

BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE

OF THE STATE OF IDAHO

STATE OF IDAHO, Department of)	
Finance, Securities Bureau,)	Docket No. 1999-7-30
)	
Complainant,)	AGREEMENT AND ORDER
)	
vs.)	
)	
PC-HUT ENTERPRISES, RODNEY)	
A. RUSSELL,)	
)	
Respondents.)	
_____)	

The Director of the Department of Finance has instituted an investigation into the Idaho securities activities of PC-Hut Enterprises and Rodney A. Russell. Pursuant to said investigation, it appears to the Director that violations of the Idaho Securities Act ("Act"), Code § 30-1401 *et seq.*, have occurred. The Director and the Respondents have agreed to resolve this matter without a public hearing. Therefore, the Director deems it appropriate and in the public interest that this Agreement and Order be entered. Respondent consents to the entry of this Agreement and Order.

BACKGROUND

1. Respondent PC-Hut Enterprises operates a retail store which builds and sells custom made computer systems. It also operates a computer learning center providing training on various computer software programs. On November 18, 1997, PC-Hut Enterprises filed as an Idaho general partnership with the Idaho Secretary of State, identifying Kimberly Russell and Rodney Russell as general partners. PC-Hut Enterprises has since been incorporated. The business operates from 515 N Main Street, Mountain Home, Idaho 83647. PC-Hut Enterprises offers financing of computer purchases.

2. Respondent Rodney A. Russell was a general partner of PC-Hut Enterprises and runs the business. His address is 4445 A. Paisley, Mountain Home Air Base, Idaho 83648.

3. Respondents published advertisements in local newspapers and advertising circulars stating that investors were wanted and guaranteeing an 18.5% return. Additional advertisements were for a private offering of stock in a "solid, fast growing high tech company."

4. Respondents offered investment contracts in Idaho guaranteeing an 18.5% return. The investment contracts are securities as defined in Idaho Code § 30-1402(12).

5. Respondents offered stock or preorganization certificates in PC-Hut Enterprises, an entity that had yet to be incorporated, to Idaho residents. The stock or preorganization certificates are securities as defined in Idaho Code § 30-1402(12).

FINDINGS

6. Beginning on a date uncertain but at least since September 1998 Respondents offered for sale, either directly or indirectly, or aided and abetted in the offer, to Idaho residents through printed offering material and oral solicitations, securities in the form of investment contracts and stock or preorganization certificates.

7. The securities offered by Respondents were not registered with the Department as required by Idaho Code §30-1416.

8. Respondents have violated Idaho Code §30-1416.

9. At no time have the Respondents been licensed by the Department of Finance as broker-dealers or salesmen to offer for sale securities as required by Idaho Code §30-1406. Therefore, Respondents have either transacted business in this state as broker-dealers or salesmen without having been registered, or have acted as broker-dealers or issuers, and employed a salesman who was not registered under the Act.

10. Respondents have violated Idaho Code §30-1406.

11. Respondents offered and sold securities to individuals in this state in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(2), in that they omitted

to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. The omissions of Respondents include, but are not limited to, the following:

- A. Failing to disclose to offerees and/or investors the financial condition of PC-Hut Enterprises.
 - B. Failing to disclose to offerees and/or investors that Rodney A. Russell is not registered as a securities salesman in Idaho.
 - C. Failing to disclose to offerees and/or investors all of the risks associated with the investments being offered.
 - D. Failing to disclose to offerees and/or investors that the securities offered were not registered in Idaho.
12. Respondents have violated Idaho Code §30-1403(2).

REMEDIES

13 Respondents neither admit nor deny the findings contained in this Agreement and Order.

14. Respondents agree to refrain from engaging in any acts, practices or omissions which would constitute violations of the Idaho Securities Act, and in particular, agree to refrain from:

- A. Selling or offering for sale nonexempt securities in any form in the State of Idaho until such time as such securities have been registered with the Idaho Department of Finance, in accordance with Title 30, Chapter 14, Idaho Code;
- B. Transacting securities business in the State of Idaho until such time as Respondents have become registered as broker-dealers, or salesmen for a broker-dealer or issuer, with the Idaho Department of Finance, in accordance with Title 30, Chapter 14, Idaho

Code;

C. While engaged in or in connection with the offer, sale, or purchase of any security:

- (1) Employing any device, scheme or artifice to defraud,
- (2) Making any untrue statement of material fact, or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, and
- (3) Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

D. Aiding, abetting, counseling, inducing or causing any other person to engage in any of the types of conduct described in paragraphs A, B, and C above.

15. Respondents agree to refrain from claiming the availability of, using, or offering to sell securities under, any exemptions under the Idaho Securities Act without receiving the prior written consent of the Director.

16. Respondents agree, within thirty (30) days of the signing of this Agreement and Order, to restore to each person in interest any consideration which may have been acquired or transferred in violation of the Idaho Securities Act.

17. Respondents agree to pay to the Department an administrative penalty in the amount of Five Hundred Dollars (\$500), on or before the date the Director, or his designee, enters this Order.

18. This Agreement and Order shall serve as a final resolution of all issues presented herein.

19. Respondents agree that any violation of the terms of this Agreement and Order by Respondents will allow the Department to use all allegations contained in this Agreement and Order, and any and all other allegations concerning violations of the Idaho Securities Act by Respondents, in any subsequent proceeding.

DONE AND DATED at Boise, Idaho this ____ day of November, 1999.

PC-Hut Enterprises

BY: _____

NAME: _____

TITLE: _____

RODNEY A. RUSSELL

MARILYN T. SCANLAN
Bureau Chief, Securities Bureau
Department of Finance
State of Idaho

IT IS SO ORDERED this 17th day of November, 1999

GAVIN M. GEE
Department of Finance

