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: **GREGORY B. BALDWIN, CRD# 1027488** **GEOFFREY WILLIAM WATSON a.k.a.** **HA CORP. INTERNATIONAL LTD,** **Respondents.**	**ORDER TO SHOW CAUSE** **Docket No.** [illegible] **Docket No.** [illegible]

It appears to the Director of the Utah Division of Securities (Director) that Gregory B. Baldwin and Geoffrey William Watson a.k.a. HA Corp. International, LTD 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. Gregory B. Baldwin (Baldwin) was, at all relevant times, a resident of the State of Utah. In 1981, Baldwin passed the Series 22 exam, but, at all time relevant, was not associated with a broker/dealer firm.

3. Geoffrey William Watson (Watson) a.k.a. HA Corp. International, LTD was, at all relevant times, a resident of the State of Utah. Watson has never been licensed as a broker/dealer, agent, or as an investment adviser representative in Utah.

GENERAL ALLEGATIONS

4. From January 11, 2011 to January 13, 2011, Respondents offered securities to a potential investor and to an investigator for the Division, in or from Utah.

5. Respondents made material misstatements and omissions in connection with the offer of a security to the potential investor and the investigator listed below.

INVESTOR C.F.

6. On or about January 11, 2011, Baldwin phoned C.F. on four different occasions while C.F. was in Salt Lake County, Utah. Baldwin was calling to discuss an investment opportunity.

7. During the first phone conversation. Baldwin made the following statements:

   a. He was looking to sell forty-six gold certificates worth about $1,400 each;

b. The certificates were being sold for $38,000; and

c. The investment funds would be used by a gold mine company to build a road for a mine it owned in Peru.

8. During the second phone conversation, Watson entered the conversation with Baldwin and C.F. on a conference call and Baldwin and Watson made the following statements:

a. Instead of gold certificates, they were actually offering stock in a local company called National Gold, Inc. (National Gold);

b. In return for a $38,000 investment they would pay C.F. 100% interest within forty-eight hours;

c. They would also offer collateral in the form of the forty-six shares of National Gold stock and two Corvettes worth about $30,000 each;

d. The investment funds would be used to "free up" $250 million that was being detained by U.S. Homeland Security and Interpol;

e. The $250 million in question was being brought to the U.S. as "humanitarian aid" through a tax-exempt 501(c)(3) charitable organization;

f. The $38,000 investment funds would complete a cash portion purchase of a $2.5 trillion bond which was required to release the funds; and

g. C.F. would receive an additional $1 million profit within thirty days if he invested.

9. During the third conversation, Baldwin and Watson introduced C.F. to Ann Schmidtz

Delvechio (Delvechio), whose funds were alleged to have been held by U.S. Homeland Security and Interpol. Baldwin, Watson, and Delvechio made the following statements:

a. The release of the $250 million was an urgent matter because a helicopter was ready to bring the money to the U.S. as soon as the bond's cash portion purchase was completed; and

b. Once the bond was purchased, the funds would be flown from Canada to California and then $100 million would be flown to the Salt Lake City Airport.

10. During the fourth conversation, Baldwin and Watson made the following statements about a potential investment:

a. They needed C.F.'s money soon since the "helicopter was in the air;" and

b. They had eight individuals on "stand-by" who were ready to send C.F.'s funds via Western Union to complete the bond purchase.

11. On January 13, 2011, C.F. contacted the Division and spoke with an investigator. C.F. explained to the investigator the offer that Baldwin and Watson made. C.F. agreed to set up a meeting between Baldwin, Watson, C.F., and the investigator.

12. Following C.F.'s meeting with the investigator, C.F. phoned Baldwin to express interest in the investment. During multiple conversations that day, Baldwin made the following statements:

a. He and Watson were still working to get Delvechio's funds released from Vancouver,

Canada;

b. They needed C.F.'s investment funds to be in cash and made as soon as possible to complete the cash portion of the bond purchase;

c. The investment funds could not be sent via wire;

d. They needed cash because the funds were then going to be sent via Western Union to Interpol;

e. They had eight different individuals who would be sending the money in $2,000 increments from various Western Union locations;

f. Delvechio's funds would be sent by armored helicopter to Utah from California as soon as C.F.'s funds were provided to Interpol;

g. C.F. would be paid $80,000 within forty-eight hours of providing the funds and an additional $1 million within thirty days;

h. C.F.'s investment funds would be secured by collateral;

i. Watson owned a Corvette restoration shop and was willing to use two Corvettes as collateral;

j. The Corvettes were worth $60,000;

k. They were willing to provide forty-six shares of National Gold stock with each share worth one ounce of gold and each ounce was worth $1,400; and

l. The collateral was worth about $126,000.

