

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

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

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In the Matter of:

LEE SCOTT STEORTS, CRD#2214865

Respondent.

STIPULATION AND CONSENT  
ORDER

Docket No. SD-09-0012

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STIPULATION

The Utah Division of Securities (the Division), by and through its Lead Examiner Dave Hermansen, and Lee Scott Steorts, hereby stipulate and agree as follows:

1. Lee Scott Steorts (Steorts) 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. Steorts and the Division have agreed to settle this matter by way of this Stipulation (Stipulation) and accompanying Consent Order (Consent Order). If approved by the Division Director and the Securities Advisory Board (Board), this Stipulation and the

Consent Order will resolve all administrative and civil matters against Steorts now known to the Division. The Division may bring a new action against Steorts if any new matter is discovered by the Division after the execution of this Stipulation, even if the new matter arose before the execution of this Stipulation.

3. Steorts is represented by James R. Kruse, and is satisfied with the representation he has received in this matter.
4. Steorts admits the jurisdiction of the Division over him and over the subject matter of this Stipulation and the Consent Order.
5. Steorts waives any right to the issuance of a Petition and Notice of Agency Action and any right to a hearing to challenge the Division's evidence. He also waives the right to present evidence on his behalf at such a hearing, and waives any other rights to which he may be entitled in connection with such a hearing.

#### THE DIVISION'S INVESTIGATIVE FINDINGS

6. Steorts is a resident of Davis County, Utah.
7. Steorts (CRD #2214865) was licensed in Utah as a broker-dealer agent and investment adviser representative of Investment Management Corporation (IMC) (CRD #37196) from October 2002 through November 2007. Since December 2007, Steorts has been licensed in Utah as a broker-dealer agent and investment adviser representative with Paulson Investment Company, Inc.

8. As used in this Stipulation and the Consent Order, the term “VesCor” or “VesCor companies” refers to a network of approximately 150 companies owned or controlled by Val Edmund Southwick (Southwick). Those companies include, but are not limited to, VesCor Capital Corp., Siena Vista, LLC, Five Star Lending, LLC, SV Lending, LLC, VesCor Capital, Inc., and VesCorp Capital IV-A, LLC. Chris Layton and Shawn Moore are or were managers of one or more VesCor companies. IMC dissolved in 2008.
9. Between 2002 and 2004, as an agent of IMC, Steorts offered and sold securities in the form of promissory notes issued by VesCor companies to 17 investors known to the Division, who invested a total of \$1,906,846. The entities issuing the notes were Siena Vista, LLC, Five Star Lending, LLC, SV Lending, LLC, VesCor Capital, Inc., and VesCorp Capital IV-A, LLC.
10. Steorts earned commissions totaling \$91,311.78 from the sale of those investments.
11. The promissory notes offered and sold by Steorts are securities that were not registered with the Division and do not qualify for an exemption from registration.
12. In connection with the offer and sale of these securities to investors, Steorts said:
  - a. an investment with VesCor was safe and secured by real property; and
  - b. the investment with VesCor was secured by assets of the company.
13. The statements in ¶ 12(a) and (b) were and are false.
14. In October 2004, Southwick, Chris Layton, and Shawn Moore represented to the Division

- in writing (Non-Solicitation Letters) that VesCor and its agents would stop offering to sell and selling VesCor securities, and would not renew or roll over existing investments.
15. Despite the representation in the Non Solicitation Letters, at least five of Steorts' clients renewed or rolled over their investments in VesCor in 2006 based on Steorts' recommendation.
  16. In addition, Steorts failed to disclose to these investors that:
    - a. Southwick had an extensive history of litigation from other failed investment ventures;
    - b. in March 1992, VesCor Capital Corp. entered into a Stipulation, Settlement Agreement and Order with the Division in which VesCor was ordered (i) not to "consummate" any agreements with certain identified investors; (ii) to withdraw offers to sell securities and provide proof of such withdrawal; (iii) pay a \$5,000 fine; and (iv) not to violate the registration requirements of the Act; and
    - c. in September 2002, VesCor Capital Corp. and Southwick entered into another Stipulation and Consent Order with the Division in which VesCor and Southwick were ordered (i) not to offer or sell unregistered securities in Utah, and (ii) to disclose the existence of the Order "in connection with any future offer or sale of any security for a period of ten (10) years . . ."
  17. Steorts failed to tell those investors who extended or renewed their investments in 2006,

- that VesCor had operated with substantial negative equity in 2003 and 2004.
18. Steorts failed to tell those investors who extended or renewed their investments in 2006, about the Non-Solicitation Letters provided to the Division by VesCor, Southwick, Shawn Moore, and Chris Layton.
  19. As detailed in ¶¶ 14-18 above, Steorts omitted to state material facts necessary in order to make his statements recommending VesCor investments to his customers, in light of the circumstances under which they were made, not misleading.

