



**BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS**

In the Matter of:

Gordon Schultz,
and his representatives and agents,

Docket No. 13 E 012
KSC No. 2013-6055
OAH No. 13OS0003 SEC

Respondents.

Pursuant to K.S.A. 17-12a604

STIPULATION FOR CEASE AND DESIST ORDER

WHEREAS staff for the Office of the Securities Commissioner of Kansas has conducted an investigation pursuant to K.S.A. 17-12a602.

WHEREAS, on November 7, 2012, the Securities Commissioner of Kansas issued a Cease and Desist Order against several persons, including Gordon Schultz (Respondent Schultz).

WHEREAS, Respondent Schultz has requested a hearing on the issuance of said Cease and Desist Order.

WHEREAS Respondent Schultz has consented to the issuance of a new Cease and Desist Order containing revised Findings of Fact and Allegations of Law.

WHEREAS staff for the Office of the Securities Commissioner of Kansas asserts the following allegations in support of a Cease and Desist Order:

Allegations of Fact

JURISDICTION

1. Pursuant to K.S.A. 17-12a604, if the Securities Commissioner of Kansas finds that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Kansas Uniform Securities Act (KUSA) or a rule adopted or order issued under the KUSA or that a person has materially aided, is

materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of the KUSA or a rule adopted or order issued under the KUSA, the Securities Commissioner of Kansas may issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or take other action necessary or appropriate to comply with this act.

2. Staff for the Securities Commissioner of Kansas alleges that Respondent Schultz materially aided or was about to materially aid an act, practice, or course of business constituting violations of K.S.A. 17-12a501(2) and (3).
3. K.S.A. 17-12a501(2) and (3) are part of the KUSA.
4. Accordingly, the Securities Commissioner of Kansas has jurisdiction over this matter.

RESPONDENTS and RELATED PARTIES

5. Respondent Schultz is an individual with a residential address of [REDACTED]
[REDACTED]
6. Hybrid Asset Management, LLC (Hybrid) is a limited liability company formed pursuant to the laws of the state of Kansas.
7. Jeffrey K. Williams (Williams), Mark K. Nordyke (Nordyke), and Sherrilynn L. Frierson (Frierson) are members of Hybrid.
8. Hybrid has no members other than Williams, Nordyke, and Frierson.
9. Churchill Capital Strategies Corp. (Churchill) is a corporation formed pursuant to the laws of the state of Kansas.
10. Churchill is controlled and managed by Williams, Nordyke, and Frierson.

SECURITIES FRAUD

11. K.S.A. 17-12a501(2) and (3) make it unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to make an untrue statement of a material fact, or omit to state a material fact necessary in order to make a statement made, in the light of the circumstances under which it is made, not misleading; or to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
12. Prior to October 3, 2012, Respondent Schultz, Hybrid, Churchill, Williams, Nordyke, and Frierson agreed to enter into negotiations with Kaw Valley Bank, on behalf of Sutton, MN, LLC (Sutton), Michael Elzufon (Elzufon), and David Lundberg (Lundberg), that were designed to allow Sutton, Elzufon, and Lundberg to satisfy an outstanding debt owed to Kaw Valley Bank, and allow Respondent Schultz to purchase certain portions of the Sutton Place Building.
13. On October 3, 2012, Respondent Schultz (Schultz) and Williams met with [REDACTED] and [REDACTED], representatives of Kaw Valley Bank, to begin such negotiations.
14. On October 8, 2012, Williams sent a letter to [REDACTED] of the Kaw Valley Bank. Said letter included a proposal in which Elzufon and Lundberg would assign an interest in a life insurance policy to the Kaw Valley bank.
15. Enclosed with the October 8, 2012, letter was a purported In Force Illustration for a \$10,000,000 life insurance policy, identified as Policy No. [REDACTED], on the life of [REDACTED] [REDACTED] from the Phoenix Life Insurance Company (the [REDACTED] Policy).
16. The October 8, 2012, letter contained the following statement regarding the [REDACTED] Policy:

In August, 2012 we paid over \$1 million to ensure that the premiums for this policy would be covered beyond the projected LE date, as shown on the attached verification of coverage.”

17. The statement listed in Paragraph 16 above is untrue.
18. The following statements are made in the In Force Illustration for the Grunwald policy that was attached to the October 8, 2012, letter:
 - a. the owner of the policy is Churchill TRST (GRN);
 - b. the policy has a status of active;
 - c. the last payment made on the policy was \$1,050,000 and was processed on Aug 18, 2012;
 - d. the beneficiaries of the policy are Churchill Master Trust 2012 and Bobker Financial Grp; and
 - e. the servicing agent for the policy is Abacus Settlement.
19. Each statement listed in Paragraph 18 above is untrue.
20. A copy of the October 8, 2012, letter was sent to Respondent Schultz.
21. Prior to October 31, 2012, Hybrid, Churchill, Williams, Nordyke, and Frierson presented a plan to Elzufon and Lundberg that was purportedly designed to satisfy the outstanding debt that Elzufon and Lundberg owed to the Kaw Valley Bank.
22. The plan referenced in Paragraph 21 above, involved Respondent Schultz purchasing the Sutton Building from Sutton with a loan from the Kaw Valley Bank.
23. The plan referenced in Paragraph 21 above, involved a purported assignment of an \$800,000 interest in the Grunwald Policy from Churchill Master Trust, an entity controlled by Hybrid, Churchill, Nordyke, Williams, and Frierson to Elzufon and Lundberg.

