1	STATE OF WASHINGTON
2	DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION
3	SECONTIES DI VISION
4	IN THE MATTER OF DETERMINING ) Order Number S-08-329-08-SC01 ()
5	Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE ) OF INTENT TO ENTER ORDER TO CEASE
6	<ul> <li>AND DESIST, TO CHARGE COSTS, AND</li> <li>Quest Holdings, Inc.; Craig Jolly;</li> <li>TO IMPOSE FINES</li> </ul>
7	Quest Holdings, Inc.; Craig Jolly;)TO IMPOSE FINESKerry Miller;)
8	) Respondents )
9	THE STATE OF WASHINGTON TO: Quest Holdings, Inc.
10	Craig Jolly Kerry Miller
11	Kenry Winter
12	STATEMENT OF CHARGES
13	Please take notice that the Securities Administrator of the State of Washington has reason
14	to believe that Respondents, Quest Holdings, Inc.; Craig Jolly; and Kerry Miller, have each
15	violated the Securities Act of Washington and that their violations justify the entry of an order of
16	the Securities Administrator under RCW 21.20.390 against each to cease and desist from such
17	violations. The Securities Administrator finds as follows:
18	TENTATIVE FINDINGS OF FACT
19	<u>Respondents</u>
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21	1. Quest Holdings, Inc. ("Quest Holdings") is a dissolved Nevada corporation
22	incorporated in 2006. Quest Holdings operated with its principal place of business in Spokane,
23	Washington.
24	2. Craig Jolly ("Jolly") acted as President, Director, Secretary, and Treasurer of Quest
25	Holdings. Jolly is believed to be residing in the State of Washington.
	STATEMENT OF CHARGES AND NOTICE OF1DEPARTMENT OF FINANCIAL INSTITUTIONSINTENT TO ENTER ORDER TO CEASE AND DESISTSecurities DivisionAND TO IMPOSE FINESPO Box 9033360-902-8760

3. Kerry Miller ("Miller") acted as administrative support for Quest Holdings and its website, www.EarnByLoaning.com. Miller is believed to be residing in the State of Wisconsin. *Nature of the Conduct* 4. Beginning in at least February 2006, Quest Holdings operated a website under the name EarnByLoaning ("EBL") at www.EarnByLoaning.com. 5. On the EBL website Quest Holdings advertised a private lending program between Quest Holdings and individual lenders through a loan contract. The website described EBL as "the very FIRST company of its kind that uses actual contracts to make your money the safest it has ever been on the internet." The website further described EBL's obligation to return an investor's principal and interest because of a contract "backed by the U.S. judicial system." 6. The loan contract, entitled "Lenders Agreement," set forth the term length and interest rates paid for the principal provided by the individual. At the end of the term the contract provided for the return of the principal to the lender. The lender could elect to grant an additional loan to Quest Holdings instead of the return of principal. 7. Individuals signed the Lenders Agreement after selecting a "Personal Loan Plan" from the EBL website. The term lengths and interest rates available for the Personal Loan Plans changed over time. Typical term lengths included 30 days, 120 days, 180 days, 240 days, and 1 year. Interest rates ranged from 6% to 19.5% per month depending on the amount loaned and term length. 8. Quest Holdings offered a finder's fee bonus of 5% on its Personal Loan Plans for existing clients who brought new lenders into the program. 9. According to the EBL website Quest Holdings accepted payment of the loan funds by PayPal, bank wire transfers, official check, or money order. DEPARTMENT OF FINANCIAL INSTITUTIONS STATEMENT OF CHARGES AND NOTICE OF 2 Securities Division INTENT TO ENTER ORDER TO CEASE AND DESIST PO Box 9033 AND TO IMPOSE FINES Olympia, WA 98507-9033

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10. Over time Quest Holdings adjusted the terms of the loans offered on the EBL website and created new websites, <u>www.EarnByLoaning.us</u> and <u>www.earnbyloaning.info</u>, which could be accessed only by members of Quest Holdings.

11. Jolly regularly communicated with Quest Holdings' lenders through the EBL website with audio recordings and written posts to its online forum.

12. On or about April 2007, Jolly and Miller participated in a High Yield Investment Program blog to promote Quest Holdings and its "online presence" EBL. In the blog, Jolly explains that he and Miller started EBL to "bring some respect back to businesses who use the internet." [sic] Jolly described how other investment programs did not offer a way for investors to take action to recoup any losses and differentiated Quest Holdings. The Quest Holdings' post explained that, "[b]y having a contract for the loan, each lender has a recourse of judicial action affirmed by the rights of the United States judicial system and it's [sic] court appointed authorities." [sic]

13. In online communications and conference calls Jolly assured investors of Quest Holdings' stability. In a forum on the EBL website, in or about May 2007, Jolly stated that "EBL is here to stay and we are in a very strong position to continue for many, many years to come."

14. In or about February 2008, Jolly and Miller participated in a conference call with Quest Holdings' investors. During the call Jolly told investors that whether the market was "flying" or "crashing" did not matter to Quest Holdings and assured investors that the lending program could run for any amount of time.

