

BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE

OF THE STATE OF IDAHO

STATE OF IDAHO, Department of)
Finance, Securities Bureau,) Docket No. 2007-7-14
)
Complainant,)
) **CONSENT ORDER TO**
) **CEASE AND DESIST**
)
vs.)
)
Impact, Inc., dba ImpactNetWorth.com; dba)
Impact Net Worth; dba ImpactAmerica;)
dba Impact-America.com; dba Impact)
Lending; dba Impact Corporate, Impact Net)
Worth, LLC and James B. Catledge,)
)
Respondents.)
_____)

The Director of the Department of Finance, pursuant to his authority under the Idaho Uniform Securities Act (2004), Idaho Code §30-14-101, *et seq.*, and the Idaho Residential Mortgage Practices Act, Idaho Code §26-301, *et seq.*, has reasonable grounds to believe that violations of the Idaho Uniform Securities Act (2004) and the Idaho Residential Mortgage Practices Act have occurred, and may continue to occur, as follows:

I. RESPONDENTS

1. James B. Catledge (Catledge), is a Nevada resident and the President, Director and Chief Executive Officer of Impact, Inc. Catledge is a Manager of Impact Net Worth, LLC. Catledge resides at 18 Via Pontenza Court, Henderson, Nevada. Between 1995 and 2004, Catledge was associated with the securities industry and was registered in various capacities to engage in the offer and sale of securities and other financial services products. According to marketing materials distributed by Impact, Catledge has “been advising families in the financial services industry for over 11 years...In those 11 plus years he has led an organization of over 1,000 licensed financial advisors.”

2. Impact, Inc. (Impact) is a Nevada corporation formed in November 2002. The “World Headquarters” of Impact is located at 1053 Whitney Ranch Road, Henderson, Nevada. Impact conducts business using various Impact-based storefronts or dbas, including ImpactNetWorth.Com, Impact Net Worth, Impact Corporate, Impact Lending, Impact-America.com and Impact America.

3. Impact Net Worth, LLC (ILLC) is a Nevada limited liability company having filed with the Nevada Secretary of State on March 1, 2005.

II. BACKGROUND

4. Impact marketing materials state that “In 2003 James Catledge founded Impact Net Worth along with a handful of trusted leaders. Since that day, he has led a crusade, a crusade to guide families along the path of financial independence.”

5. Catledge operates Impact as a network marketing company. “Associates” are recruited into the company by more senior associates and other individuals with higher standing within the organization. Impact’s compensation plan identifies 10 levels of promotion potential, with each level receiving compensation for products and services sold or referred to them for sale by incoming associates.

6. A “Qualified Marketing Advisor” (QMA) is five levels up in the Impact promotional hierarchy and often oversees the recruitment, development and training of Referral Associates, Associates, Impact Certified Trainers and Impact Certified Leaders. QMAs are a central figure in the recruitment and training cadre known as the “Impact Certified Training System.” In Idaho, QMAs were essentially the managers of independent branch locations that promoted the Impact business model and the products and services offered through Impact.

7. Impact “Associates” actively recruit potential new associates as well as consumers that may need advice, services or products relating to debt/credit, insurance, real estate, mortgages, annuities and investments. Associates receive compensation in connection with the offer and sale of the various financial services and financial services products offered through Impact.

8. “Referral Associates” are passive Impact associates that may invite or otherwise introduce new associate prospects and consumers to the organization. Generally speaking, Referral Associates are not directly engaged in the offer or sale of the underlying products or services. These offers and sales are made by other associates, or higher associates (e.g., QMA)

within the Impact organization. Referral Associates will be compensated if their invitations result in the sale of any financial services or financial services products to their guests.

9. An Impact "Product Provider List" distributed in Idaho indicates that Impact could offer products and services through a Real Estate Division, a Mortgage Division, a Debt/Credit Division, a Securities Division and an Insurance Agency.

10. Since at least 2005, Impact and Catledge have had an ongoing relationship with Derek Elliott (DE), a Canadian real estate developer and businessman. DE has been involved in the equity financing, development and marketing of vacation resorts in the Dominican Republic. DE and various DE-related entities have contracted with or otherwise allowed Impact and its representatives to offer and sell resort-related investment interests to Idaho residents and others on behalf of DE and DE-related entities.

