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**IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR ADA COUNTY**

STATE OF IDAHO, DEPARTMENT OF  
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

GLOBAL AUTO SALES LLC, CHAD LONGSON,  
and BRANDON BARRINGTON,

Defendants.

Case No. CV01-21-19595

**STIPULATION AND CONSENT TO ENTRY OF  
JUDGMENT AS TO DEFENDANT CHAD  
LONGSON**

Plaintiff the State of Idaho, Department of Finance (the "Department" or "Plaintiff"), and Chad Longson ("Defendant Longson" or "Longson"), parties to the above-captioned action, agree to entry of judgment against Defendant Longson, pursuant to the following Stipulation.

**STIPULATION**

Plaintiff and Defendant Longson hereby stipulate to the following facts, violations, remedies, and terms:

1. Plaintiff and Defendant Longson request this Court to enter judgment in the form

and substance set forth in the Judgment and Permanent Injunction filed concurrently herewith (the "Judgment"). Defendant Longson consents to the entry of the Judgment by the Court. In the event the Judgment is not entered pursuant to this Stipulation, this Stipulation shall be of no effect whatever, and the making of this Stipulation shall be without prejudice to any party in this or any other proceeding.

2. In approximately 2012-2013, Longson met Brandon Barrington ("Barrington") and they agreed to be partners in the used car business. They became 50-50 members/owners of the Global Auto LLC ("Global Auto") entity that was operating the used car business (collectively, Barrington, Longson, and Global Auto are "Defendants"). Longson intended to help Barrington expand his financing arm of the business, i.e. used car buyers who could not obtain third-party financing to buy used cars from Global Auto could obtain financing "in-house", from an entity also owned by Barrington and Longson.

3. Longson organized two entities that ultimately facilitated the financing arm of the business: Xtreme Finance LLC ("Xtreme Finance") that he registered with the Idaho Secretary of State on July 30, 2013 and Xstream Capital LLC that he registered with the Idaho Secretary of State on November 16, 2012. Longson and Barrington were also 50-50 members/owners of Xtreme Finance.

4. Longson and Barrington operated a used car business that advertised itself as "Buy Here-Pay Here." This meant the potential buyer of a used car from Global Auto could get financing for the purchase, if they needed it, from the related-entity Xtreme Finance, and make payments on said financing all at the same location.

5. Barrington was mostly responsible for the used car buying and selling through

Global Auto. Longson was responsible for the financing business through Xtreme Finance.

6. Longson had a history of private lending, though not private lending in the used car business. From approximately 1998-2005, Longson owned a mortgage company licensed in Idaho. In 2005, he operated a fund, organized as C&C Capital, LLC, that made "hard money" loans for businesses and real property development (the "Fund"). The Fund suffered losses on its loans related to the economic downturn in 2007.

7. The Department investigated the Fund as well as Longson and his partner. On May 17, 2010, Longson signed an Agreement and Order ("2010 A&O") that resolved the Department's investigation. The 2010 A&O stated, "... C&C funded its business dealings through the issuance of promissory notes to investors.... Beginning April 2005 through July 2007, C&C sold investments in the form of promissory notes, totaling approximately \$8 million to twenty-seven investors. C&C used the investment proceeds to fund real estate transactions. Additionally, from January 2008 through July 2008, C&C sold investments in the form of promissory notes totaling approximately \$3.3 million to eleven investors. C&C used the investment proceeds to fund inventory financing. All notes were issued by C&C."

8. The 2010 A&O found that all the promissory notes were securities under the Act and were sold by Longson and his partner to the many Idaho investors in violation of the Act's prohibitions (found in Idaho Code sections 30-14-301 and -402) on selling unregistered securities through unregistered issuer agents. Longson and his partner admitted to these findings and violations and agreed to a \$15,000 fine. Longson also agreed "to comply with all provisions of the Idaho Uniform Security Act (2004) in the future."

9. To increase their capability to offer private financing to the buyers of their used

cars, Longson began raising funds from private investors. Similarly, to help fund growth of Global Auto sales and its operations, Longson began raising funds from private investors to increase inventory.

10. Longson used a similar approach to what he used with the Fund. He issued promissory notes to investors. The notes typically had a 2-3 year maturity date and provided monthly interest-only payments at 10-15%.

11. Some of the notes were issued by Global Auto. Some of the notes were issued by Xtreme Finance. Some of the notes were signed by Longson and/or Barrington solely on behalf of the entity and other notes were also signed by Longson and/or Barrington individually as additional borrowers. Most or all the notes had language referring to the debt being protected by a security interest in car titles or automobile sales contracts. At least one investor received a separate security agreement and a personal guaranty from Barrington and Longson and their wives.

12. The Defendants disclosed to the Department three investors in Global Auto, for a total of \$549,230.45 in principal, and six investors in Xtreme Finance for a total of \$1,081,625 in principal. All of the investments were offered and sold in Idaho.

13. At no time were Global Auto or Xtreme Finance's promissory notes (the "Notes") registered as securities in Idaho nor, did they qualify for an exemption.