#### THE DIVISION'S CONCLUSIONS

20. Based on the Division's investigative findings, the Division concludes that:
  - a. the promissory notes Steorts offered and sold to investors are securities under § 61-1-13 of the Act;
  - b. those securities were not registered with the Division, in violation of § 61-1-7, and did not qualify for an exemption from registration; and
  - c. Steorts violated § 61-1-1(2) of the Act by making misrepresentations of material facts and omitting to state material facts as referenced in ¶¶ 12-18 above, in connection with the offer and sale of a security

#### REMEDIAL ACTIONS/SANCTIONS

21. Steorts neither admits nor denies the Division's investigative findings and conclusions, but consents to the Division entering an order requiring him to cease and desist from

engaging in any conduct in violation of the provisions of the Act as set forth above in paragraph 20. Steorts further agrees to take remedial action as set forth below.

22. In mitigation, Steorts maintains that he was not aware of the October 2004 Non-Solicitation Letters provided by Southwick, Layton and Moore until the Division made him aware of them. Steorts acknowledges, however, that ignorance is not a defense and that he owes a duty of diligence before making statements about the safety of investments.
23. Steorts promises to disgorge the principal amount of commissions he earned in the subject transactions, namely, \$91,311.78, and to repay that amount to the investors according to the following terms:
  - a. \$5,000.00 shall be paid within five days after the date the order approving this Stipulation is fully executed.
  - b. \$5,000.00 shall be paid within 60 days after the date the order is fully executed.
  - c. \$4,065.59 shall be paid by June 10, 2009, and payments of \$4,065.59 shall be paid every three months thereafter (September 10, 2009, December 10, 2009, and so on) until the full amount is paid.
  - d. Steorts shall pay each installment on a pro rata basis directly to the 17 investors in the subject transactions. In order to protect the privacy of those investors, their names and other information about their investments is not recited herein.

Steorts, however, has provided the Division with the names and addresses of those investors, along with the name of the entity which issued them the promissory note(s) and the amounts they invested.

- e. Steorts shall maintain records verifying his payment of these installments, in the form of either cancelled checks or receipts signed by the investors. Within 10 days after the payment of each installment described above, Steorts shall provide a copy of such proof of payment to the Division. In addition, Steorts shall at any time, upon written request of the Division, provide to the Division his records of such payments to the investors, and he shall provide those records within five (5) days of the date of the Division's request.
24. Steorts promises to provide truthful testimony and cooperation (including production of documents) with any State or Federal investigation involving Southwick, the VesCor companies, and any individuals under investigation as a result of their affiliation with VesCor and/or Southwick.
25. Steorts understands that, based on his voluntary promises to disgorge and repay those commissions and to cooperate with such investigations as described in ¶¶ 24 and 25 above, the Division is willing to forego the imposition of fine against him at this time.
26. If Steorts fails to comply in any respect with his promise to make such disgorgement payments to investors, or if he fails to comply with his promise to give truthful testimony

and cooperation with any State or Federal investigation, the Division Director, with Board approval, may issue an order imposing a fine against him in the amount of \$100,000.00. The amount of the fine will be off-set by any disgorgement payments actually made. The order shall require payment of the fine within one month following the date of entry of the order. That order may be issued upon ex parte motion of the Division, supported by an affidavit verifying such failure(s) to comply.

27. Steorts agrees to the entry of an order requiring him to re-qualify for his securities licenses by taking and passing (1) the Series 63 and Series 65 examinations or (2) the Series 66 examination within 60 days after the entry of the order approving this Stipulation. If Steorts fails to pass the examination(s) by this deadline, he shall not act as a broker-dealer agent or investment adviser representative until he passes the examination(s).
28. Steorts agrees to the entry of an order requiring him to provide a copy of this Stipulation and Consent Order to the broker-dealer and investment adviser with which he is currently licensed, and to all future broker-dealers and investment advisers with which he becomes licensed, for a period of five years from the date that order is executed.
29. Steorts acknowledges that this Stipulation, upon approval by the Division Director and the Board and entry of the Consent Order, shall be the final compromise and settlement of this matter. Steorts further acknowledges that if the Division Director and the Board do

not accept the terms of the Stipulation, it shall be deemed null and void and without any force or effect whatsoever; provided, however, that both the Division and Steorts waive any claim of bias or prejudgment which they might otherwise have with regard to the Division Director or Board by virtue of their having reviewed this Stipulation, and this waiver shall survive such nullification.

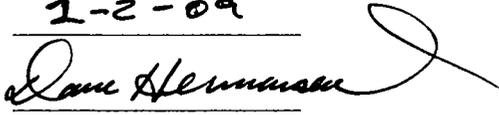
30. Steorts acknowledges that this Stipulation and Consent Order does not affect any civil or arbitration causes of action that third parties may have against Steorts arising in whole or in part from his actions, and that this Stipulation and Consent Order does not affect any criminal cause of action that a prosecutor might bring.
31. This Stipulation constitutes the entire agreement between the parties herein and supersedes any and all prior negotiations, representations, understandings, or agreements between the parties. There are no agreements, oral or written, which modify, interpret, construe, or otherwise affect this Stipulation and Consent Order in any way.
32. Steorts represents that any information he has provided to the Division is accurate and complete to the best of his knowledge.
33. Willful violation of this Stipulation and Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.
34. Steorts has read this Stipulation and Consent Order, understands its contents, and enters into this Stipulation voluntarily, and he affirms that the only promises or understandings

he has obtained from the Division, or any member, officer, agent or representative of the Division regarding this Stipulation are contained herein.

