

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.

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

**CEASE AND DESIST ORDER**

COMES NOW the above-entitled action before the Securities Commissioner of Kansas for further consideration. Upon due deliberation, the Commissioner finds as follows:

1. On November 7, 2012, the Securities Commissioner of Kansas issued a Cease and Desist Order against several persons, including Gordon Schultz (Respondent Schultz).
2. On January 14, 2013, Respondent Schultz filed a Request for Hearing on the issuance of the Cease and Desist Order.
3. Respondent Schultz and staff for the Office of the Kansas Securities Commissioner have subsequently entered into a Stipulation for Cease and Desist Order in this matter.
4. In the above-referenced Stipulation, Respondent Schultz has waived his right to a hearing to contest the allegations contained in the Stipulation. Therefore, this Cease and Desist Order may be issued without further proceedings.
5. Respondent Schultz neither admits nor denies the allegations contained in the Stipulation.

6. It is in the public interest and consistent with the purposes of the Kansas Uniform Securities Act that this Order be issued.

**WHEREFORE**, the Commissioner adopts the Allegations of Fact as set forth in the Stipulation as true and correct and accordingly further finds as follows:

**Findings 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]

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 Respondent Nordyke, Williams, 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 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 Grunwald 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 [REDACTED] 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 [REDACTED] 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] (the [REDACTED] Policy) from Churchill Master Trust, an entity controlled by Hybrid, Churchill, 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 Grunwald 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.

**WHEREFORE**, the Commissioner adopts the Allegations of Law as set forth in the Stipulation as true and correct and accordingly concludes as follows:

#### **Conclusions of Law**

1. The Securities Commissioner of Kansas has jurisdiction over this matter pursuant to K.S.A. 17-12a604(a).

2. 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).

3. 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).

4. 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).

**IT IS THEREFORE ORDERED** by the Securities Commissioner that:

1. Gordon Schultz shall 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.

2. Gordon Schultz shall 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].

3. Gordon Schultz shall 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 Gordon Schultz refrains from all acts and practices which constitute violations or are about to constitute violations of the Kansas Uniform Securities Act.

**IT IS SO ORDERED BY THE COMMISSIONER.**

Entered at Topeka, Kansas, this 21<sup>st</sup> day of May, 2013.



Joshua A. Ney  
Interim Securities Commissioner  
State of Kansas

**NOTICE:**

**This decision may constitute final agency action that is subject to judicial review. The agency officer to receive service of a petition for judicial review on behalf of the Office of the Securities Commissioner is Joshua A. Ney, Interim Securities Commissioner, at 109 SW 9<sup>th</sup> St., Suite 600, Topeka, Kansas, 66612.**