Division of Securities
Utah Department of Commerce
160 East 300 South, Second Floor
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: **CARL ROGER TODD;** **KENNETH WALTER NORTH;** **Respondents.**	**ORDER TO SHOW CAUSE** **Docket No.** SD-06-0089 **Docket No.** SD-06-0090

It appears to the Director of the Utah Division of Securities (Director) that Carl Roger Todd and Kenneth Walter North may 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 investigation of this matter by the Utah Division of Securities (Division), 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 the Respondents and subject matter is appropriate in this matter based on allegations that the Respondents violated § 61-1-1 (Securities Fraud) of the Act while

engaged in the offer of a security in Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Carl Roger Todd (Todd) resides in Cass County, Missouri.

3. Kenneth Walter North (North) resides in Utah County, Utah.

GENERAL ALLEGATIONS

4. On July 5, 2006, the Missouri Securities Division issued a Cease and Desist Order (the Missouri Action), and served it upon Carl Roger Todd and several associated individuals and entities, which alleged that in connection with the offer and sale of a bank trading program (or prime bank scheme[1]) to Missouri residents, Todd committed securities fraud and failed to registered a securities offering.

5. The Missouri Action also alleged that Todd raised over $500,000 from at least seven Missouri residents, through the bank trading program, none of which has been returned to investors.

6. The Missouri Action is currently ongoing.

7. After the Missouri Action was filed, the Assistant Commissioner of the Missouri

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[1] In a "prime bank scheme," investors are offered high-yield, tax-free returns through supposed access to the investment portfolios of the world's "elite" banks. In fact, these "prime banks" do not exist.

Securities Division, Mary Hosmer (Hosmer), received a telephone call from a resident of Utah (S. S.) who informed Hosmer that he had been solicited by Todd to invest in a bank trading program.

8. S. S. discovered the Missouri Action naming Todd while performing a search of Todd on the Internet.

9. On October 12, 2006, Hosmer contacted Michael Hines (Hines), the Utah Division of Securities' Director of Enforcement, to inform the Division of possible offers and sales being made in Utah by Todd.

10. Hines contacted S. S. and organized an undercover operation, whereby he would meet with Todd or any of Todd's associates who were suspected of soliciting investors in the bank trading program. Hines recorded everything said during meetings and telephone conversations with the subjects.

11. On October 13, 2006, Hines, using the name David McVay (McVay), met with Kenneth Walter North at an office in Salt Lake City, Utah. North said he was acting as Todd's representative in Utah, and was looking for people to invest in the bank trading program.

12. Also present at the meeting were Utah resident, S. S., and his two associates, M. C., and R. T. S. S. arranged the meeting with North, and told North that M. C. and McVay were both interested in investing.

13. At the meeting, North told those present that Todd was a mediator for the International Monetary Fund (IMF), and that the bank trading program was "approved under the

Federal Reserve to actually function within the United States."

14. North explained the bank trading program as follows:

> It's a trade being done in Europe, being done out of New York but the trade is in Europe. It is over a $100 million dollars, okay, and they are allowing us to put some people in for $1 million dollars to $20 million dollars. Basically it's a real simple thing because what you do is put your money into your account, in a major bank, could be Zion's could be Wells Fargo. The account is with only you as a signature. No one can withdraw money out of that account. The money is used as collateral only, toward the production of debenture bonds.

15. North told those present that for some investors, the bank trading program had provided a return of 160% on a weekly basis.

16. North said the bank trading program worked, nobody had lost any money, and everyone was making money. North said he knew of 20-25 people who were already investing and making money.

17. When McVay asked for the names of some of these investors, North said "everything is private . . . you will have to trust me."

18. North told McVay he would need to put his investment into a non-interest bearing account at a major bank, with only McVay on the signature card, so nobody could withdraw money. North said McVay's money in the account would be used only as collateral, and no money would be removed from the account.

19. When McVay asked North about the worst case scenario with the investment, McVay said, "There is no worst case scenario. This program has no risk."

20. North explained that the goal of those in charge of the bank trading program was to make a return of at least 50% per week, and to split 25% with the investor.

21. When McVay asked how North was compensated, North said "when they split the 25% of the 50% out, 25% covers Carl Todd, and Carl Todd covers me."

