

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:

Case No. S-19-0099

DARYL W. SUTTON dba THE
BLON PROJECT, LLC, an
Individual, and JAMES F.
MOORE dba THE BLON
PROJECT, LLC, an Individual,

ORDER TO CEASE AND DESIST,
ORDER DENYING USE OF
EXEMPTIONS, ORDER ASSESSING
CIVIL PENALTIES, AND CONSENT
TO ENTRY OF ORDER

Respondents,

The Director of the Department of Consumer and Business Services for the State of Oregon (“Director”), acting in accordance with Oregon Revised Statutes (“ORS”) 59.005 to 59.451, 59.991 and 59.995, and Oregon Administrative Rules (“OAR”) chapter 441 (collectively, “the Oregon Securities Law”), has conducted an investigation into the activities of Daryl W. Sutton dba “The BLON Project, LLC” (“Sutton”) and James F. Moore dba “The BLON Project, LLC” (“Moore”) (collectively, “Respondents”) and determined that Respondents engaged in violations of the Oregon Securities Law.

Sutton, without admitting or denying the Director’s findings of fact or conclusions of law, wishes to resolve and settle this matter with the Director.

Now, therefore, as evidenced by the signature(s) subscribed on this Order, Sutton hereby CONSENTS to entry of this Order.

FINDINGS OF FACT

The Director FINDS that:

1. Beginning in or around 2017, Sutton helped manage the music career of Caitlin Johnson (“Johnson”), who performs under the stage name “BLON.”
2. At no time was Sutton and Johnson’s arrangement subject to a written

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1 agreement.

2 3. From in or around April 2018 through in or around August 2018, Sutton offered
3 Oregon residents BR/SR, DT and WL (“the Oregon Investors”) the opportunity to invest
4 in Johnson’s music career by purchasing shares of an entity named “The BLON Project,
5 LLC” (“The Project”). In exchange for their investments, the Oregon Investors would earn
6 revenue from Johnson’s music career (“The Project Interests”).

7 4. In connection with this offer, Sutton told the Oregon Investors:

8 A. Numerous individuals had already invested in the Project; and

9 B. There would be two phases to the venture, centered around securing
10 rights, recording music and marketing. Phase One would cost \$80,000 and Phase
11 Two would cost \$76,800, for a total cost of \$156,800.

12 5. Contrary to Sutton’s representations, no one had invested in the Project when
13 Sutton made the foregoing offer to BR/SR and DT.¹

14 6. At no relevant time was Johnson aware of the Project’s existence.²

15 7. From in or around April 2018 through in or around August 2018, the Oregon
16 Investors invested in the Project as follows:

17 A. BR/SR invested \$18,000;³

18 B. DT invested \$10,000;⁴ and

19 C. WL invested \$20,000.⁵

20 8. From in or around April 2018 through in or around August 2018, Sutton
21 provided the Oregon Investors with “Confidential Summary Term Sheets” (“Term Sheets”)
22 which summarized the terms of their investments in the Project. The Term Sheets, which
23 Respondents created:

24 _____
25 ¹ By the time Sutton made the offer to WL, BR/SR and DT had already invested funds in the Project.
26 ² Johnson learned about the venture after the Oregon investors had already invested.
³ They gave Sutton \$9,000 in cash and wired \$9,000 to a bank account held by Sutton’s assistant.
⁴ She gave Sutton \$5,000 in cash and wired \$5,000 to Sutton’s personal bank account.
⁵ He gave Sutton \$12,000 in cash and wired \$8,000 to Sutton’s personal bank account.



- 1 A. Estimated the Project was worth \$500,000 to \$750,000; and
- 2 B. Estimated the Oregon Investors would receive a 20 to 25% return on
- 3 their investments.