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15. Quest Holdings dissolved as a corporation in March 2008.

<u>Examples</u>

### Purchaser A

16. Purchaser A is an Iowa resident who came across the EBL website on the internet. Purchaser A contacted Miller, listed as the administrator for the website. Miller provided Purchaser A with contact information for Jolly.

17. Jolly described the EBL program to Purchaser A. Jolly explained that people loan funds to Quest Holdings and receive a guaranteed a return on their principal by written contract. Jolly stressed that no risk existed because of the court enforceable written contract. Jolly told Purchaser A that Quest Holdings invested the funds provided by lenders. Jolly did not tell Purchaser A where or how Quest Holdings invested the funds.

18. Purchaser A flew to Portland, Oregon to meet with Jolly and learn more about the program. Jolly told Purchaser A that he had a degree in finance and had worked as investor for several years on his own. Jolly said that the program did not need to be registered with the SEC because of its nature as a loan and not an investment. Purchaser A did not receive any disclosure documents about the program.

19. Purchaser A returned to Iowa and mailed a check to Quest Holdings at its business address in Spokane, Washington. Purchaser A sent \$25,000 on or about July 26, 2007. This loan agreement paid 12% interest per month. Purchaser A believed the loan had a 12 month term. Later Purchaser A learned that the loan had an eight month term.

20. Purchaser A sent an additional \$179,971.21 on or about August 30, 2007 and
\$179,971 on or about October 3, 2007. These loan agreements paid 12% interest per month.
Purchaser A said that these loan agreements had eight month terms.

21. Purchaser A received payments on his loaned funds every 60 days until March 2008.STATEMENT OF CHARGES AND NOTICE OF4INTENT TO ENTER ORDER TO CEASE AND DESIST4AND TO IMPOSE FINESPO Box 9033Olympia, WA 98507-9033

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23. Purchaser B is a Wisconsin resident who learned of Quest Holdings and the EBL website through a forum for another investment program. 24. The members of the forum told Purchaser B that EBL paid high interest rates on between Quest Holdings and the lender. 25. Purchaser B visited the EBL website and decided to invest. From the website contract and mailed it with a certified check to Miller at an address in Wisconsin. check. from the EBL website which contained the pre-printed signature of Jolly. did not receive the return of his \$7,500 principal investment. DEPARTMENT OF FINANCIAL INSTITUTIONS STATEMENT OF CHARGES AND NOTICE OF 5 Securities Division INTENT TO ENTER ORDER TO CEASE AND DESIST PO Box 9033 AND TO IMPOSE FINES Olympia, WA 98507-9033 360-902-8760

22. Around March 2008 Purchaser A heard that Quest Holdings shut down its operations. Purchaser A has had no further communications with Jolly since that time and received no more payments on the funds loaned to Quest Holdings.

#### Purchaser B

money loaned to the company. The members also described a court enforceable written contract

Purchaser B printed a contract signed by Jolly, the President of Quest Holdings. The contract listed an Airway Heights, Washington address for Quest Holdings. Purchaser B signed the

26. Purchaser B's initial contract was a loan of \$6,000 for a period of 120 days and paid an interest rate of 25% every 60 days. Purchaser B said that he received interest payments by

27. At the end of the initial investment term, Purchaser B elected to reinvest his funds through a reinvestment process on the EBL website. This time Purchaser B invested \$7,500 for an 8 month term which paid 24% interest every 60 days. Purchaser B again printed the contract

28. Purchaser B never received any interest payments on the second loan. Purchaser B

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### Purchaser C

29. Purchaser C is a Colorado resident who learned of Quest Holdings and the EBL website from a friend who had success with the program.

30. In August 2007 Purchaser C created an online profile for herself at <u>www.EarnByLoaning.com</u>. After transferring \$25,000 from a personal bank account to a bank account for Quest Holdings, Purchaser B returned to her online profile at the EBL website.

31. Purchaser C saw three loans created for her profile at EBL (\$10,000; \$10,000; \$5,000). According to Purchaser C, at the time she provided funds to Quest Holdings the maximum loan amount was \$10,000. To complete the loan process, Purchaser C printed out loan agreements under each loan in her profile. Quest Holdings had Jolly's signature preprinted on the loan agreement. Purchaser C signed the forms and faxed them to a number provided by Quest Holdings.

32. Each of Purchaser C's three initial three loans had four month terms with bi-monthly interest payments. The loans paid a 12 ½% interest rate per month.

33. Purchaser C received a bi-monthly interest payment of \$6,250 in November 2007. Purchaser C requested the payment from the online profile of EBL and payment occurred via bank transfer, approximately nine to ten days after the request. Purchaser C received another interest payment in January 2008 when the initial loans matured.

34. At loan maturity in January 2008, Purchaser C requested that the principal be rolled into a new loan with Quest Holdings. At that time Quest Holdings had altered the terms available for loans. Purchaser C now had one loan for \$25,000 on an eight month term. The new loan paid a 12% interest rate per month with bi-monthly interest payments.