22. North told McVay that once McVay completed the paperwork, McVay would have to go through an FBI background check.

23. On October 16, 2006, McVay received a telephone call from North, who said he needed McVay to complete some paperwork. McVay suggested he and North meet the following day at the same office in Salt Lake City, and that he meet with Todd in person at some point.

24. Before ending the telephone call, North told McVay if he decided to invest he "would not be disappointed."

25. On October 17, 2006, McVay met with North for a second time, at the same office in Salt Lake City. Todd was present at the meeting by telephone.

26. North gave McVay a computer disc which contained a Non-Circumvention & Non-Disclosure Agreement, a Client Information Sheet, a Corporate Resolution, and a Letter of Intent.

27. McVay told Todd he had $1 million in Zions Bank and was ready to sign the documents.

28. McVay asked Todd to confirm that North was in fact working with Todd. Todd told McVay that he and North had been working together for about seven or eight years, and

had done "millions and millions and millions of dollars in business together."

29. Todd told McVay that his investment contract would guarantee him "a 25% per week return on four weeks of trading," that "there is no risk in the program at all to you," that McVay's money would go into Lehman Brothers Bank in New York, and that "there is no program available after October 31st."

30. Later the same day, on October 17, 2006, McVay flew to Kansas City, Missouri, to meet Todd in person. Todd picked McVay up at the airport and they went to a restaurant in Kansas City to discuss the bank trade program.

31. During their face to face meeting, McVay and Todd had the following exchange:

MCVAY:	So I put the money in the account and then an assignment to another institution?
TODD:	Uh-huh.
MCVAY:	Then my money is somehow pooled with other people's money to get to these aggregate amounts?
TODD:	Yes, Lehman Brothers will be doing that, yes.
MCVAY:	Okay, so Lehman Brothers pools it. I am endowed with, apparently, a nice profit?
TODD:	Yes, a very nice profit.
MCVAY:	I don't have to do anything?
TODD:	That's right.

32. At no time did Todd or North tell McVay about the Missouri Action naming Todd and

several of his associates and entities, in connection with the sale of the exact same bank trading program to Missouri residents.

33. On October 31st, 2006, in a sworn statement taken by the Missouri Securities Division, Carl Todd contradicted previously recorded statements Todd made to McVay, and denied that he made several other statements to McVay.

CAUSES OF ACTION

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

34. The Division incorporates and re-alleges paragraphs 1 through 33.

35. The bank trading program offered by Todd and North is an investment contract, and therefore a security, under § 61-1-13 of the Act. According to Utah Administrative Rule 164-13-1, an "Investment Contract" is "any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor." The bank trading program is an Investment Contract because investors were told their money would be pooled, a large profit would be generated from the pooled money, all without the investor doing a thing other than providing money.

36. In connection with the offer of a security to Utah investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

    a. That Carl Roger Todd was a mediator for IMF, when, in fact, this was not true;

    b. That there were 20-25 other investors, some of whom were receiving a return of

as much as 160% on a weekly basis, when, in fact, Respondents had no reasonable basis on which to make these representations;

c. That the bank trading program worked, and nobody was losing money, when, in fact, Respondents had no reasonable basis on which to make these representations;

d. That there was no risk involved in the bank trading program, when, in fact, Respondents had no reasonable basis on which to make this representation;

e. That the bank trading program was approved under the Federal Reserve to "function within the United States," when, in fact, the Federal Reserve has no approved any prime bank programs to operate in the United States;

f. That investors had to undergo an FBI background check prior to investing, when, in fact, the FBI does not conduct background checks for private investment offerings;

g. That the investment guaranteed a return of 25% per week on four weeks of trading, when, in fact, the Respondents had no reasonable basis on which to make this representation; and

h. That the investors money would go to Lehman Brothers Bank in New York and Lehman Brothers would pool the investor money with money from other investors, when, in fact, the Respondents had no reasonable basis on which to make this representation.

37. In connection with the offer of a security to Utah investors, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following:

a. That on July 5, 2006, the Missouri Securities Division issued a Cease and Desist Order against Carl Roger Todd and others, in connection with the offer and sale of the same bank trading program to seven Missouri residents;

b. That the bank trading program was a security that should have been registered with the Division;

c. That Todd and North were not licensed to sell securities in Utah;

d. That investor money was at risk;

e. The amount of money actually raised;

f. The number of investors;

g. The amount of actual returns received by other investors; and

h. How the bank trade program generated a profit.

