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

IN THE MATTER OF DETERMINING) Order No.: S-15-1790-16-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
) NOTICE OF INTENT TO
Zoydan Games, Inc.,) ENTER ORDER TO CEASE AND DESIST,
Steven G. Baldwin,) TO IMPOSE A FINE,
) AND TO CHARGE COSTS
)
Respondents)

THE STATE OF WASHINGTON TO: Zoydan Games, Inc.
Steven G. Baldwin

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Zoydan Games, Inc. and Steven G. Baldwin, have each violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Zoydan Games, Inc. ("Zoydan") is a Washington corporation incorporated on July 8, 2011 with its principal place of business in Spokane, Washington. Zoydan was formed to develop and market card games and board games.

2. Steven G. Baldwin ("Baldwin") resides in Spokane, Washington. From July 2011 until approximately November 2013, Baldwin was the President of Zoydan. After serving as President, Baldwin continued to be a signer on the Zoydan bank account and to issue stock certificates for the company.

1 Baldwin had a prior bankruptcy and a federal fraud conviction. In February 1989, Baldwin filed for
2 bankruptcy after unsuccessfully operating National Safe Depository Corp. (“National Safe”), a business that
3 was supposed to purchase and store precious metals. In January 1991, Baldwin pled guilty to three counts
4 of mail fraud in the United States District Court for the Eastern District of Washington in Spokane,
5 Washington. Baldwin admitted that he defrauded National Safe investors out of \$1.25 million and failed to
6 maintain required reserves of precious metals for his customers. In May 1991, Baldwin was sentenced to
7 five years in prison.

8 **Overview**

9 3. Between approximately May 2013 and April 2015, the Respondents raised more than
10 \$340,000 through the offer and sale of more than 3 million shares of Zoydan common stock to at least 9
11 investors, including at least 3 investors who reside in Washington. Baldwin failed to disclose to some
12 Zoydan investors that he had a prior criminal conviction for mail fraud and a prior bankruptcy in connection
13 with his operation of a precious metals business. Baldwin now operates another precious metals business
14 (Spokane Coin Exchange), and found at least three Zoydan investors through that business. Baldwin
15 personally solicited investments in Zoydan through telephone calls, emails, and at least one in-person
16 meeting in Spokane.
17

18 **Providing a Misleading Offering Memorandum**

19 4. When offering and selling Zoydan stock, Baldwin provided at least two investors with an
20 offering memorandum that misled the investors because it did not disclose material information about the
21 investment. The memorandum described Baldwin’s experience with buying and selling precious metals, but
22 it did not disclose Baldwin’s prior criminal fraud conviction or bankruptcy. The memorandum also did not
23 include any information regarding Baldwin’s prior sales of the “Megiddo” game, one of the games that is
24 being marketed by Zoydan.
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Failure to Provide Any Written Offering Materials

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2 5. When offering and selling Zoydan stock to at least one investor in July 2014, the
3 Respondents failed to give the investor any written offering materials about the investment. The
4 Respondents each failed to disclose Baldwin's prior criminal fraud conviction and bankruptcy, and other
5 risks of the investment, including inadequate capitalization, illiquidity, competition, and unproven demand
6 for the Zoydan games. The Respondents also failed to disclose the intended use of the investor's funds.

7 6. The Respondents also failed to give the investor any financial statements for Zoydan. The
8 Respondents failed to disclose to the investor that throughout its existence, Zoydan had never earned any
9 significant revenues and was never profitable. During 2013 and 2014, Zoydan generated annual net losses
10 of approximately \$100,000 per year.

Providing Misleading or Incomplete Information about Zoydan

11
12 7. When offering and selling Zoydan stock, Baldwin made misleading representations about the
13 public market for the stock. Baldwin misleadingly represented to at least two investors that Zoydan stock
14 would soon become publicly traded through a merger with a publicly traded company. The Respondents
15 each failed to disclose the amount of capital that would be required to complete the merger and the steps
16 that needed to be taken before the merger could be completed. In a December 2013 email, Baldwin falsely
17 represented to at least one investor that Zoydan could start offering its stock to the general public, when in
18 fact, because the stock was not registered or publicly traded, Zoydan was prohibited from publicly offering
19 its stock.
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21 8. Baldwin made misleading representations concerning the current and future value of Zoydan
22 stock. Baldwin falsely represented to at least one investor that Zoydan stock would never be worth less than
23 the purchase price. Baldwin also misleadingly represented that by investing quickly, the investor could
24 purchase Zoydan stock at a "discount" of \$0.08 per share, which was \$0.02 less than the planned public
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1 offering price of \$0.10 per share. The Respondents each failed to disclose to the investor that the discounted
2 stock price was an arbitrary amount that was not related to the underlying value of the stock. Baldwin
3 misleadingly represented to at least two investors that Zoydan's stock would increase from a price of \$0.10
4 per share to a price of \$2.00 per share (an increase of 2,000%) or more within two years after investing. The
5 Respondents each failed to disclose the assumptions or provide any reasonable basis for the projected stock
6 price increase.

