

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

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

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**IN THE MATTER OF:**

**JEFFREY STEVEN HALL  
J&K LENDING, INC.**

**Respondents.**

**STIPULATION AND CONSENT  
ORDER**

**Docket No. SD-13-0003  
Docket No. SD-13-0004**

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The Utah Division of Securities (the Division), by and through its Director of Enforcement, Dave R. Hermansen, and Jeffrey Steven Hall (Hall) and J&K Lending, Inc. (J&K, and collectively with Hall, Respondents) hereby stipulate and agree as follows:

1. Respondents were the subject of an investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, *et seq.*, as amended (the Act).
2. In connection with that investigation, the Division issued an Order to Show Cause against Respondents on January 3, 2013, alleging securities fraud.

3. Respondents waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf. Respondents understand that by waiving a hearing, they are waiving the requirement that the Division prove the allegations against them by a preponderance of evidence, waiving their right to confront and cross-examine witnesses who may testify against them, to call witnesses on their own behalf, and any and all rights to appeal the findings, conclusions and sanctions set forth in this Stipulation and Consent Order (Order).
4. Respondents understand that they have a right to be represented by counsel, and they voluntarily and knowingly waive the right to have counsel represent them in this matter.
5. Respondents acknowledge that this Order does not affect any enforcement action that might be brought by a criminal prosecutor or any other local, state, or federal enforcement authority.
6. Respondents admit the jurisdiction of the Division over them and over the subject matter of this action.

### **I. THE DIVISION'S FINDINGS OF FACT**

#### **THE RESPONDENTS**

7. Hall was, at all relevant times, a resident of the state of Utah. Hall has never been licensed in the securities industry in any capacity.
8. J&K was a Utah corporation that registered with the Utah Division of Corporations on December 29, 2009. As of March 25, 2013, the entity's status changed from "active" to

“expired” for failure to file a renewal. During its existence, Hall served as president, director, and registered agent of the entity. J&K has never registered with the Division in any capacity.

#### GENERAL ALLEGATIONS

9. From April 2009 to July 2009, Respondents offered and sold stock to an investor, in or from Utah, and collected a total of \$24,000.
10. Stock is a security under the Act.
11. Respondents made material omissions in connection with the offer and sale of a security to the investor identified below.
12. The investor lost \$23,000 of her investment funds.

#### INVESTOR M.D.

13. M.D. initially met Hall when he was her mortgage broker in 2005.
14. In April 2009, M.D. received an email from Hall stating he was selling his brother’s stock in Cheyenne Mountain Gaming, Inc. (CMG), a company that was developing a video game based on the television show Stargate.
15. However, by the time M.D. was ready to purchase, Hall’s brother was no longer interested in selling his shares. Hall said he did not want to back out of the deal he had reached with M.D., so Hall decided to sell his own shares in CMG to M.D. instead.
16. M.D. agreed to purchase 12,000 shares of Hall’s stock at \$2 per share, for a total investment of \$24,000. With respect thereto, Hall made the following statements:

- a. The game was backed by MGM Studios;
  - b. “The game is amazing and [CMG] will probably have it in stores before Christmas”;
  - c. Hall has “been in contact with the CEO every single day for the last two weeks” as of May 29, 2009;
  - d. CMG stock is “not as risky” as other investments Hall does;
  - e. “I’m just giving you the facts on an investment that I have not seen this good since I started”;
  - f. A share price of \$2 a share “is an absolutely incredible deal”;
  - g. “Once the game goes to retail, [CMG] only [has] 60 days to go public”; and
  - h. CMG is “projecting to open at \$13” a share.
17. On June 1, 2009, after M.D. decided to invest, M.D. and Hall met in St. George, Utah. M.D. gave Hall a \$24,000 check made payable to J&K. On September 8, 2009, in exchange for the \$24,000, M.D. received a stock certificate for 12,000 shares of CMG, dated July 11, 2009.
18. M.D. did not receive any disclosure documentation or other memorialization prior to her investment.
19. M.D. has been repaid \$1,000 of her \$24,000, for a total loss of \$23,000.

#### **CAUSES OF ACTION**

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

20. The Division incorporates and re-alleges paragraphs 1 through 19.
21. The investment opportunity offered and sold by Respondents is a security under § 61-1-13 of the Act.
22. In connection with the offer and sale of a security to the investor, 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. Why Hall believed CMG stock was “not as risky” as other investments;
  - b. Why he believed CMG was “projecting to open at \$13” a share;
  - c. Information about CMG’s Chairman, Gary Whiting, including:
    - i. On October 19, 1993, a \$71,120 judgment was filed against Whiting;
    - ii. On February 25, 1994, Whiting filed for Chapter 7 bankruptcy;
    - iii. On October 25, 1994, a \$7,110.00 federal tax lien was filed against Whiting;
    - iv. On February 1, 2008, a notice of trustee’s sale was recorded against Whiting;
    - v. On September 11, 2008, a \$191,178.59 judgment was filed against Whiting; and
  - d. Some or all of the information typically provided in an offering circular or prospectus regarding CMG, such as:
    - i. Financial statements;

- ii. Risk factors;
- iii. Suitability factors for the investment;
- iv. 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.

## **II. THE DIVISION'S CONCLUSIONS OF LAW**

23. Based on the Division's investigative findings, the Division concludes that:
- a. The investment opportunity offered and sold by Respondents is a security under § 61-1-13 of the Act; and
  - b. Respondents violated § 61-1-1(2) of the Act by omitting to state material facts in connection with the offer and sale of a security, disclosure of which was necessary in order to make representations made not misleading.