4 14. At no time did Respondents provide the Oregon Investors with the following
5 facts and information:

- 6 A. Johnson had no written agreement with Sutton;
- 7 B. Johnson had no knowledge of, or direct involvement in, the Project;
- 8 C. Respondents' valuation of the Project was extraordinarily high given the
- 9 Project's lack of assets, operating history and/or revenue stream;
- 10 D. Respondents' estimated rate of return would be extraordinarily high for
- 11 any venture;
- 12 E. A detailed description of their shareholder rights;
- 13 F. A detailed description of the Project's business plan;
- 14 G. A financial balance sheet of the Project's profit and loss;
- 15 H. Detailed disclosures of the risks specific to the Project, including the
- 16 risk the Project would not produce the estimated returns; and/or
- 17 I. Information to correct the Term Sheet misstatements identified in
- 18 Paragraph (8).

19 15. On or around September 30, 2018, Respondents provided the Oregon Investors
20 with "Use of Funds Statements" for the Project. In these statements, Respondents claimed:

- 21 A. The Project's start-up costs would total \$8.2 million;
- 22 B. The Project's Phase One expenses totaled over \$250,000 to date; and
- 23 C. The Project had six investors in addition to the Oregon Investors.

24 16. Upon information and belief, the Oregon Investors are the only investors in the
25 Project and their collective investment of \$48,000 represents the entirety of funds invested
26 in the Project. The Oregon Investors did not have any control over the use of their

1 investment funds.

2 17. The Oregon Investors did not play an active role in the Project’s business
3 operations and relied on Respondents’ efforts and expertise to realize a return on their
4 investments.

5 18. At no time did Respondents register the Project Interests with the Director
6 pursuant to ORS 59.055.

7 19. At no time have Respondents held an Oregon broker-dealer or securities
8 salesperson license, or otherwise been licensed with the Director to sell securities in
9 Oregon pursuant to ORS 59.165.

10 CONCLUSIONS OF LAW

11 The Director CONCLUDES that:

12 20. The Project Interests Respondents sold to the Oregon Investors are “securities”
13 under ORS 59.015(19)(a), as they are either “stocks,” “investment contracts” or “evidence
14 of indebtedness.”

15 21. By disposing of the Project Interests for value, Respondents “sold” securities to
16 each of the Oregon Investors under ORS 59.015(17).

17 22. By selling securities to the Oregon Investors without being licensed under the
18 Oregon Securities Law, Respondents violated ORS 59.165(1).

19 23. By selling unregistered securities to the Oregon Investors, Respondents violated
20 ORS 59.055.

21 24. Respondents made the following misrepresentations in connection with the sale
22 of securities to each of the Oregon Investors, in violation of ORS 59.135(2):

23 A. Numerous individuals had already invested in the Project;

24 B. The venture would have a Phase One cost of \$80,000 and total cost of
25 \$156,800;

26 C. The investments were a “Rule 506 Offering;”

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- 1 D. The Oregon Investors were “qualified investors;”
- 2 E. The Project was a Delaware limited liability company;
- 3 F. The investments would be secured by convertible debt notes; and
- 4 G. The initial offering would constitute at least \$500,000 in issued notes.

5 25. Respondents omitted to state the following material facts in connection with the
6 sale of securities to each of the Oregon Investors, in violation of ORS 59.135(2):

- 7 A. Johnson had no written agreement with Sutton;
- 8 B. Johnson had no knowledge of, or direct involvement in, the Project;
- 9 C. Respondents’ valuation of the Project was extraordinarily high given the
10 Project’s lack of assets, operating history and/or revenue stream;
- 11 D. Respondents’ estimated rate of return would be extraordinarily high for
12 any venture;
- 13 E. A detailed description of the Oregon Investors’ shareholder rights;
- 14 F. A detailed description of the Project’s business plan;
- 15 G. A financial balance sheet of the Project’s profit and loss;
- 16 H. Detailed disclosures of the risks specific to the Project, including the
17 risk the Project would not produce the estimated returns; and
- 18 I. Corrections of the Term Sheet misstatements identified in Paragraph
19 (8).

