UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-17907

In the Matter of

ANTHONY C. ZUFELT,

Respondent.

DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AND IMPOSITION OF SANCTIONS AGAINST RESPONDENT ANTHONY C. ZUFELT

The Division of Enforcement ("Division") hereby moves, pursuant to the Order Setting Briefing Schedule (AP Rulings Release No. 6337, dated November 16, 2018) and Rule 250 of the Commission's Rules of Practice (17 C.F.R. § 201.250), for summary disposition determining this proceeding against Respondent Anthony C. Zufelt ("Respondent" or "Zufelt") pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and imposition of sanctions permanently barring him from: (i) association with any broker or dealer; and (ii) participating in any offering of a penny stock.[1]

[1] On January 10, 2019, the Division filed a motion to stay this proceeding because of the ongoing partial government shutdown resulting from a lapse in appropriations. Because that motion to stay has not been ruled upon yet, the Division deemed it advisable to proceed with the filing of this motion for summary disposition.

I. Background

A. Allegations in the OIP.

On April 7, 2017, the Order Instituting Proceedings ("OIP") in this matter was issued pursuant to Section 15(b) of the Exchange Act. Securities Exchange Act Release No. 80402. As alleged in the OIP, on October 7, 2016, in a civil action captioned *Securities and Exchange Commission v. Anthony C. Zufelt, et al.*, Case No. 2:10-cv-00574, in the United States District Court for the District of Utah (the "Civil Action"), a final judgment was entered permanently enjoining Zufelt from future violations of Section 15(a) of the Exchange Act and Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act"). OIP ¶ II.2. The OIP further alleges that, beginning in approximately June 2005, Respondent acted as an unregistered broker or dealer in violation of Section 15(a) of the Exchange Act. OIP ¶ II.1. The OIP also summarizes the allegations forming the basis of the Civil Action. OIP ¶ II.3.

B. The Underlying Civil Action.

1. Allegations in the Civil Complaint.

On June 23, 2010, the Commission filed the Civil Action against Zufelt, his companies, other defendants, and certain relief defendants. *See, generally,* Exhibit A, Compl.[2] The Complaint in the Civil Action described in detail the manner in which Zufelt and others solicited potential investors for two fraudulent Ponzi schemes through an array of corporate defendants he owned and controlled. As alleged in the Civil Action and held by the District Court, between June 2005 and September 2007, Zufelt acted as an unregistered broker or dealer when he solicited potential

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[2] Pursuant to Commission Rule of Practice 323, 17 C.F.R. § 201.323, the ALJ may take judicial notice of filings in the Civil Action. In support of this Motion, the Division submits as exhibits the following such filings: the Commission's Complaint in the Civil Action (Exhibit A), Civil Action Doc. No. 1; the district court's Order Granting Partial Summary Judgment (Exhibit B), Civil Action Doc. No. 214; and the Final Judgment that includes the District Court's permanent injunction (Exhibit C), Civil Action Doc. No. 237. The Division also refers below to certain evidence submitted in support of the Commission's Motion for Partial Summary Judgment, Civil Action Doc. No. 199.

investors for two fraudulent Ponzi schemes through an array of corporate defendants he owned and controlled, including Zufelt, Inc. and Silver Leaf Investments, Inc. *See id.* ¶¶ 1-3, 10; *see also* Exhibit B. As a result of Respondent Zufelt's conduct, Zufelt Inc. and Silver Leaf sold securities as unregistered brokers or dealers, soliciting at least 35 individuals to provide more than $3.6 million in exchange for unregistered promissory note securities. *See Compl.* ¶ 3.

2. The District Court's Permanent Injunction.

On January 4, 2016, the United States District Court for the District of Utah granted partial summary judgment against Zufelt. *See* Exhibit B. The court found that Zufelt acted as an unregistered broker-dealer in violation of Section 15(a) of the Exchange Act, and sold unregistered securities in violation of Sections 5(a) and 5(c) of the Securities Act. *Id.* On February 22, 2016, "as a sanction for his repeated refusal to meaningfully participate in litigation," including his failure to comply with the District Court's July 17, 2015 Order compelling responses to the Commission's written discovery, Judge Benson entered default judgment against Respondent Zufelt on the Commission's remaining claims that he committed fraud in violation of Section 10(b) of the Exchange Act, Rule 10b-5 thereunder and Section 17(a) of the Securities Act. *Id.*, Docket No. 222.

On October 7, 2016, in addition to ordering other relief, the district court entered Final Judgment against Zufelt and permanently enjoined him from future violations of Section 15(a) of the Exchange Act and Sections 5(a) and 5(c) of the Securities Act, Section 10(b) of the Exchange Act, Rule 10b-5 thereunder and Section 17(a) of the Securities Act, and from acting as an unregistered broker or dealer or associated person of a broker-dealer. *See* Exhibit C. In the Final Judgment, the District Court held Zufelt jointly and severally liable for disgorgement of $2,425,682, plus prejudgment interest thereon of $971,472, and imposed a third-tier civil penalty of $520,000. *Id.* at 6-7. To date, Zufelt has paid nothing toward this judgment.

1. Evidence in the Civil Action.

a. Section 5 Violations[3]

In the Civil Action, undisputed facts established that Respondent Zufelt violated Section 5 of the Securities Act by offering and selling unregistered securities of Zufelt, Inc. in the form of Zufelt, Inc. Purchase Agreements and unregistered securities of Silver Leaf in the form of Silver Leaf Promissory Notes through interstate commerce (*e.g.*, telephones, the mails, and the Internet). *See* Civil Action Doc. No. 199, Statement of Elements and Undisputed Facts, pp. 2-12; *see also SEC v. Mowen*, No. 2:09-CV-00786-DB, 2012 WL 2120249, *2 (D. Utah June 11, 2012) (citing 15 U.S.C. § 77(e) (2005)); *SEC v. Art Intellect, Inc.*, No. 2:11-CV-357, 2013 WL 840048, at *20 (D. Utah Mar. 6, 2013) (similar analysis).

The evidence presented in the Civil Action included, *inter alia*, attestations from the Office of the Secretary that no registration statements were ever filed in the name of Anthony Zufelt, individually, or the entities he controlled and through which he executed the fraudulent scheme described in the Complaint; Zufelt's admission that neither he nor the entities he controlled ever filed any registration statement; discovery responses, deposition testimony of multiple witnesses and documents establishing that Zufelt offered and sold investments that he described as "income streams and/or promissory notes;" and evidence that Zufelt used interstate facilities and the mails in connection with the offer and sale of Zufelt, Inc. securities. *Id.* (citing, *inter alia*, Registration Statement Attestation - Zufelt, Inc., dated October 15, 2015, Civil Action Doc. No. 199, Exhibit 1; Registration Statement Attestation - Anthony Zufelt, dated October 15, 2015, Civil Action Doc. No. 199, Exhibit 2; Registration Statement Attestation - Silver Leaf, dated October 15, 2015, Civil Action Doc. No. 199, Exhibit 4; Anthony Zufelt Response to SEC Written Discovery, dated April

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[3] Although the Division's claims here are limited to Section 15, the Section 15 claims in the Civil Action were premised on the Section 5 violations described in the Complaint, and evidence of Respondent Zufelt's other violations is relevant to the determination and imposition of appropriate remedies.

24, 2014 ("Zufelt Response"), Civil Action Doc. No. 140, Response to RFA Nos. 1 through 6 (deemed admitted based on Zufelt's failure to respond)).

Neither Zufelt's Answer in the Civil Action or his "sec response" in this proceeding identified any exemption that would allow the unregistered offer and sale of the securities in question. *See* Zufelt Answer, Civil Action Doc. No. 37 (stating no affirmative defenses); Zufelt "sec response," Exhibit D (same).

b. Section 15 Violations

Undisputed facts also established that Respondent Anthony Zufelt violated Section 15(a)(1) of the Exchange Act by using the means of interstate commerce to offer and sell the aforementioned unregistered securities of Zufelt, Inc. and Silver Leaf without having registered as a broker or dealer with the SEC or associating with a registered broker or dealer. *See* Civil Action Doc. No. 199, Statement of Elements and Undisputed Facts, pp. 12-15; *see also Art Intellect*, 2013 WL 840048 at *20 (citing Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1)); *Mowen*, 2012 WL 2120249, *3 (similar analysis).

The evidence presented in the Civil Action included, *inter alia*, attestations that neither Anthony Zufelt, individually, or the entities he controlled were registered with the Commission as a broker or dealer; Zufelt's admission that neither he nor the entities he controlled ever registered as a broker or dealer; and evidence that Zufelt used interstate facilities and the mails in connection with the offer and sale of securities. *Id.* (citing, *inter alia*, Broker-dealer Attestation - Anthony Zufelt, dated October 19, 2015, Civil Action Doc. No. 199, Exhibit 18 (confirming that Anthony Zufelt was not registered with the Commission as a broker or dealer); Broker-dealer Attestation - Zufelt, Inc., dated October 15, 2015, Civil Action Doc. No. 199, Exhibit 19 (confirming that Zufelt, Inc. was not registered with the Commission as a broker or dealer); Broker-dealer Attestation - Silver Leaf, dated October 19, 2015, Civil Action Doc. No. 199, Exhibit 20 (confirming that Silver Leaf was not registered with the Commission as a broker or dealer)).

Respondent Zufelt has not asserted that he was an associated person of any other entity that was a registered broker or dealer when he offered and sold the securities in question. *See* Zufelt Answer, Civil Action Doc. 37 (stating no affirmative defenses); Zufelt "sec response," Exhibit D (same).

c. Fraud Violations

Notwithstanding Respondent Zufelt's default, the Commission presented undisputed evidence of Respondent Zufelt's repeated violation of the antifraud provisions of the federal securities laws in support of the Motion for Final Judgment. *See, generally*, Motion for Default Judgment, Civil Action Docket No. 227.

