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**

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| **IN THE MATTER OF:**<br><br>**JAMES LEE ANDERSON**<br>**(CRD# 4712967),**<br><br>**Respondent.** | **ORDER TO SHOW CAUSE**<br><br>**Docket No.** SD-12-0029 |

It appears to the Director of the Utah Division of Securities (Director) that James Lee Anderson (Respondent) engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, *et seq.* (the Act). Those acts and practices 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. James Lee Anderson (Respondent) was, at all relevant times, a resident of the State of Utah. In January 2004, Respondent successfully completed the Series 6 and Series 63 exams. Respondent subsequently licensed with the Division as a broker-dealer agent, effective February 4, 2004 to July 11, 2005. Respondent has not been associated with a firm and/or licensed in the securities industry since July 2005.

### GENERAL ALLEGATIONS

3. From July 2007 to April 2008, Respondent offered and sold investment contracts to one investor, in or from Utah, and collected at least $293,446.71.

4. Investment contracts are securities under the Act.

5. Respondent made material misstatements and omissions in connection with the offer and sale of securities to the investor below.

6. The investor lost $149,923.91 of his principal.

### INVESTOR V.G.

7. V.G. met Respondent approximately twelve to fourteen years ago.

8. In 1999, Respondent approached V.G. and his wife on two separate occasions, asking for

$5,000 investments in his newly-established company, A & S Merchant Services.

9. At that time, V.G. and his wife invested a total of $10,000 with Respondent.

10. When Respondent failed to repay V.G. and his wife, in accordance with terms established prior to investing, V.G. reported their loss to the police department in West Jordan, Utah.

11. Related thereto, the State of Utah filed criminal charges[1] against Respondent, and the Division initiated an administrative action.[2]

12. In or about July 2007, Respondent met with V.G. to discuss another investment opportunity while in Salt Lake County, Utah. During this discussion, Respondent made the following statements:

    a. Respondent knew seven homeowners who were interested in borrowing money.

    b. The homeowners would secure the borrowed amount by listing V.G. on their property titles and/or deeds as a lienholder.

    c. In exchange for the investment, V.G. would be paid monthly, and he would receive a return of principal plus interest.

13. V.G. agreed to participate in the investment, subject to the following terms:

    a. The contracts and assignments of interest would be completed by an attorney.

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[1] *State of Utah v. James Lee Anderson*, Case No. 001908426, Third Judicial District Court of Utah (2000). On July 11, 2000, Respondent entered into a plea in abeyance to one count of attempted unlawful dealing with property by a fiduciary, one count of attempted securities fraud, and onecount of attempted penalties for violation of securities. As a condition thereof, Respondent agreed to pay full restitution to the victims.

[2] *In re Anderson*, SD-01-0094, Utah Division of Securities (2001). Respondent entered into a Stipulation and

b. V.G. would receive title insurance for his protection.

c. Documents would be recorded in a courthouse to ensure V.G.'s interest in the property would be legally recognized.

14. Respondent agreed to the above-stated terms.

15. In reliance upon Respondent's statements, V.G. invested a total of $293,446.71 with Respondent between July 2007 and April 2008.

16. With respect thereto, Respondent brought V.G. eight separate contracts by and between the homeowners and either Respondent or V.G., reflecting the terms of the individual transactions. In exchange, Respondent collected the investment funds.

17. Each contract stated that prior to its execution, the Buyer (the homeowner, as defined therein) was the title owner of the individual property at issue. Pursuant to a separate agreement, the Buyer conveyed the title, via a quitclaim deed, to the Seller (Respondent or V.G., as defined therein). Such deed was to be recorded prior to the contract being recorded. Based on the foregoing, Seller then agreed to sell the property back to the Buyer in accordance with the terms provided in the individual contracts.

18. Quitclaim deeds and special warranty deeds were attached to three of the eight contracts.

19. Additionally, four of the eight contracts list Steve Finlay, Esq.,[3] from Ray, Quinney &

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Consent Order with the Division, thereby agreeing to cease and desist from violations of the Act.

[3] The Utah State Bar has no record of Steve Finlay ever having been licensed to practice law in this jurisdiction.