7 9. Baldwin made additional false and misleading representations about the safety and value of
8 Zoydan stock. Baldwin sent one prospective investor an email which misleadingly stated that their
9 investment would be refunded if the Zoydan public offering was not completed. Baldwin failed to disclose
10 the source of the funds for providing any refunds. Baldwin also represented that an investor could purchase
11 stock for 10 cents per share in the company that owned "Megiddo," one of Zoydan's games. Baldwin failed
12 to disclose to the investor that the price of the stock was an arbitrary price that was unrelated to the
13 underlying value of the company. Baldwin falsely and misleadingly represented to the investor that the
14 investment was guaranteed, was very safe, and could be cashed in at any time if needed.

15 10. The Respondents each failed to disclose material information about the business consultant
16 who was directing Zoydan's proposed merger. In November 2013, Baldwin sent a prospective investor an
17 email that referred to the consultant, Jay Edington ("Edington"), as "our man behind the scenes with several
18 hundred of these [public offerings] under his belt." Baldwin gave the investor a private placement
19 memorandum that described Zoydan's proposed merger with a publicly traded company that was managed
20 by Edington's son. The Respondents each failed to disclose that Joseph "Jay" Edington was subject to a
21 1989 permanent injunction for securities violations, in connection with a civil enforcement action brought
22 against him by U.S. Securities and Exchange Commission.
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1 11. After November 2013, Baldwin was no longer the President of Zoydan. However, Baldwin
2 continued to represent to several investors that Baldwin was the President of Zoydan, even when he no
3 longer held that position with the company. The Respondents failed to disclose to investors that although
4 Baldwin was no longer Zoydan's President, Baldwin had signature authority on Zoydan's bank account,
5 while the current President did not. The Respondents also failed to disclose that Baldwin controlled
6 Zoydan's stock register.

7 **Registration Status**

8 1. Zoydan Games, Inc. is not currently registered to sell its securities in the state of Washington
9 and has not previously been so registered, nor has it filed a claim of exemption from registration.

10 2. Steven G. Baldwin has never been registered as a securities salesperson or broker-dealer in
11 the state of Washington.

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

13 **CONCLUSIONS OF LAW**

14 1. The offer and/or sale of the stock described above constitute the offer and/or sale of a
15 security as defined in RCW 21.20.005(14) and (17).

16 2. Zoydan Games, Inc. and Steven G. Baldwin have each violated RCW 21.20.140, because, as
17 set forth in the Tentative Findings of Fact, Respondents offered and/or sold securities for which no
18 registration is on file with the Securities Administrator.

19 3. Steven G. Baldwin has violated RCW 21.20.040 by offering and/or selling said securities
20 while not being registered as a securities salesperson or broker-dealer in the state of Washington.

21 4. Zoydan Games, Inc. and Steven G. Baldwin have each violated RCW 21.20.010, because, as
22 set forth in the Tentative Findings of Fact, Respondents made untrue statements of material fact or omitted
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1 to state material facts necessary to make the statements made, in light of the circumstances in which they
2 were made, not misleading.

3 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

4 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
5 Administrator intends to order, pursuant to RCW 21.20.390(1), that Zoydan Games, Inc. and Steven G.
6 Baldwin, their agents and employees each shall cease and desist from violations of RCW 21.20.010 and
7 RCW 21.20.140 and Respondent Steven G. Baldwin, his agents and employees each shall cease and desist
8 from violations of RCW 21.20.040.

9 **NOTICE OF INTENT TO IMPOSE A FINE**

10 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
11 Law, the Securities Administrator intends to order that Respondent Steven G. Baldwin shall be liable for
12 and shall pay a fine of \$10,000.

13 **NOTICE OF INTENT TO CHARGE COSTS**

14 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of
15 Law, the Securities Administrator intends to order that Respondent Zoydan Games, Inc. and Steven G.
16 Baldwin shall be jointly and severally liable for and shall pay the costs, fees, and other expenses incurred in
17 the administrative investigation and hearing of this matter, in an amount not less than \$2,500.

18 **AUTHORITY AND PROCEDURE**

19 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is
20 subject to the provisions of Chapter 34.05 RCW. The Respondents, Zoydan Games, Inc. and Steven G.
21 Baldwin, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY
22 TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not
23 make a hearing request in the time allowed, the Securities Administrator intends to adopt the above
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1 Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and
2 desist as to that Respondent, to impose any fines sought against that respondent, and to charge any costs
3 sought against that Respondent.

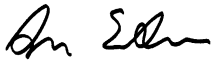
4 Signed and Entered this 21st day of April, 2016

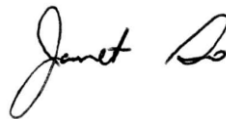
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9 _____
William M. Beatty
Securities Administrator

10 Approved by:

Presented by:

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14 _____
Suzanne Sarason
Chief of Enforcement

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Janet So
Financial Legal Examiner

16 Reviewed by:

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18 _____
Robert Kondrat
Financial Legal Examiner Supervisor