

Division of Securities
Utah Department of Commerce
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

HAROLD EARL BUSHMAN

Respondent.

STIPULATION AND CONSENT
ORDER

Docket No. SD-07-0030

The Utah Division of Securities (Division), by and through its Director of Enforcement, Michael Hines, and Harold Earl Bushman hereby stipulate and agree as follows:

1. Harold Earl Bushman (Bushman) was the subject of an investigation conducted by the Division into allegations that he 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 May 17, 2007, the Division issued an Emergency Order to Cease and Desist and Order to Show Cause to Bushman alleging

that he committed securities fraud, sold unregistered securities, and sold securities without a license, all in violation of the Act.

3. Bushman and the Division have agreed to settle the matter by way of this Stipulation and Consent Order (Consent Order).
4. Bushman admits the jurisdiction of the Division over Bushman and over the subject matter of this action.
5. Bushman waives any right to a hearing to challenge the Division's evidence and present evidence on Bushman's behalf.

THE DIVISION'S INVESTIGATIVE FINDINGS

From September 2006 to the present, the Division conducted an investigation of Bushman which revealed the following:

6. Harold Earl Bushman is a resident of Utah County, Utah.

Investor R. P.

7. On March 7, 2006, Bushman approached R. P. and asked to borrow \$480 to buy Bushman's wife a birthday gift. Bushman said he had enough money to buy the gift, but his wife watched their bank account closely and he wanted the gift to be a surprise.
8. R. P. gave Bushman a check for \$480 made payable to Bushman. R. P. later told his wife, L. P. about the loan.

9. On April 4, 2006, Bushman gave \$500 cash to L. P. at her home. Bushman told L. P. how much his wife liked the birthday gift. Bushman advised L. P. that the extra \$20 was his way of saying thanks for the loan.
10. In late April or early May 2006, Bushman called R. P. and said he had an opportunity he wanted to offer to R. P. as an additional thank you for loaning him money. Bushman said he did some consulting for Intel Corporation a number of years ago and as a result, Intel gave him stock options he could exercise at 15% less than market value. Bushman said he realized a profit by selling the stock at market value.
11. Bushman said he would allow R. P. and L. P. to utilize some of the options because of the kindness they extended to him. Bushman said he would handle everything for them, including exercising the options, selling the stock, and then pay them the profit.
12. On May 10, 2006, at R. P. and L. P.'s home, L. P. gave Bushman a personal check for \$3,000 made payable to Bushman, for the purpose of purchasing Intel Corporation stock.
13. On May 11, 2006, Bushman cashed R. P.'s and L. P.'s check at Zions Bank.
14. Between May 10 and May 16, 2006, Bushman contacted R. P., and told him Intel gave Bushman some bonus stock options. Bushman asked R. P. if he would like to exercise some additional options, and R. P. responded in the affirmative.
15. On May 16, 2006, Bushman again went to the home of R. P. and L. P., where L. P. gave him a personal check for \$2,500 made payable to Bushman, for the purpose of exercising Intel Corporation stock options.

16. On May 17, 2006, Bushman cashed R. P.'s and L. P.'s check at Zions Bank.
17. On or about June 9, 2006, R. P. and L. P. received a letter from Bushman, on Quantum Material Science (Quantum¹) letterhead, confirming that the stock transaction would take place on June 16 and that Bushman would deliver a cashier's check on June 20 for \$6,325, representing the \$5,500 they invested plus profit of \$825 from the subsequent sale of the Intel stock.
18. Sometime between June 9th and June 12th, 2006, Bushman contacted R. P. again with another investment opportunity. Bushman explained to R. P. that four times a year Bushman purchased semi-conductors at a reduced price from a company that had an excess supply, and sold them for a profit. Bushman said the investment would be with Phillips and Siemens, and that he had agreements with a no-cancellation clause from both companies.
19. Bushman documented some of the details of the investment in a letter to R. P. and L. P., on Quantum letterhead, dated June 12, 2006. Bushman told them they had two options, one involved investing \$7,500 and the other involved investing \$10,000. For both options Bushman suggested rolling the \$6,325 from the Intel stock into the semi-conductor investment, along with some extra cash.