38. Based on the above, Carl Roger Todd and Kenneth Walter North, willfully violated § 61-1-1 of the Act.

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. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on

Wednesday, December 27th, 2006, at 10:00 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. If Respondents fail to file an answer or 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. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, Respondents may show cause, if any they have:

a. Why Carl Roger Todd and Kenneth Walter North should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Carl Roger Todd and Kenneth Walter North 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 Carl Roger Todd should not be ordered to pay a fine of one hundred thousand dollars ($100,000) to the Division; and

d. Why Kenneth Walter North should not be ordered to pay a fine of fifty thousand dollars ($50,000) to the Division.

DATED this 14TH day of November, 2006.

WAYNE KLEIN
Director, Utah Division of Securities

Approved:

JEFFREY BUCKNER
Assistant Attorney General

M. H.

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
FAX: (801)530-6980

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

IN THE MATTER OF:	**NOTICE OF AGENCY ACTION**
CARL ROGER TODD; **KENNETH WALTER NORTH;**	**Docket No.** SD-06-0089 **Docket No.** SD-06-0090
Respondents.	

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 Division of Securities (Division). Utah Code Ann. § 63-46b-2(1)(a). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63-46b-6 through 11; see also Utah Admin. Code R151-46b-1 et seq.; Utah Admin. Code 164–1 et seq. 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 R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date

of this Notice. Utah Admin. Code R151-46b-8(1). Your response must be in writing and signed by you or your representative. Your response must include the file number or other reference number; the 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 § 63-46b-6(1). In addition, the presiding officer requires that your response:

(a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause. Allegations in the Order to Show Cause not specifically denied are deemed admitted;

(b) identify any additional 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).

Shortly after the deadline for filing your response to the Order to Show Cause, an initial pre-hearing conference in this adjudicative proceeding will be held. Utah Admin. Code R151-46b-9(9). The time, date and place for that hearing are given below as well as in the Order to Show Cause. Utah Code Ann. § 61-1-20(1)(b). The purpose of the initial pre-hearing conference is to set a deadline for the filing of pre-hearing motions, including summary judgment; determine whether to

modify the deadlines for disclosures; to order initial disclosures and resolve discovery issues; schedule any additional pre-hearing conferences; schedule a tentative hearing date to adjudicate whether the facts alleged in the Order to Show Cause or agency action accompanying this Notice are true and the relief requested is appropriate; and to deal with any other matters.

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 Pam Radzinski
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeffrey Buckner
Assistant Attorney General
160 E. 300 South, Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

Please note that an initial pre-hearing conference on the Order to Show Cause has been scheduled for Wednesday, December 27th, 2006, at 10:00 am. The hearing will take place at the Division of Securities, 160 East 300 South, second floor, Salt Lake City, Utah.

If you fail to file a response or fail to attend or participate in the initial pre-hearing conference, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63-46b-11; Utah Admin. Code R151-46b-11(a). 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 determine all issues in the proceeding. Utah Code Ann. § 63-46b-11(4); Utah Admin. Code R151-46b-11(b). In the alternative, the Division may proceed with a hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf.

The presiding officer in this case is Wayne Klein, Director, Director, Division of Securities. An administrative law judge may be assigned after the initial pre-hearing conference. At any hearings, the Division will be represented by the Attorney General's Office.

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 Jeffrey Buckner, Assistant Attorney General, 160 E. 300 South, Fifth Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 14th day of November, 2006.

Wayne Klein, Director
Division of Securities
Utah Department of Commerce

Certificate of Mailing

I certify that on the 14TH day of November, 2006, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Carl Roger Todd
1801 Harold Drive
Raymore, MO 64083

Certified Mail # 7006 0100 0001 7688 9197

Kenneth Walter North
1141 E. 1300 N.
American Fork, UT 84003

Certified Mail #_____

Pamela Radzinski
Executive Secretary

Certificate of Mailing

I certify that on the 14TH day of November, 2006, I ~~mailed~~ hand delivered, ~~by certified mail~~, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Carl Roger Todd
1801 Harold Drive
Raymore, MO 64083

Certified Mail # 7006 0100 0001 7688 9197

Kenneth Walter North
1141 E. 1300 N.
American Fork, UT 84003

~~Certified Mail #~~ _____

_____
Executive Secretary