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Attorneys for Respondent Christian Ashton

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

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

Respondents.

**CHRISTIAN ASHTON'S
RESPONSE TO THE ORDER TO
SHOW CAUSE**

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

Respondent Christian Ashton's Response to the Order to Show Cause

COMES NOW Respondent, Christian Ashton ("Ashton"), by and through his attorneys at the Cannon Law Group, PLLC and responds to the Utah Division of Securities' ("Division") Order to Show Cause. Respondent was never individually served with a copy of this Order (his current address is not at the address listed in the certificate

of service, and the house number was incorrect for the home he used to live at) and only learned of these allegations through the registered agent of PVCF. Respondent only learned of this Order over the holidays and acted to try and find legal counsel in Utah, but was unable to locate counsel until late last week. Respondent's counsel contacted the Attorney General's office to inform them that a response was being prepared and that it would be filed today, but never heard back from the Attorney General's office. Nevertheless, Respondent responds to the Order as follows:

1. Respondent does not dispute the Division's jurisdiction in this matter, but does dispute and specifically denies any allegation contained herein that Respondent violated any laws or regulations related to the offer and sale of securities in Utah.
2. Platinum Venture Capital Funding, LLC ("PVCF") was registered as a Utah limited liability company on January 11, 2008. The Ashton's are not active managers of PVCF, and Joshua Lehi Trent ("Trent") handled all management for PVCF. James R. Baker is PVCF's registered agent, but is not an agent for Ashton. PVCF's status as a business entity did expire, and PVCF did not register with the Division as it was acting under exemptions from registration.
3. Ashton is a resident of California and has never had a securities license as he has never acted as an agent for the offer or sale of any securities.
4. Ashton never offered or sold interests in a limited liability company, but has knowledge that PVCF, through Trent, did offer and sell interests to an investor from Utah for a total of \$131,000.

5. Respondent avers that the Act speaks for itself.
6. Denied. Ashton never discussed this matter with the investor and was never in a position to influence the investor's decision to enter into this investment. Trent managed all communications and terms of the investment with W.L. By way of further denial, Ashton knows that a Private Placement Memorandum was prepared and issued to W.L., and Ashton has records that indicate W.L. signed and agreed to terms of the investment found in a Membership Unit Purchase Agreement and in PVCF's Operating Agreement, both of which evidence W.L.'s knowledge that there were no guaranteed returns, the business was speculative, and that W.L. may lose all of his investment.
7. Denied. Ashton never acted as an agent in connection with the offer or sale of any securities.
8. Ashton does not have knowledge sufficient to form a belief about the truth of the matter asserted and therefore denies.
9. Ashton admits that he and W.L. had never met prior to October 2008, but denies that W.L.'s acquaintance referred W.L. to Ashton. W.L.'s acquaintance was Jared Surganavich, and Jared Surganavich referred W.L. to Trent, who actively managed PVCF.
10. Denied. Ashton had no communications with W.L. during the time alleged. Any such call would have been with Trent, the active manager of PVCF.
11. Denied. In November, W.L. represented to Ashton that W.L. had traveled to

California on business related to his company to meet with a client at a local air force base. W.L. had asked to meet with Ashton at a West Hollywood Bar and Grill for a beer together. W.L. also offered to take Ashton to dinner to celebrate Ashton's belated birthday, which had been in October.

12. Denied as to allegations in 12 and in all subparts. Ashton never made any of the statements listed in subparts a) through q), and any such statements, if made, would have been made by Trent. Ashton provides his limited knowledge as to the possible sources to the allegations in a) through q) by providing his understanding, as it was told to him at a later time by Trent or as Ashton has discovered through reviewing the documents on file.

- a. Based upon information and belief, Trent likely told W.L. that the international asset manager was Lethe Stream Holdings Incorporated or Lethe Stream International ("Lethe Stream"), which was owned and operated by investment banker Rex Franklin Miller, a resident of Leister London England. The investment program facilitator at the time was former Goldman Sachs executive Crystal Wisdom, a resident of New York City. Beyond those simple facts, Ashton does not know what else Trent would have represented to W.L.
- b. Ashton's only knowledge of this is that Trent would have told W.L. that his funds would be transferred and wired immediately to Lethe Stream. Ashton has no knowledge regarding any details related to a line of credit.