24. The plan referenced in Paragraph 21 above, involved a purported assignment of an \$800,000 interest in an \$8,000,000 life insurance policy with the John Hancock Life Insurance Company, identified as Policy No. [REDACTED], insuring the life of [REDACTED] [REDACTED] (the [REDACTED] Policy) from Churchill Master Trust, an entity controlled by Hybrid, Churchill, Respondent Nordyke, Williams, and Frierson, to Elzufon and Lundberg.
25. Prior to October 31, 2012, Williams provided Lundberg and Elzufon an In Force Illustration for the [REDACTED] Policy that contained the following statements:
- a. the owner of the policy is Churchill TRST (GRN);
 - b. the policy has a status of active;
 - c. the last payment made on the policy was \$1,050,000 and was processed on Aug 18, 2012;
 - d. the beneficiaries of the policy are Churchill Master Trust 2012 and Bobker Financial Grp; and
 - e. the servicing agent for the policy is Abacus Settlement.
26. Each statement listed in Paragraph 25 above, is untrue.
27. The [REDACTED] Policy lapsed in April 2010.
28. The [REDACTED] Policy lapsed in December 2010.
29. On or before November 6, 2012, Nordyke, Williams, and Frierson represented to Elzufon and Lundberg that an \$800,000 interest in the [REDACTED] Policy had been assigned from the Churchill Master Trust to Elzufon and Lundberg.
30. Neither the Churchill Master Trust, Hybrid, Churchill, Nordyke, Williams, nor Frierson had any interest in the [REDACTED] Policy that could be assigned to Elzufon and Lundberg.

31. On or before November 6, 2012, Nordyke, Williams, and Frierson represented to Elzufon and Lundberg that an \$800,000 interest in the [REDACTED] Policy had been assigned from the Churchill Master Trust to Elzufon and Lundberg.
32. Neither the Churchill Master Trust, Hybrid, Churchill, Nordyke, Williams, nor Frierson had any interest in the [REDACTED] Policy that could be assigned to Elzufon and Lundberg.

Allegations of Law

33. The Securities Commissioner of Kansas has jurisdiction over this matter pursuant to K.S.A. 17-12a604(a).
34. The \$800,000 interest in the [REDACTED] Policy that was purportedly transferred from the Churchill Master Trust to Elzufon and Lundberg is a security, as defined by K.S.A. 17-12a102(28)(D) and (E).
35. The \$800,000 interest in the [REDACTED] Policy that was purportedly transferred from the Churchill Master Trust to Elzufon and Lundberg is a security, as defined by K.S.A. 17-12a102(28)(D) and (E).
36. Respondent Schultz was about to materially aid acts or practices, committed by other persons, that constituted violations of K.S.A. 17-12a501(2) and (3).

WHEREAS Respondent Schultz, wishing to dispose of this matter without invoking any right to a hearing before the Securities Commissioner, or his designee, has determined not to contest the issuance of a Cease and Desist order by the Securities Commissioner on the basis of the above allegations.

IT IS THEREFORE STIPULATED AND AGREED by and between Respondent Schultz and staff for the Office of the Securities Commissioner of Kansas that:

1. A Cease and Desist Order incorporating the above asserted Allegations of Fact as Findings

of Fact and incorporating the above asserted Allegations of Law as Conclusions of Law may be issued by the Securities Commissioner without further proceedings in this matter.

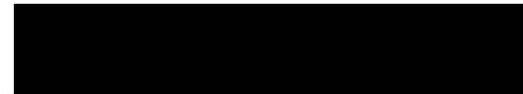
2. Respondent Schultz neither admits nor denies the allegations of the Securities Commissioner's staff.
3. Respondent Schultz asserts that he believed the representations, regarding the securities described herein, made to him by others to be true.
4. Respondent Schultz shall be ordered to:
 - a. Cease and desist in the state of Kansas from selling or offering to sale, on behalf of himself or on behalf of any other person/entity that he is acting in concert with, interests in the \$10,000,000 life insurance policy, identified as Policy No. [REDACTED], on the life of [REDACTED] from the Phoenix Life Insurance Company.
 - b. Cease and desist in the state of Kansas from selling or offering to sale, on behalf of himself or on behalf of any other person/entity that he is acting in concert with, interests in the \$8,000,000 life insurance policy with the John Hancock Life Insurance Company, identified as Policy No. [REDACTED], insuring the life of [REDACTED] [REDACTED].
 - c. Cease and desist in the state of Kansas from soliciting offers to purchase or making offers to sell, or effecting or transacting sales of securities, or the securities of any other person or issuer, or directly or indirectly aiding and assisting in the same or attempting to do the same, unless and until Respondent Schultz refrains from all acts and practices which constitute violations or are about to constitute violations of the Kansas Uniform Securities Act.

5. Respondent Schultz understands that the Office of the Securities Commissioner of Kansas is currently conducting an investigation into the same transactions and actions that constitute the basis for the Cease and Desist Order.
6. Respondent Schultz understands that by entering into this Stipulation for Cease and Desist Order the State of Kansas and the Office of the Securities Commissioner are not waiving, compromising, or settling their right or ability to file criminal charges or an action for administrative sanctions based on the same transactions and actions that constitute the basis for the Cease and Desist Order.
7. Respondent Schultz hereby waives his right to a hearing before the Commissioner, or his designee, with respect to this matter, the issuance of the Cease and Desist Order, and the above allegations.

APPROVED AND AGREED TO BY:


Gordon Schultz
RESPONDENT

April 24, 2013
Date


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ATTORNEY FOR RESPONDENT SCHULTZ

4-24-13
Date

OFFICE OF THE KANSAS SECURITIES COMMISSIONER

By: _____

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ATTORNEY FOR THE SECURITIES COMMISSIONER

4-30-13

Date