

Division of Securities
Utah Department of Commerce
160 East 300 South
P.O. Box 146760
Salt Lake City, Utah 84114-6760
Telephone: 801 530-6600

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

IN THE MATTER OF:

SCOTT L. STEINMETZ

Respondent.

ORDER TO SHOW CAUSE

Docket No. SD-12-0017

It appears to the Director ("Director") of the Utah Division of Securities ("Division") that Respondent Scott L. Steinmetz ("Steinmetz") has engaged in acts and practices that violate the Utah Uniform Securities Act ("Act"), Utah Code Ann. § 61-1-1, *et seq.* Those acts and practices are more fully described herein. Based upon the Division's investigation into 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 FACTS

1. Steinmetz is an insurance agent licensed in Utah. He has never been licensed in the securities industry in any capacity.
2. During the period relevant to this action, Steinmetz was affiliated as an insurance agent with Horizon Financial and Insurance Group, Inc.¹ ("insurance agency"), a general

¹This entity was also known as or affiliated with other entities controlled by Randall, Horizon Financial & Insurance Agency, LLC, and Utah Horizon Financial & Insurance Agency, LLC.

insurance agent for Union Central Life Insurance Company. The insurance agency was owned and controlled by Dee Allen Randall (“Randall”).

Dee Randall and the Horizon Companies

3. Steinmetz and others referred their insurance clients to Randall, who offered private placement securities investments in “Horizon Notes” which, as used herein collectively refers to promissory notes issued by various companies owned and controlled by Randall. Those companies include, but are not limited to, Horizon Auto Funding, LLC, Horizon Financial Center I, LLC, and Horizon Mortgage and Investment, Inc. dba Independent Financial & Investment (collectively referred to at times as “the Horizon entities”).
4. In addition to selling insurance, Randall, through the Horizon entities and Horizon Notes, purported to offer private placement securities investments² in commercial and residential property development and rentals, as well as an automobile loan business for individuals with poor credit.
5. The Horizon entities operated as a Ponzi scheme run by Randall³ in which investor monies were routinely and freely commingled and transferred among the various Horizon entities. New investor monies were used to pay interest to prior investors, or for personal use, including the payment of sales compensation to agents, including Steinmetz.

²The Horizon Notes were purportedly sold in reliance on Rule 506 of Regulation D of the 1933 Securities Act.

³On December 18, 2012, the Division filed an Order to Show Cause against Randall and the Horizon entities, which action is currently pending. For additional information, see: <http://securities.utah.gov/dockets/12007901.pdf>

Referrals to Randall

6. Between 2005 and 2009, Steinmetz referred a number of his insurance clients, including his mother, to Randall to discuss investing in the Horizon Notes.
7. The Horizon Notes are securities under the Act.
8. Steinmetz arranged and attended most of the meetings his clients had with Randall.
9. Of the clients who met with Randall, eleven made investments in the Horizon Notes.
10. None of the notes were sold through a licensed broker-dealer. Steinmetz assisted clients with the paper work required to transfer their monies from existing accounts into the Horizon investments.
11. Steinmetz's clients' investments totaled approximately \$517,000, a majority of which consisted of retirement monies.
12. Steinmetz and other agents were compensated for those sales through the insurance agency. Agent compensation generally was calculated as a percentage of the amount of money invested. Payments were made by cash or check, or by other means, including credits applied to monies owed by agents to Randall.⁴ Some of the payments were documented in the insurance agency records as "commission bonus" or "marketing bonus" or otherwise.
13. Steinmetz received at least \$6,600 in direct compensation for the sales of the Horizon Notes.
14. Interest payments due to investors under the Horizon Notes began to arrive late in 2009 or

⁴Such credits were applied against rent owed, office expenses, or monies owing as a result of "chargebacks" for insurance commissions previously received by agents when policies were later rescinded or canceled.

2010, and payments to most investors ceased entirely in 2010.

FIRST CAUSE OF ACTION
Unlicensed Agent Under § 61-1-3 of the Act

15. At no time was Steinmetz licensed to offer or sell securities such as the Horizon Notes. In soliciting investors and receiving compensation for the sales of the Horizon Notes, Steinmetz acted as an unlicensed agent in violation of Section 61-1-3(1) of the Act.

REQUEST FOR RELIEF

The Director, pursuant to Utah Code Ann. § 61-1-20, hereby orders the Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202 and 63G-4-204 through -209, and held before the Division. As set forth in the Notice of Agency Action accompanying this Order, Respondents are required to file a written response with the Division, and an initial hearing on this matter has been scheduled for March 20, 2013 at 9:30 a.m. The initial hearing will take place at the Division of Securities, 2nd floor, 160 East 300 South, Salt Lake City, Utah. The purpose of the initial hearing is to establish a scheduling order and address any preliminary matters. If Respondent fails to file a written response or appear at the initial hearing, findings may be entered, a permanent Order to Cease and Desist may be issued, and a fine may be imposed against Respondent, as provided by Utah Code Ann. §§ 63G-4-206 or -209.

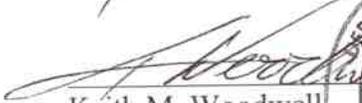
At the Order to Show Cause hearing, Respondent may show cause, if any he has:

1. Why Respondent should not be found to have engaged in the violations of the Act alleged by the Division in this Order to Show Cause;
2. Why Respondent should not be ordered permanently to cease and desist from

engaging in any further conduct in violation of Utah Code Ann. § 61-1-3 or any other section of the Act;

3. Why Respondent should not be ordered to pay a fine to the Division in the amount of \$10,000.

Dated this 5th day of February, 2013


Keith M. Woodwell
Director, Utah Division of Securities

The seal of the Utah Division of Securities is circular. It features a central emblem with a mountain range and a sun. The text around the emblem reads "DEPARTMENT OF COMMERCE" at the top, "GREAT SEAL OF THE STATE OF UTAH" around the inner circle, and "DIVISION OF SECURITIES" at the bottom. The year "1896" is also visible within the seal.

Approved:


D. Scott Davis
Assistant Attorney General

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

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

IN THE MATTER OF:

SCOTT L. STEINMETZ

Respondent.

NOTICE OF AGENCY ACTION

Docket No.

SD-13-0017

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) 366-0310

An initial hearing in this matter has been set for March 20, 2013 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:30 a.m. The purpose of the initial hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-

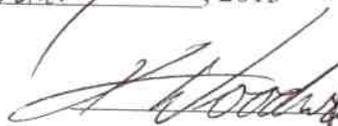
hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

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 Jonnson, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6706. This adjudicative proceeding will be heard by Ms. Jonnson and the Utah Securities Commission. At any hearings, the Division will be represented by the Attorney General's Office. 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) 366-0310.

Dated this 5th day of February, 2013


Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

I certify that on the 14th day of February, 2013, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Scott L. Steinmetz
1040 E Hwy 101
Hyrum, UT 84319


Executive Secretary

