail Card";
  - f. The investment was very good, sound, safe, and secure;
  - g. If VW left her money in until the end of the project - approximately three to four years - she could potentially double her investment.
12. Brown asked VW several times how much she had received from the insurance settlement from her husband's death. VW never revealed the amount of the settlement, but told Brown that she would commit \$200,000 to the investment.
  13. In September 2007, VW went to Brown's home in South Jordan, Utah and gave him the \$200,000 investment check. Brown told her to make the check out for \$250,000 instead of \$200,000.
  14. Brown told VW that, if she gave him the extra \$50,000, the deal would be closed; he would not have to go out and get an additional \$50,000 from another investor and they could get going on the project.
  15. Based on Brown's representations, VW decided to invest \$250,000 in WSI. On September 20, 2007, VW gave Brown a personal check for \$250,000 made payable to WSI.
  16. In 2008, VW asked a friend, who was an attorney, to talk to Brown about the investment and why VW had not received interest payments. Brown told the friend that the money was all gone.

17. On July 16, 2009, VW's attorney sent a demand letter to Brown. In response, Brown called the attorney and admitted that not all of VW's money was used to invest in the storage unit project in Billings, Montana, but that some of the funds were used to invest in property in Herriman, Utah.
18. According to a source and use analysis of the bank records, the \$250,000 investment funds were used in the following manner:
  - a. \$38,535.10 paid to Parr Waddoups Brown Gee & Loveless;
  - b. \$26,456.48 paid to Jerry L. Kershaw;
  - c. \$24,500 paid to Herriman Plaza;
  - d. \$21,700 paid to West States Construction;
  - e. \$20,100 paid to Jason Brown;
  - f. \$20,000 paid to Mark Webber; and
  - g. The remaining funds were paid to individuals, business expenses, and personal expenses.
19. VW has not received any payments from Brown on her investment in WSI.<sup>3</sup>

#### CAUSES OF ACTION

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<sup>3</sup>On or about October 1, 2007, Brown offered to purchase a motor home from VW for approximately \$178,000. Brown did not want to get a loan, so VW agreed to receive payments directly from Brown. VW received two payments from Brown: one on October 1, 2007 for \$3,447.76 and one on December 12, 2007 for \$5,171.64. Both of these payments were made for the motor home and not made as investment returns. A first-in-first-out analysis shows that \$2,052.96 of VW's investment funds were used to make the first motor home payment.

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

20. The Division incorporates and re-alleges paragraphs 1 through 19.
21. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
22. In connection with the offer and sale of securities to the investor, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
  - a. That Brown would use VW's investment funds exclusively for U-Haul storage units in Billings, Montana; and
  - b. That the return on VW's investment was guaranteed.
23. In connection with the offer and sale of securities to the investor, Respondents, 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 Brown was a defendant in a pending lawsuit against him for \$282,500<sup>4</sup>;
  - b. That Brown was a defendant in a pending lawsuit against him involving a property dispute;<sup>5</sup>

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<sup>4</sup>*Svendsen v. Brown*, Case No. 070911476 in the Third District Judicial Court of Utah. (2007)

<sup>5</sup>*Bardsley v. West States Investments, Inc.*, Case No. 070416564 in the Third District Judicial Court of Utah. (2007)

- c. That part of VW's funds would be used for Brown's personal expenses;
- d. That \$38,535.10 of VW's funds would go to attorney fees;
- e. That \$26,456.48 of VW's funds would go to Jerry L. Kershaw;
- f. That \$24,500 of VW's funds would be used for a project in Herriman, Utah;
- g. Some or all of the information typically provided in an offering circular or prospectus regarding WSI, such as:
  - i. Financial statements;
  - ii. Risk factors for investors;
  - iii. Suitability factors for the investment;
  - iv. Brown's business and operating history;
  - v. Brown's track record to previous investors;
  - vi. Whether the investment is a registered security or exempt from registration; and
  - vii. Whether Brown was licensed to sell securities.

### **ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents 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, October 5, 2010, at 9:00 a.m., at the office of the Utah Division of Securities, located in the

Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents 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, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents 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 Respondents should not be ordered to pay to the Division a fine amount to be determined by stipulation or by the presiding officer after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investors.

DATED this 2<sup>nd</sup> day of September, 2010.

  
KEITH WOODWELL  
Director, Utah Division of Securities

Approved:

A handwritten signature in black ink, appearing to read "Jeff Buckner", written over a horizontal line.

JEFF BUCKNER

Assistant Attorney General

J.S.

Division of Securities  
Utah Department of Commerce  
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**IN THE MATTER OF:**

**WEST STATES INVESTMENTS, INC.  
JASON KIM BROWN,**

**Respondents.**

**NOTICE OF AGENCY ACTION**

**Docket No.**

**Docket No.**

*SD-10-0003*  
*SD-11-0004*

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**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, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

**A copy to:**

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

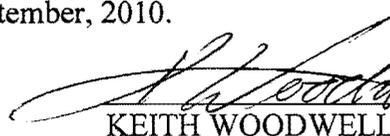
An initial hearing in this matter has been set for October 5, 2010 at the Division of Securities, 2<sup>nd</sup> Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

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, Jeff Buckner, at (801) 366-0310.

Dated this 2<sup>nd</sup> day of September, 2010.



KEITH WOODWELL  
Director, Division of Securities



**Evidence of Mailing**

I certify that on the 2nd day of September, 2010, I mailed a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

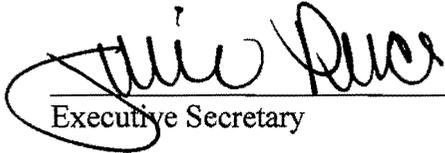
West States Investments, Inc.

Jason Kim Brown

11064 Sir Barton Lane

South Jordan, UT 84695

Certificate # 1008 1140 0004 1142 2149

  
Executive Secretary