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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

ETALON CARD, INC, JONATAN SCHMIDT,
CHARLES MILLER, DUSTY MOSS,
BEVERLY ANN STEBBINS; their agents and
employees,

Respondents.

S-02-394-03-TO01

SUMMARY ORDER TO CEASE AND DESIST
AND NOTICE OF INTENT TO IMPOSE FINES
AND REVOKE EXEMPTIONS

Case No. S-02-394

THE STATE OF WASHINGTON
TO:

Etalon Card, Inc.
2033 Gateway Place, Suite 500
San Jose, California 95110

Jonatan Schmidt

Charles Miller

Dusty Moss

Beverly Ann Stebbins
Goldendale, Washington 98620

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Etalon Card, Inc., Jonatan Schmidt, Charles Miller, Dusty Moss, and Beverly Ann Stebbins, have violated the Securities Act of Washington and that their violations justify the entry of an

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1 order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The
2 Securities Administrator finds that delay in ordering the Respondents to cease and desist from such
3 violations would be hazardous to the investors and to the public and that a Summary Order to Cease and
4 Desist should be entered immediately. The Securities Administrator finds as follows:

5
6 **TENTATIVE FINDINGS OF FACT**

7 **I. Respondents**

8
9 1. Etalon Card, Inc. (“Etalon”) is a Nevada corporation with a primary office located in San
10 Jose, California. Etalon is not registered to do business as a foreign corporation in Washington.

11 2. Jonatan Schmidt (“Schmidt”) is the president of Etalon.

12 3. Charles Miller (“Miller”) acted as a sales agent for Etalon at all times relevant to this matter.

13 4. Dusty Moss (“Moss”) acted as a sales agent for Etalon at all times relevant to this matter.

14 5. Beverly Ann Stebbins (“Stebbins”) is a resident of Goldendale, Washington and acted as a
15 sales agent for Etalon at all time relevant to this matter.

16 **II. Nature of the Offering**

17 6. In April or May of 2002, Stebbins told a friend and fellow Goldendale resident that she knew
18 of a good investment. Stebbins told the friend that she found out about the investment through her
19 long-time friend, Schmidt, who was the president of the company. She told the friend that Etalon was
20 in the process of buying a trust company and that once Etalon acquired this trust company and had
21 gone public that the investment would increase at least six fold. The friend was not given a
22 prospectus, financial statements for Etalon, or any risk disclosures. The friend was not given any
23

1 information to support the statement that the stock would increase in value. This statement is
2 misleading and appears to have no reasonable basis in fact.

3 7. The friend decided to invest in Etalon. In May or June 2002, the friend wrote a check made
4 out to Moss for \$20,000. The friend then received a stock certificate for Etalon stock that was
5 delivered by Stebbins.

6 8. On May 28, 2002, Etalon applied to the State of North Dakota, Department of Financial
7 Institutions to purchase 1000 shares of Nodak State Trust Company (“Nodak”) from the owner, Jane
8 Kirby. At that time, Nodak was in conservatorship and the State of North Dakota had filed a civil
9 action to dissolve and liquidate the company.

10 9. In September, 2002, Stebbins told a business associate and fellow Goldendale resident, that
11 she knew of a company that was trying to raise startup capital. Stebbins told the business associate
12 that she could guarantee that the investment would return at least five times on the investment. She
13 told the business associate that at least four other people in Goldendale had invested. The business
14 associate declined to invest.
15

16 10. In late November, Stebbins again contacted the business associate about the investment.
17 The business associate requested more information on the investment. Stebbins contacted Miller, and
18 on November 26, 2003 Miller faxed the business associate a six-page document regarding Etalon.
19 The cover sheet instructed the business associate to fill out the attached “Personal Information” sheet
20 and deliver the original to Stebbins. The business associate was not given a prospectus, financial
21 statements for Etalon, or any risk disclosures.

22 11. The document described a “Near Term Private Placement Opportunity”. The document
23 describes Etalon as a company in the prepaid card market. The document also states that Etalon was

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1 scheduled to go public within 90-120 days and that Ernst & Young had valued the stock at \$6 to \$8
2 per share. The document indicates that the value of Etalon stock had doubled since the acquisition of
3 Nodak in mid-April. Further, the document states that a \$25,000 investment could be worth \$125,000
4 within the next three to four months. Stebbins did not provide the business associate with any further
5 information to support these statements and the statements are misleading and appear to have no
6 reasonable basis in fact. Stebbins did not provide the business associate with financial statements or a
7 prospectus.

8 12. On November 27, 2002, the State of North Dakota, Department of Financial Institutions,
9 State Banking Board, denied Etalon's application to acquire Nodak stock.