Undisputed evidence established that Zufelt and the companies he controlled defrauded investors by falsely claiming, *inter alia*, that: (1) Zufelt's companies would pay investment returns of up to 220%; (2) Zufelt owned a profitable merchant services business that generated income by processing credit card transactions; (3) investments would be repaid from and secured by the primary asset of that business – a "merchant portfolio" of processing agreements with individual merchants; (4) investor funds would be used to further develop the merchant services business; and (5) Zufelt, Inc. was registered with the Commission.

These representations were material and demonstrably false – rather than a profitable merchant services business, Zufelt operated a series of Ponzi schemes that funded "investment returns" with funds received from new investors. In support of the Civil Action, the Commission retained Stout Risius Ross, Inc. ("SRR") to conduct a forensic accounting, bank account, and cash flow analysis related to Respondent Zufelt and the companies he controlled. *See* Declaration of Eduardo Martinez, dated April 11, 2016 ("Martinez Decl."), Civil Action Doc. No. 227, Exhibit 1, at ¶¶3-10 (summarizing expert report prepared by SRR based on analysis of available bank records).

Based on a detailed analysis of available bank records, SRR quantified net losses suffered by investors in Zufelt, Inc. and Silver Leaf:

- Zufelt and Zufelt, Inc. received at least $2,857,000 from 35 investors between June 2005 and September 2007, and made payments of principal or interest to investors totaling $969,718, resulting in a net loss to investors in Zufelt, Inc. of $1,887,282;
- Zufelt and Silver Leaf received at least $720,000 from 11 investors between July and December 2006, and made payments of principal or interest to investors totaling $181,600, resulting in a net loss to Silver Leaf investors of at least $538,400; and
- In total, Zufelt, Zufelt, Inc. and Silver Leaf received $3,577,000 from investors, and made payments of principal or interest to investors totaling $1,151,318, resulting in net losses to investors of at least $2,425,682.

Id. at ¶5 (citing SRR Report at ¶¶27(a), 32 & 35; Exhibits C & D).

SRR also documented substantial payments from Zufelt, Inc. and Silver Leaf to Zufelt himself, other businesses owned and controlled by Zufelt, and third parties, including the relief defendants in this matter. *Id.* at ¶7 (citing SRR Report at ¶¶43-49). SRR concluded that "because of the comingling of the companies' funds through cash transfers and apparent sharing of revenue and expenses, coupled with lack of business records relating to the transactions, it is virtually impossible to isolate the operating cash flows that each company generated." *Id.* at ¶8 (citing SRR Report at ¶52). SRR observed instances where "shortly after funds were received from investors, Zufelt transferred money to himself, Relief Defendants and other insiders, and made payments to other (often earlier) investors in Zufelt, Inc. and Silver Leaf." *Id.* at ¶9 (citing SRR Report at ¶¶27(c)(iv), 73(c)(iv)). SRR concluded that Zufelt and the companies he controlled made payments to existing investors with funds received from new investors rather than operating income. *Id.* at ¶10 (citing SRR Report at ¶¶41-42, 70, 72); *see also SEC v. Merrill Scott & Associates, Ltd.*, 2011 WL 5834271 (D. Utah Nov. 21, 2011) (explaining that paying existing investors using funds from new investors is a hallmark of a Ponzi scheme).

During his deposition in the Civil Action, Zufelt reluctantly agreed with this analysis:

Q. So once you spend down whatever your working capital was, you were paying investors their monthly returns with investor funds that you're bringing in.

A. Yes. That's a possibility, yes.

Q. And that is, in fact, what happened, isn't it?

A. Yeah. Yeah, that would have happened at some point. Yeah.

Zufelt Dep., Dec. 9, 2015, Vol. II, 510:1-8, Civil Action Doc. No. 227, Exhibit 2 (excerpt).

C. Respondent Zufelt Has Declined to Participate in this Proceeding.

The OIP was published by the Commission's Office of the Secretary on April 7, 2017, and the Secretary's Office served Zufelt by Certified Mail, Return Receipt Requested. At a prehearing conference held on May 2, 2017, this Court determined that service on Zufelt was effective on April 8, 2017, and advised Zufelt that he had until May 22, 2017 to file an answer to the OIP or risk being found in default. *See* May 3, 2017 Order Following Prehearing Conference ("May 3 Order"). Zufelt never filed an answer to the OIP with the Secretary's Office.

On May 22, 2017, Zufelt sent an email to Division counsel attaching a PDF document with the file name "sec response." *See* Exhibit D. Zufelt apparently also sent this document to ALJ Grimes as an email attachment. *See* Initial Decision, p.2 (Initial Decision Release No. 1239, dated March 1, 2018). In his initial decision, ALJ Grimes construed this document as Zufelt's answer to the OIP, and declined to find him in default. *Id.*

Respondent Zufelt received notice of the Prehearing Conference held in this matter on November 15, 2018, but declined to participate:

> This letter is to inform you that I will not be a participant in today's conference call.
> I am formerly [*sic*] objecting to this entire process.
> At this time the supreme court [*sic*] has ruled that the use of house judges in these matters is unlawful.
> That combined with expiration of all statutes that could reasonably apply (as this matter is now aprox 13 years old) would lead any reasonable party to conclude that this is no longer a live case or proceeding.

Zufelt email, dated November 15, 2018, attached hereto as Exhibit E.

II. Argument

Exchange Act Section 15(b)(6) authorizes the Commission to impose a censure, suspension, or permanent broker-dealer bar and a penny stock bar against a Respondent if: (1) at the time of the alleged misconduct, he was associated with a broker or dealer, seeking to become associated with a broker or dealer or acting as a broker or dealer; (2) he has been enjoined from any action, conduct, or practice specified in Exchange Act Section 15(b)(4)(C); and (3) the sanction is in the public interest. 15 U.S.C. §78o(b)(6)(A)(iii); *In the Matter of Alicia Bryan*, Initial Decision Release No. 697 (Oct. 22, 2014). Each of the requirements of Section 15(b)(6) is established by the uncontroverted allegations in the OIP, uncontroverted evidence in the Civil Action, findings by the District Court in the Civil Action and the injunctive relief granted by the District Court. Therefore, as explained in more detail below, Respondent Zufelt should be permanently barred from: (i) association with any broker or dealer; and (ii) participating in any offering of a penny stock.

A. Zufelt's "sec response" Acknowledges Violation of the Securities Laws.

In his "sec response" Respondent Zufelt concedes that "the securities sold between 2005 and 2007 were not properly registered and mistakes were made." Exhibit D (Zufelt "sec response"). Zufelt does not dispute the fact that he violated Section 15(a)(1) of the Exchange Act by acting as an unregistered broker-dealer in connection with the offer and sale of these securities. *See, generally,* Exhibit D. Nor does Zufelt dispute the fact that the District Court found that he illegally sold unregistered securities and acted as an unregistered broker-dealer, and enjoined him from future violations of the relevant securities law provisions, and from participating directly or indirectly in the issuance, offer, or sale of securities. *Id.*; *see also* Exhibit B (Order); Exhibit C (Final Judgment). Zufelt's recent email, in which he declined to participate in the Prehearing Conference held on November 15, 2018, indicates that he does not intend to contest the allegations in the OIP.

Zufelt email, Exhibit E. Although Respondent Zufelt states that he objects to this proceeding and the district court proceedings described in the OIP, his objections are without legal basis and he offers no factual defense to the allegations in the OIP.

B. Zufelt Should Be Permanently Barred From Acting As Or Associating With A Broker-Dealer and Participating In Penny Stock Offerings.

The Utah District Court granted partial summary judgment against Respondent Zufelt, finding, *inter alia*, that he had acted as an unregistered broker dealer in violation of Section 15(a) of the Exchange Act. *See* Exhibit B. Zufelt never disputed this issue in the Civil Action.[4] While Zufelt was not associated with a registered broker or dealer during the time of his misconduct, the relief available under Exchange Act Section 15(b) may be applied against persons acting as broker or dealer or associated with an unregistered broker or dealer. *See Bryan, supra*; *Vladislav Steven Zubkis*, Exchange Act Release No. 52876, 2005 SEC LEXIS 3125, at *20 (Dec. 2, 2005) (noting that Exchange Act Section 15(b) applies to persons acting as a broker or dealer). Because the injunction issued by the District Court in the Final Judgment is precisely within the scope of conduct described in Exchange Act Section 15(b)(4)(C) that merits sanctions under Section 15(b)(6), Zufelt should be barred from association with any broker or dealer, and from participating in any offering of a penny stock (including acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock). *See* 15 U.S.C. § 78o(b)(4)(C); 15 U.S.C. § 78*o*(b)(6).[5]

As noted above, Respondent Zufelt's "sec response" does nothing to change this analysis. Instead, Zufelt concedes that "the securities sold between 2005 and 2007 were not properly

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[4] Zufelt's "sec response" does not address the District Court's findings of fact or conclusions of law. *See, generally*, Zufelt "sec response," Exhibit D.

[5] The Division is not seeking to bar Respondent Zufelt from associating with investment advisers, municipal securities dealers, or transfer agents because his conduct occurred before the passage of the Dodd-Frank Act. *See Bartko v. Sec. & Exch. Comm'n*, 845 F.3d 1217, 1226 (D.C. Cir. 2017).

registered and mistakes were made." Exhibit D (Zufelt "sec response"). Specifically, Zufelt does not dispute the fact that he violated Section 15(a)(1) of the Exchange Act by acting as an unregistered broker-dealer in connection with the offer and sale of these securities. *See, generally,* Exhibit D. Nor does Zufelt dispute the District Court's findings that he illegally sold unregistered securities and acted as an unregistered broker-dealer, or that the District Court enjoined him from future violations of the relevant securities law provisions and from participating directly or indirectly in the issuance, offer, or sale of securities. *Id.*; *see also* Exhibit B (Order); Exhibit C (Final Judgment).

C. A Permanent Bar is in the Public Interest.

An order permanently barring Zufelt from association with any broker or dealer, and from participating in any offering of a penny stock is in the public interest. To determine whether to impose a bar, an administrative law judge must consider the public-interest factors discussed in *Steadman*, which include:

> the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.

Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981) (quoting *SEC v. Blatt*, 583 F.2d 1325 at 1334 n.29 (5th Cir. 1978)). The Commission also considers the deterrent effect of administrative sanctions. *In The Matter Of David R. Wulf*, 2016 WL 1077411, at *4, Exchange Act Release No. 77411 (Mar. 21, 2016) (applying *Steadman* factors). The public interest inquiry is "flexible, and no one factor is dispositive." *Id.*; *see also In the Matter of Allen M. Perres*, Securities Act Release No. 10287, 2017 WL 280080 (Jan. 23, 2017), *petition denied*, 695 F. App'x 980 (7th Cir. 2017); *David Henry Disraeli*, Exchange Act Release No. 57027, 2007 WL 4481515, at *15 (Dec. 21, 2007), petition denied, 334 F. App'x 334 (D.C. Cir. 2009) (per curiam), *cert. denied*, 559 U.S. 1008 (2010).

In *Perres*, Southern Cross Resources Group, Inc., raised over $5 million from about 100 investors over a 29-month period, of which the individual respondent was responsible for raising $2 million from at least ten investors. *Id.*, at *1-2. The offering was not registered with the Commission and the respondent was neither registered with the Commission nor associated with any registered broker-dealer. *Id.*, at *3. After finding that the respondent, like Zufelt, violated Securities Act Section 5(a) and (c) and Exchange Act Section 15(a), the Commission explained that this conduct was egregious because Section 5 and Section 15 are fundamental to the Commission's effort to protect investors, and that Section 5 is "a keystone" on which "the entire system of securities regulation" is built, ensuring that "'prospective investors' have 'a source of reliable information on the basis of which they can reach informed judgments whether or not to buy securities.'" *Id.* And the requirements in Section 15(a) are central to the Commission's effort to regulate "those who may engage in the securities business." *Id.*

Zufelt's conduct was worse than *Perres*, in that it involved two separate issuers, 47 investors, and about $2.4 million in investments. There is also ample evidence that Zufelt also defrauded investors, as described in detail above. Zufelt's misconduct harmed the market as a whole, and his disregard of basic requirements (and proceedings in the Civil Action and here) shows that he is ill-suited to remain in the securities industry, and that barring him would serve the public interest. Zufelt's conduct was recurrent, extending extended over two years and involving dozens of investors. Zufelt was also at least reckless. As a person who held himself out as a securities professional, he was bound "to be knowledgeable about, and to comply with, the regulatory requirements to which [he was] subject." *In the Matter of Abraham & Sons Capital, Inc.*, Exchange Act Release No. 44624, 2001 WL 865448, at *8 (Jul. 31, 2001); *see In the Matter of David Adam Elgart*, Exchange Act Release No. 81779, 2017 WL 4335050, at *5 (Sept. 29, 2017) ("Participants in the securities industry must take responsibility for compliance and cannot

be excused for lack of knowledge, understanding or appreciation of these requirements."), *petition filed*, No. 17-15283 (11th Cir. Nov. 29, 2017).

Zufelt's "[f]ailure to meet this requirement" amounts to "an 'extreme departure from the standards of ordinary care'" sufficient to "establish[] recklessness." *Abraham & Sons*, 2001 WL 865448, at *8 (quoting Steadman, 967 F.2d at 641–42). Further, Zufelt has neither made assurances against future violations nor shown that he recognizes the wrongful nature of his conduct, either in the Civil Action or these proceedings. He barely participated in the Civil Action and has flatly refused to participate in these proceeding beyond emailing his "sec response," which itself fails to meaningfully address the substance of the OIP. See Zufelt's "sec response" (acknowledging "that the securities sold between 2005 and 2007 were not properly registered and mistakes were made"). Finally, imposing a bar should serve the Commission's interest in deterring others from engaging in similar misconduct.

Based on the foregoing, Respondent Zufelt engaged in repeated, serious misconduct that harmed that market as a whole. *See In the Matter of Gordon Brent Pierce*, Exchange Act Release No. 71664, 2014 WL 896757, at *23 (Mar. 7, 2014) (explaining that the respondent sold unregistered shares, "causing harm to investors and the marketplace by depriving investors of the full disclosure that would have allowed them to make informed investment decisions"), *pet. denied*, 786 F.3d 1027 (D.C. Cir. 2015). His conduct was at least reckless, and he has done little or nothing to inspire confidence that he understands the wrongfulness of his actions or that he will likely not engage in additional misconduct. In light of these factors, it is in the public interest to permanently bar Respondent Zufelt from acting as a broker or dealer, or from participating in a penny-stock offering.[6]

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[6] The scope of Zufelt's misconduct, his lack of cooperation or recognition of wrongdoing, and the District Court's antifraud injunction all weigh against offering him the right to reapply after five years. *Cf. Perres*, 2017 WL 280080, at *6 (allowing respondent to reapply after five years based in part on settlement); *Fox*, 2017 WL 1103693, at *2, 7 (similar).

III. Conclusion

For the foregoing reasons, the Division respectfully moves for summary disposition determining this proceeding against Respondent Zufelt pursuant to Section 15(b) of the Exchange Act, and imposition of sanctions permanently barring him from: (i) association with any broker or dealer; and (ii) participating in any offering of a penny stock.

Respectfully submitted,

DIVISION OF ENFORCEMENT

By its attorneys,

/s/John J. Bowers
John J. Bowers
Assistant Chief Litigation Counsel
Christian D. H. Schultz
Assistant Chief Litigation Counsel
100 F. Street NE
Washington, DC 20549
Phone: (202)551-4645
Fax: (703)813-9359
Email: bowersj@sec.gov

Dated: January 11, 2019

Certificate of Service

I certify that on January 11, 2019, in addition to filing the same with the Secretary of the Commission by email, I caused true and correct copies of the foregoing to be served on the following:

(By email)
Honorable Brenda P. Murray
Office of Administrative Law Judges
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

(By email)
Mr. Anthony C. Zufelt
[redacted]
Ogden, UT [redacted]
[redacted]@gmail.com

with paper copies to follow after the SEC resumes operations.

/s/John J. Bowers
John J. Bowers

Exhibit A

Thomas M. Melton (4999)
Securities and Exchange Commission
15 West South Temple Street
Suite 1800
Salt Lake City, UT 84101
Tel: (801) 524-6748
Email: meltont@sec.gov

Terence M. Healy
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Tel: (202) 551-4640
Email: healyt@sec.gov

UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. ANTHONY C. ZUFELT, JOSEPH A. NELSON, DAVID M. DECKER, JR., CACHE D. DECKER, ZUFELT BUSINESS SERVICES, INC. (d/b/a ZUFELT, INC.), SILVER LEAF INVESTMENTS, INC., JCN, INC., JCN CAPITAL, LLC, and JCN INTERNATIONAL, LLC, Defendants, and JENNIFER M. ZUFELT, SHAE L. MORGAN, GARTH W. JARMAN, JR., ERIC R. NELSON, and KEVIN J. WILCOX, Relief Defendants.	Case: 2:10cv00574 Assigned To : Benson, Dee Assign. Date : 6/23/2010 Description: SEC v. Zufelt et al. **COMPLAINT**

The Securities and Exchange Commission ("Commission") alleges as follows:

I. SUMMARY

1. This case involves three distinct but related Ponzi schemes conducted by Defendants Anthony C. Zufelt ("Zufelt") and Joseph A. Nelson ("Nelson"). First, between June 2005 and June 2006, at least 36 persons[1] invested at least $2,922,000 in so-called "Income Stream Accounts" offered by Zufelt, Inc. ("ZI").[2] Second, between July and December 2006, at least 11 persons invested at least $770,000 in promissory notes offered by Silver Leaf Investments, Inc. ("SLI"). Zufelt owns and controls ZI and SLI. Zufelt, Nelson and Defendants David M. Decker, Jr. ("David Decker") and Cache D. Decker ("Cache Decker") (collectively, the "Deckers") lured persons to invest in ZI and SLI by claiming that: (1) ZI and SLI would pay investment returns of up to 220%; (2) Zufelt owned a profitable merchant services business (i.e., a business that processes credit card transactions); (3) investments would be repaid from and secured by the primary asset of that business (known as a "merchant portfolio"); (4) the invested funds would be used to develop Zufelt's merchant services business; and (5) ZI was registered with the Commission.

2. These claims were materially false or misleading. Zufelt did not own a profitable merchant services business, did not own or control a merchant portfolio, and had virtually no means to repay investors. Nor did Zufelt devote the invested funds to developing a merchant services business. Instead, Zufelt used the money primarily to make monthly payments to investors, pay his own personal expenses, pay compensation and bonuses to Nelson and the

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[1] Each married couple who invested together is counted as a single investor in this Complaint.

[2] Zufelt, Inc. is the d.b.a. name for Zufelt Business Services, Inc. Zufelt Business Services, Inc. is referred to throughout this Complaint as "Zufelt, Inc." or "ZI."

Deckers, and fund other businesses unrelated to the merchant services industry. Zufelt also gave: (1) at least $66,000 to his former wife, Relief Defendant Jennifer M. Zufelt; (2) at least $50,000 to his current girlfriend, Relief Defendant Shae L. Morgan; and (3) at least $61,000 to his brother-in-law, Relief Defendant Garth W. Jarman, Jr. Further, no transactions in securities offered or sold by or for ZI or SLI have been registered with the Commission, or are eligible for an exemption from registration.

3. Of the at least $3.7 million invested in ZI and SLI, Zufelt repaid approximately $1 million to investors in the form of purported "income stream" and principal payments, thereby creating the illusion of legitimate investment returns.

