

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

IN THE MATTER OF DETERMINING) Order No.: S-15-1790-16-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
) CONCLUSIONS OF LAW AND
Zoydan Games, Inc.,) FINAL ORDER TO CEASE AND DESIST
Steven G. Baldwin,) AS TO STEVEN G. BALDWIN
)
)
Respondents.)

THE STATE OF WASHINGTON TO: Steven G. Baldwin

On April 21, 2016, the Securities Administrator of the State of Washington issued Order No. S-15-1790-16-SC01, hereinafter referred to as "Statement of Charges". The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing" and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing," were served on Respondent Steven G. Baldwin, on April 27, 2016. The Notice of Opportunity for Hearing advised Respondent Steven G. Baldwin, that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice.

On May 12, 2016, Respondent Steven G. Baldwin returned the Application for Hearing and indicated that he waived the right to a hearing. In lieu of requesting a hearing, Respondent Steven G. Baldwin submitted a written statement for consideration by the Agency Director or Securities Administrator. After considering the written statement, the Securities Administrator finds no material grounds for amendment of the Statement of Charges, and will therefore adopt as final the findings of fact and conclusions of law as set forth in the Statement of Charges, and enter a final order against Respondent

1 Steven G. Baldwin to cease and desist from violations of the Securities Act, to impose a fine, and to charge
2 costs. The Securities Administrator finds as follows:

3 **FINDINGS OF FACT**

4 **Respondents**

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

8 2. Steven G. Baldwin (“Baldwin”) resides in Spokane, Washington. From July 2011 until
9 approximately November 2013, Baldwin was the President of Zoydan. After serving as President, Baldwin
10 continued to be a signer on the Zoydan bank account and to issue stock certificates for the company.
11 Baldwin had a prior bankruptcy and a federal fraud conviction. In February 1989, Baldwin filed for
12 bankruptcy after unsuccessfully operating National Safe Depository Corp. (“National Safe”), a business
13 that was supposed to purchase and store precious metals. In January 1991, Baldwin pled guilty to three
14 counts of mail fraud in the United States District Court for the Eastern District of Washington in Spokane,
15 Washington. Baldwin admitted that he defrauded National Safe investors out of \$1.25 million and failed to
16 maintain required reserves of precious metals for his customers. In May 1991, Baldwin was sentenced to
17 five years in prison.

18 **Overview**

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20 3. Between approximately May 2013 and April 2015, the Respondents raised more than
21 \$340,000 through the offer and sale of more than 3 million shares of Zoydan common stock to at least 9
22 investors, including at least 3 investors who reside in Washington. Baldwin failed to disclose to some
23 Zoydan investors that he had a prior criminal conviction for mail fraud and a prior bankruptcy in
24 connection with his operation of a precious metals business. Baldwin now operates another precious

1 metals business (Spokane Coin Exchange), and found at least three Zoydan investors through that business.
2 Baldwin personally solicited investments in Zoydan through telephone calls, emails, and at least one in-
3 person meeting in Spokane.

4 **Providing a Misleading Offering Memorandum**

5 4. When offering and selling Zoydan stock, Baldwin provided at least two investors with an
6 offering memorandum that misled the investors because it did not disclose material information about the
7 investment. The memorandum described Baldwin's experience with buying and selling precious metals,
8 but it did not disclose Baldwin's prior criminal fraud conviction or bankruptcy. The memorandum also did
9 not include any information regarding Baldwin's prior sales of the "Megiddo" game, one of the games that
10 is being marketed by Zoydan.

11 **Failure to Provide Any Written Offering Materials**

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

17 6. The Respondents also failed to give the investor any financial statements for Zoydan. The
18 Respondents failed to disclose to the investor that throughout its existence, Zoydan had never earned any
19 significant revenues and was never profitable. During 2013 and 2014, Zoydan generated annual net losses
20 of approximately \$100,000 per year.
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Providing Misleading or Incomplete Information about Zoydan

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2 7. When offering and selling Zoydan stock, Baldwin made misleading representations about
3 the public market for the stock. Baldwin misleadingly represented to at least two investors that Zoydan
4 stock would soon become publicly traded through a merger with a publicly traded company. The
5 Respondents each failed to disclose the amount of capital that would be required to complete the merger
6 and the steps that needed to be taken before the merger could be completed. In a December 2013 email,
7 Baldwin falsely represented to at least one investor that Zoydan could start offering its stock to the general
8 public, when in fact, because the stock was not registered or publicly traded, Zoydan was prohibited from
9 publicly offering its stock.