- c. Ashton has no knowledge of the investment duration that would have been communicated by Trent.
- d. Ashton has no knowledge of where a 7% guaranteed return figure came from. Ashton's understanding was that Trent stated a no-guaranty possible return of 2-3% per month that would be paid out quarterly or semiannually. The only documents on point that Ashton can find discuss a 0 – 22.5% return with no guaranty whatsoever.
- e. Ashton understood that Trent stated the first interest payment would be based on the receipt of interest from Lethe Stream. Additionally, Ashton believes that W.L. did receive his first interest payment.
- f. Ashton's only knowledge is that Trent and W.L. agreed that the terms of the Membership Unit Agreement and other related documents would control.
- g. Ashton does not know what Trent may have communicated here.
- h. Ashton understands that Trent communicated to W.L. that the funds would be wired to Lethe Stream/Rex Miller, but Ashton has no knowledge as to how such funds would be used by Lethe Stream.
- i. Ashton has no knowledge of any need to show a large pooled account or any representation of this purpose, and has no knowledge of the procedures to be employed by Lethe Stream.
- j. Ashton has no knowledge of this alleged communication.

- k. Ashton has no knowledge of this alleged communication.
 - l. While Ashton never made this communication to W.L., it was Ashton's understanding that Rex Miller (the fund manager) would only discuss the investment with Trent.
 - m. It is Ashton's understanding that Rex Miller did not live in Beverly Hills, California, but that Rex Miller's investment program broker, James Grant (who is now deceased), lived in Beverly Hills. Further, it is Ashton's understanding that James Grant introduced Trent to Rex Miller.
 - n. Ashton has no knowledge of this alleged communication.
 - o. Ashton understands that Trent never stated that PVCF had success in investing money. Ashton believes that Trent may have stated that the Ashtons had been successful in other business ventures prior to PVCF.
 - p. Ashton has no knowledge of this alleged communication.
 - q. Ashton has no knowledge of a "startup fee." However, the \$6,000 mentioned herein may be getting confused with a promissory note executed by W.L. and PVCF in approximately the same amount.
13. Denied. W.L. could not have decided to invest based on statements from Ashton because Ashton never discussed the investment with him. After reviewing records on file, it appears to Ashton that W.L. did wire \$131,000 to PVCF.
14. Denied to the extent this allegation concerns any activity by Ashton as Ashton was not a part of this process. However, based on Ashton's knowledge, Ashton

believes that Lethe Stream prepared a "Stockholder Agreement" that was signed and executed prior to any funds being wired. Further, Ashton believes that an official Membership Unit Agreement was later drafted and signed to replace the previous Stockholder Agreement.

15. Denied as Ashton has no knowledge of this alleged communication. However, Ashton does know that Lethe Stream did charge a quarterly fee of \$10,000 to PVCF, and that this fact may have been communicated to W.L. by Trent. Based on Ashton's knowledge, this quarterly fee would not impact W.L.'s return and W.L.'s return would still be on a best efforts basis based on market performance as set forth in the Membership Unit Agreement.
16. Ashton denies that he sent W.L. the two additional documents referenced herein, but does admit that W.L. did receive two documents that are the same as or similar to the ones mentioned herein.
17. Based upon information and belief, Ashton admits that W.L. received interest payments, but does not know the specific amounts or the timing of such payments.
18. Denied as Ashton has no knowledge of PVCF nor himself ever receiving an actual letter from W.L. in March, 2010. Ashton is currently searching e-mail servers to see if W.L. sent any demands via e-mail instead.
19. Ashton understands that W.L. received a \$12,000 interest payment in April 2010, and further alleges that PVCF informed W.L. that PVCF had terminated Trent due

- to unethical practices and discovery of a record of past fraudulent activities. W.L. was also informed that Lethe Stream was holding undisclosed amounts of funds.
20. Ashton has no knowledge of any attempts by W.L. to recover the balance of his investment besides a complaint filed in July 2011 with the Division, and therefore denies any allegations beyond the complaint filed with the Division. James Baker responded to the Division at that time, and Ashton heard nothing more concerning the matter until this Order was received.
 21. Ashton does not deny that PVCF may owe W.L. some funds, but denies any knowledge of the specific amounts owing. By way of further response, Ashton states that Lethe Stream still owes significant funds to PVCF, and that the FBI was and is investigating Rex Miller and Crystal Wisdom of Lethe Stream but has been unsuccessful in locating either of them.
 22. Respondent incorporates and re-alleges paragraphs 1 through 21.
 23. Respondent avers that the Act speaks for itself.
 24. Denied. For the reasons articulated above, Respondent has not made any false statements concerning W.L.'s investment. Any statements would have been made by Trent.
 25. Denied. Ashton was never a part of these communications and could not have influenced what was disclosed or not disclosed. Ashton further alleges that, based on his information and belief, more information was provided to W.L. than is alleged in the Order and that all information necessary was properly disclosed.

26. Respondent incorporates and re-alleges paragraphs 1 through 25.
27. Ashton admits that he has never been licensed and further states that he has never taken any actions requiring licensure in the securities industry.
28. Denied. Ashton never acted as an agent in this matter or in any other matters, and Trent was the agent that acted at all times relevant to this investment.
29. Denied. Ashton did not receive this \$6,000 fee, and this fee was for other matters between Trent and W.L.
30. Denied.