14. Longson had personal relationships with several of the investors. In March 2016, one investor referred his brother, BT, to Longson. BT had funds that he had invested in a different used car business; BT was looking for a new opportunity for investing those funds. BT did not know Longson prior to investing.

15. Longson did not disclose his 2010 A&O to BT.

16. Longson did not disclose that he was selling an unregistered security to BT, in violation of Idaho law, and that he was acting as an unregistered issuer agent, also in violation of Idaho law.

17. Longson sent BT a copy of a promissory note similar to the note that had been issued to BT's brother when that brother invested. The promissory note for BT ("1<sup>st</sup> BT Note") stated that the borrower was Global Auto, that the amount owed to BT was \$50,000, that monthly interest-only payments of \$416.66 (10%) would be paid, and the balance (i.e. principal of \$50,000) was due on May 5, 2018. The note also stated in bold: **"This note is secured by Titles to vehicles purchased with said funds. All titles shall be held in a safe place and will be accessible at all times to Investor upon request."** Longson executed the 1<sup>st</sup> BT Note on behalf of Global Auto, which note was dated April 5, 2016. As stated in the bolded portion above, the 1<sup>st</sup> BT Note referred to BT as an "Investor." BT wrote a check dated April 7, 2016, to Global Auto for \$50,000, with the note: "for Investment."

18. It is unclear how Global Auto intended to secure the 1<sup>st</sup> BT Note through car titles.

19. There is no indication that Defendants did anything to provide BT with his own security, through car titles or otherwise, for the 1<sup>st</sup> BT Note. There is no indication that Defendants used the \$50,000 from BT to buy vehicles or that Defendants tracked any vehicles as being purchased using the \$50,000 from BT.

20. BT learned that Longson and his business was seeking to obtain additional investor funding. Longson and BT decided that BT would provide additional funds of \$50,000. Longson provided BT with a second promissory note ("2<sup>nd</sup> BT Note") that was similar to the first note and

replaced the first note.

21. The 2<sup>nd</sup> BT Note stated that the borrower was Global Auto, that the amount owed to BT was \$100,000, that the note was "Revised (Investment increase)," that monthly interest-only payments of \$813.33 (10%) would be paid, and the balance (i.e. principal of \$100,000) was due on July 2, 2018. The note also stated in bold: **"This note is secured by Titles to vehicles purchased with said funds. All titles shall be held in a safe place and will be accessible at all times to Investor upon request."** Longson executed the 2<sup>nd</sup> BT Note on behalf of Global Auto, which note was dated June 2, 2016. As stated in the bolded portion above, the 2<sup>nd</sup> BT Note referred to BT as an "Investor." BT's wife (LT) wrote a check dated June 2, 2016, to Global Auto for \$50,000, with the note: "for Investment."

22. There is no indication that Defendants did anything to provide BT with his own security, through car titles or otherwise, for the 2<sup>nd</sup> BT Note. There is no indication that Defendants used the \$100,000 from BT to buy vehicles or that Defendants tracked any vehicles as being purchased using the \$100,000 from BT.

23. Global Auto and Xtreme Finance made its interest-only payments to the investors for several years. Global Auto and Xtreme Finance sold and financed many vehicles during its several years of operation. For a considerable period, Barrington and Longson paid themselves each a \$13,000 monthly salary out of the businesses.

24. The businesses, however, hit hard times and stopped making payments to its investors in late 2018. For example, BT had been receiving his monthly interest payments on the 2<sup>nd</sup> BT Note past the maturity date of July 2, 2018. He received those monthly payments through October of 2018. Defendants made interest payments totaling \$24,166.28 to BT from

approximately May 2016 through October 2018. However, payments then stopped, and BT did not receive repayment of the remaining balance, the principal of \$100,000.

25. Global Auto liquidated in 2018, selling its vehicle inventory, and Xtreme Finance continued collecting on its private auto loans. The businesses could not pay back all of their creditors and investors. Defendants worked out modifications for various of its creditors and investors.

26. During the windup of the business in late 2018 and into 2019, BT asked to confirm that his 2<sup>nd</sup> BT Note was “secured by Titles to vehicles purchased with said funds.” Defendants could not provide any evidence of specific vehicles purchased with BT’s funds or that were held as security for his investment.

27. On February 19, 2020, BT and his wife filed suit against Longson and Global Auto seeking to recover their \$100,000 investment. Longson brought a motion to dismiss the entire case that was unsuccessful. Thereafter, in approximately July of 2020, Longson paid \$40,000 to BT to settle BT’s claims against Longson. BT amended the lawsuit to add Barrington and continues to seek a judgment against Global Auto and Barrington.

28. Longson recently submitted documentation to the Department that details his efforts to repay the Idaho investors who invested in Global Auto and Xtreme Finance. He states that he has fully liquidated all Global Auto and Xtreme Finance assets and used those assets to repay investors. In addition, he provided an itemization of his repayment of principal to all investors which indicated that a significant amount of the repayment came from his own personal assets. Longson also provided the Department with six documents entitled “Cancellation and Satisfaction of Promissory Note” that were signed by all of the investors in

Global Auto and/or Xtreme Finance (except BT) and acknowledged the satisfaction of the promissory note received by those investors when investing in Global Auto and/or Xtreme Finance.

