

Division of Securities
Utah Department of Commerce
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

<p>IN THE MATTER OF:</p> <p>RED DESERT DEVELOPMENT CORP., RED DESERT UNDERGROUND, LLC, RONALD H. BAIRD</p> <p>Respondents.</p>	<p>AMENDED ORDER TO SHOW CAUSE</p> <p>Docket No. <u>SD-13-0018</u> Docket No. <u>SD-13-0019</u> Docket No. <u>SD-13-0020</u></p>
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NOTE: This Amended Order to Show Cause amends and supersedes the Order to Show Cause filed in this matter on or about March 4, 2013.

It appears to the Director of the Utah Division of Securities (Director) that Red Desert Development Corp., Red Desert Underground, LLC, and Ronald H. Baird 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 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 they 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 RESPONDENTS

2. Red Desert Development Corp. (“RDDC”) was a Utah corporation, registered on December 17, 2004. RDDC’s status is “expired” as of April 7, 2008. Respondent Ronald H. Baird served as the director of RDDC during its existence.
3. Red Desert Underground, LLC (“RDU”) was a Utah limited liability company, registered on February 7, 2007. RDU’s status is “expired” as of June 7, 2010. Respondent Ronald H. Baird served as the entity’s registered agent and manager during its existence.
4. Ronald H. Baird (“Baird”) was, at all relevant times, a resident of the state of Utah. Neither Baird nor any of the respondent entities referenced in this Amended Order to Show Cause have ever been licensed in the securities industry in any capacity.

GENERAL ALLEGATIONS

5. Between February 2007 and August 2008, Respondents offered and sold securities in the form of an investment contract and evidences of indebtedness to a single investor in Utah and collected a total of \$190,000.
6. Investment contracts and evidences of indebtedness are securities under § 61-1-13 of the Act.
7. Respondents made material misstatements and omissions of fact in connection with the offer and sale of securities to the investor below.

8. Respondents still owe the investor identified below \$140,000.¹

INVESTOR E.C.

FIRST OFFER AND/OR SALE OF A SECURITY

9. In or around January 2007, E.C. and Baird were introduced to one another by a relative of E.C. Over the course of the following month, the two began seeing each other socially.
10. E.C. disclosed to Baird that she was in the process of divorce and was expecting to receive a cash settlement from her spouse. She expressed concern to Baird that her husband might try to access the funds in the future and was looking for a safe place to invest them.
11. In or around February 2007, while in Weber County, Utah, Baird offered to act as custodian of E.C.'s funds and place them in his certificate of deposit account at Mountain America Credit Union ("MACU").
12. To induce E.C. to deliver the funds to him, Baird made the following representations:
- a. He maintained a high-interest certificate of deposit account at MACU;
 - b. E.C.'s funds would be deposited in the account for safekeeping;
 - c. E.C.'s funds would be held separate from any other funds;
 - d. The certificate of deposit account did not have early withdrawal penalties and would allow Baird to return E.C.'s principal and all accrued interest, whenever needed;

¹ E.C. filed a civil action against Baird on July 6, 2012. *E.C. v. Ronald H Baird*, Case No. 120904622, Second Judicial District Court of Utah (2012). Through her complaint, E.C. seeks to recover a minimum of \$159,000.

- e. Baird owned and was working on several successful business ventures and property projects;
 - f. Baird showed E.C. several storage units in Syracuse, Utah, which he claimed to own and from which he claimed to be making a profit;
 - g. Baird showed E.C. a residential project in Farmington, Utah, which he claimed he was working on and would be given one of the lots on which to build a home;
 - h. Baird provided to E.C. an undated balance sheet prepared by West & West Accounting, LLC showing his net worth to be \$9,368,339.00;
 - i. Baird provided to E.C. a balance sheet prepared by West & West and dated June 30, 2003 showing his net worth as \$5,050,852; and
 - j. Baird took E.C. to Randolph, Utah and there claimed he would be inheriting “Simms Ranch” once the current owner passed away.
13. On March 16, 2007, E.C. received \$220,000 from her divorce settlement and deposited the funds into her account at Zions Bank.
14. Following that deposit, and in reliance on the representations made by Baird, E.C. provided two checks to Baird, thereby entering into an investment contract, with terms as outlined above.
15. The first check was delivered on March 16, 2007, and was made payable to RDU in the amount of \$100,000. Bank records show that Baird deposited the check into the RDU

account at MACU the same day.

16. The second check was delivered on March 21, 2007, and was made payable to Baird in the amount of \$90,000. Bank records show that Baird deposited the check into the RDDC account at MACU the same day.²
17. In late March 2007, E.C. asked Baird to return \$11,000 of her funds from his certificate of deposit account to meet her tax obligation.
18. Sometime thereafter, Baird was able to return \$11,000 to E.C.; however, given the delay in his response, E.C. requested that Baird provide written documentation of their financial arrangement.
19. As a result, Baird drafted a handwritten document stating that RDDC was holding \$179,000 in its money market account at MACU for the use of land development. The document is dated April 2, 2007 and signed by Baird and E.C.
20. Contrary to the representations made in that document, and without E.C.'s knowledge,³ Baird had used 74% of E.C.'s investment funds for personal and/or business-related expenses on or before April 2, 2007.⁴

² At all relevant times, Baird was an authorized signer on both the RDU and the RDDC accounts. As of April 2, 2007, E.C. was also an authorized signer on the RDDC account.