35. Steorts acknowledges that this Stipulation and Consent Order, once adopted, will be classified as a public document and may be issued to the public upon request. Steorts acknowledges that the Division may inform other state and federal agencies of the action taken on Steorts' license and the contents of this Stipulation and Consent Order.

Utah Division of Securities

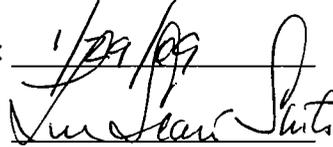
Date: 2-2-09

By: 

Dave Hermansen  
Lead Examiner

Respondent Steorts

Date: 1/29/09

By: 

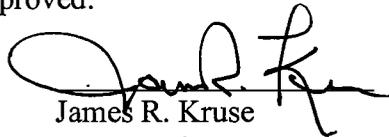
Lee Scott Steorts

Approved:



D. Scott Davis  
Assistant Attorney General

Approved:



James R. Kruse  
Attorney for Respondent Steorts

## **CONSENT ORDER**

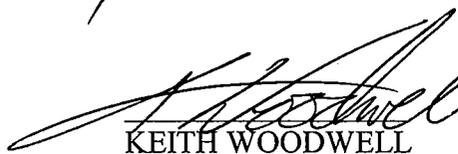
The Director of the Utah Division of Securities approves and adopts the foregoing Stipulation of the parties. Based upon that Stipulation and for good cause appearing, the Director hereby issues the Consent Order set forth below. The Securities Advisory Board has reviewed and approved the Consent Order and authorized the Director to issue it. This Consent Order is effective as of the date it was signed.

1. Steorts shall cease and desist from engaging in any conduct in violation of the provisions of the Utah Securities Act as set forth in paragraph 20 above.
2. If Steorts fails to comply in any respect with his promises, set forth in the foregoing Stipulation, to (a) disgorge the principal amount of commissions he earned in the subject transactions and to repay that amount to the investors, and to (b) provide truthful testimony and cooperation (including production of documents) with any State or Federal investigation involving Southwick, the VesCor companies, and any individuals under investigation as a result of their affiliation with VesCor and/or Southwick, the Division Director, with Board approval, may issue an order imposing a fine against Steorts in the amount of \$100,000.00. The amount of the fine will be off-set by any disgorgement payments actually made. The order shall require the payment of the fine within one month following the date of entry of the order. That order may be issued upon ex parte motion of the Division, supported by an affidavit verifying such failure(s) to comply.
3. Steorts shall re-qualify for his securities licenses by taking and passing the (1) Series 63

and Series 65 examinations or (2) the Series 66 examination within 60 days after the entry of this Consent Order. If Steorts fails to pass the examination(s) by this deadline, he shall not act as a broker-dealer agent or investment adviser representative until he passes the examination(s).

4. Steorts shall provide a copy of this Stipulation and Consent Order to the broker-dealer and investment adviser with which he is currently licensed, and to all future broker-dealers and investment advisers with which he becomes licensed, for a period of five years from the date this Consent Order was executed.

DATED this 2<sup>nd</sup> day of February, 2009.

  
KEITH WOODWELL  
Director, Utah Division of Securities

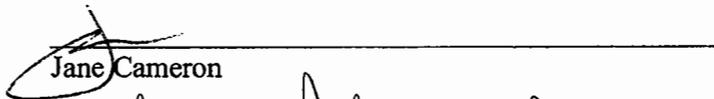


**BY THE UTAH SECURITIES ADVISORY BOARD:**

Having reviewed the foregoing Order, the Securities Advisory Board hereby approves and accepts the Order and authorizes the Director to issue it.

DATED this 19<sup>th</sup> day of February, 2009.

  
\_\_\_\_\_  
Tim Bangerter

  
\_\_\_\_\_  
Jane Cameron

  
\_\_\_\_\_  
Laura Polacheck

  
\_\_\_\_\_  
Mark Pugsley

\_\_\_\_\_  
Craig Skidmore

**Certificate of Service**

I, Pam Radzinski, certify that on the 19<sup>th</sup> day of FEBRUARY 2009, I served the foregoing Stipulation and Consent Order by mailing a copy to:

James R. Kruse  
KRUSE LANDA MAYCOCK & RICKS, LLC  
136 East South Temple, 21<sup>st</sup> Floor  
Salt Lake City, UT 84111-1124  
Attorneys for Lee Scott Steorts

  
\_\_\_\_\_  
Executive Secretary