

Division of Securities
Utah Department of Commerce
160 East 300 South
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:

**PLATINUM VENTURE CAPITAL
FUNDING, LLC,
CHRISTIAN ROY ASHTON,**

Respondents.

ORDER TO SHOW CAUSE

Docket No. SD-12-0074
Docket No. SD-12-0075

It appears to the Director of the Utah Division of Securities (Director) that Platinum Venture Capital Funding, LLC, and Christian Roy Ashton (Respondents) 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 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 Respondents and the subject matter is appropriate because the Division alleges that Respondents violated § 61-1-1 (securities fraud) and § 61-1-3 (unlicensed activity) of the Act while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Platinum Venture Capital Funding, LLC (PVCF) is a Utah limited liability company as of January 11, 2008. Christian Ashton and Christine Ashton are managers of PVCF, and James R. Baker is PVCF's registered agent. PVCF's status as a business entity expired as of May 3, 2011. PVCF has never registered with the Division.
3. Christian Roy Ashton (Ashton) was, at all times relevant to the matters asserted herein, a resident of California. Ashton has never been licensed in the securities industry in any capacity.

GENERAL ALLEGATIONS

4. Between October 2008 and December 2008, Respondents offered and sold interests in a limited liability company to an investor in or from Utah, and collected a total of \$131,000.
5. Interests in a limited liability company are securities under the Act.
6. Respondents made misstatements and omissions of material facts to the investor.
7. Ashton acted as an unlicensed agent in connection with the sale of the security to the

investor.

8. The investor lost \$106,800 in principal alone.

INVESTOR W.L.

9. Prior to October 2008, W.L. and Ashton had not met and did not know each other, but Ashton was referred to W.L. by a mutual acquaintance for investment purposes.
10. In or about October 2008, Ashton called W.L. to discuss an investment opportunity in PVCF. At the time of the call, Ashton was in California and W.L. was at his home in Utah County, Utah.
11. After the phone call, W.L. was interested in learning more about the investment opportunity and travelled to California to meet with Ashton. In November 2008, Ashton and W.L. met at Ashton's home and office in California to further discuss the investment opportunity.
12. During the phone call and personal meetings, Ashton made the following statements about an investment with PVCF:
 - a. PVCF worked with an international fund manager who had a special certification to facilitate large trades between institutional investors;
 - b. W.L.'s investment funds would remain in a PVCF account and that account would be used by the fund manager to obtain lines of credit, which would allow the fund manager to facilitate his trades;
 - c. W.L. would be required to keep his funds invested with PVCF for a minimum of

one year;

- d. W.L. would earn 7.0% per month on his investment, to be paid out quarterly;
- e. W.L. would get his first interest payment in March 2009, plus or minus 30 days because of back end moving and shifting of money before PVCF could pay out investors;
- f. At the end of the one-year investment period, W.L. could have his principal returned by sending a formal written request to PVCF;
- g. PVCF's role was to solicit investors and pool investor funds together in one account;
- h. The investor funds in the pooled account would not be traded by the fund manager and would not leave the account;
- i. By showing a large balance in the pooled account established by PVCF, the fund manager would be able to access lines of credit to increase the leverage available for his trading;
- j. The fund manager was involved in arbitrage trading;
- k. There would be a high return on investment because the fund manager was one of 50 people in the world with a special certification to do arbitrage trading and to facilitate large trades between institutional investors;
- l. W.L. could not talk to the fund manager because there were too many investors and the fund manager did not want to meet with all of them;

- m. The fund manager lived in Beverly Hills, California;
 - n. PVCF had been successfully running this investment opportunity for a year or two;
 - o. PVCF had a good track record and had good success making a lot of money;
 - p. Ashton and PVCF made money because the fund manager paid PVCF “x,” which in turn paid investors “y”; and
 - q. For a \$125,000 investment there would be a \$6,000 “startup fee,” requiring a total payment of \$131,000.
13. Based on Ashton’s statements, W.L. decided to invest \$125,000 with PVCF. On or about December 2, 2008, W.L. wired \$131,000 (\$125,000 plus \$6,000 for the “startup fee”) from his account at a Wells Fargo branch in Utah to a PVCF account at Washington Mutual Bank in Studio City, CA.
14. In exchange for the investment funds, W.L. received a document entitled “Stockholder Agreement for Platinum Venture Capital Funding, LLC,” dated November 25, 2008, listing PVCF as “the Company” and W.L. as “the Stockholder.” The document was signed and executed by W.L. and contained space for “the Company” to sign, but was without signature. The Stockholder Agreement purports to convey non-voting shares of stock in PVCF to W.L., which would entitle W.L. to quarterly interest payments.¹

¹ PVCF was organized as a limited liability company rather than a corporation that could issue “stock.” Despite the use of the term “stock,” the practical effect of the Stockholder Agreement was to convey a membership interest in a limited liability company.

15. After W.L. wired his funds to PVCF, Ashton told W.L. that Ashton had previously forgotten to mention that W.L. would be charged a \$10,000 “processing fee” each quarter that would be deducted from W.L.’s quarterly interest payments. The “processing fee” diluted W.L.’s promised return of 7.0% per month (\$26,250 per quarter) to approximately 4.3% per month (\$16,250 per quarter).
16. Subsequent to W.L.’s investment, Ashton sent W.L. two additional documents regarding W.L.’s investment in PVCF: a “Membership Unit Purchase Agreement” dated March 23, 2009; and an “Operating Agreement of Platinum Venture Capital Funding, LLC” dated February 24, 2009. These documents purport to convey a membership interest in PVCF to W.L. and describe W.L.’s purchase of 125 PVCF “units” for \$125,000.
17. From January 2009 through February 2009, W.L. received payments from PVCF totaling approximately \$12,200.
18. In March 2010, W.L. sent a letter to Ashton, formally requesting that his investment funds be returned.
19. In April 2010, W.L. received a payment of \$12,000 from PVCF with no explanation of how this amount was calculated or what it represented.
20. Since the last payment in April 2010, L.W. has made repeated attempts to recover the balance of his investment with PVCF. These attempts have been unsuccessful.
21. PVCF still owes L.W. \$106,800 in principal alone.

CAUSES OF ACTION

First Cause of Action (PVCF and Ashton) **Securities Fraud under § 61-1-1(2) of the Act**

22. The Division incorporates and re-alleges paragraphs 1 through 21.
23. The interests in a limited liability company sold by Respondents are securities under § 61-1-13 of the Act.
24. In connection with the offer and sale of a security, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. That W.L.'s investment funds would not leave the PVCF account, when in fact, a source and use analysis of the PVCF account where W.L. wired his funds shows that W.L.'s funds were depleted within ten days of their deposit in the PVCF account;
 - b. That W.L. would earn a 7.0% per month return on his investment with PVCF, when in fact, Respondents had no reasonable basis for making this statement and knew that, even in a best case scenario, W.L.'s effective monthly return would be no greater than approximately 4.3%; and
 - c. That there would be a high return on investment because the fund manager was one of 50 people in the world with a special certification to do arbitrage trading and to facilitate large trades between institutional investors, when in fact, Respondents had no reasonable basis for making this statement.

25. In connection with the offer and sale of a security, 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. That W.F. would be charged a \$10,000 “processing fee” each quarter to be deducted from his promised returns;
 - b. Some or all of the information typically provided in an offering circular or prospectus regarding Ashton, PVCF, and the international fund manager, such as:
 - i. Financial statements;
 - ii. The market for PVCF’s service(s);
 - iii. The nature of the competition for the service(s);
 - iv. The track record of PVCF and the international fund manager to other investors;
 - v. The number of other investors;
 - vi. The risk factors for investors;
 - vii. Discussion of relevant suitability factors for the investment;
 - viii. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
 - ix. Agent commissions or compensation for selling the investment;
 - x. Any involvement of Ashton, the international fund manager, PVCF or its principals in certain legal proceedings, including bankruptcy or prior violations of state or federal securities laws;

- xi. Whether the investment was a registered security or exempt from registration; and
- xii. Whether Ashton was licensed to sell securities.

Second Cause of Action (Ashton)
Unlicensed Agent under § 61-1-3(1) of the Act

- 26. The Division incorporates and re-alleges paragraphs 1 through 25.
- 27. Ashton has never been licensed in the securities industry in any capacity.
- 28. Ashton acted as an agent in the offer or sale of a security in Utah.
- 29. Ashton received compensation in the form of a \$6,000 startup fee in connection with the offer or sale of a security in Utah.
- 30. Based on the above information, Ashton violated § 61-1-3(1).

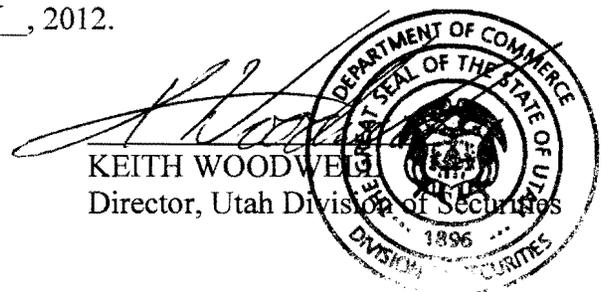
ORDER

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 **February 6, 2013**, 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 and 61-1-3, or any other section of the Act;
- c. Why Respondents should not be barred from being licensed in any capacity in the securities industry in the State of Utah; and
- d. Why Respondents should not be ordered to pay to the Division a fine amount to be determined by the Utah Securities Commission 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 10th day of December, 2012.



KEITH WOODWELL
Director, Utah Division of Securities

Approved:

A handwritten signature in black ink, appearing to read "D. Scott Davis".

D. SCOTT DAVIS
Assistant Attorney General
J.N.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
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IN THE MATTER OF:

**PLATINUM VENTURE CAPITAL
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CHRISTIAN ROY ASHTON**

Respondents.

NOTICE OF AGENCY ACTION

Docket No. SD-12-0074

Docket No. SD-12-0075

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 R151-4-101, *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 **February 6, 2013** at the Division of Securities, 2nd

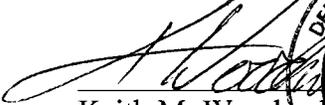
Floor, 160 E. 300 S., Salt Lake City, Utah, at **9:00 A.M.** The purpose of the initial hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

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 Jennie Jonsson, 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. Jonsson 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 10th day of December, 2012


Keith M. Woodwell
Director, Division of Securities



CERTIFICATE OF MAILING

I, Julie Price, hereby certify that on the 12th day of December 2012, I mailed, by certified mail and regular mail, a true and correct copy of the forgoing **Order to Show Cause and Notice**

of Agency Action to:

Christian Roy Ashton
3913 Fredonia Ave.
Los Angeles, CA 90068

Certified Receipt #: 7007 0220 0001 0064 8205

Platinum Venture Capital Funding, LLC
c/o: James R. Baker, Registered Agent
7109 S. Highland Dr., Suite 201
Salt Lake City, UT 84121

Certified Receipt #: 7007 0220 0001 0064 8212



Julie Price
Administrative Secretary