

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, Department of)	
Finance, Securities Bureau,)	Docket No. 2010-7-14
)	
Complainant,)	
)	CONSENT ORDER TO
)	CEASE AND DESIST
vs.)	
)	
James C. Stone dba JCS Advisory)	
)	
Respondent.)	
_____)	

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.*, has reasonable grounds to believe that violations of the Idaho Uniform Securities Act (2004) have occurred, and may continue to occur, as follows:

I. BACKGROUND

1. James C. Stone ("Respondent") is and has been at all relevant times, a resident of Idaho. Respondent resides at 2512 Pioneer Ridge Drive, Post Falls, Idaho. Respondent often uses the assumed business name (dba) of JCS Advisory to conduct his business activities.
2. Respondent filed for a Chapter 7 bankruptcy during July 1982 and was discharged under the bankruptcy in November 1982.
3. During the period 1984 to 1989, Respondent was registered as a broker-dealer securities sales agent in Idaho. Respondent worked for at least five different firms during this period of time.
4. In June 1988, Respondent, dba JCS Advisory, became registered with the Department of Finance as an investment advisor. Respondent's registration as an investment advisor ceased on June 30, 2002.
5. In December 2004, Respondent filed for a voluntary Chapter 7 bankruptcy. The Order discharging the debtor, Respondent, was entered in November 2005.

6. In August 2005, Respondent was the subject of an eleven count federal criminal indictment. The indictment alleged wire fraud, theft from an employee benefit plan, a false statement in relation to documents required by ERISA (Employee Retirement Income Security Act), interstate transportation of stolen property and other counts. This indictment was later revised to a ten count superseding indictment in October 2005.

7. In the spring of 2006, Respondent pled guilty to "false statements in relation to documents required by ERISA." The remaining counts of the indictment were dismissed. Respondent was sentenced to 36 months of incarceration and ordered to pay more than \$170,000.00 in restitution. Respondent's incarceration ended early in 2009.

A. Unregistered Investment Advisory Activities

8. In January 2009, Respondent, dba JCS Advisory, entered into a contract, titled "Consulting Agreement," with two individuals to provide investment advisory services. One of the clients is an Idaho resident and the other is a resident of the state of Washington (the "Clients"). The services included the trading of securities for the benefit of the Clients. In the contract, Respondent agreed to, "...maintain the account management, trading platform and accounting related to distributions of income...and to deal with the brokerage company on their questions." Respondent's compensation was to be "50% of net trading profits."

9. Thereafter, Respondent provided investment advice in connection with the trading of securities in a joint brokerage account opened in the name of the Clients.

10. Neither Respondent nor JCS Advisory is currently registered or exempt from registration in Idaho as an investment advisor, or investment advisor representative pursuant to Sections 30-14-403 and 30-14-404 of the Idaho Uniform Securities Act.

B. Omissions of Material Information in Connection with the Offer of Securities

11. Northstar Associates, Inc. ("Northstar") is a Nevada corporation organized on May 5, 2009, by the Clients referred to in Paragraph 8 above.

12. Respondent has solicited multiple investors to purchase stock in Northstar. Respondent told potential investors that investment funds were to be used for various financial transactions, including buying and selling securities to generate profit.

13. During the first quarter of 2010, Respondent offered to sell Northstar stock to at least one resident of Idaho. Respondent told the potential investor that he was a minority

shareholder in Northstar and that he was the only person associated with Northstar that had sufficient experience to profitably trade securities on behalf of Northstar. Respondent gave the potential investor a copy of the first page of the consulting agreement described in Paragraph 8, above and told the potential investor that the contract would be modified to formally establish the advisory services agreement directly between himself and Northstar.

14. In connection with the offer of shares in Northstar, Respondent did not disclose his criminal background and his past personal bankruptcies. Respondent also did not disclose to the potential investor that he was still under federal supervision for his prior criminal act. Respondent also did not disclose that he was the subject of an unsatisfied court order to pay restitution in an amount exceeding \$160,000 and that he still owed more than \$150,000 of restitution.

15. These facts about Respondent's past were all material facts that a reasonable investor would need to know to be able to make an informed decision on whether to purchase stock in Northstar.

II. FINDINGS

1. The Director has jurisdiction over this matter pursuant to the Idaho Uniform Securities Act (2004).

2. Respondent acted as an investment advisor as defined in I.C. § 30-14-102(15) by providing investment advice for compensation in connection with the trading of securities in his Clients' brokerage account.

3. Respondent violated I.C. § 30-14-403 by transacting business in Idaho as an investment adviser without registering pursuant to the Act or being exempt from registration.

4. Respondent violated I.C. § 30-14-501 by, in connection with the offer or sale of Northstar securities, omitting to state material facts necessary in order to make the statements made, in light of the circumstances made, not misleading.

5. Respondent violated I.C. § 30-14-502 by, in connection with providing investment advice, engaging in acts, practices or a course of business that operated as a fraud or deceit, including omitting to state a material fact necessary to make the statements made regarding qualifications, services or fees, not misleading.

III. AGREEMENT AND ACKNOWLEDGEMENT

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's agreement to the entry of this Consent Order, the Director finds that the following remedies are appropriate and in the public interest:

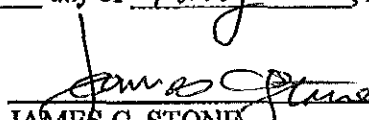
1. Respondent agrees to permanently cease and desist from violating the Idaho Uniform Securities Act (2004), including the immediate cessation of offering investment advisory services. Respondent further agrees to cease offering to sell any form of securities in, into or from Idaho.

2. Respondent agrees to not now, or in the future, provide any investment advice or sell securities in or from Idaho unless registered as a securities broker-dealer, agent, investment adviser, or investment adviser representative with the state of Idaho.

3. Respondent agrees and acknowledges that this Consent Order is intended primarily to cease the activities described above that violate the Idaho Uniform Securities Act (Act). Respondent also acknowledges that the Department may issue additional orders or take other enforcement action in the future to establish restitution, civil penalties, other violations, or for any other purpose authorized by the Act related to this investigation.

4. Respondent waives notice and opportunity for a hearing under I.C. § 30-14-604(b) and (c), and under the contested case provisions of the Idaho Administrative Procedures Act, I.C. § 67-5240 et. seq.

AGREED TO and ACKNOWLEDGED this 21ST day of MAY, 2010



JAMES C. STONE

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 22TH day of MAY, 2010.



GAVIN M. GEE, Director
Idaho Department of Finance

