

Division of Securities
Utah Department of Commerce
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**RIDGELAND WYOMING, INC.,
VYSN CAPITAL, LLC,
BRYAN R. FARRIS,
SHAWN BLAINE SMART, and**

Respondents.

**AMENDED ORDER
TO SHOW CAUSE**

**Docket No. SD-11-0052
Docket No. SD-11-0053
Docket No. SD-11-0054
Docket No. SD-11-0055**

NOTE: This Amended Order to Show Cause amends and supercedes the Order to Show Cause filed in this matter on or about July 12, 2011.

It appears to the Director of the Utah Division of Securities (Director) that Ridgeland Wyoming, Inc., VYSN Capital, LLC, Bryan R. Farris, and Shawn Blaine Smart, 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), § 61-1-3 (unlicensed activity), and § 61-1-16 (false statements) of the Act while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Ridgeland Wyoming, Inc. (Ridgeland) is a Utah corporation, registered on November 20, 2006. Bryan R. Farris and Gary Frank Lawyer (Lawyer) are listed as officers and directors of Ridgeland. Ridgeland's status as a business entity is active. Ridgeland has never been licensed by the Division as a broker/dealer agent or as an issuer/agent to sell securities.
3. VYSN Capital, LLC (VYSN) is a Utah corporation, registered on August 11, 2006. Jim McGregor (McGregor) is the registered agent and manager. Shawn Smart is also a manager. VYSN's status as a business entity is expired. VYSN has never been licensed by the Division as a broker/dealer agent or as an issuer/agent to sell securities.
4. Bryan R. Farris (Farris) was, at all relevant times, a resident of the State of Utah. Farris is an attorney licensed to practice law in the State of Utah, and practices securities law, but has never been licensed in the securities industry in any capacity.
5. Shawn Blaine Smart (Smart) was, at all relevant times, a resident of the State of Utah. Smart has never been licensed in the securities industry in any capacity.

GENERAL ALLEGATIONS

6. From February 2007 to April 2007, Respondents offered and sold securities to at least two investors, in or from Utah, and collected no less than \$200,000.
7. Respondents made material misstatements and omissions in connection with the offer of a security to the two investors listed below.
8. The investors' \$200,000 in principal was used by the Respondents for purposes not disclosed to the investors.

INVESTOR R.J.

9. In February 2007, R.J. met with Farris, Smart, and Lance Schiffman (Schiffman) in Utah County, Utah to discuss an investment opportunity in an oil well project called Moorcroft West Minnelusa.¹
10. During the meeting, Farris claimed that he had vast experience in the oil and gas industry.
11. Farris was the primary presenter at the meeting. During the meeting, Farris made the following statements about a potential investment in Ridgeland:
 - a. Ridgeland had three wells ready to go in Wyoming;
 - b. They could start drilling the wells within a week;
 - c. Farris was the operator;

¹On January 30, 2007, Farris and Lawyer filed a Regulation D offering with the United States Securities and Exchange Commission listing Moorcroft West Minnelusa 3-Well Prospect as the issuer.

- d. Farris had experience in oil and gas;
 - e. Smart, Schiffman, and McGregor had financial experience;
 - f. The wells were located in an existing field with resources nearby;
 - g. They had all the money they needed and the financing was in place;
 - h. R.J. would receive a 3% working interest in wells located in Wyoming;
 - i. The investment involved risk;
 - j. R.J.'s investment funds would be used to drill the wells; and
 - k. If a well was successful, there would be a cash call.
12. During the meeting, R.J. received an operating agreement, a COPAS² document, and a subscription agreement.
13. Based on Farris's statements, R.J. invested \$100,000 in Ridgeland. On or about March 14, 2007, R.J. wired \$100,000 to Ridgeland's Chase Bank account.
14. On July 25, 2007, Farris sent R.J. an e-mail stating that Ridgeland was "still in the process of gathering critical leases on the prospects."
15. On July 26, 2007, R.J. requested that his funds be returned from Ridgeland.
16. On August 21, 2007, Farris sent R.J. an email stating that the "commission could deny or approve their request with conditions" regarding the location of the second well.
17. Bank records show that all of R.J.'s investment funds were used as part of a \$200,000

²Council of Petroleum Accountants Societies Accounting Procedure.

transfer to VYSN paid as a finder's fee³.