Additional Facts

1. In addition to the facts and explanations set forth above, Ashton provides the following facts to the Division. Ashton is willing to cooperate with the Division in its investigation of this matter, but denies any personal liability for the matters herein.
2. At all times relevant hereunder, Joshua Trent ("Trent") managed the affairs of PVCF. Ashton was simply a silent partner.
3. Trent assigned Ashton a title of "Manager" and requested Ashton to sign things on occasion, but Ashton never actively managed PVCF. Ashton has reason to believe that the signatures that appear along with his name on certain documents may be forged.
4. Ashton only met with W.L. twice before W.L.'s investment, and both were social meetings and the parties did not discuss any business or investment deals or

transactions.

5. Even though Ashton was a passive investor in PVCF, Trent occasionally spoke to him concerning PVCF matters.
6. When Trent spoke to Ashton concerning the W.L. investment, Trent confirmed to Ashton that W.L. had stated that he was an accredited investor and that W.L. had filled out forms to this effect.
7. Later, Ashton discovered that W.L. was not an accredited investor, even though W.L. represented that he was an accredited investor.
8. If Ashton had known that W.L. had misrepresented being an accredited investor, Ashton would have taken steps to make sure that the investment by W.L. was not allowed to take place.
9. In 2010, PVCF began discovering facts related to Trent's past and Trent's bad practices.
10. Upon further investigation by its agents, PVCF discovered that Trent had been involved in many matters connected to fraudulent activities.
11. Upon discovery of this information, Ashton severed his already strained relationship with Trent and caused PVCF to make whatever payment it could to W.L. in or about April 2010.
12. PVCF is still owed substantial amounts of money from Lethe Stream, and it is unknown at this time the extent of Trent's participation in Lethe Stream's fraud.
13. Trent was arrested on July 17, 2012 on charges of securities fraud and theft.

Defenses

1. **No Participation or Knowledge.** Ashton was never an active participant in any of the matters herein, and only participated in very limited ways, such as meeting with W.L. in social settings.
2. **Due Diligence/Good Faith.** Ashton acted reasonably to ensure that all was being handled in a legal manner. Ashton inquired into the deal, was given satisfactory answers and told of legal counsel that had been retained to prepare documents and finalize the transaction.
3. **Fraud by Trent.** Ashton was a victim of Trent's fraud in the same way that W.L. was a victim of Trent's fraud. In fact, though the accounting is incomplete, Ashton lost between \$150,000 - \$250,000 of funds given to the control of Trent.
4. **Unclean Hands/Estoppel.** W.L. is upset about the investment, but he had to misrepresent his status as an accredited investor to be able to invest in the investment in the first place.
5. **Waiver.** W.L. signed documents fully disclosing the terms of the investment, including the Membership Unit Agreement and the Operating Agreement. Both documents made very clear that there were no guaranteed returns and that W.L. may lose his entire investment.
6. **Failure to Mitigate Damages.** If misrepresentations did occur, W.L. should have acted to recover his principal when he was given the Membership Unit Agreement

and the Operating Agreement. His losses are directly tied to his failure to act when there was no question that he understood the risky nature of the investment and his limited returns.

7. **Failure to Include Necessary Parties.** The Division cannot obtain full and just relief in this matter without including Joshua Trent, Rex Miller, and Crystal Wisdom in the matter as they were the true principals in this investment and are the ones who should be held accountable for W.L.'s investment.
8. **Exceptions for Registration/Licensure.** Section 4.2 of the 1933 Securities Act of 1933 as the offering was not public in nature and UCA 61-1-14(2)(n) as the transaction did not involve a public offering.

Identification of Documents

1. Respondent identifies the documents that support his position. This list is not exclusive and Respondent reserves the right to supplement it as he discovers more documents in the course of his investigation.
 - a. Membership Unit Agreement
 - b. Private Placement Memorandum
 - c. Operating Agreement
 - d. Stockholder Agreement
 - e. Wire Transfer by Joshua Trent
 - f. Promissory Note
 - g. Documents related to other transactions/dealings between Trent and W.L.

- h. Lethe Stream/PVCF agreement
- i. Fraud cases/charges against Joshua Trent

WHEREFORE, Respondent requests that the Division dismiss the claims against him personally and render judgment for Respondent, and award attorney's fees and other such relief as is just and appropriate.

DATED this 14th day of January, 2013.

CANNON LAW GROUP, PLLC

By: 

Cole S. Cannon, Esq.

Austin J. Hepworth, Esq.

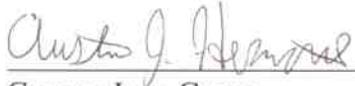
Attorneys for Christian Ashton

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of Christian Ashton's Response to the Order to Show Cause was delivered by hand to:

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760

Dated this 14th day of January, 2013.



Cannon Law Group