11. Late in 2005, Impact executed a Founder Interest Fee Agreement with Sun Village Juan Dolio Associates, LLC for the purpose of selling investment interests in one or more securities offerings associated with a hotel to condominium conversion project (the JD Hotel) in the Dominican Republic. The JD Hotel is a resort development directly or indirectly controlled by DE and Sun Village Juan Dolio Associates, LLC is a DE-related entity.

12. At all times pertinent to this Order, neither Catledge nor Impact were registered as a broker-dealer to offer or sell securities in Idaho, or to employ agents to offer or sell securities in Idaho. At all times pertinent to this Order, no Impact representatives were registered in Idaho to transact business or to otherwise offer or sell securities as required pursuant to the Idaho Uniform Securities Act (2004).

III. IMPACT ACTIVITIES IN IDAHO

13. Sometime prior to 2005, Idaho residents JR and BR were introduced to the Impact business model by relatives in California. During the spring of 2005, JR and BR traveled to a meeting in Nevada where Catledge presented the Impact business model. Thereafter JR and BR became affiliated with Impact and opened a Boise location to promote the Impact business model. JR subsequently became a QMA, overseeing all business conducted by the Boise Impact location.

14. The Boise location of Impact was successful under the direction of JR and BR. Under JR's QMA, the Boise location claimed nearly 90 participants operating at various levels

within the Impact promotion hierarchy. Catledge traveled to Idaho on multiple occasions to promote the Impact business model and various of the investment and mortgage products and services being offered and sold through Impact and its representatives.

15. In addition to the Boise branch location and some free-lance associates, Impact also had multiple Impact associates that operated under the direction and sponsorship of a Utah-based QMA and Impact branch location.

16. In quasi-public meetings, Impact presented its financial philosophies as a proven gateway to debt management, financial planning and investing. These meetings encouraged the recruitment of new associates and encouraged consumers to consider various products and services offered by or through Impact. In conjunction with this enterprise, Impact associates acted as a point of introduction for subsequent recommendations to consumers regarding debt reduction, mortgage loans, investments, insurance and real estate. For any products or services sold, virtually all levels of "promotion" within the network marketing cell were compensated, including casual Referral Associates.

Idaho Mortgage Activities

17. Based on the solicitation or recommendation of Impact representatives, approximately 90 mortgage loan application forms were completed by Idaho consumers with the assistance of Impact representatives. These forms were forwarded to Impact "corporate" for processing and thereafter presented to a mortgage broker/lender for the express purpose of obtaining a mortgage loan. These forms contained detailed information about the consumer's financial circumstances sufficient to initiate a mortgage loan.

18. Of the 90 mortgage loan applications described above, 32 application forms were executed by borrowers between June 2005 and December 2005. For the period January 1, 2006 through March 31, 2006, 13 executed application forms have been identified, and for the period April 1, 2006 through November 2006, 42 executed application forms have been identified. Approximately three application forms were obtained by Idaho associates from non-Idaho residents or in association with non-Idaho properties.

19. In furtherance of obtaining some mortgage loans, Impact representatives have a) solicited mortgage loan applications, b) discussed loan proposals with Idaho residents, c) initiated contact with the mortgage broker/lender on behalf of at least one Idaho client to

negotiate specific terms of a loan, and d) been a corollary delivery mechanism for loan proposals generated by the mortgage broker/lender. Impact was compensated for each draft loan application delivered to the mortgage broker/lender and Impact representatives in Idaho have been compensated and were to be compensated for any mortgage application or lead form that was submitted to the broker/lender.

20. Neither Impact nor its Idaho representatives have been registered or otherwise licensed to engage in mortgage brokering, mortgage lending or mortgage loan origination activities in the State of Idaho as required by the Idaho Residential Mortgage Practices Act.