4. Nelson conducted the third Ponzi scheme, and it is still ongoing. From at least June 2005, Nelson solicited at least $12 million dollars from more than 100 persons to invest in promissory notes offered by JCN, Inc. ("JCN"), JCN Capital, LLC, ("JCN Capital") and JCN International, LLC ("JCN International") (collectively, the "Nelson Companies"), all of which Nelson owns and controls. Certain other persons invested with Nelson personally. Nelson has told his investors – many of whom are fellow members of the Church of Jesus Christ of Latter Day Saints ("LDS") that Nelson has identified and targeted through church connections and during church functions – that he is engaged in the business of purchasing merchant portfolios, holding them for a certain period of time, and then selling them for a profit to financial institutions, such as banks. Nelson claims that his business earns money from so-called "residual income" generated by the merchant portfolios while they are in his possession, as well as from profits generated when the portfolios are sold. Nelson accordingly promises his investors that he can offer them extraordinary rates of return – up to 200% – in a very short amount of time.

5. All of these claims are materially false or misleading. Nelson has never bought or sold a merchant portfolio. Instead, Nelson uses invested funds to make monthly payments to investors, pay his personal expenses, and pay his employees and associates. Nelson has also given: (1) at least $200,000 to his brother, Relief Defendant Eric R. Nelson; and at least $46,000 to another family member, Relief Defendant Kevin J. Wilcox ("Wilcox").

6. At various points, Nelson has been aided in his fraudulent solicitations by certain promoters. These promoters, acting at Nelson's direction, have brought investors to Nelson, solicited investors on their own as representatives of Nelson's companies, and engaged in tactics to delay investors from demanding the return of their money.

7. Of the at least $12 million invested in JCN, JCN Capital and JCN International, Nelson has repaid approximately $6 million to investors to date in the form of purported payments of residual income, interest and principal, thereby creating the illusion of legitimate investment returns. Further, no transactions in securities offered or sold by or for the Nelson Companies have been registered with the Commission, or are eligible for an exemption from registration.

8. By committing the acts described in this Complaint, Zufelt, Nelson and the Deckers each committed fraud by knowingly or recklessly making materially false or misleading statements or omissions about the companies for which they were soliciting investments, the promised returns on invested funds, the source of repayment of invested funds, the security of the investments, and the intended use of the invested funds. ZI and SLI committed fraud through the acts of Zufelt, Nelson and the Deckers, and the Nelson Companies committed fraud through the acts of Nelson. Each Defendant directly or indirectly engaged in and, unless restrained and enjoined by the Court, will continue to engage in, transactions, acts, practices and courses of

business that violate Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder. Zufelt and Nelson aided and abetted violations by ZI and SLI of Exchange Act Section 10(b) and Rule 10b-5. Nelson aided and abetted violations by the Nelson Companies of the same provisions. The Deckers aided and abetted violations by Zufelt, Nelson, ZI and SLI of the same provisions.

9. Each Defendant also violated and, unless restrained and enjoined by the Court, will continue to violate Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)] by offering to sell, selling, and delivering after sales to the public, and offering to sell through the use or medium of a prospectus, securities as to which no registration statement was or is in effect or on file with the Commission, and for which no exemption was or is available.

10. Zufelt, Nelson and the Deckers each also violated and, unless restrained and enjoined by the Court, will continue to violate Exchange Act Section 15(a) [15 U.S.C. § 78o(a)] by acting as an unregistered broker or dealer of securities. The Deckers also aided and abetted violations by Zufelt of Exchange Act Section 15(a).

11. The Commission therefore seeks a judgment: (i) permanently enjoining each Defendant from engaging in violations of Securities Act Sections 5(a), 5(c) and 17(a), Exchange Act Section 10(b) and Rule 10b-5; (ii) permanently enjoining Zufelt, Nelson and the Deckers from aiding and abetting violations of Exchange Act Section 10(b) and Rule 10b-5; (iii) permanently enjoining Nelson, Zufelt and the Deckers from engaging in violations of Exchange Act Section 15(a); (iv) permanently enjoining the Deckers from aiding and abetting violations of Exchange Act Section 15(a); (v) requiring each Defendant to pay a civil monetary penalty pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3)

[15 U.S.C. § 78u(d)(3)]; (vi) requiring each Defendant to make an accounting; (vii) requiring Zufelt, Nelson and the Deckers to disgorge all ill-gotten gains, along with prejudgment interest; (viii) barring Zufelt, Nelson and the Deckers from acting as an officer or director of a public company pursuant to Securities Act Section 20(e) [15 U.S.C. § 77t(e)] and Exchange Act Section 21(d)(2) [15 U.S.C. § 78u(d)(2)]; and (ix) requiring each Relief Defendant to disgorge all investor funds received from the Defendants.

II. JURISDICTION AND VENUE

12. The Court has jurisdiction over this action pursuant to Securities Act Section 20(b) and 22(a) [15 U.S.C. §§ 77t(b) and 77v(a)] and Exchange Act Sections 21(d), 21(e) and 27 [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. The Defendants made use of the means or instruments of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the acts, transactions, practices and courses of business alleged in this Complaint.

13. Venue lies in the District of Utah pursuant to Securities Act Section 22(a) and Exchange Act Section 27 because certain of the acts, practices and courses of business constituting the violations of law alleged in this Complaint occurred within this district. Specifically, (i) the Defendants defrauded investors in this district, (ii) many of the defrauded investors reside in this district, (iii) Defendants ZI, SLI, JCN, JCN Capital and JCN International were located and operated in this district, (iv) Defendants Zufelt and David Decker currently reside in this district, and (v) all of the Relief Defendants, except Wilcox, currently reside in this district.

III. PARTIES

A. Plaintiff

14. Plaintiff is the Securities and Exchange Commission.

B. Defendants

15. **Anthony C. Zufelt**, age 30, is a resident of Roosevelt, Utah. Zufelt owns and controls ZI and SLI, and he is the Chief Executive Officer of ZI and the President, Secretary, Treasurer and Director of SLI.

16. **Joseph A. Nelson**, age 33, is a resident of El Dorado Hills, California. Nelson owns and controls JCN, JCN Capital and JCN International, and he is the President and Chief Executive Officer of JCN, Founder of JCN Capital, and President of JCN International. Nelson also held the title of President of ZI approximately from June 2005 through June 2006.

17. **David M. Decker, Jr.**, age 36 and a resident of Provo, Utah, served as ZI's Vice President of Sales approximately from June 2005 through June 2006, and was named in the SLI Private Placement Memorandum as SLI's Vice President of Development.

18. **Cache D. Decker**, age 32 and a resident of Leesburg, Virginia, held the titles of Vice President of Investor Relations and Director of East Coast Development of ZI approximately from June 2005 through June 2006.

19. **Zufelt Business Services, Inc.** is a corporation organized under the laws of Utah. During its operation, the company was headquartered in Syracuse, Utah, and operated under the business name "Zufelt, Inc."

20. **Silver Leaf Investments, Inc.** is a corporation organized under the laws of Nevada. Although nominally located in Henderson, Nevada, the company was located in Syracuse, Utah during its operation.

21. **JCN, Inc.** is a corporation organized under the laws of Utah, and was located in Clearfield, Utah during its operation.

22. **JCN Capital, LLC** is a domestic limited liability company organized under the laws of Utah, and was located in Clearfield, Utah during its operation.

23. **JCN International, LLC** is a domestic limited liability company organized under the laws of Utah, and was located in Clearfield, Utah during its operation.

C. **Relief Defendants**

24. Jennifer M. Zufelt, age unknown, is a resident of Roosevelt, Utah, and is Zufelt's former wife.

25. Shae L. Morgan, age unknown, is a resident of Roosevelt, Utah, and is Zufelt's current girlfriend.

26. Garth W. Jarman, Jr., age 35, is a resident of Randlett, Utah, and is Zufelt's brother-in-law.

27. Eric R. Nelson, age unknown, is a resident of Provo, Utah, and is Nelson's brother.

28. Kevin J. Wilcox, age unknown, is a resident of Vacaville, California, and is believed to be a relative of Nelson by marriage.

IV. FACTS

A. Zufelt, Nelson and the Deckers Sold Credit Card Transaction Processing Services.

29. When merchants accept credit card payments from customers, those payments are usually processed for a small fee by intermediate companies generally known as "processors." Processors also provide merchants with other services, such as fraud detection and charge dispute resolution. This line of business is referred to as the "merchant services" industry.

30. Processors often sell their services through independent sales agents. In December 2002, Zufelt formed International Commerce Exchange, LLC ("ICE"), which operated as an independent sales agent. Zufelt employed Nelson and the Deckers as salesmen.

31. ICE approached retail businesses to offer them lower rates on the fees they paid to process credit card payments. When ICE enrolled a merchant as a customer, ICE would partner with a processor which would split the fees it earned from the merchant's transactions.

32. A "merchant portfolio" is a book of business consisting of a large number of contracts between a group of merchants and a particular sales agent or processor. The portfolio, being a distinct group of revenue-generating contracts, is a quantifiable asset. As a result, merchant portfolios are priced, purchased and sold among companies participating in the merchant services industry. Although they never did so, Zufelt and Nelson told investors that they had purchased and sold multiple merchant portfolios for a profit.

33. While Zufelt and Nelson did not buy or sell merchant portfolios, they did build a portfolio under ICE. By 2005, ICE managed a portfolio of thousands of merchants. It also employed a significant number of sales and technical personnel.

34. In May 2005, Zufelt partnered with a large processor named iPayment, Inc. Together, they formed iPayment ICE of Utah, LLC ("iPayment ICE"). Zufelt sold all of ICE's assets – constituting the entirety of the business – to iPayment ICE in return for a 49 percent interest in iPayment ICE. iPayment ICE in turn assumed certain of ICE's debts and gave Zufelt enough money to repay 14 persons he and Nelson had solicited to invest in ICE. iPayment ICE also assumed the day-to-day costs of ICE's business, including paying overhead costs and the salaries of ICE's employees. Zufelt continued to run the business.