INVESTOR M.G.

18. In or about March 2007, M.G. was referred to Ridgeland by R.J. for investment opportunities.
19. While in Utah County, Utah, M.G. telephoned Smart to discuss an investment. Smart told M.G. that he had an oil and gas deal called Ridgeland with three wells ready to go.
20. On April 16, 2007, M.G. met with Smart and McGregor in Utah County, Utah.
21. During the meeting, Smart gave M.G. an operating agreement and subscription agreement for Ridgeland and made the following statements about an investment in Ridgeland:
 - a. Ridgeland was his project and he had "a significant sum" of his own money invested in the project;
 - b. If M.G. did not invest it was not a problem because Smart's "group would pick it up;"
 - c. The minimum investment was \$50,000;
 - d. He was certain the wells would produce based on other successful wells in the area and the extensive research done for the project;
 - e. M.G.'s money would be used for drilling three wells in 2007; and

³On March 21, 2011, Farris met with the Division to discuss this matter. During the meeting, Farris told the Division that Ridgeland had agreed to pay VYSN a 40% finder's fee on any investors brought in on the oil project. Farris further stated that this fee was not disclosed to the investors.

- f. They already had the approvals/rights to drill.
22. Based on Smart's statements, M.G. invested \$100,000 in Ridgeland. On April 16, 2007, M.G. gave Smart a check for \$100,000 made payable to Ridgeland Wyoming.
23. In exchange for the funds, M.G. received a subscription agreement three months later stating that M.G. received a 3% working interest in the three wells.
24. Bank records show that M.G.'s investment funds brought Ridgeland's account balance to \$273,700.16⁴. Using a first in first out analysis, Ridgeland used M.G.'s funds in the following manner:
- a. \$37,402 paid to Key Energy Services;
 - b. \$25,000 paid to Gary F. Lawyer;
 - c. \$25,000 paid to Bryan Farris;
 - d. \$5,564 paid to John L. Kennedy;
 - e. \$2,618 paid to MGTC, Inc.;
 - f. \$2,089 paid to L&J Motor Repair;
 - g. \$1,167 paid to Citi;
 - h. \$551 paid to Qwest;
 - i. \$389 paid towards bank fees; and
 - j. \$220 paid to an unknown payee.

⁴That same day, \$170,000 was wired to VYSN from this account.

CAUSES OF ACTION

**Securities Fraud under § 61-1-1 of the Act
(Investor R.J.)
(Respondents Ridgeland, VYSN, Farris, and Smart)**

25. The Division incorporates and re-alleges paragraphs 1 through 24.
26. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
27. 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. Ridgeland had three wells ready to go in Wyoming, when in fact, in July and August of 2007 Farris later admitted that Ridgeland still was lacking leases and locations for the wells;
 - b. R.J.'s investment funds would be used to drill the wells, when in fact, all of R.J.'s funds were used to pay VYSN a finder's fee.
28. 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. VYSN would receive a 40% finder's fee for the investment;
 - b. Some or all of the information typically provided in an offering circular or prospectus regarding Respondents, such as:
 - i. Financial statements;

- ii. Risk factors;
- iii. Track record to investors; and
- iv. Respondents' business experience and operating history.
- v. Whether the investment is a registered security or exempt from registration;
and
- vi. Whether Respondents were licensed to sell securities.