UNDERCOVER

13. Later on January 13, 2011, C.F. Baldwin, Watson, and the investigator met at the Salt Lake City Library. During the meeting, Watson talked about his Corvette restoration business and a new company, Independent Stock Market (ISM) that he had founded.

14. Watson said that ISM was being created to allow private companies to sell some of their stock without having to become public companies.

15. Baldwin was just starting to get involved in brokering historic bonds and his job was to facilitate transactions between sellers and purchasers by getting the parties together.

16. Baldwin said the transactions were not securities and he was just a consultant and received fees for bringing buyers and sellers together.

17. Watson made the following statements with Baldwin present:

    a. Delvechio had 90% of her funds in the U.S. and 10% in Canada, but was looking to move her funds into the U.S.;

    b. The funds were "coming in through the banking system," but when Homeland Security learned how much money Delvechio was moving to the U.S., Homeland Security knew they could "freeze and steal" the funds;

    c. Homeland Security had been interfering with Delvechio's transfer for about five years and had stolen about $40 million;

    d. Homeland Security had "used Delvechio's credit for trading and was using funds that

were not their own for the trading platform;

e. The queen of England also did not want Delvechio to have the funds;

f. Seventeen Homeland Security agents along with eleven agents from England and Canada went to Toronto, Canada to stop Delvechio's funds;

g. Interpol went to "kind of oversee things and make sure nothing got out of hand;"

h. One of the Homeland Security agents pulled a gun, so Interpol shot and killed the agent;

i. "All the Homeland Security agents split and Interpol took over the deal;"

j. Interpol offered to release the funds, but only if a $2.5 trillion bond was purchased;

k. The cost of the bond was $4.25 million with a premium of $119,500;

l. They needed $40,000 in order to finish paying the premium portion of the bond;

m. They needed cash because the funds needed to be allocated through the U.S., otherwise the bond would have been purchased with Delvechio's other funds;

n. The deal had to be done quickly as there was a time constraint;

o. If the $40,000 was sent to Interpol by the deadline that night then within three hours of receipt Delvechio's funds would be flown by helicopter to Salt Lake City, Utah;

p. In return for the funds, C.R. and the investigator would get $80,000 cash the next day and an additional $1 million within about one week:

q. If C.F. and the investigator helped them meet the deadline then they were willing to

"sweeten the pot," but at a minimum C.F. and the investigator would receive $1 million;

r. Regarding risk, Homeland Security could "squash you like a bug" and there was always risk in everything and it all could fail;

s. The return on the investment would be "tax free" because Delvechio's funds were earmarked for humanitarian aid; and

t. Some of Delvechio's funds were going to be used to get ISM running.

18. Baldwin stated that Watson had been set up as "paymaster" over the funds and had authority to distribute the funds as necessary.

19. During the meeting, Watson and Baldwin provided C.F. and the investigator with a document entitled *Agreement*. The *Agreement* stated HA Corp. International LTD, a Dubai company affiliated with Delvechio and Watson, promised to repay the funds within a week along with an additional $1 million. It also stated that the funds were "guaranteed" by collateral, which included an "invoice for two Corvettes of $60,000 from Watson as well as 100 shares of National Gold stock. Baldwin and Watson signed the *Agreement* during the meeting.

20. The investigator asked if there was anything in Baldwin's or Watson's background that C.F. and the investigator should know. Baldwin responded by saying that he had "some securities violations." Baldwin stated that he raised about $250,000 for another individual, but because

of Utah laws, Baldwin was responsible to repay the money to the investors. Baldwin said that he had paid back about $150,000, but still owed investors about $100,000. Baldwin said, "as far as run in's with the law, I haven't."