Idaho Securities Activities

21. As described herein, Impact representatives act as the introduction point for the offer and sale of various products and services offered through Impact. In connection with these activities, Impact representatives solicited, recommended, and offered and sold various vacation resort investment securities associated with DE and various DE-related companies owned or controlled by DE. For the offer and sale of these products, virtually all levels of “promotion” within the network marketing cell were compensated, including casual Referral Associates.

22. On multiple occasions, Catledge traveled into Idaho to promote the Impact business model and the DE-related products being offered and/or sold by Impact representatives in Idaho.

23. Beginning on a date uncertain, but at least since March 2005, more than \$3 million in DE-related investment interests have been offered and sold to Idaho investors as described below:

EMI - Residence

24. Beginning on a date uncertain, but at least since March 2005, Impact and its representatives have offered and sold, in at least 21 separate transactions, \$1,155,000 in an investment interest known as “EMI Sun Village, Inc. – The Residence” (hereafter EMI-Residence).

25. In connection with the offer and sale in Idaho of the EMI-Residence interests, investors were promised fixed rates of returns ranging from 7-10% annually, paid quarterly. Investors were informed that they could have their principle repaid at the end of five years or re-invest their principle for another five-year term at a rate of return to be determined at that time.

26. It was represented to investors that the EMI-Residence investment was extremely low risk due to the experience and direct financial backing of DE and his companies. Some investors were led to believe that their investment was also protected by having some form of “ownership” in the resort.

27. In connection with the offer and sale of the EMI-Residence investment interests, neither Impact, its representatives nor anyone representing DE or the DE-related entities disclosed that the investor’s actual investment interest was a time-share interest that did not terminate until 2050 and that any future investment returns beyond the first five years would be offered solely at the developer’s discretion.

28. Omissions of material facts and misrepresentations of material facts occurred in connection with the offer and sale of the EMI-Residence investment interests described above.

Residence - JD

29. Beginning on a date uncertain, but at least since March 2006, Impact and its representatives have offered and sold, in at least 12 separate transactions, \$607,406 in an investment interest referred to as “Residence JD.”

30. In connection with the offer and sale of the Residence JD investment interests in Idaho, investors were promised fixed rates of returns ranging from 10-12% annually, to be paid quarterly. Investors were informed that they could have their money returned at the end of five years or to re-invest their principle for another five-year term at a rate of return to be determined at that time.

31. In connection with the offer and sale of the Residence JD investment interests, neither Impact, its representatives nor anyone representing DE or the DE-related entities disclosed that the investors’ actual investment interest was an alleged time-share interest that exceeded the five year term disclosed to investors and that any future investment returns beyond the first five years would be offered solely at the developer’s discretion.

32. Omissions of material facts and misrepresentations of material facts occurred in connection with the offer and sale of the Residence JD investment interests described above.

JD Hotel Fractional Investment Interests

33. JD Hotel investment interests include variously named investment interests identified as Founders Interests, Founders (Phase I) Interests, Passport Founders Phase, Passport Phase I, and Passport Phase II.

34. Generally speaking, Idaho investors were induced to provide funding for the renovation and development of the JD Hotel, a Dominican Republic resort property. Idaho investors were promised a 5% annual rate of return on their investment until such time as the JD Hotel was available for use, at which time investors would be given an opportunity to obtain a return of their principle or to purchase a deeded fractional interest in the class of hotel unit for which the investor had previously subscribed.

35. As a part of the investment solicitation, Idaho investors were told to expect profits from a) rental income from their unit that they would split with the property developer, b) the guaranteed appreciation that would accrue to purchasers during the conversion phase of the project, and c) investment appreciation due to U.S. demographic trends that would tend to increase the demand for resort real estate properties.

36. To make an investment, investors executed a one-to-four page contract between themselves and Sun Village Juan Dolio, Inc. Investors were not provided with any offering document or other written offering materials, although a private placement memorandum had been produced for Founders Interests and Founders (Phase I) Interests.

37. Beginning on a date uncertain, but at least since October 2005, Impact and its representatives have offered and sold, in at least 21 separate transactions, \$1,260,937 in investment interests that are characterized for the purposes of this Order as the “Fractional Interests.”

38. Omissions of material facts and misrepresentations of material facts occurred in connection with the offer and sale of the Fractional Interests described above.

IV. FINDINGS OF VIOLATIONS

39. In this Order, various investment interests have been described and further identified as a) EMI–Residence, b) Residence JD, and c) Founders Interests, Founders (Phase I) Interests, Passport Founders Phase, Passport Phase I, and Passport Phase II (collectively the Fractional Interests).

40. The identified investment interests offered and sold by and through Impact and its representatives are securities within the meaning of Idaho Code §30-14-102(28) of the Idaho Uniform Securities Act (2004).

COUNT ONE

OFFER & SALE OF UNREGISTERED SECURITIES

41. Paragraphs 1 through 40 set forth above are fully incorporated herein by this reference.

42. Beginning on a date uncertain, but at least during the time period from March 2005 through early 2007, the Respondents and their representatives offered for sale, either directly or indirectly, or aided and abetted in the offer or sale, to Idaho residents and others, various investment interests which constitute securities under the Idaho Uniform Securities Act (2004).

43. The securities offered and sold by the Respondents were not registered with the Department as required by Idaho Code § 30-14-301.

44. The Respondents' failure to register each offering of securities constitutes a violation of Idaho Code § 30-14-301.

COUNT TWO

**FAILURE TO REGISTER AS AGENTS &
BROKER-DEALER**

45. The allegations set forth in paragraphs 1 through 44 above are fully incorporated herein by this reference.

46. At all times relevant hereto, Impact was not registered with the Department as a broker-dealer to engage in the offer and sale of securities or to transact business as a broker-dealer as required by Idaho Code §30-14-401.

47. At all times relevant hereto, Impact representatives were not registered with the Department as agents to transact securities business or to offer and sell securities on behalf of Impact as required by Idaho Code §30-14-402.

48. At all times relevant hereto, Catledge was not registered as a broker-dealer or agent to transact securities business in Idaho. Catledge traveled to Idaho to aid and abet others representing Impact in the offer and sale of the securities described herein. Catledge is a control

person of Impact and therefore civilly liable for the violations pursuant to Idaho Code §30-14-509(g).

49. The Respondents transacted business in the state of Idaho as a broker-dealer and have employed agents that transacted business while not properly registered as required under the Idaho Uniform Securities Act (2004).

50. The Respondents have violated Idaho Code §§ 30-14-401 and 30-14-402.

COUNT THREE

OMISSIONS OF MATERIAL FACT

51. Paragraphs 1 through 50 set forth above are fully incorporated herein by this reference.

52. In connection with the offer and sale of the investment securities, the Respondents and their representatives failed to provide adequate disclosures such that omissions of material facts occurred in violation of the Idaho Uniform Securities Act (2004). The omissions of material facts, include but are not limited to the following:

As To EMI-Residence investment interests, the Respondents failed to inform investors:

- a) of the financial condition and operating results of EMI Sun Village, Inc.
- b) of the amounts and types of any equity or financial capacity that had been pledged or otherwise placed to guarantee or otherwise enhance the likelihood of principle repayment to investors.
- c) of EMI Sun Village, Inc.'s history of raising and investing funds in real estate developments.
- d) of the investment/financial results of similar real estate developments owned, promoted or developed by EMI Sun Village, Inc. and/or DE and DE-related entities.
- e) of the aggregate amounts and types of compensation that would be paid in connection with the investment.
- f) that the returns offered could change and that later investors could and apparently were, offered higher rates of return than earlier investors.

g) of the specific and general risks associated with an investment in the EMI-Residence investment.

h) of the amounts and types of encumbrances against the property that might tend to elevate the risk of the investment.

i) that the securities were not registered with the Idaho Department of Finance as require under Idaho law.

j) that Impact and its representatives were not registered to conduct business as a broker-dealer and sales agents as required under the Idaho Uniform Securities Act (2004).