**Securities Fraud under § 61-1-1 of the Act
(Investor M.G.)
(Respondents Ridgeland, VYSN, Farris, and Smart)**

- 29. The Division incorporates and re-alleges paragraphs 1 through 24.
- 30. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
- 31. 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. M.G.'s investment funds would be used to drill the wells, when in fact, M.G.'s funds were used to pay \$37,402 to Key Energy Services, \$25,000 to Farris, \$25,000 to Lawyer, and the rest towards miscellaneous expenses;
 - b. They already had the approvals/rights to drill, when in fact, in July and August of 2007 Farris later admitted that Ridgeland still was lacking leases and locations for the wells.
- 32. 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. VYSN would receive a 40% finder's fee for the investment;
- b. Farris and Lawyer would receive \$25,000 each;
- c. Some or all of the information typically provided in an offering circular or prospectus regarding Respondents, such as:
 - i. Financial statements;
 - ii. Risk factors;
 - iii. Track record to investors; and
 - iv. Respondents' business experience and operating history.
 - v. Whether the investment is a registered security or exempt from registration; and
 - vi. Whether Respondents were licensed to sell securities.

**Unlicensed Agents under § 61-1-3 of the Act
(Respondents Ridgeland, VYSN, and Farris)**

33. The Division incorporates and re-alleges paragraphs 1 through 26.
34. Ridgeland engaged and compensated VYSN as an agent in the offering and/or sale of a security in Utah.
35. VYSN was not licensed as an agent for the company issuing the securities.
36. Accordingly, each offer or sale of securities by VYSN violated Section 61-1-3(1) of the Act.

37. Ridgeland, Farris, violated § 61-1-3(2)(a) by engaging unlicensed agents to sell securities.

False Statements to the Division under § 61-1-16 of the Act
(Smart)

38. On March 30, 2011, Smart and McGregor met with investigators from the Division at the Division's office to discuss the investments sold to R.J. and M.G.

39. During the meeting, Smart and McGregor said that they never received any of the documents to be offered to investors.

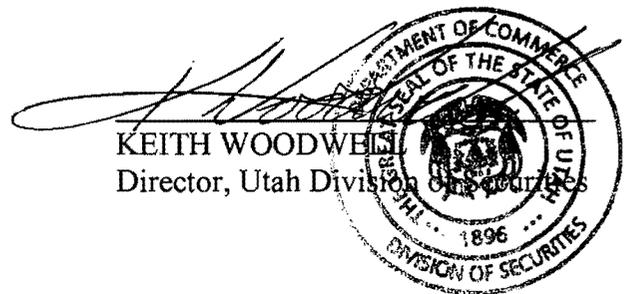
40. On December 23, 2006, Smart sent an e-mail to Farris acknowledging that he had received and "briefed through the Subscription Booklet and JOA [Joint Operating Agreement.]" These were the two documents that were offered to investors R.J. and M.G.

ORDER

The Order to Show Cause dated July 12, 2011, is, by consent of the parties, amended by this Order. A scheduling hearing was held on February 14, 2012, at which counsel for the parties were present. The parties and the Administrative Law Judge agreed to a scheduling order tentatively setting this matter for a trial before the Utah Securities Commission in July 2012. The parties shall comply with the deadlines established in the Scheduling Order issued February 15, 2012. If Respondents fail to file an answer and appear at the hearing to be scheduled in July 2012, 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 21st day of February, 2012.



Approved:

D. Scott Davis
D. Scott Davis
Assistant Attorney General
D.P.
J.N.
D.W.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I personally served a true and correct copy of the foregoing on this 21st day of February, 2012 to the following:

Mark D. Stubbs Joseph M. Hepworth FILLMORE SPENCER LLC 3301 N. University Ave. Provo, Utah 84604	Sent via: <input type="checkbox"/> Hand-Delivery <input type="checkbox"/> Facsimile: <input type="checkbox"/> Mailed (U.S. Mail, postage prepaid) <input checked="" type="checkbox"/> Other: email mstubbs@fslaw.com , jhepworth@fslaw.com
Mark W. Pugsley RAY QUINNEY & NEBEKER 36 South State Street, 14 th Floor Salt Lake City, Utah 84145-0385	Sent via: <input type="checkbox"/> Hand-Delivery <input type="checkbox"/> Facsimile: <input type="checkbox"/> Mailed (U.S. Mail, postage prepaid) <input checked="" type="checkbox"/> Other: email mpugsley@rqn.com