¹ Quantum is either Bushman's assumed business name or a business entity whose real identity or organization is presently unknown. Quantum is not organized under the laws of this state, but appears to be doing business in Orem, Utah, and possibly elsewhere.

20. R. P. and L. P. opted for the \$10,000 investment.
21. On June 14, 2006, Bushman again went to the home of R. P. and L. P., where L. P. gave Bushman a personal check for \$3,675, for the purpose of investing in semi-conductors.
22. On June 15, 2006, Bushman cashed the check at Zions Bank.
23. A few days before August 3, 2006, Bushman contacted R. P. and told him he wanted to do one more semi-conductor deal before Christmas. Bushman said it would be the same as the deal with Phillips and Siemens except the new deal was with Compaq and Samsung. Bushman said there would be a 2% bonus if the semi-conductors were delivered by a certain date.
24. Details of Bushman's offer to R. P. and L. P. were provided by Bushman on an index card, with "Quantum - Porter Account" written at the top. The proposal involved rolling all past investments and profits into the new deal.
25. On August 3, 2006, before R. P. and L. P. had made a decision on the most recent investment proposal, Bushman contacted R. P. and told him he needed \$1,500 immediately or the whole deal with Compaq and Samsung would fall through.
26. Bushman said if R. P. provided these funds, Bushman would apply the \$1,500 to their next investment.
27. R. P. contacted L. P. and told her Bushman was on his way to their home and that she should give him a check for \$1,500. When Bushman arrived, L. P. gave him a personal check for \$1,500, for the purpose of investing in semi-conductors.

28. On August 3, 2006, Bushman cashed the check at Zions Bank.
29. On August 6, 2006, R. P. spoke to the bishop of his L.D.S. congregation and mentioned R. P.'s investment with Bushman. R. P.'s bishop suggested that R. P. ask Bushman for an immediate refund of his investment.
30. On August 7, 2006, L. P. telephoned Bushman and asked for a refund of all invested funds. Bushman told L. P. he would have the money to them by August 15th.
31. On August 15, 2006, Bushman failed to pay R. P. and L. P.
32. Between August 15 and September 8, 2006, R. P. and L. P. spoke to Bushman several times over the telephone about their investments. Bushman provided excuses and continued to delay payment.
33. On September 7, 2006, Bushman told R. P. and L. P. he was meeting with his attorney at 3:30 pm and would deliver the check to them by 6:30 pm. At 6:30 pm, Bushman contacted L. P. by telephone and informed her he would deliver a check to her by 1:00 pm on September 8, 2006.
34. On September 8, 2006, Bushman went to R. P. and L. P.'s home and gave them a promissory note in the amount of \$12,350, which matured on September 15, 2006. Of the \$12,350, \$10,675 represented the total amount invested by R. P. and L. P., and \$1,675 represented interest.
35. On September 9, 2006, Bushman delivered an unsigned and undated Confession of Judgment to R. P. and L. P.'s home.

36. On September 15, 2006, Bushman failed to pay R. P. and L. P.
37. Bushman and L. P. talked over the telephone almost every day for the following three or four days, about non-payment of the investments.
38. On September 19, 2006, Bushman delivered \$2,500 in cash to R. P. and L. P., followed by \$3,000 cash delivered on September 20, 2006, \$2,500 cash delivered on September 29, 2006, \$2,000 cash delivered on October 14, 2006, and \$2,500 cash delivered on October 16, 2006, for a total of \$12,500. The extra \$150 that Bushman paid to R. P. and L. P. was a late fee.

(Investor S. S.)

39. S. S. has known Bushman for several years. Over this time, Bushman had approached S. S. to invest in deals, usually involving the purchase and resale of technology parts. S. S. always declined to invest.
40. In late September 2006, Bushman approached S. S. and told him he formerly worked for Sun Microsystems (Sun) and that Sun extended Bushman stock options every year that he could exercise at less than market value.
41. Bushman said he realized a profit by selling the stock at market value, and that Bushman would allow S. S. to utilize some of the options because Bushman did not have enough money to exercise them all.
42. Bushman told S. S. he would handle everything including exercising the options, selling the stock, and paying S. S. the profit.