As to the JD-Residence investment interests: The Respondents failed to inform investors:

a) of the financial condition and operating results of Sun Village Juan Dolio, Inc.

b) of the amounts and types of any equity or financial capacity that had been pledged or otherwise placed to guarantee or otherwise enhance the likelihood of principle repayment to investors.

c) of Sun Village Juan Dolio, Inc.'s history of raising and investing funds in real estate developments.

d) of the investment/financial results of similar real estate developments owned, promoted or developed by Sun Village Juan Dolio, Inc. and/or DE and DE-related entities.

e) of the aggregate amounts and types of compensation that would be paid in connection with the investment.

f) that the returns offered could change and that later investors could and apparently were, offered higher rates of return than earlier investors.

g) of the specific and general risks associated with an investment in the JD-Residence investment.

h) of the amounts and types of encumbrances against the property that might tend to elevate the risk of the investment.

i) that the securities were not registered with the Idaho Department of Finance as require under Idaho law.

j) that Impact and its representatives were not registered to conduct business as a broker-dealer and sales agents as required under the Idaho Uniform Securities Act (2004).

As to the Fractional Interests, the Respondents failed to inform investors of:

- a) the significant risks associated with an investment in a development property.
- b) the financial condition of the property developer and the issuer.
- c) the current financial encumbrances against the property associated with the fractional interests being sold.
- d) the amounts and types of any equity or financial capacity that had been pledged or otherwise placed to guarantee or otherwise enhance the likelihood that the property development would be completed.
- e) Sun Village Juan Dolio, Inc.'s history of raising and investing funds in real estate developments.
- f) the investment/financial results of similar real estate developments owned, promoted or developed by Sun Village Juan Dolio, Inc. and/or DE and DE-related entities.
- g) the aggregate amounts and types of compensation that would be paid in connection with the investment.
- h) the specific and general risks associated with an investment in the fractional interests.
- i) the amounts and types of encumbrances against the property that might tend to elevate the risk of the investment.
- k) that the securities were not registered with the Idaho Department of Finance as required under Idaho law.
- l) that Impact and its representatives were not registered to conduct business as a broker-dealer and sales agents as required under the Idaho Uniform Securities Act (2004).
- m) the amounts and types of competitive offerings in the marketplace and the amount of inventory available for sale in the regional market.

53. In connection with the offer and sale of the investment securities, the Respondents and their representatives, omitted to disclose material facts in violation of the Idaho Uniform Securities Act (2004).

54. Respondents have violated Idaho Code §30-14-501(2).

COUNT FOUR

UNLICENSED MORTGAGE LOAN ORIGINATION ACTIVITY

55. The allegations set forth in paragraphs 1 through 54 above are fully incorporated herein by this reference.

56. At all times relevant hereto, Impact was not licensed with the Department as a mortgage broker or mortgage lender pursuant to the Idaho Residential Mortgage Practices Act.

57. At all times relevant hereto, none of Impact's network marketing representatives were licensed with the Department as mortgage brokers, mortgage lenders or mortgage loan originators pursuant to the Idaho Residential Mortgage Practices Act.

58. Since at least January 2006, the Respondents and their representatives have engaged in mortgage brokering or mortgage loan origination activities while not licensed as required.

59. The Respondents have violated Idaho Code § 26-3104(1), (2) or (3).

V. CEASE AND DESIST ORDER

NOW, THEREFORE, PURSUANT TO IDAHO CODE §30-14-604(a)(1) and §26-3106(2), IT IS HEREBY ORDERED THAT JAMES CATLEDGE, IMPACT, INC. AND THEIR REPRESENTATIVES (INCLUDING AGENTS, ASSOCIATES, REFERRAL ASSOCIATES, QMAS AND OTHERS) IMMEDIATELY CEASE AND DESIST FROM:

- A. In connection with any residential mortgage origination, brokering or lending activities;
- (1) engaging in mortgage loan origination activities in Idaho unless licensed with the Department as required under the Idaho Residential Mortgage Practices Act.
 - (2) engaging in mortgage brokering activities in Idaho unless licensed with the Department as required under the Idaho Residential Mortgage Practices Act.
 - (3) engaging in any mortgage lending activities in Idaho unless licensed with the Department as required under the Idaho Residential Mortgage Practices Act.