10 13. On December 5, 2003, Stebbins told a second business associate that she was selling
11 interests in a trust and that the investment would return a profit of five times the investment once
12 Etalon went public sometime in the beginning of 2003. This statement is misleading and appears to
13 have no reasonable basis in fact. The business associate asked questions about the investment, but
14 Stebbins told the business associate that Etalon was in the "quiet period" and that she could not
15 discuss details.
16

17 III. Registration Status

18 12. Etalon Card, Inc. is not currently registered to sell its securities in the state of Washington and
19 has not previously been so registered. Etalon Card Company, Inc has not filed any claim of exemption
20 from registration with the Securities Administrator.

21 13. Jonatan Schmidt, Charles Miller, Dusty Moss, and Beverly Ann Stebbins are not currently
22 registered as securities salespersons or broker-dealers in the state of Washington and have not
23 previously been so registered.

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2 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

3 CONCLUSIONS OF LAW

4 I.

5 The offer and/or sale of stock described above constitutes the offer and/or sale of a security as
6 defined in RCW 21.20.005(10) and (12), to wit: a stock.

7 II.

8 The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration
9 is on file with the Administrator of Securities, state of Washington.

10 III.

11 Jonatan Schmidt, Charles Miller, Dusty Moss, and Beverly Ann Stebbins have violated RCW
12 21.20.040 by offering and/or selling said securities while not registered as a securities salespersons or
13 broker-dealers in the state of Washington.

14 IV.

15 The offer and/or sale of said securities was made in violation of RCW 21.20.010 because
16 Respondents misrepresented material facts and omitted to state material facts to the purchaser and
17 prospective purchasers, including but not limited to the value of the stock, the potential return on the
18 investment, the status of the acquisition of Nodak, and Etalon's preparation to go public. Further,
19 Respondents failed to provide financial statements or other information sufficient to allow an investor
20 to evaluate the investments. These material omissions made the statements that were made
21 misleading.
22

23 V.

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1 The Securities Administrator finds that an emergency exists, that the continued violations of
2 RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140 constitutes a threat to the investing public,
3 and that summary orders to cease and desist from those violations are in the public interest and
4 necessary for the protection of the investing public.

5 **SUMMARY ORDER**

6 Based on the foregoing, IT IS HEREBY SUMMARILY ORDERED that Etalon Card, Inc.,
7 Jonatan Schmidt, Charles Miller, Dusty Moss, and Beverly Ann Stebbins each cease and desist from
8 offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the
9 Securities Act of Washington requiring registration.

10 It is further SUMMARILY ORDERED that Jonatan Schmidt, Charles Miller, Dusty Moss, and
11 Beverly Ann Stebbins each cease and desist from violation of RCW 21.20.040, the section of the
12 Securities Act making it unlawful to act as a broker-dealer or securities salesperson without being so
13 licensed in this state.

14 It is further SUMMARILY ORDERED that Etalon Card, Inc., Jonatan Schmidt, Charles Miller,
15 Dusty Moss, and Beverly Ann Stebbins each cease and desist from violation of RCW 21.20.010, the
16 anti-fraud section of the Securities Act.
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19 **NOTICE OF INTENT TO IMPOSE FINES**

20 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator
21 intends, pursuant to RCW 21.20.110(3), to order that Respondents shall be jointly and severally liable for
22 and shall pay a fine in the amount of \$15,000.
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NOTICE OF INTENT TO REVOKE EXEMPTIONS

Pursuant to RCW 21.20.325, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the exemptions available to Etalon Card, Inc. under RCW 21.20.320(1), (9), (11), and (17) shall be permanently revoked.

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CONTINUING INVESTIGATION

The Securities Division is continuing to investigate the practices of the Respondents, Etalon Card, Inc., Jonatan Schmidt, Charles Miller, Dusty Moss, and Beverly Ann Stebbins, to determine the full extent of the violations of the Securities Act that have occurred in this matter.

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AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the provisions of Chapter 34.05 RCW. The Respondents, Etalon Card, Inc., Jonatan Schmidt, Charles Miller, Dusty Moss, and Beverly Ann Stebbins, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a respondent does not request a hearing in writing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and impose the stated fine of \$15,000 and make the Summary Order to cease and desist permanent as to that respondent.

1 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

2 DATED this 8 day of September, 2003

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5 DEBORAH R. BORTNER
6 Securities Administrator

7 Presented by:

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9
10 Susan H. Anderson
11 Financial Legal Examiner

12 Approved by:

13 

14 Michael E. Stevenson
15 Chief of Enforcement