43. On September 29, 2006, S. S. gave Bushman a personal check for \$3,000 made payable to Bushman. Bushman cashed the check the same day. This was the same day Bushman gave R. P. and L.P. \$2,500 cash.
44. In return for S. S.'s investment, Bushman gave him a promissory note dated September 27, 2006, in the principal amount of \$3,000 plus interest of \$240, with a maturity date of October 11, 2006.
45. On October 11, 2006, Bushman failed to pay S. S. Instead, Bushman told S. S. he needed additional money to exercise all the options he had from Sun.
46. On October 14, 2006, S. S. gave Bushman a check for \$2,300, drawn on S. S.'s company account. Bushman cashed the check the same day. This was the same day Bushman gave R. P. and L.P. \$2,000 cash.
47. On October 16, 2006, S. S. wrote another check to Bushman from his company account for \$2,400. Bushman cashed the check the same day. This was the same day that Bushman gave R. P. and L. P. \$2,500 cash.
48. On April 27, 2007, Bushman gave S. S. a letter which acknowledged that S. S. loaned Bushman \$7,700, and promised to pay S. S. \$9,000 by May 7, 2007. Of the \$9,000, \$7,700 represented the principal amount S. S. invested, \$800 was interest, and \$500 was for late fee.
49. On May 3, 2007, Bushman gave S. S. a "Confession of Judgment" for \$9,000.
50. S. S. has received no payments from Bushman.

(Offeree F. R.)

51. On April 30 or May 1, 2007, Bushman approached F. R. and asked to borrow \$8,000.
52. Bushman told F. R. that his brother-in-law had lost his job and needed money to get him “through a tight spot.”
53. Bushman told F. R. that if F. R. loaned Bushman \$8,000 for thirty days, Bushman would pay F. R. a return of 8% on his money. F. R. decided not to give any money to Bushman.

Securities Fraud

54. In connection with the offer and sale of a security to R. P., L. P. and S. S., Bushman made false statements, including, but not limited to, the following:
 - a. That Bushman formerly provided consulting services to Intel Corporation and as a result Intel Corporation granted him stock options every year, when in fact, Bushman has never worked for Intel either as a regular employee or as a contract consultant;
 - b. That Bushman purchased excess semi-conductors from companies such as Phillips, Siemens, Compaq, and Samsung, and sold them for a profit; and
 - c. That Bushman formerly worked for Sun Microsystems and as a result Sun granted him stock options every year, when, in fact, Busman has never worked for Sun.
55. In connection with the offer and sale of securities to R. P., L. P. and S. S., Bushman failed to disclose or provide material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

- a. That on February 3, 2004, a Judgment by Confession in the amount of \$62,478.42 was entered against Bushman and in favor of Glen J. Jensen in Utah's Fourth District Court, Provo Department, under case number 046400889;
- b. That on January 5, 2005, a Judgment by Confession in the amount of \$50,000 was entered against Bushman and in favor of Energywise Technologies, LLC in Utah's Fourth District Court, Provo Department, under case number 030403961;
- c. That on November 30, 2005, a Default Judgment in the amount of \$3,889 was entered against Bushman and in favor of Brent Brown Chevrolet in Utah's Fourth District Court, Provo Department, under case number 030403961;
- d. That on October 21, 2005, a UCC-1 was filed with the Utah Division of Corporations and Commercial Code, listing Bushman as the debtor and Richard F. Brunst as the secured party. The UCC-1 perfects a lien of proceeds of a pending malpractice case of civil number 010905777, to secure payment on a promissory note dated March 12, 2002.
- e. On March 21, 2005, Bushman borrowed \$5,000 from G. G. and S. G., issuing a promissory note due and payable on or before July 1, 2005. Nothing has been repaid.
- f. On May 6, 2005, Bushman borrowed an additional \$1,600 from G.G. and S.G., which he has not repaid.

- g. Omitting to tell S. S. that his money would be used to repay prior investors R. P. and L. P.

Registration Violations

- 56. The promissory notes offered and sold to R. P., L. P., and S. S. by Bushman are securities under the Utah Uniform Securities Act (Act). The investment contract offered to F. R. is also a security under the Act.
- 57. The securities were offered and sold in this state.
- 58. The securities offered and sold by Bushman are not registered under the Act and Bushman has not filed any claim of exemption relating to the securities.
- 59. Bushman offered and sold unregistered securities in Utah in violation of Utah Code Ann. § 61-1-7.

Licensing Violations

- 60. Bushman offered or sold securities in Utah.
- 61. Bushman has never been licensed to sell securities in Utah as a broker-dealer or agent.
- 62. Bushman offered and sold securities in Utah in violation of Utah Code Ann. § 61-1-3(1).

THE DIVISION'S CONCLUSIONS

- 63. Based on the Division's investigative findings, the Division concludes that:
 - a. The promissory notes offered and sold by Bushman are securities under § 61-1-13 of the Act;

- b. Bushman wilfully violated § 61-1-1 of the Act by making misrepresentations of material fact and omitting to state material facts in connection with the offer and sale of a security in or from Utah;
 - c. Bushman wilfully violated § 61-1-7 of the Act by selling unregistered securities in Utah; and
 - d. Bushman wilfully violated § 61-1-3 of the Act by selling securities in Utah without a license.
64. Bushman admits the substance of the Division's investigative conclusions and consents to the Division entering an Order:
- a. Requiring Bushman to cease and desist from engaging in any further conduct in violation of the Utah Securities Act; and
 - b. Requiring Bushman to pay a fine of nineteen thousand three hundred dollars (\$19,300) to the Division by Monday, October 1, 2007, reduced dollar for dollar by any money paid to the victims by July 15, 2007. The total owed to the victims is \$14,300. If Bushman pays the victims in full by July 15, 2007, the Division will waive half of the remaining fine of \$5,000, leaving \$2,500 due by October 1, 2007. If at any time the Division discovers that Bushman acted in violation of Utah securities laws, the waived portion of the fine will be due to the Division within one month of the date on which the Division gives Bushman written notice. If Bushman fails to pay the victims in full by July 15, 2007, the entire

amount of the fine (minus any amounts actually paid to the victims) will be due to the Division by October 1, 2007.

65. Bushman acknowledges that this Consent Order, upon approval by the Division Director, shall be the final compromise and settlement of this matter. Bushman further acknowledges 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.
66. Bushman acknowledges that the Consent Order does not affect any civil or arbitration causes of action that third parties may have against Bushman arising in whole or in part from his actions, and that the Consent Order does not affect any criminal cause of action that a prosecutor might bring.
67. 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.
68. Bushman represents that any information he has provided to the Division is accurate and complete.
69. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.
70. Bushman has read this Consent Order, understands its contents, and enters into this Consent Order voluntarily. No promises or threats have been made by the Division, nor

by any member, officer, agent, or representative of the Division other than as contained herein, to induce Bushman to enter into this Consent Order.

Utah Division of Securities

Date: 7/3/07

By: [Signature]

Michael Hines
Director of Enforcement

Respondent Bushman

Date: July 3, 2007

[Signature]
Harold Earl Bushman

Approved:

[Signature]
Jeff Buckner
Assistant Attorney General

ORDER

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

- a. Harold Earl Bushman CEASE and DESIST from engaging in any further conduct in violation of the Utah Securities Act; and
- b. Harold Earl Bushman pay a fine of nineteen thousand three hundred dollars (\$19,300) to the Division by Monday, October 1, 2007, reduced dollar for dollar for any money paid to the victims by July 15, 2007. The total owed to the victims is \$14,300. If Bushman pays the victims in full by July 15, 2007, the Division will waive half of the remaining fine of \$5,000, leaving \$2,500 due by October 1, 2007. If at any time the Division discovers that Bushman acted in violation of Utah securities laws, the waived portion of the fine would be due to the Division within one month of the date on which the Division gives Bushman written notice. If Bushman fails to pay the victims in full by July 15, 2007, the entire amount of the fine (minus any amounts actually paid to the victims) will be due to the Division by October 1, 2007.

DATED this 3rd day of ~~June~~^{July}, 2007.


WAYNE KLEIN
Director, Utah Division of Securities



Certificate of Mailing

I certify that on the 5TH day of ^{July}~~June~~ 2007, I mailed a true and correct copy of

the Stipulation and Consent Order to:

Harold Earl Bushman
1799 North Skyline Drive
Orem, UT 84097


Pamela Raschke
Executive Secretary