## **III. REMEDIAL ACTIONS/SANCTIONS**

24. Respondents neither admit nor deny the Division's findings of fact and conclusions of law but consent to the sanctions below being imposed by the Division.
25. Respondents agree to the imposition of a cease and desist order, prohibiting them from any conduct that violates the Act.
26. Pursuant to § 61-1-20(1)(f) of the Act and in consideration of the guidelines set forth in Utah Administrative Code Rule R164-31-1, the Division imposes a fine of \$16,200

against Respondents, to be paid in equal monthly payments of \$150 for an eighteen month period, and \$500<sup>1</sup> for the remainder, until such fine has been paid in full. The first monthly payment will be due one month from the entry of the Order. The remaining monthly payments will be due on the same day of the following months until payment in full. If the Division finds that Respondents materially violate any term of this Order, thirty days after notice and an opportunity to be heard before an administrative officer solely as to the issue of a material violation, Respondents consent to a judgment ordering the unpaid balance of the fine immediately due and payable.

27. Each dollar paid by Respondents to the investor toward restitution shall be credited by the Division toward payment of the fine. Respondents shall send to the Division the cancelled checks for each payment made to the investor.

#### **IV. FINAL RESOLUTION**

28. Respondents acknowledge that this Order, upon approval by the Utah Securities Commission, shall be the final compromise and settlement of this matter.
29. Respondents further acknowledge that if the Utah Securities Commission does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.
30. Respondents acknowledge that the Order does not affect any civil or arbitration causes of

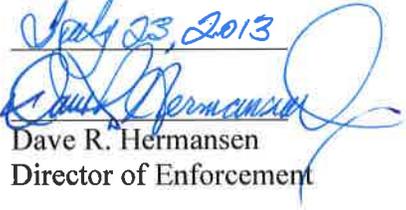
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<sup>1</sup> In the event Hall is unable to increase his payments to \$500 per month within eighteen months from entry of the Order, Hall may approach the Division to discuss the possibility of renegotiating the monthly payment amount. The Division will consider Hall's personal circumstances and ability to repay at that time. If the parties agree to a new payment amount, and the modification is approved by the Utah Securities Commission, that amount shall supersede the \$500 monthly payment included in this Order.

action that third parties may have against them rising in whole or in part from their actions and that the Order does not affect any criminal causes of action that may arise as a result of the conduct referenced herein.

31. Respondents acknowledge that a violation of this Order is a third degree felony pursuant to § 61-1-21(1)(b) of the Act.
32. The Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect the Order in any way. Upon entry of the Order, any further scheduled hearings are canceled.

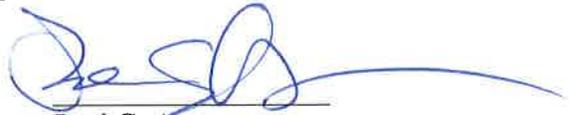
Utah Division of Securities

Date: July 23, 2013  
By:   
Dave R. Hermansen  
Director of Enforcement

Respondent Hall

Date: \_\_\_\_\_  
By: \_\_\_\_\_  
Jeffrey Steven Hall, individually and  
as a principal of J&K Lending, Inc.

Approved:

  
Paul G. Amann  
Assistant Attorney General  
N.B.

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Utah Department of Commerce  
Division of Securities

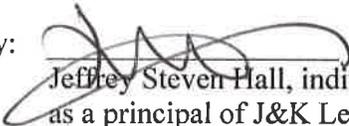
Utah Division of Securities

Respondent Hall

Date: \_\_\_\_\_

Date: 7-22-13

By: \_\_\_\_\_  
Dave R. Henningsen  
Director of Enforcement

By:   
Jeffrey Steven Hall, individually and  
as a principal of J&K Lending, Inc.

Approved:

\_\_\_\_\_  
Paul G. Anderson  
Assistant Attorney General  
N.B.

## ORDER

IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Respondents cease and desist from violating the Utah Uniform Securities Act.
3. The Division impose a fine of \$16,200 against Respondents, offset by restitution payments to the investor.
4. The fine shall be paid in equal monthly payments of \$150 for a period of eighteen months, after which time the payments shall increase to \$500<sup>2</sup> per month until payment in full.
5. The first monthly payment is due one month from the entry of this Order, and the remaining monthly payments are due on the same day of the following months until payment in full.
6. If Crosby materially violates any of the terms of this Order, the unpaid balance of the fine amount shall be imposed and become due immediately.

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<sup>2</sup> In the event Hall is unable to increase his payments to \$500 per month within eighteen months from entry of the Order, Hall may approach the Division to discuss the possibility of renegotiating the monthly payment amount. The Division will consider Hall's personal circumstances and ability to repay at that time. If the parties agree to a new payment amount, and the modification is approved by the Utah Securities Commission, that amount shall supersede the \$500 monthly payment included in this Order.

**BY THE UTAH SECURITIES COMMISSION:**

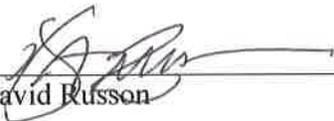
DATED this 14 day of August, 2013.



Brent Baker



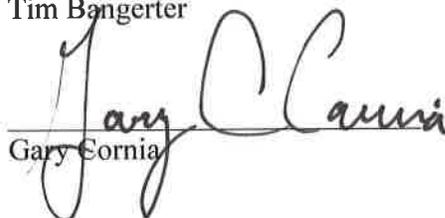
Erik Christiansen



David Russon



Tim Bangerter



Gary Cornia

**Certificate of Mailing**

I certify that on the 14<sup>th</sup> day of August, 2013, I mailed, by regular mail, a true and correct copy of the Stipulation and Consent Order to:



  
Executive Secretary