10 8. Baldwin made misleading representations concerning the current and future value of
11 Zoydan stock. Baldwin falsely represented to at least one investor that Zoydan stock would never be worth
12 less than the purchase price. Baldwin also misleadingly represented that by investing quickly, the investor
13 could purchase Zoydan stock at a “discount” of \$0.08 per share, which was \$0.02 less than the planned
14 public offering price of \$0.10 per share. The Respondents each failed to disclose to the investor that the
15 discounted stock price was an arbitrary amount that was not related to the underlying value of the stock.
16 Baldwin misleadingly represented to at least two investors that Zoydan’s stock would increase from a price
17 of \$0.10 per share to a price of \$2.00 per share (an increase of 2,000%) or more within two years after
18 investing. The Respondents each failed to disclose the assumptions or provide any reasonable basis for the
19 projected stock price increase.
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21 9. Baldwin made additional false and misleading representations about the safety and value of
22 Zoydan stock. Baldwin sent one prospective investor an email which misleadingly stated that their
23 investment would be refunded if the Zoydan public offering was not completed. Baldwin failed to disclose
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1 the source of the funds for providing any refunds. Baldwin also represented that an investor could
2 purchase stock for 10 cents per share in the company that owned “Megiddo,” one of Zoydan’s games.
3 Baldwin failed to disclose to the investor that the price of the stock was an arbitrary price that was
4 unrelated to the underlying value of the company. Baldwin falsely and misleadingly represented to the
5 investor that the investment was guaranteed, was very safe, and could be cashed in at any time if needed.

6 10. The Respondents each failed to disclose material information about the business consultant
7 who was directing Zoydan’s proposed merger. In November 2013, Baldwin sent a prospective investor an
8 email that referred to the consultant, Jay Edington (“Edington”), as “our man behind the scenes with
9 several hundred of these [public offerings] under his belt.” Baldwin gave the investor a private placement
10 memorandum that described Zoydan’s proposed merger with a publicly traded company that was managed
11 by Edington’s son. The Respondents each failed to disclose that Joseph “Jay” Edington was subject to a
12 1989 permanent injunction for securities violations, in connection with a civil enforcement action brought
13 against him by U.S. Securities and Exchange Commission.

14 11. After November 2013, Baldwin was no longer the President of Zoydan. However, Baldwin
15 continued to represent to several investors that Baldwin was the President of Zoydan, even when he no
16 longer held that position with the company. The Respondents failed to disclose to investors that although
17 Baldwin was no longer Zoydan’s President, Baldwin had signature authority on Zoydan’s bank account,
18 while the current President did not. The Respondents also failed to disclose that Baldwin controlled
19 Zoydan’s stock register.
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Registration Status

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

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

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

CONCLUSIONS OF LAW

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

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

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

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

Based upon the foregoing and finding it in the public interest:

FINAL ORDER

IT IS HEREBY ORDERED that the Respondent Steven G. Baldwin, his agents and employees each shall cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring securities registration.

IT IS HEREBY ORDERED that the Respondent Steven G. Baldwin, his agents and employees each shall cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.040, the section of the Securities Act of Washington requiring broker-dealer and securities salesperson registration.

IT IS FURTHER ORDERED that the Respondent Steven G. Baldwin, his agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER ORDERED that the Respondent Steven G. Baldwin shall be liable for and pay a fine in the amount of \$10,000.

IT IS FURTHER ORDERED that the Respondent Steven G. Baldwin shall be liable for and pay costs in the amount of \$2,500.

AUTHORITY AND PROCEDURE

This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and RCW 21.20.390, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall treat the Order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

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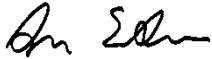
WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

SIGNED and ENTERED this 18th day of May, 2016



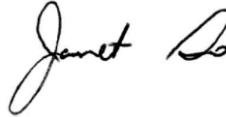
William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Janet So
Financial Legal Examiner

Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor