

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

PHILIP THAYNE JESSEE,
GREAT SALT LAKE MORTGAGE INC.

Respondents.

STIPULATION AND CONSENT
ORDER

Docket No. SD-05-0072

Docket No. SD-05-0073

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and the Respondents, Philip Thayne Jessee and Great Salt Lake Mortgage Inc., hereby stipulate and agree as follows:

1. Philip Thayne Jessee (Jessee) and Great Salt Lake Mortgage Inc. were the subject of an investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.
2. In connection with that investigation, on November 16, 2005, the Division issued an Order to Show Cause to Jessee and Great Salt Lake Mortgage Inc. alleging securities

fraud, sale of unregistered securities, and sale by an unlicensed agent.

3. On January 5, 2007, in Utah's Third Judicial District Court, Salt Lake County, Case No. 071900122, the State of Utah filed criminal charges against Jessee, charging ten counts of securities fraud and one count of communications fraud, all second degree felonies. The conduct alleged in the criminal action is the same conduct alleged in this administrative action.
4. On May 5, 2008, Jessee pleaded guilty to two counts of securities fraud, both second degree felonies. On July 14, 2008, Jessee was sentenced to prison and ordered to pay \$6,289,199.00 in restitution.
5. Jessee, Great Salt Lake Mortgage Inc., and the Division have agreed to settle this matter by way of this Stipulation and Consent Order (Consent Order).
6. Jessee and Great Salt Lake Mortgage Inc. are not represented by counsel in this action, but he was represented by attorney Scott Wilson in the criminal action and was satisfied with the representation he received.
7. Jessee and Great Salt Lake Mortgage Inc. admit the jurisdiction of the Division over them and over the subject matter of this action.
8. Jessee and Great Salt Lake Mortgage Inc. waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.

THE DIVISION'S INVESTIGATIVE FINDINGS

From November 2003 to January 2007, the Division conducting an investigation into this

matter which revealed:

9. Philip Thayne Jessee was a resident of Davis County, Utah, at all times relevant to the matter asserted herein.
10. Great Salt Lake Mortgage Inc. (GSLM) registered as a Utah corporation on August 14, 1998, but its corporate status expired in 2005. Jessee was the president, director, and registered agent of GSLM.
11. Between December 1999 and January 2005, Jessee solicited and sold more than \$5 million dollars in GSLM investments to approximately 46 investors, 33 of whom are Utah residents.
12. The investments were in the form of promissory notes issued by GSLM and signed by Jessee as president of GSLM. The majority of the notes were unsecured, short-term (three months), and offered a high loan/interest fee to the investor. Of the twenty investors interviewed, the interest rates they received on the promissory notes ranged from 5% to 18%.
13. Jessee told many of his investors there was little to no risk involved because they would be secured by real estate. Jessee told many investors he had been in the private loan business for ten years, that there was an on-going demand for short-term funding and he could “do deals all day long”. Jessee also told investors he had made other investors a lot of money, and therefore had a number of satisfied investors.
14. Investors received different explanations from Jessee as to how he would use their

money. Some investors were told their money would be used to extend short-term loans to individuals purchasing a home, while long-term funding was pending. One investor was told his money would be used to extend a loan to an individual who was purchasing equipment. Others were told their money would be used to facilitate real estate transactions, or used to fix up a home that would later be sold. Jessee told one investor he would use his funds to open a restaurant in Bountiful, Utah.

15. The Respondents' investors were typically friends and acquaintances who referred their friends, relatives, and neighbors to GSLM.
16. In most cases, investors held several notes over the time period they invested with the Respondents. Jessee typically paid investors in full on the early notes, then failed to pay on the later notes.
17. Beginning in late 2004, Respondents failed to pay some investors amounts due on their notes. The following Utah investors filed suit against Jessee to recover their investments:
 - a. D.J. filed suit against Jessee on March 11, 2005, and on May 5, 2005 received a judgment of \$151,000;
 - b. A.J.H. filed suit against Jessee on April 4, 2005, and on July 6, 2005 received a judgment of \$111,193; and
 - c. T.B. filed suit against Jessee on April 15, 2005, and the case is pending.
18. Despite their inability to repay notes outstanding and the imposition of two tax liens, Respondents continued to solicit new money from investors as late as January 2005.

Securities Fraud / Fraudulent Activity

19. In connection with the offer and sale of a security to investors, GSLM and Jessee, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. That their promissory notes were secured by real estate, when in fact they were not;
 - b. That the investment was risk free; and
 - c. That Jessee had other investors who were pleased and satisfied, and that he made investors a lot of money, when in fact some investors were not receiving interest payments.

20. In connection with the offer and sale of securities to investors, GSLM and Jessee, directly or indirectly, failed to disclose material information to investors, including, but not limited to, the following, which was necessary in order to make representations made not misleading:
 - a. That Respondents had several civil suits filed against them between March 2003 and January 2005;
 - b. That in 2003, the Utah State Tax Commission filed two tax liens against Jessee totaling \$16,310;
 - c. GSLM's business and operating history, explaining how long the company had been in business, the types of business in which it engaged, how it found customers, and its general business plan;

- d. GSLM's financial statements, showing its financial condition and the results of its operations;
 - e. The track record of the company in repaying notes to its investors;
 - f. The risk factors associated with the investment;
 - g. The number of other investors and the amount being raised;
 - h. Whether the investment was marketable (i.e., was liquid);
 - i. Whether sellers of the investment were licensed to sell securities in Utah; and
 - j. Whether the investment was registered under the Act or had qualified for exemption from registration.
21. In connection with the offer and sale of securities, Jessee and GSLM engaged in an act, practice, or course of business which operated as a fraud or deceit upon Utah investors by:
- a. Continuing to solicit money while earlier notes went unpaid, and Jessee and GSLM faced outstanding lawsuits and tax liens;
 - b. Providing one investor with a forged trust deed as security for his investment; and
 - c. Providing one investor with a trust deed that appeared to be properly recorded and stamped by the county recorder's office, when in fact, it had not been recorded.

Licensing Violations

22. Between December 1999 and January 2005, Jessee offered and sold securities in or from this state.

23. The securities were sold by Jessee as an agent of the issuer (GSLM) and not through a broker-dealer.
24. Jessee has never been licensed to sell GSLM securities in Utah as an agent of an issuer.

Registration Violations

25. The securities offered and sold by GSLM and Jessee were not registered with the Division, not federal covered securities for which a required notice filing had been made, nor did they appear to qualify for an exemption under § 61-1-14 of the Act.

THE DIVISION'S CONCLUSIONS

26. Based on the Division's investigative findings, the Division concludes that:
 - a. The promissory notes offered and sold by Jessee and GSLM are securities under § 61-1-13 of the Act;
 - b. GSLM and Jessee violated § 61-1-1 of the Act by making misrepresentations and omissions of material fact in connection with the offer and sale of securities;
 - c. Jessee violated § 61-1-1 of the Act by engaging in an act, practice, or course of business which operated as a fraud or deceit upon investors;
 - d. Jessee violated § 61-1-3 of the Act by selling securities in or from Utah, on behalf of GSLM, without a license; and
 - e. GSLM and Jessee violated § 61-1-7 of the Act by selling securities in or from Utah that were not registered.
27. GSLM and Jessee admit the substance of the Division's investigative conclusions and

consent to the Division entering an Order:

- a. Requiring GSLM and Jessee to cease and desist from engaging in any further conduct in violation of the Utah Securities Act.
 - b. Requiring GSLM and Jessee to pay a fine of ten thousand dollars (\$10,000) to the Division of Securities, payment of which will be waived in its entirety so long as GSLM and Jessee violate no provisions of the Act for a term of three years from the date of this Consent Order. If GSLM or Jessee fail to abide by the terms of this Stipulation and Consent Order, the Division will give them written notice of the violation, and the suspended fine will be due to the Division within one month of that notice.
28. GSLM and Jessee acknowledge that this Consent Order, upon approval by the Division Director, shall be the final compromise and settlement of this matter. GSLM and Jessee further acknowledge that if the Division Director does not accept the terms of the Consent Order, it shall be deemed null and void and without any force or effect whatsoever.
29. GSLM and Jessee acknowledge that the Consent Order does not affect any civil or arbitration causes of action that third parties may have against them arising in whole or in part from their actions, and that the Consent Order does not affect any criminal cause of action that a prosecutor might bring.
30. This Consent Order constitutes the entire agreement between the parties herein and

supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Consent Order in any way.

31. GSLM and Jessee represent that any information they have provided to the Division is accurate and complete to the best of their knowledge, and if the Division finds otherwise, GSLM and Jessee acknowledge that this Consent Order will be deemed null and void and without any force or effect whatsoever.
32. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.
33. GSLM and Jessee have read this Consent Order, understand its contents, and enter into this Consent Order voluntarily.

Utah Division of Securities

Date: 11/13/08
By: [Signature]
Michael Hines
Director of Enforcement

Approved:

[Signature]
Jeff Buckner
Assistant Attorney General

Respondent GSLM

Date: 11/9/08
By: [Signature]
Philip Thayne Jessee
Its: President

Respondent Jessee

Date: 11/9/08
By: [Signature]
Philip Thayne Jessee

ORDER

Pursuant to the terms of the Stipulation and Consent Order defined above, the Director of the Utah Division of Securities hereby orders that:

1. Philip Thayne Jessee and Great Salt Lake Mortgage Inc. CEASE and DESIST from engaging in any further conduct in violation of the Utah Securities Act.
2. Philip Thayne Jessee and Great Salt Lake Mortgage Inc. pay a fine of ten thousand dollars (\$10,000) to the Division of Securities, payment of which will be waived so long as Philip Thayne Jessee and Great Salt Lake Mortgage Inc. violate no provisions of the Act for a term of three years. If Philip Thayne Jessee or Great Salt Lake Mortgage Inc. fail to abide by the terms of this Stipulation and Consent Order, the Division will give them written notice of the violation, and the suspended fine will be due to the Division within one month of that notice.

DATED this 9th day of November, 2008.


KEITH WOODWELLE
Director, Utah Division of Securities


Certificate of Mailing

I certify that on the 24TH day of November, 2008, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Philip Thayne Jessee / Great Salt Lake Mortgage, Inc.
Utah State Prison
OFF# 184394, Philip Jessee
PO Box 250
Draper, UT 84020

Certified Mail # 70041160600301962093



Executive Secretary