³ Shortly after E.C. provided Baird with her funds in March 2007, Baird asked to borrow \$40,000 of the deposited funds to cover his payroll and business expenses. E.C. agreed to the loan, and Baird represented that he later re-deposited those funds. Additionally, E.C. agreed to let Baird use her credit card to pay \$1,000 to a cement company for business expenses, and Baird repaid the full amount via check from RDDC shortly thereafter. Aside from these, and other similar relatively small dollar amount transactions, E.C. did not have knowledge of, nor did she authorize, the use of her funds for personal and/or business-related expenses.

⁴ A first in, first out analysis of the bank records reveals that on or prior to April 2, 2007, the date of the handwritten

SECOND AND THIRD OFFER AND/OR SALE OF A SECURITY

21. In February 2008, E.C. needed to refinance the house that she received through her divorce proceedings. At that time, she approached Baird and requested a return of her funds.
22. Baird stated that there was a good chance that E.C.'s refinance would be unsuccessful and that her funds would be safer with him.
23. Therefore, rather than returning the money, Baird drafted two notes showing evidence of Respondents' indebtedness to E.C.
24. The first note, dated May 6, 2008, stated that E.C. originally provided \$190,000 to RDDC and that the balance had now been paid down to \$150,000. The note obligated RDDC to make payments of \$2,000 per month to E.C. until the entire balance was retired.
25. The second note, dated August 6, 2008, showed RDDC's indebtedness to E.C. to be \$140,000. This note also obligated RDDC to make payments of \$2,000 per month to E.C. until the entire balance was retired.
26. E.C. took the notes to her mortgage lender to show proof of income for her refinance; however, the lender would not accept the notes.
27. E.C. then went back to Baird and demanded the return of her funds.
28. In response, Baird provided E.C. with a check from RDU, dated July 2, 2008, in the amount of \$20,000.

document, Baird had spent all but \$50,000 of E.C.'s investment funds on personal and/or business related expenses. By April 12, 2007, less than one month from the investment date, Baird had completely depleted all of E.C.'s funds.

29. Baird also provided E.C. with a personal check in the amount of \$150,000 on that same date.
30. The check from Baird's personal account was returned for insufficient funds. The \$20,000 check from RDU was honored.
31. No further payments were made to E.C. by any of the Respondents.

CAUSES OF ACTION

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

32. The Division incorporates and re-alleges paragraphs 1 through 31.
33. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
34. In connection with the offer and sale of securities to investor E.C., Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. Baird had a high-interest certificate of deposit account at MACU, when in fact, no such account existed;
 - b. E.C.'s funds would be held separate from any other funds, when in fact, Baird commingled E.C.'s funds with other business and personal accounts; and
 - c. Baird could access E.C.'s funds upon her request and return them, with all accrued interest, without penalty, when in fact, a first in, first out analysis of the relevant bank records reveals that Baird spent all of E.C.'s funds within a month of deposit.
35. In connection with the offer and sale of securities 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. No certificate of deposit accounts were ever opened at MACU by any of the Respondents;
- b. With respect to the evidences of indebtedness, Baird failed to disclose the fact that all of E.C.'s funds had been used for personal and/or business-related expenses within a month from the date of investment;
- c. Baird owed a total of \$147,933.92 in unpaid civil judgments filed between May 2002 and March 2003;
- d. A garnishment order related to one of the civil judgments referenced in Paragraph 23(b) was outstanding against Baird;
- e. Respondent RDDC's corporate existence with the Utah Division of Corporations had expired on April 7, 2008 and was never renewed. Thus, the corporation was not in existence legally at the time it purported to obligate itself to pay E.C. in accordance with the evidences of indebtedness; and
- f. Neither Baird nor any of the other Respondents were licensed to sell securities in Utah.

ORDER

The Director hereby adopts and incorporates by reference the Order set forth in the Order to Show Cause filed March 4, 2013. Because the Respondents have fully complied with the requirements to appear at a formal hearing on May 1, 2013, conducted in accordance with Utah Code

Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities, and file an answer to the original Order to Show Cause, the Respondents are not required to file an answer to this Amended Order to Show Cause. However, they may amend their answer, received April 15, 2013, to address the changes in the Amended Order to Show Cause, if desired.

Additionally, Respondents shall comply with the Scheduling Order issued by Administrative Law Judge Jennie Jonsson on or about May 1, 2013. According thereto, this matter is set for a hearing before the Utah Securities Commission on September 26, 2013, if not otherwise settled with the Division prior to that date. 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, or any other section of the Act;
- c. Why Respondents 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 Respondents 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 23rd day of August, 2013.


KEITH WOODWELL
Director, Utah Division of Securities



Approved:



PAUL G. AMANN
Assistant Attorney General
M.E.


D.R.H.

I HEARBY CETIFY that on this 23rd day of August, 2013, I sent via email a true and correct copy of the foregoing to the following:



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