B. The First Scheme: Zufelt, Nelson and the Deckers Fraudulently Sold Investments in Zufelt, Inc.

35. Immediately after selling ICE's assets, Zufelt began to raise money by offering purchase agreements for so-called "income stream accounts" in Zufelt, Inc. ("ZI"). Under the terms of the ZI purchase agreements, an investor would purchase an "income stream," which purportedly entitled the investors to a portion of the income generated by ZI's merchant portfolio. From June 2005 through June 2006, Zufelt, Nelson and the Deckers raised at least $2,922,000 from at least 36 persons. Zufelt, Nelson and the Deckers solicited investments broadly, from family members to former business colleagues and friends to remote acquaintances. Zufelt also solicited most of his own employees. Zufelt and Nelson developed written solicitation materials and two websites (zufeltinc.com and purchasedincome.com), and Zufelt, Nelson and the Deckers distributed the written materials to prospective investors and directed them to the websites.

36. Zufelt, Nelson and the Deckers lured prospective investors with extremely high rates of return. Most ZI investors were promised total investment returns of up to 220%, consisting of (1) the return of the principal amount invested, (2) monthly payments for up to three and a half years made at an annual rate of 28.8% of the principal, and (3) a premium payment of 20% of the principal when ZI repurchased the income stream. Certain other investors, particularly those approached by Nelson, were simply told that they would double or triple their money.

37. Because most of the ZI investors were persons of ordinary means, Zufelt, Nelson and the Deckers encouraged investors to borrow against their homes to invest. Many did so.

38. While soliciting investments in ZI, Zufelt, Nelson and the Deckers knowingly and/or recklessly made several materially false or misleading statements or omissions, including

(1) that ZI was a profitable business, (2) that the investments would be repaid with revenue earned from a merchant portfolio owned and controlled by Zufelt, (3) that the merchant portfolio would serve as security for the investments, (4) that the invested funds would be used to develop Zufelt's merchant services business, and (5) that ZI was registered with the Commission.

1. Zufelt, Nelson and the Deckers Made Materially False and Misleading Statements about ZI's Profitability.

39. Zufelt told certain investors that ZI was profitable, and told others that ZI was making a great deal of money. Nelson made wild claims in order to mislead investors into believing that ZI was profitable. To one investor, Nelson claimed that ZI was making "crazy money," and the investor could therefore expect to double his money within a year. To another investor, Nelson stated that he was "pulling in so much money that [he] didn't know what to do with it all." Zufelt and Nelson also drafted written materials, which were given to prospective investors and reprinted on zufeltinc.com and purchasedincome.com, in which they claimed that ZI had a "proven capacity ... to develop and maintain return ratios of 28.8% on income stream purchases," and in which they suggested that ZI had "positive cash flow." The Deckers claimed in emails sent to prospective investors that ZI was "already a profiting entity." All of these statements were materially false or misleading. ZI was not profitable. According to an audit report prepared for ZI for the year ended December 31, 2005, the company never generated a profit, and lost $424,024 from its inception in 2002 through December 31, 2005. Further, from January 1 through June 30, 2006, the auditors also stated that the company lost another $1,177,957. The audit report noted that ZI was "a development stage enterprise" that had "not yet generated significant revenues from sales of its products and services," and that "[s]ince its inception, [ZI] has devoted substantially all of its efforts to raising capital." Zufelt concealed these facts from investors.

40. While Zufelt, Nelson and the Deckers led investors to believe that ZI was a profitable merchant services business, the truth was that Zufelt had sold the business in return for a minority interest in iPayment ICE. Zufelt, Nelson and the Deckers concealed this arrangement from investors.

41. Zufelt, Nelson and the Deckers also concealed the fact that iPayment ICE was also not profitable. When Zufelt repaid ICE's investors in May 2005, each investor received a letter which stated that:

> During the past two years ICE has worked through the process of developing a business model that has been capable of producing volume sales of merchant credit card accounts to retail establishments and other end users .... During this development period ICE did not generate a profit has yet to generate a net profit.

iPayment ICE remained unprofitable during the period in which Zufelt, Nelson and the Deckers were raising money for ZI. In fact, iPayment ICE lost money in every month of its existence, from June 2005 through March 2007, when iPayment stopped paying the costs of the business and withdrew from the joint venture.

42. Zufelt, Nelson and the Deckers knew, or were reckless in not knowing, that neither ZI nor iPayment ICE were profitable. Zufelt and Nelson knew that ICE was not profitable when Zufelt sold ICE's assets and operations to iPayment ICE in May 2005 because they were partners in the business together before Zufelt sold it. The Deckers knew ICE was not profitable because they received the May 2005 letter described above when their investments in ICE were returned. Zufelt also knew that iPayment ICE was not profitable while he was soliciting investors because he received monthly financial statements from iPayment ICE which showed the company's continuous losses. The Deckers were also given iPayment ICE financial statements showing losses.

2. Zufelt, Nelson and the Deckers Made Materially False and Misleading Statements about ZI's Ability to Repay Investors.

43. Because ZI was "a development stage enterprise" that had "not yet generated significant revenues from sales of its products and services," it had almost no means to repay ZI's investors. While Zufelt owned several businesses, virtually the only money that flowed into ZI was investor money. Zufelt knowingly concealed these facts from ZI's investors. Because Nelson and the Deckers knew that the merchant services business existed under iPayment ICE rather than ZI, they likewise knew or were reckless in not knowing that ZI did not have the means to repay investors.

44. Zufelt, Nelson and the Deckers nevertheless falsely claimed that "residual" income generated by Zufelt's merchant portfolio would be used to repay obligations to ZI's investors. The ZI investments were called "income stream accounts," and investors were led to believe that their investments entitled them to a specified portion of the income generated by ZI's merchant portfolio. Further, the purchasedincome.com website stated that ZI would be around for a long time "generating revenue to cover everything agreed to." The truth, however, was that ZI received no residual income from the merchant portfolio held by iPayment ICE during the period in which Zufelt, Nelson and the Deckers were soliciting investors for ZI. Moreover, under the terms of the agreement between Zufelt and iPayment, Zufelt had no right to receive any such income. Zufelt concealed these facts from ZI's investors. The Deckers likewise knew, or were reckless in not knowing, these facts because they were shown certain iPayment ICE financial statements during the period in which they were soliciting investors for ZI.

3. Zufelt, Nelson and the Deckers Made Materially False and Misleading Statements about the Security of the ZI Investments.

45. The ZI purchase agreements state that the investments are "secured by residual portfolios in the merchant service sector of Zufelt Inc." Zufelt and Nelson drafted these agreements, and they and the Deckers gave them to investors. The websites created by Zufelt and Nelson also stated that ZI held multiple merchant portfolios.

46. Zufelt told prospective investors that their investments would be secured because he owned and controlled a large merchant portfolio. Written materials drafted by Zufelt and Nelson, and distributed by Zufelt, Nelson and the Deckers, stated that ZI's portfolio was worth approximately $7 million. Zufelt also told investors that, if necessary, he could sell the portfolio to repay their investments, and that he would not raise more money than he could repay by selling the portfolio.

47. These statements were materially false or misleading. Zufelt did not own a merchant portfolio, but rather held a minority interest in iPayment ICE, which owned the portfolio. Zufelt therefore did not control the portfolio, and could not use it to secure the ZI investments or otherwise protect ZI's investors. Zufelt knew these facts, and Nelson and the Deckers either knew or were reckless in not knowing these facts because they were aware that Zufelt had sold all of the assets and operations of ICE for a minority interest in iPayment ICE.

4. Zufelt, Nelson and the Deckers Made Materially False and Misleading Statements about the Intended Uses of the Invested Funds.

48. Zufelt, Nelson and the Deckers uniformly told investors that their money would be used to develop Zufelt's merchant services business by hiring sales personnel, opening offices and acquiring merchant portfolios from other businesses.

49. The primary uses of the funds were concealed from the investors. First and foremost, like all Ponzi schemes, the funds were used to repay the investors. Of the $2,922,000

raised from investors from June 2005 through June 2006, approximately $1 million was used to make payments to investors. Second, Zufelt paid at least $224,018 to Nelson and at least $166,100 to the Deckers in compensation and bonuses related to their solicitation efforts. Third, Zufelt used investor funds to pay his own personal expenses, including the payment of his home and car loans, the acquisition of real estate, and significant cash draws for himself and his wife. Fourth, Zufelt used investor funds to pursue businesses which had no relationship to the merchant services industry.[3] While the zufeltinc.com and purchasedincome.com websites indicated that invested funds would be used for certain of these businesses – such as Fowl Players (a business that organized hunting trips), Audio Personal Trainer (a business that sold exercise instruction recordings) and Pelican Lake Café – Zufelt, Nelson and the Deckers told investors that their money would be used to develop ZI's merchant service business. Other extraneous businesses – such as Fantasy Fight Club (a website forum for fans of mixed martial arts) – were not revealed to investors.

50. Zufelt knew of and concealed from ZI's investors all the above uses of the invested funds. Nelson and the Deckers knew that ZI did not have sufficient income to repay investors, they concealed from investors that Zufelt was paying them significant sums to solicit investors, and they knew, or were reckless in not knowing, that Zufelt was using investor funds for his extraneous businesses. Nelson and the Deckers therefore knew or were reckless in not knowing that the invested funds were primarily used for purposes other than developing a merchant services business.

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[3] These businesses included: Audio Personal Trainer, LLC; Fantasy Fight Club; Fowl Players, LLC; Liquidation Station; Mr. Z's Pub & Grub, Inc.; P.O.S. Plus; Pelican Lake Café; Silver Leaf Ranch, LLC; The Zufelt Academy, Inc.; Zufelt and Jarman Enterprises, LLC; Zufelt Charters, Inc.; Zufelt Development, LLC; Zufelt Entertainment, Inc.; Zufelt Media Group, Inc.; Zufelt Oil, Inc.; and Zufelt Ranch and Land Management, LLC.

51. Zufelt also concealed from investors the fact that iPayment ICE was reimbursing the costs he incurred in developing and maintaining the iPayment ICE joint venture. In other words, there was no need to seek investor monies for this purpose, and the very premise of the ZI solicitation was false, because iPayment ICE was already paying those costs.

5. Zufelt Falsely Told an Investor That ZI Was Registered with the Commission.

52. In or around April 2006, a prospective investor asked Zufelt if ZI was registered with the Commission. Zufelt knowingly misrepresented that it was. The Deckers attended the meeting. Zufelt's statement was false; ZI was not registered with the Commission, nor was any offering of its securities.