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1 35. In or about February 2008, Purchaser C spoke with Jolly about withdrawing her 2 principal due to an emergency. Jolly told Purchaser C that she could withdraw the funds as 3 Quest Holdings had millions of dollars and that her \$25,000 would not make a difference. 4 Purchaser C ultimately elected not to withdraw her principal and kept the loan. 5 36. Purchaser C said that Quest Holdings held conference calls to discuss the program 6 and that the individuals involved did not disclose how the company invested the money as it 7 would hurt the company. 8 37. Purchaser C never received any interest payments on the January 2008 loan. Quest 9 Holdings did not return the \$25,000 principal. 10 38. Purchaser C eventually learned that Jolly dissolved Quest Holdings. 11 12 <u>Misrepresentations and Omissions</u> 13 39. Respondents Quest Holdings, Craig Jolly, and Kerry Miller failed to provide material 14 information regarding investing in Quest Holdings, including but not limited to: financial 15 statements, use of proceeds, financial condition of the company and its ability to repay debts, and 16 the business background and experience of Craig Jolly. 17 40. Respondents Quest Holdings and Craig Jolly failed to disclose the use of loaned 18 funds and excused that failure by telling investors that more specificity would hurt the program. 19 41. Respondents Quest Holdings and Craig Jolly misrepresented the risk of investment 20 by representing that the contract with Quest Holdings, "backed by the U.S. Judicial system," 21 makes "your money the safest it has ever been on the internet." 22 42. Respondents Quest Holdings and Craig Jolly misrepresented the financial condition 23 of the company and its ability to repay its debts by assuring investors that Quest Holdings had 24 25 sufficient funds to operate for many years into the future. DEPARTMENT OF FINANCIAL INSTITUTIONS STATEMENT OF CHARGES AND NOTICE OF 7 Securities Division INTENT TO ENTER ORDER TO CEASE AND DESIST PO Box 9033 AND TO IMPOSE FINES Olympia, WA 98507-9033 360-902-8760

1	<u>Registration Status</u>
2	43. Respondent Quest Holdings Inc. is not currently registered to sell its securities in the
3	State of Washington and has not previously been so registered.
4	44. Respondent Craig Jolly is not currently registered as a securities salesperson or
5	broker-dealer in the State of Washington and has not previously been so registered.
6	45. Respondent Kerry Miller is not currently registered as a securities salesperson or
7 8	broker-dealer in the State of Washington and has not previously been so registered.
9	
10	Based upon the Tentative Findings of Fact, the following Conclusions of Law are
11	made:
12	CONCLUSIONS OF LAW
13	1. The offer or sale of the "Lenders Agreement" described above constitutes the
14	offer or sale of a security as defined in RCW 21.20.005(10) and (12).
15	2. Respondents, Quest Holdings, Inc.; Craig Jolly; and Kerry Miller, violated RCW
16	21.20.140, the securities registration provision of the Securities Act, because they offered and/or
17	sold securities for which there was no registration on file with the Securities Administrator.
18 19	3. Respondents Craig Jolly and Kerry Miller violated RCW 21.20.040, the securities
20	salesperson registration provision of the Securities Act, because they offered and/or sold
20	securities while not registered as a securities salesperson or broker-dealer in the State of
22	Washington.
23	4. The offer or sale of said securities violated RCW 21.20.010 because Respondents,
24	Quest Holdings, Inc.; Craig Jolly; and Kerry Miller, in connection with the offer or sale of said
25	securities directly or indirectly made untrue statements of material fact or omitted to state
	STATEMENT OF CHARGES AND NOTICE OF8DEPARTMENT OF FINANCIAL INSTITUTIONSINTENT TO ENTER ORDER TO CEASE AND DESIST AND TO IMPOSE FINESPO Box 9033 Olympia, WA 98507-9033 360-902-8760

material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

# NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order, pursuant to RCW 21.20.390(1), that Respondents, Quest Holdings, Inc.; Craig Jolly; and Kerry Miller and their agents and employees, each cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

## NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Craig Jolly and Kerry Miller shall be liable for and pay the costs, fees, and other expenses incurred in the investigation.

## NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the Tentative

Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that:

a. Respondent Craig Jolly shall be liable for and pay a fine of \$40,000.

b. Respondent Kerry Miller shall be liable for and pay a fine of \$10,000

## **AUTHORITY AND PROCEDURE**

This Statement of Charges is entered pursuant to the provisions of the Securities Act and is subject to the provisions of RCW 21.20 and RCW 34.05. The respondents, Quest Holdings, Inc.; Craig Jolly; and Kerry Miller, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

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If a respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to cease and desist permanent as to that respondent.

Dated and Entered this 24th day of February, 2009.

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MICHAEL E. STEVENSON Securities Administrator

Approved by:

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Suzanne Sarason Chief of Enforcement

Presented by: \_//

Jack McClellan Financial Legal Examiner

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