21. Baldwin said that the investment was "definitely a winner."

CAUSES OF ACTION

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

22. The Division incorporates and re-alleges paragraphs 1 through 21.

23. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

24. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

    a. Baldwin had not had any "run in's with the law," when in fact, in 2004, Baldwin had been convicted of securities fraud, and was on probation at the time of the offering. Also, in 1985 Baldwin was charged with federal customs violations and in 1986 Baldwin was charged with grand larceny auto;

    b. Funds were "guaranteed" by collateral, when in fact, Watson and Baldwin had no reasonable basis for making such a statement;

    c. Investors would receive a return of at least $1 million, when in fact, Watson had no reasonable basis for making such a statement; and

d. The investment returns would be "tax free", when in fact, Watson and Baldwin had no reasonable basis for making such a statement.

25. In connection with the offer and sale of a security to the investors, Respondents, 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. In 2010, Watson filed for Chapter 13 bankruptcy;

b. In 2010, Watson had a $167,879 federal tax lien recorded against his home;

c. In 2010, Baldwin had $3,700 in judgments filed against him;

d. Between 1983 and 2010, Baldwin had many civil suits filed against him for failed investments;

e. In 2009, Watson had a $248,213 judgment entered against him;

f. In 1986 and again in 2005, Baldwin filed for Chapter 7 bankruptcy;

g. In 2004, Baldwin was convicted of securities fraud in criminal court;

h. In 1986, Baldwin had grand larceny auto charges filed against him;

i. In 1985, Baldwin had federal customs charges filed against him;

j. In 1982, Baldwin had an NASD action against him for forging his supervisor's signature;

k. Baldwin was on probation for securities fraud at the time of the offering;

l. What due diligence Watson and Baldwin had done on Delvechio and her investment

opportunity;

m. To whom Watson and Baldwin would be sending the investment funds via Western Union;

n. Whether Watson and Baldwin would be compensated for offering the investment;

o. Some or all of the information typically provided in an offering circular or prospectus regarding Baldwin, such as:

   i. Financial statements;

   ii. Risk factors;

   iii. Track record to investors; and

   iv. Watson and Baldwin's business experience and operating history.

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 Wednesday, August 3, 2011, at 9:00 a.m., at the office of the Utah Division of Securities, located in the 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 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 barred from (i) associating with any broker-dealer or investment adviser licensed in Utah; (ii) acting as an agent for any issuer soliciting investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah.

d. 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 9th day of June, 2011.

KEITH WOODWELL
Director, Utah Division of Securities

Approved:

JEFFREY BUCKNER
Assistant Attorney General
J.N.

Division of Securities
Utah Department of Commerce
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BEFORE THE DIVISION OF SECURITIES
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IN THE MATTER OF: **GREGORY B. BALDWIN, CRD# 1027488** **GEOFFREY WILLIAM WATSON a.k.a.** **HA CORP. INTERNATIONAL LTD,** **Respondents.**	**NOTICE OF AGENCY ACTION** **Docket No.** SD-11-0041 **Docket No.** SD-11-0042

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 R151-4-101, *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 R151-4-110.

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
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 **August 3, 2011** at the Division of Securities,

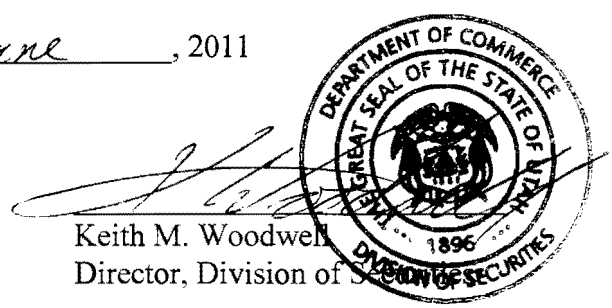
2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9 A.M.

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 R151-4-710(2). 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). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be Angela Hendricks, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6035. This adjudicative proceeding will be heard by Ms. Hendricks 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 Jeff Buckner, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 9th day of June, 2011



Keith M. Woodwell
Director, Division of Securities

Certificate of Mailing

I certify that on the 9th day of June, 2011, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Gregory B. Baldwin
9565 S. Brandy Creek Dr. Apt. 106
Sandy, UT 84070

Certified Mail # 7007 0220 0001 0003 5809

Geoffrey William Watson
12186 S. Jerema Ct.
Draper, UT 84020

Certified Mail # 7007 0220 0001 0003 5816

Julie Price
Executive Secretary