6. The First Scheme Ended after David Decker Alerted the Utah Division of Securities to the ZI Solicitation Effort.

53. In late April 2006, David Decker met with an Examiner for the Utah Division of Securities (the "Utah Division"). He asked if the Utah Division was aware of ZI, and the related solicitation effort. They were not.

54. David Decker described the solicitation efforts he and Cache Decker were undertaking along with Zufelt and Nelson, and showed the Examiner the zufeltinc.com and purchasedincome.com websites, which at the time were online and available to the general public. David Decker admitted to the Examiner that he had directed prospective investors to the websites.

55. The Utah Division Examiner informed David Decker that it was a violation of the law to engage in an unregistered general solicitation of investors over the Internet. David Decker informed Zufelt of his conversation with the Utah Division Examiner. Zufelt shut down the websites, and the Zufelt, Nelson and the Deckers slowed their efforts to solicit persons to invest in ZI. The last investment in ZI was made in June 2006.

C. The Second Scheme: Zufelt, Nelson and the Deckers Fraudulently Sold Investments in Silver Leaf Investments, Inc.

56. Zufelt hired a law firm to deal with inquiries being made by the Utah Division. In June 2006, the firm wrote a letter to the Utah Division stating that Zufelt offered and sold unregistered securities in a manner that may have violated state and federal securities laws, and that Zufelt would offer to repay the ZI investors in order to settle the matter. Zufelt, however, had already spent most of the money raised from the ZI investors

57. Because Zufelt needed to continue to raise money, Zufelt and Nelson formed a second scheme – soliciting investors for yet another of Zufelt's companies, Silver Leaf Investments, Inc. ("SLI"). Working with the law firm, Zufelt and Nelson created SLI in June 2006, and drafted a Private Placement Memorandum for SLI, which explained that SLI was a "blank check company" which was "formed to acquire or establish an operating business or several operating businesses in the restaurant industry through purchase or initial development, acquire or participate in residential and commercial real estate development, and pursue other business ventures ...." The SLI Private Placement Memorandum also advised prospective investors that the securities offered would not be registered because the investment was available only to "accredited investors" within the meaning of Securities Act Regulation D.

58. By July 2006, Zufelt and the Deckers were soliciting investors for SLI. From July through December 2006, Zufelt and the Deckers raised at least $770,000 from at least 11 persons.

59. Zufelt did not comply with the federal securities laws with respect to the SLI Private Placement Memorandum. He did not register the SLI offering with the Commission. Nor did he structure it to qualify for a registration exemption. In particular, Zufelt and the Deckers knew that almost all of the persons they approached did not qualify as "accredited

investors" because they either knew the investors' financial circumstances or the investors said they did not qualify. Nevertheless, they disregarded these facts and directed prospective investors to fill out subscription agreements which stated that they qualified as accredited investors.

60. As with the ZI solicitations, Zufelt and the Deckers lured prospective investors by promising extremely high rates of return. Most SLI investors were promised the same rate of return as the ZI investors; namely, the return of their principal along with monthly payments made at an annual rate of 28.8%, and a premium payment of 20% of the principal amount.

1. Zufelt and the Deckers Falsely Claimed that SLI Was Linked to ZI.

61. Most SLI investors were ZI investors who were urged to make a second investment. Because they were still being paid regularly on their ZI investments, they believed the investments were performing successfully and were thus encouraged to invest again. Other SLI investors were persons who were told by ZI investors, often their own relatives, that they were being paid regularly. Zufelt and the Deckers – working from sales materials created by Nelson – told the SLI investors that SLI was a more formalized incarnation of ZI, but that the investment was for the same purpose; namely, to develop Zufelt's supposedly profitable merchant services business. These representations were in direct contradiction with the statements contained in the SLI Private Placement Memorandum. In many cases, Zufelt and the Deckers facilitated the misrepresentation by not providing the SLI Private Placement Memorandum until after the investor had made the investment, or in other cases not at all.

2. Zufelt and the Deckers Made Materially False and Misleading Statements about the Intended Use of the Invested Funds.

62. Zufelt and the Deckers told the SLI investors that their funds would be used to develop Zufelt's merchant services business. In truth, the invested funds were used for purposes

not disclosed to investors. First and foremost, SLI funds were used to make supposed investment return payments to the ZI and SLI investors. Second, Zufelt spent a great deal of money on his other businesses, particularly Fantasy Fight Club, including such expenses as $10,000 to paint the company's logo on Zufelt's Dodge Viper and tens of thousands of dollars paid to sponsor mixed martial arts fighters. Third, Zufelt used SLI investor funds to pay for personal and luxury expenses, including numerous trips to Las Vegas for himself and a group of friends and employees.

63. Zufelt knowingly concealed the true uses of the SLI investor funds. Nelson and the Deckers knew, or were reckless in not knowing, that Zulfelt was using investor funds for undisclosed purposes because they knew Zufelt lacked other means to fund his businesses, as well as his conspicuous personal consumption.

64. Zufelt and the Deckers were not nearly as successful in raising money for SLI as they were for ZI. As a result, Zufelt quickly ran out of money. By March 2007, Zufelt was unable to continue making payments to the ZI and SLI investors.

D. The Third Scheme: Nelson Has Sold Fraudulent Investments in His Own Companies.

65. Beginning approximately in June 2005, Nelson began soliciting persons to invest in his companies. From at least January 2007 through the present day, Nelson has convinced over 100 persons to invest at least $12 million in JCN, JCN Capital and JCN International (collectively, the "Nelson Companies"), or to invest money with Nelson personally.

66. Nelson tells his investors that he is engaged in the business of purchasing merchant portfolios, holding them for a period ranging from four months to a year, and then selling them for a profit to financial institutions, such as banks. Nelson claims that his business

earns money from the residual income generated by the portfolios while they are in his possession, as well as from profits generated when the portfolios are sold.

67. Nelson deceived certain of his investors into believing that he ran a legitimate business by showing them certain documents. Among them is a JCN "Executive Summary" which claims, among other things, that JCN and its partners are "at the forefront of the credit card industry," that JCN is "a leading producer and provider of credit card processing and sales throughout the United States," that JCN had "sold one of its processing sectors for over two million dollars in 2005," and that "[w]e continuously buy and sell [merchant] portfolios for great returns to investors." Nelson also showed certain investors a lengthy chart that he explained was a list of merchants that comprised a particular merchant portfolio. Nelson also showed certain investors a purported letter of intent from a third party to purchase a merchant portfolio from JCN. Nelson used this letter to convince certain investors that he had arranged a sale that would lead to the swift and certain return of their investments and promised returns.

68. None of Nelson's representations were or are true. Nelson has never purchased or sold a merchant portfolio. Nor is JCN a leading company in the merchant services industry. Nor did JCN sell a "processing sector" in 2005.

69. Nelson has lured investors by offering extraordinary rates of return. Nelson has given most of his investors promissory notes, the majority of which range from 30 days to one year, and have interest rates ranging from 14 to 60%, on an annualized basis. The notes also call for the payment of an additional premium at maturity, the majority of which range from 20 to 60% of the principal amount. In other cases, Nelson did not provide a promissory note, but rather has simply told investors that he would double their money.

70. Nelson has also used his position of authority in The Church of Jesus Christ of Latter Day Saints to lull prospective investors. During the period of Nelson's fraud, he has served as a "Mission Leader" for his local Stake, a term which denotes a group of congregations, and as a High Counselor. Nelson actively targets fellow LDS members, reaching out to them through church connections and during church functions, and many if not most of his investors are LDS members.

71. The money invested with Nelson was not used to purchase merchant portfolios. Instead, Nelson uses money to repay his investors in increments in a Ponzi-scheme fashion, to pay his promoters and to pay his own lavish personal expenses, as well as those of other family members.

72. Nelson has been assisted at various points by promoters who, working at Nelson's direction, have brought prospective investors to Nelson, solicited investors on their own as representatives of Nelson's companies, and engaged in lulling activities, such as offering explanations for missed and delayed payments, in an attempt to delay investor demands for the return of their money.

E. Nelson's Fraudulent Activities Are Ongoing.

73. Nelson's fraud is still ongoing. Nelson issued a promissory note to an investor as recently as December 22, 2009, and has sent payments to investors as recently as February 2010. Moreover, Nelson and his promoters continue to assure investors that delayed payments will soon be made. Nelson entered into a revised repayment agreement with an aggrieved investor on May 7, 2010. Further, Nelson has recently relocated from Layton, Utah to El Dorado Hills, California, has recently rented new office space there, and has informed certain persons that he intends to start a new business there.

G. **Allegations Relating to Relief Defendants**

74. Zufelt has transferred at least $66,000 to Relief Defendant Jennifer Zufelt. These transfers consisted of investor funds. Jennifer Zufelt received these funds improperly.

75. Zufelt has transferred at least $50,000 to Relief Defendant Shae Morgan. These transfers consisted of investor funds. Shae Morgan received these funds improperly.

76. Zufelt has transferred at least $61,000 to Relief Defendant Garth W. Jarman, Jr. These transfers consisted of investor funds. Jarman received these funds improperly.

77. Zufelt and Nelson have transferred at least $200,000 to Relief Defendant Eric Nelson. These transfers consisted of investor funds. Eric Nelson received these funds improperly.

78. Nelson has transferred at least $46,000 to Relief Defendant Kevin Wilcox. These transfers consisted of investor funds. Kevin Wilcox received these funds improperly.

FIRST CLAIM

Each Defendant Violated Exchange Act Section 10(b) and Rule 10b-5

79. The Commission realleges paragraphs 1 through 78 above.

80. Each Defendant, directly and indirectly, with scienter, by use of the means or instrumentalities of interstate commerce, or of the mails, has employed devices, schemes or artifices to defraud; has made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or have engaged in acts, practices or courses of business which have been and are operating as a fraud or deceit upon the purchasers or sellers of securities.