29. Barrington filed a Statement of Dissolution for Global Auto on December 12, 2018. Longson filed a Statement of Rescission of the dissolution on January 2, 2019. Global Auto has been administratively dissolved since June 18, 2019. Similarly, Xtreme Finance has been administratively dissolved since October 21, 2021.

30. In its Complaint filed on December 22, 2021 in this matter, Plaintiff asserted that the Notes were securities, pursuant to Idaho's Uniform Securities Act (2004) (the "IUSA"), Idaho Code § 30-14-102(28), and were unregistered and non-exempt. As such, Plaintiff asserted that Defendant Longson violated three provisions of the IUSA: (1) sale of unregistered, non-exempt securities in violation of Idaho Code § 30-14-301; (2) acting as an unregistered Issuer Agent in violation of Idaho Code § 30-14-402; and (3) making material misrepresentations and omissions to Idaho investor BT regarding the Notes in violation of Idaho Code § 30-14-501(2) (collectively, the "Securities Violations").

31. Defendant Longson admits the violations of § 30-14-301 and § 30-14-402. Defendant Longson neither admits nor denies the violation of § 30-14-501.

32. Defendant Longson, however, agrees that he shall not deny or contest the Securities Violations in any present or future: (a) bankruptcy proceeding, or (b) non-criminal proceeding in which the Department is a party (collectively, "proceeding(s)"). Defendant Longson further agrees that in any such proceedings, the Securities Violations may be taken as true and correct and that this Stipulation and its related Judgment (collectively, the "Stipulation &



Judgment”) shall collaterally estop them from re-litigating with the Department or any other state agency, in any forum, the accuracy of the Securities Violations.

33. In the event Defendant Longson or Defendant Longson’s spouse pursues bankruptcy protection in the future, Defendant Longson further agrees that in such bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances exist:

- a. The obligations incurred as a result of this Stipulation & Judgment are a result of the conduct set forth above and are for the violation of Idaho state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);
- b. This Stipulation & Judgment constitutes a judgment, order, consent order, or decree entered in a state proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by Defendant Longson pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and/or a court order for damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or other payment owed by Defendant Longson pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

34. Defendant Longson agrees to pay a penalty of \$10,000 to Plaintiff, as set forth in the Judgment. Defendant Longson agrees to pay this amount in full within 30 days of entry of the Judgment by the Court.

35. Defendant Longson agrees to pay restitution to the Department, for the remaining principal amounts owed to Idaho investor BT, in the amount of \$35,833.72, as set forth in the Judgment. Plaintiff is similarly and separately seeking (in this lawsuit) an award against Barrington, jointly and severally, for that restitution amount for BT.

36. In recognition of Longson's efforts to repay investors, the Department agrees to first pursue payment from Barrington for the remaining \$35,833.72 in principal owed as restitution to BT. More specifically, Plaintiff agrees that it will forego collecting the \$35,833.72 from Defendant Longson for one year, i.e. 365 days, from the date of entry of the Judgment (and post-judgment interest will not accrue on the restitution judgment amount as against Defendant Longson during this one year period).

37. Any restitution payments by Barrington to the Department or to investor BT will reduce the amount owed by Longson. After one year, if there are any amounts of the \$35,833.72 still owing to BT, then the Plaintiff may seek to recover them from Longson (in addition to any rights it may have to recover them from Barrington, jointly and severally).

38. Defendant Longson agrees that he will not engage in the offer or sale of securities in any form in or from the state of Idaho, as set forth in the Judgment.

39. Defendant Longson agrees that he will not further violate the IUSA, as set forth in the Judgment.

40. In the event Defendant Longson commits future violations of the IUSA or fails to adhere to the terms of this Stipulation & Judgment, Defendant Longson acknowledges the Department can incorporate the allegations giving rise to this Stipulation & Judgment in any future proceeding.

41. By signing and entering into this Stipulation, and further consenting to the entry of the Judgment, Defendant Longson waives his rights to a hearing and/or trial on the alleged violations in the Complaint. Defendant Longson admits that he has had adequate opportunity to review this matter with an attorney, and Defendant Longson agrees that this Stipulation and

Judgment is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

42. Plaintiff agrees to forego any claim for costs, attorney fees, and reimbursement for investigative efforts in this action pursuant to Idaho Code § 30-1442(3)(c), and also agrees to forego any additional penalties against Defendant Longson related to this action. Defendant Longson agrees to bear his own attorney fees and costs in this action.

DATED this 14th day of March 2022.



CHAD LONGSON  
Defendant

DATED this 15 day of March 2022.

DEPARTMENT OF FINANCE  
STATE OF IDAHO



PATRICIA HIGHLEY  
Securities Bureau Chief

APPROVED AS TO FORM AND CONTENT:

DATED this 16<sup>th</sup> day of March 2022.

STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL



LOREN K. MESSERLY  
Deputy Attorney General  
Attorney for the Plaintiff