20 26. Each of the foregoing omissions resulted in the estimations and valuations
21 described in Paragraph (13) being misleading to each of the Oregon Investors.

22 27. Because the Director has reason to believe that Sutton has engaged, is engaging,
23 or is about to engage in violations of the Oregon Securities Law, the Director may issue an
24 order to Sutton to cease and desist from violations of the Oregon Securities Law under
25 ORS 59.245(4).

26 28. Because the Director has reason to believe that Sutton has engaged or is about

1 to engage in violations of the Oregon Securities Law, the Director may deny Sutton the use
2 of exemptions to the securities registration requirements under ORS 59.045(2).

3 29. The Director may impose a civil penalty of up to \$20,000 *per violation* upon
4 any person who violates, or who procures, aids or abets the violation of, the Oregon
5 Securities Law, under ORS 59.995(1).

6 ORDERS

7 Now therefore, the Director issues the following ORDERS:

8 30. As authorized by ORS 59.245(4), the Director hereby ORDERS Sutton to
9 CEASE AND DESIST from violating ORS 59.135(2).

10 31. As authorized by ORS 59.045(2), the Director hereby DENIES Sutton, and any
11 successor business entity or any business entity owned, operated, or controlled by Sutton,
12 the use of exemptions that would otherwise be available to Sutton under ORS 59.025 and
13 ORS 59.035, concerning securities and transactions exempt from the registration
14 requirements of the Oregon Securities Law.

15 32. As authorized by ORS 59.995, the Director hereby ORDERS that Sutton pay a
16 CIVIL PENALTY totaling \$80,000 as follows:

- 17 A. \$60,000 for violating ORS 59.135(2);
- 18 B. \$10,000 for violating ORS 59.135(2); and
- 19 C. \$10,000 for violating ORS 59.055.

20 33. The Director hereby suspends payment of \$80,000 of the CIVIL PENALTY for
21 a period of three years, provided Sutton:

- 22 A. Pays \$48,000 in restitution to the Oregon Investors as set forth in Exhibit
23 A, within one year from the effective date of this Order, and provides the Division
24 with documentation of such payments within that timeframe; and
- 25 B. Does not violate the Oregon Securities Law within the three-year time
26 period.

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1 34. The suspended CIVIL PENALTY (\$80,000) will be waived three years from
2 the effective date of this Order, provided Sutton has complied with the foregoing Order
3 terms. The Director reserves the right to immediately assess and collect the suspended
4 civil penalty upon a determination that Sutton has violated any term of this Order.

5 35. Sutton stipulates and agrees that the amounts assessed in Paragraphs (32) and
6 (33) are not dischargeable under 11 U.S.C. 523(a)(7).

7 36. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that
8 provision, the entry of this Order does not limit other remedies available to the Director
9 under Oregon law.

10
11 SO ORDERED this 24th day of February, 2020.

12
13 LOUIS SAVAGE, Acting Director
14 Department of Consumer and Business Services

15 /s/ Dorothy Bean
16 Dorothy Bean, Chief of Enforcement
17 Division of Financial Regulation

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EXHIBIT A

Investor	Investment Sum
BR/SR	\$18,000
DT	\$10,000
WL	\$20,000

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CONSENT TO ENTRY OF ORDER

I, Daryl W. Sutton, state that I have read the foregoing Order and that I know and fully understand the contents hereof. I have been advised of my right to a hearing and of my right to be represented by counsel in this matter. I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. I understand that the Director reserves the right to take further actions against me to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law by me. I will fully comply with the terms and conditions stated herein.

I further assure the Director that neither I nor my officers, directors, employees, or agents will effect securities and/or insurance transactions in Oregon unless such activities are in full compliance with the Oregon Securities Law. I understand that this Consent Order is a public document.

/s/ Daryl Sutton
Daryl W. Sutton

State of California

County of Los Angeles

Signed or attested before me on this 17th day of February, 2020

by Daryl W. Sutton.

/s/ Agustin Rivera-Corado
Notary Public

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