81. By reason of the foregoing, each Defendant has violated and, unless restrained and enjoined, will continue to violate Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM

Zufelt, Nelson and the Deckers Aided and Abetted Violations of Exchange Act Section 10(b) and Rule 10b-5

82. The Commission realleges paragraphs 1 through 81 above.

83. Pursuant to Exchange Act Section 20(e) [15 U.S.C. § 78t(e)], Zufelt and Nelson knowingly provided substantial assistance to the fraudulent conduct of Defendants ZI and SLI, as alleged in Paragraphs 1 through 80 above. Zufelt and Nelson therefore aided and abetted the violations of ZI and SLI and, unless restrained and enjoined, will continue to aid and abet violations of Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

84. Pursuant to Exchange Act Section 20(e), Nelson knowingly provided substantial assistance to the fraudulent conduct of Defendants JCN, JCN Capital and JCN International, as alleged in Paragraphs 1 through 81 above. Nelson therefore aided and abetted the violations of JCN, JCN Capital and JCN International and, unless restrained and enjoined, will continue to aid and abet violations of Exchange Act Section 10(b) and Rule 10b-5.

85. Pursuant to Exchange Act Section 20(e), Cache and David Decker knowingly provided substantial assistance to the fraudulent conduct of Defendants Zufelt, Nelson, ZI and SLI, as alleged in Paragraphs 1 through 81 above. Cache and David Decker therefore aided and abetted the violations of Zufelt, Nelson, ZI and SLI and, unless restrained and enjoined, will continue to aid and abet violations of Exchange Act Section 10(b) and Rule 10b-5.

THIRD CLAIM

Each Defendant Violated Securities Act Section 17(a)

86. The Commission realleges paragraphs 1 through 85 above.

87. Each Defendant, directly or indirectly, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails:. (a) has employed, is employing, or is about to employ devices, schemes or artifices to defraud; (b) has obtained, is obtaining or is about to obtain money or property by means of untrue statements of material fact and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) has engaged, is engaged, or is about to engage in transactions, acts, practices and courses of business that operated or would operate as a fraud upon purchasers of securities.

88. By reason of the foregoing, each Defendant has violated and, unless restrained and enjoined, will continue to violate Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

FOURTH CLAIM

Each Defendant Violated Securities Act Sections 5(a) and 5(c)

89. The Commission realleges paragraphs 1 through 88 above.

90. The ZI purchase agreements, the SLI promissory notes and the Nelson Company promissory notes are securities.

91. Each Defendant, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell securities in the form of oral agreements, purchase agreements and promissory notes through the use or medium of a prospectus or otherwise, and carried or caused to be carried through the mails, or in interstate commerce, by means or instruments of transportation, such securities for

the purpose of sale or for delivery after sale, when no registration statement had been filed or was in effect as to such securities.

92. By reason of the foregoing, each Defendant has violated and, unless restrained and enjoined, will continue to violate Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)].

FIFTH CLAIM

Zufelt, Nelson and the Deckers Violated Exchange Act Section 15(a)

93. The Commission realleges paragraphs 1 through 92 above.

94. Each of Defendants Zufelt, Nelson, David Decker and Cache Decker, while acting as a broker or dealer, made use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any securities in the form of purchase agreements and promissory notes without being registered with the Commission as a broker or dealer or an associated person of a registered broker-dealer.

95. By reason of the foregoing, each of Defendants Zufelt, Nelson, David Decker and Cache Decker has violated and, unless restrained and enjoined, will continue to violate Exchange Act Section 15(a) [15 U.S.C. § 78o(a)].

SIXTH CLAIM

The Deckers Aided and Abetted Violations of Exchange Act Section 15(a)

96. The Commission realleges paragraphs 1 through 95 above.

97. Pursuant to Exchange Act Section 20(e) [15 U.S.C. § 78t(e)], the Deckers knowingly provided substantial assistance to Zufelt with respect to his actions as an unregistered broker or dealer of securities. The Deckers therefore aided and abetted the violations of Zufelt and, unless restrained and enjoined, will continue to aid and abet violations of Exchange Act Section 15(a) [15 U.S.C. § 78o(a)].

CLAIM AGAINST RELIEF DEFENDANTS

98. The Commission realleges paragraphs 1 through 97 above.

99. Relief Defendants Jennifer Zufelt, Shae Morgan, Garth Jarman and Eric Nelson received, directly or indirectly, funds and/or other benefits from Zufelt, which are either the proceeds of, or are traceable to the proceeds of, unlawful activities alleged in this Complaint and to which these Relief Defendants have no legitimate claim.

100. Relief Defendants Eric Nelson and Kevin Wilcox received, directly or indirectly, funds and/or other benefits from Nelson, which are either the proceeds of, or are traceable to the proceeds of, unlawful activities alleged in this Complaint and to which these Relief Defendants have no legitimate claim.

V. PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enter judgment in favor of the Commission finding that the Defendants violated the federal securities laws and Commission rules as alleged in this Complaint;

II.

Permanently enjoin the Defendants from further violations of the federal securities laws and Commission rules alleged against them in this Complaint;

III.

Order all Defendants and Relief Defendants to disgorge and pay, as the Court may direct, all ill-gotten gains received or benefits in any form derived from the illegal conduct alleged in this Complaint, together with pre-judgment interest thereon;

IV.

Order all Defendants to pay civil monetary penalties pursuant to Securities Act Section 20(d) and Exchange Act Section 21(d)(3);

V.

Bar each of Zufelt, Nelson and the Deckers from serving as an officer or director of a public company pursuant to Securities Act Section 20 (e) and Exchange Act Section 21(d)(2); and

VI.

Order each Defendant to make an accounting.

VII.

Grant such equitable relief as may be appropriate or necessary for the benefit of investors pursuant to Exchange Act Section 21(d)(5) [15 U.S.C. § 78u(d)(5)].

Respectfully submitted this 23rd day of June 2010.

Thomas M. Melton (4999)
Securities and Exchange Commission
15 West South Temple Street
Suite 1800
Salt Lake City, UT 84101
Tel: (801) 524-6748
Email: meltont@sec.gov

Terence M. Healy
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Tel: (202) 551-4640
Email: healyt@sec.gov

ATTORNEYS FOR PLAINTIFF

Exhibit B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. ANTHONY C. ZUFELT, JOSEPH A NELSON, DAVID M. DECKER, JR., CACHE D. DECKER, ZUFELT BUSINESS SERVICES, INC. (d/b/a ZUFELT, INC.), JNC, INC., JCN CAPITAL, LLC, and JCN INTERNATIONAL, LLC, Defendants, and JENNIFER M. ZUFELT, SHAE L. MORGAN, GARTH W. JARMAN, JR., ERIC R. NELSON, AND KEVIN J WILCOX, Relief Defendants.	**ORDER GRANTING PLAINTIFF'S MOTION FOR PARTIAL SUMMARY JUDGMENT** Case No. 2:10-cv-00574 District Judge Dee Benson

This matter is before the Court on Plaintiff's Motion for Partial Summary Judgment. (Dkt. No. 199.) Plaintiff filed its Motion for Partial Summary Judgment on November 5, 2015. On November 6, 2015, Richard Lawrence, counsel for Defendant Anthony Zufelt and the Relief Defendants Shea Morgan and Garth Jarman, filed a Motion to Withdraw as Attorney. (Dkt. No. 201.) Mr. Lawrence's Motion was referred to Magistrate Judge Pead pursuant to 28 U.S.C. § 636(b)(1)(A). (Dkt. No. 151.) Judge Pead temporarily denied Mr. Lawrence's Motion and ordered Mr. Lawrence to remain active in the case until the conclusion of the depositions noticed for November 17, 18, and 19, 2015. (Dkt. No. 206, p. 3.) Further, Judge Pead extended the

deadline for the Defendants to respond to Plaintiff's Motion for Partial Summary Judgment to December 13, 2015. (*Id.* at 3–4.) On November 23, 2015, Judge Pead granted Mr. Lawrence's Motion to Withdraw as Attorney. (Dkt. No. 209.)

On December 18, 2015, Plaintiffs filed a Notice of Unopposed Motion regarding Plaintiff's Motion for Partial Summary Judgment. (Dkt. No. 211.) As of the date of this Order, Defendants have failed to respond or oppose Plaintiff's Motion for Partial Summary Judgment. Having carefully reviewed the relevant materials, the Court now enters the following Order.

For the reasons stated in Plaintiff's Memorandum in Support of Plaintiff's Motion for Partial Summary Judgment (Dkt. No. 199), Plaintiff's Motion is GRANTED. Plaintiff has sufficiently alleged, and Defendants do not dispute, the following:

1. Defendants Antony C. Zufelt, Zufelt Business Services, Inc. d/b/a Zufelt, Inc., and Silver Leave Investments, Inc. violated Sections 5(a) and 5(c) of the Securities Act of 1933 by selling unregistered securities in Zufelt, Inc. and Silver Leaf Investments, Inc.
2. Defendant Anthony C. Zufelt violated Section 15(a)(1) of the Exchange Act of 1934 by acting as an unregistered broker-dealer in connection with the offer and sale of securities.

SO ORDERED.

Dated this 4th day of January, 2016.

BY THE COURT:

Dee Benson
United States District Judge

Exhibit C

Daniel J. Wadley
Securities and Exchange Commission
15 West South Temple Street, Suite 1800
Salt Lake City, UT 84101
Tel: (801) 524-6748
Email: wadleyd@sec.gov

John J. Bowers (*pro hac vice*)
Christian D. H. Schultz (*pro hac vice*)
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549
Tel: (202) 551-4645
Email: bowersj@sec.gov

UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. ANTHONY C. ZUFELT, JOSEPH A. NELSON, DAVID M. DECKER, JR., CACHE D. DECKER, ZUFELT BUSINESS SERVICES, INC. (d/b/a ZUFELT, INC.), SILVER LEAF INVESTMENTS, INC., JCN, INC., JCN CAPITAL, LLC, and JCN INTERNATIONAL, LLC, Defendants, and JENNIFER M. ZUFELT, SHAE L. MORGAN, GARTH W. JARMAN, JR., ERIC R. NELSON, and KEVIN J. WILCOX, Relief Defendants.	Case No. 2:10-cv-00574 Judge Dee Benson

~~[PROPOSED]~~ FINAL JUDGMENT AS TO DEFENDANTS ANTHONY C. ZUFELT, ZUFELT BUSINESS SERVICES, Inc. (d/b/a ZUFLT INC.) AND SILVER LEAF INVESTMENTS, INC.