Neiman,[4] a law firm purportedly located at 163 S. State Street, Suite 420, Salt Lake City, UT 84111, [5] as escrow agent.

20. V.G. did not receive any disclosure documentation prior to his investments.

21. V.G. never met any of the homeowners specified in the contracts.

22. Respondent handled the collection and distribution of interest payments.

23. V.G. received $143,522.80 in total payments from Respondent.

24. Respondent still owes V.G. $149,923.91 in principal alone.

## CAUSES OF ACTION

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

25. The Division incorporates and re-alleges paragraphs 1 through 24.

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

27. 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. Respondent told V.G. that the homeowners would secure the borrowed amount by listing V.G. on their property titles and/or deeds as a lienholder, when, in fact, he had

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[4] There is no record of the law firm Ray, Quinney& Neiman in Utah. A similarly named firm, Ray, Quinney & Nebeker, is located at 36 South State Street, Suite 1400, Salt Lake City, UT 84111. However, the Human Resources department at that firm does not have any record of Steve Finlay or anyone with thelast name Neiman ever having worked there.

[5] There appears to be a parking lot at 163 S. State Street, Salt Lake City, UT 84111.

no reasonable basis for making such a statement.

b. Respondent listed Steve Finlay, Esq., with the law firm Ray Quinney & Neiman, as escrow agent in four of the eight contracts, when, in fact, he had no reasonable basis for including this provision in the contracts, as Steve Finlay is not a recognized member of the Utah State Bar Association, and no Utah-based firm by the name of Ray Quinney & Neiman exists.[6]

28. 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 statements made not misleading:

a. In 2004, Respondent had $4,811.32 in judgments filed against him.[7]

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

i. Financial statements;

ii. Risk factors, including risk of loss;

iii. Suitability factors for the investments;

iv. Whether the investments were registered securities or exempt from

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[6] The contracts provide the following address for the law firm: 163 S. State Street, Suite 420, Salt Lake City, UT 84111. No building exists at this address.

[7] *Bonneville Billing And v. Rochelle Anderson,* Case No. 040915879, Third Judicial District Court of Utah (2004), and *IHC Health Services Inc. v. James L. Anderson,* Case No. 040908965, Third Judicial District Court of Utah (2004).

registration; and

v. Whether Respondent 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 **Wednesday, August 1, 2012**, 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 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 he has:

a. Why Respondent should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

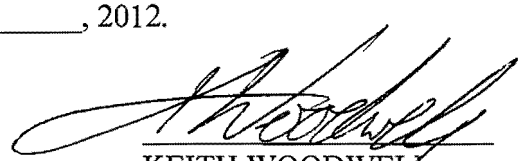
b. Why Respondent should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

c. Why Respondent 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; and

d. Why Respondent 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 investor.

DATED this 26th day of June, 2012.



KEITH WOODWELL
Director, Utah Division of Securities

Approved:

D. SCOTT DAVIS
Assistant Attorney General
A.S.

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Utah Department of Commerce
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**BEFORE THE DIVISION OF SECURITIES
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OF THE STATE OF UTAH**

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| **IN THE MATTER OF:**<br><br>**JAMES LEE ANDERSON**<br>**(CRD # 4712967),**<br><br>**Respondent.** | **NOTICE OF AGENCY ACTION**<br><br>**Docket No.** SD-12-0039 |

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 facts on which this action is based are set forth in the accompanying Order to Show Cause. 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**:

D. Scott Davis
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0358

An initial hearing in this matter is set for **Wednesday, August 1, 2012** at the Division of

Securities, 2nd Floor, 160 E. 300 S., Salt Lake City, Utah, at **9:00 A.M.** The purpose of the initial hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

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 D. Scott Davis, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0358.

Dated this 26th day of June, 2012

Keith M. Woodwell
Director, Division of Securities

DEPARTMENT OF COMMERCE
GREAT SEAL OF THE STATE OF UTAH
DIVISION OF SECURITIES

**Certificate of Mailing**

I certify that on the 27th day of June, 2012, I mailed, by regular and certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

JAMES L. ANDERSON
10291 SOUTH 1300 EAST, #121
SANDY, UT 84094
Certified Mail # 7007 0220 0001 0047 7581

Julie Pine
Executive Secretary