- B. While engaged in or in connection with the offer, or sale, of any security in the state of Idaho:
- (1) offering or selling unregistered securities which are otherwise required to be registered pursuant to the Idaho Uniform Securities Act (2004);
 - (2) making any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;
 - (3) transacting securities business as a broker-dealer or agent while not registered as required under the Idaho Uniform Securities Act (2004).
 - (4) Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

VI. ACKNOWLEDGMENT, AGREEMENT AND CONSENT BY RESPONDENTS

1. The Respondents consent to the entry of this Order.
2. The Respondents represent that the information provided to Complainant in its investigation of this matter is accurate and complete.
3. The Respondents admit that the securities offered and sold in Idaho were not registered or otherwise qualified for sale under the Idaho Uniform Securities Act (2004).
4. While Complainant has found violations of the anti-fraud provisions of the Idaho Uniform Securities Act (2004), Respondents neither admit nor deny that any anti-fraud violations have occurred.
5. While the Complainant has found violations of the Idaho Residential Mortgage Practices Act, the Respondents neither admit nor deny that any violations have occurred.
6. The Complainant agrees to use reasonable efforts to obtain rescission offers and funding for Idaho securities purchasers from DE and/or the DE-related entities. To the extent not otherwise offered and paid by DE or DE-related entities, Respondents agree to make rescission offers and related payments to all Idaho investors that purchased the investment interests described in this Order. Upon being informed by the Director that a rescission funding shortfall has occurred, Respondents will submit their proposed rescission offering documents within forty-five (45) days for the Director's review and approval in advance of the offer of rescission to Idaho investors. Respondents will offer rescission to Idaho investors not later than thirty (30) days from the date the Director approves the rescission documents and such rescission offer will be made in

accordance with the Idaho Code §30-14-510. Respondents agree to pay rescission within thirty (30) days for each Idaho investor accepting the rescission offer.

7. In connection with the rescission offer noted in Item 6, above, Respondents agree to not render written or verbal advice or commentary to investors regarding the advisability of accepting or rejecting the rescission offers.

8. In conjunction with this Order, Respondents agree to fully cooperate with the Department in any further investigation or enforcement action directed at DE or the associated DE-entities including actions against or investigations regarding any officers, directors or agents associated with such companies. In evidence of this requirement, Respondents have executed a cooperation agreement coincident with the execution of this Order.

9. Respondents agree to pay the Complainant a civil penalty in the amount of one hundred fifty thousand dollars (\$150,000). Said civil penalty is to be paid not later than thirty (30) days from the date of this Order.

10. Respondents agree to not offer or sell securities, or to transact business in, into or from Idaho as a broker-dealer, or to employ securities sales agents unless the broker-dealer and the sales agents are properly qualified pursuant to the Idaho Uniform Securities Act (2004).

11. Respondents agree to supervise the business of their network marketing associates to ensure that these representatives are not directly or indirectly engaged in the offer and sale of securities.

12. Respondents agree to supervise the business of their network marketing associates to ensure that these representatives are not engaged in any activity that would invoke the licensing provisions of the Idaho Residential Mortgage Practices Act.

13. Respondents acknowledge the Complainant's statutory interpretation and agree that non-registered associates may not receive direct or indirect compensation in connection with the offer or sale of securities, or the solicitation of securities clients.

14. Respondents agree to abide by the Idaho Uniform Securities Act (2004) and the Idaho Residential Mortgage Practices Act in the future. In the event that the Respondents commit future violations of the Idaho Uniform Securities Act (2004), the Idaho Residential Mortgage Practices Act or fail to adhere to the terms of this Order, Respondents acknowledge that Complainant can incorporate the allegations giving rise to this Order in any future proceeding.

15. This Consent Order To Cease And Desist is in lieu of civil litigation or other proceedings.

[Signature]
JAMES B. CATLEDGE

Date 7/12/07

IMPACT, INC.

BY [Signature]
NAME Jerome F. Gecher
TITLE CFO

Date 7/19/07

The foregoing Cease and Desist Order is necessary and appropriate, in the public interest, and for the protection of the public.

IT IS SO ORDERED.

DATED this 19th day of July, 2007.

[Signature]
GAVIN M. GEE, Director
Idaho Department of Finance