THIS CAUSE comes before the Court on consideration of Plaintiff Securities and Exchange Commission's motion pursuant to Rules 58 and 55(b)(2) of the Federal Rules of Civil Procedure for entry of final judgment, including permanent injunctive and monetary relief, against Defendants Anthony C. Zufelt ("Zufelt"), Zufelt Business Services, Inc. d/b/a Zufelt, Inc. ("Zufelt, Inc."), and Silver Leaf Investments, Inc. ("Silver Leaf") (collectively, "Defendants").

On June 23, 2010, the Securities and Exchange Commission filed a Complaint against Defendants.

On May 6, 2014, this Court entered a default against Zufelt, Inc. and Silver Leaf on all claims, including securities fraud claims pursuant to Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]. (Doc. 137.)

On January 4, 2016, this Court granted partial summary judgment against the Defendants, finding that Defendants violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e(a) and (c)] by selling unregistered securities in Zufelt, Inc. and Silver Leaf; and that Zufelt violated Section 15(a)(1) of the Exchange Act [15 U.S.C. § 77o(a)(1)] by acting as an unregistered broker-dealer in connection with the offer and sale of securities. (Doc. 214.)

On February 22, 2016, this Court entered a default against Anthony Zufelt on the SEC's remaining claims, including securities fraud and aiding and abetting claims based on his solicitation of investors in Zufelt, Inc. and Silver Leaf, "as a sanction for his repeated refusal to meaningfully participate in litigation." (Doc. 222.)

After a careful review of the record and the Court being otherwise fully advised:

I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Final Judgment be and the same is hereby ENTERED in favor of Plaintiff Securities and Exchange Commission and against Defendants Zufelt, Zufelt, Inc., and Silver Leaf.

II.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendants and Defendants' agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

(a) to employ any device, scheme, or artifice to defraud;

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants and Defendants' agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the

Securities Act [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants and Defendants' agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)] by, directly or indirectly, in the absence of any applicable exemption:

(a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;

(b) Unless a registration statement is in effect as to a security, carrying or causing to be carried through the mails or in interstate commerce, by any means or

instruments of transportation, any such security for the purpose of sale or for delivery after sale; or

(c) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants and Defendants' agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from participating directly or indirectly in the issuance, offer, or sale of any securities, including but not limited to securities involving promissory notes, income streams, and merchant services businesses or portfolios; provided, however, that such injunction shall not prevent Defendant Zufelt from purchasing or selling securities listed on a national securities exchange for his own personal account.

VI.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Zufelt is permanently restrained and enjoined from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] by, without being registered with the Commission as a broker or dealer or an associated person of a broker-dealer, acting as a broker or dealer and making use of the mails

or any other means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security.

VII.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], Defendant Zufelt is permanently restrained and enjoined from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VIII.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Zufelt is jointly and severally liable with Zufelt, Inc. for and shall pay disgorgement of ill-gotten gains of $1,887,282, plus prejudgment interest thereon of $720,516, and is jointly and severally liable with Silver Leaf for and shall pay disgorgement of ill-gotten gains of $538,400, plus prejudgment interest thereon of $250,956, for a total disgorgement of $2,425,682 and prejudgment interest thereon of $971,472; Defendant Zufelt, Inc. is jointly and severally liable with Defendant Zufelt for and shall pay disgorgement of ill-gotten gains of $1,887,282, plus prejudgment interest thereon of $720,516; and Defendant Silver Leaf is jointly and severally liable with Defendant Zufelt for and shall pay disgorgement of ill-gotten gains of $538,400, plus prejudgment interest thereon of $250,956.

IX.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Zufelt shall pay a third-tier civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] in the amount

of $ 520,000.00 ; Defendant Zufelt, Inc. shall pay a third-tier civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] in the amount of $ 1,900,000.00 ; and Defendant Silver Leaf shall pay a third-tier civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]in the amount of $ 1,900,000.00.

X.

Defendants shall satisfy the foregoing disgorgement, prejudgment interest and civil penalty obligations by making payment to the Securities and Exchange Commission within 14 days after entry of this Final Judgment. Defendants may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm. Defendants may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

Enterprise Services Center
Accounts Receivable Branch
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; identification of the Defendant as a defendant in this action; and specifying that payment is made pursuant to this Final Judgment. Defendants shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action. By making payment, Defendants relinquish all legal and equitable right, title, and interest in such funds and no part of the funds shall be returned to Defendants. The

Commission shall send the funds paid pursuant to this Final Judgment to the United States Treasury. The Commission may enforce the Court's judgment for disgorgement and prejudgment interest by moving for civil contempt (and/or through other collection procedures authorized by law) at any time after 14 days following entry of this Final Judgment. Defendant shall pay post judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

XI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Judgment.

XII.

There being no just reason for delay, pursuant to Rules 54(b), 55(b)(2), and 58 of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Judgment forthwith and without further notice.

Dated: Oct. 5, 2016

UNITED STATES DISTRICT JUDGE

Exhibit D

Response to SEC request for being permanently barred from certain securities activities.

It is my belief that there is no gain for the general public in any furtherance of SEC actions or restrictions against me.

Although the securities sold between 2005 and 2007 were not properly registered and mistakes were made within those businesses (Zufelt Inc. and Silverleaf Investments), there was never an "intent to defraud or mislead" investors.

Anthony Zufelt never produced elaborate sales material or misleading presentations in regard to these investments. Investors were all friends and contacts of family or employees that had acting knowledge of the fact that we were in the credit card processing industry and were having success.

Investors signed simple one page agreements agreeing that they were lending the money to those entities and releasing full rights and control of said monies to Zufelt. In the case of "Silver Leaf Investments" they signed more extensive agreements acknowledging various risk factors, and including the disclosure that the SEC may have problems with the first document used.

To imply that these activities somehow represent that if allowed to participate in actual stock offerings or public funding activitiy in the future there would be fraud is simply false.

The punishment already dealt Mr. Zufelt as result of this activity has been vast. When anyone "googles" Anthony Zufelt, they see alligations pertaining to a "15 million dollar ponzi scheme".

This press is very misleading in the sense that Mr. Zufelt was not involved in anyway with the subsequent investment activity conducted by defendant Joseph Nelson. This headline has been the prominant search result on Mr. Zufelts name since 2010.

Over the course of the now decade long legal battle with the SEC, Mr. Zufelt has suffered the loss of countless business deals and numerous occasions whereby the SEC's negative press releases and publicity/representation of Mr.Zufelt as a "bad guy" have had extremely adverse effects.

The representation of the investments offering as a "ponzi scheme" in and of itself is an absolute lie. The business did exist, was in fact building portfolios of significant value, and in fact, had it not been for the processors using questionable tactics to cheat Zufelt companies out of the residuals they had built, the enterprise would have continued to be a success and investors wouldnt have incurred losses.

Zufelt companies employed over 200 people (at one point) and had processing clients in the thousands. The top exectutives of the organization, went on to build a successful processing

company that is conducting business to this day. It is my understanding that the company has even enjoyed a spot in the Inc. 500. The owners of that company, learned thier trade by being a part of a legitimate marketing and sells organization for that industry, NOT from a false company that was merely running a "ponzi scheme".

Mr. Zufelt has never intentially caused ANY person to lose money. The representation that he ran a "ponzi scheme" and ripped off investors is a lie. Taking yet further action a decade later is simply the continuance of that lie.

Thanks for your time

Anthony Zufelt

Exhibit E

From: Anthony Zufelt
To: Bowers, John
Cc: ALJ; Thomas, Charvelle; Abel, Bradley; England, Timothy; Schultz, Christian
Subject: Re: 3-17907 Zufelt
Date: Thursday, November 15, 2018 12:06:30 PM

Attention all parties;
This letter is to inform you that I will not be a participant in today's conference call.
I am formerly objecting to this entire process.
At this time the supreme court has ruled that the use of house judges in these matters is unlawful. That
combined with expiration of all statutes that could reasonably apply (as this matter is now aprox 13 years old)
would lead any reasonable party to conclude that this is no longer a live case or proceeding.
Furthermore, I am objecting to the civil judgement you obtained as it was also obtained unlawfully and also outside of statutes that would likely apply in this case.

Sincerely,
Anthony Zufelt

On Thu, Oct 25, 2018 at 2:06 PM Bowers, John <BowersJ@sec.gov> wrote:

> Dear Judge Murray:
>
> Please use the following WebEx teleconference number for the telephonic prehearing conference in the above-referenced matter on November 15, 2018, at 2:00 p.m. Eastern Time ordered in the attached Notice of Telephone Conference:
>
> 202-551-7000 (US/Canada)
>
> 888-732-8001 (US/Canada Toll-free)
>
> Access Code:
>
> 999 132 876
>
> Counsel for the Division will host by telephone from Conference Room 5965, SEC Headquarters Building SP3. Our understanding is that the court reporter will attend by telephone.

Please let me know if you need any additional information.

John

John J. Bowers

Assistant Chief Litigation Counsel

Securities & Exchange Commission

Enforcement Division

100 F Street, NE

Washington, DC 20549-5971

(202) 551-4645

bowersj@sec.gov

cc: Respondent Anthony Zufelt

From: ALJ
Sent: Monday, October 22, 2018 4:05 PM
To: Anthony Zufelt; Bowers, John; England, Timothy; Schultz, Christian
Cc: Thomas, Charvelle; Abel, Bradley
Subject: 3-17907 Zufelt

Courtesy.

Kathy Shields