

Division of Securities
Utah Department of Commerce
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Salt Lake City, UT 84114-6760
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

**PATENT HOLDING, LLC,
STEVEN LYNN BOWERS, and
PAT G. MINER,**

Respondents.

**STIPULATION AND CONSENT
ORDER AS TO PATENT HOLDING,
LLC AND STEVEN LYNN BOWERS:**

Docket No. SD-09-0056

Docket No. SD-09-0057

Docket No. SD-09-0058

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Patent Holdings, LLC (Patent) and Steven Lynn Bowers (Bowers), hereby stipulate and agree as follows:

1. Patent and Bowers were the subjects 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, the Division issued an Order to Show Cause against

Patent and Bowers on December 9, 2009, alleging securities fraud. Criminal charges were also filed against Bowers¹ in connection with the investigation.

3. On February 2, 2010, Bowers filed an answer to the Division's Order to Show Cause denying the allegations.
4. Patent and Bowers are represented by attorney J. Kent Holland, and are satisfied with his representation.
5. Patent and Bowers waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.
6. Patent and Bowers also acknowledge that this stipulation and consent order does not affect any enforcement action that might be brought by a criminal prosecutor or any other local, state, or federal enforcement authority.
7. Patent and Bowers admit the jurisdiction of the Division over them and over the subject matter of this action.
8. Bowers is acting on behalf of Patent as its principal.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENTS

9. Patent is a Utah limited liability company. Patent was organized on September 8, 2005.

¹*State of Utah v. Steven Lynn Bowers*, Case No. 101400038, Fourth Judicial District Court of Utah (2010). Bowers later pleaded guilty to one count of securities fraud, a third degree felony.

Patent's status as a Utah limited liability company is "expired" as of December 27, 2006.

10. Bowers was, at all relevant times, a resident of Wasatch County, Utah. Bowers has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

GENERAL ALLEGATIONS

11. Between March 2005 and April 2005, Respondents solicited EW to invest a total of \$295,000 with Patent through Millennial Financial Group, Inc. (MFG.)²
12. Bowers made material misstatements and omissions regarding EW's \$295,000 investment in Patent.
13. EW lost \$251,000 in principal alone.

FIRST INVESTMENT

14. In 2005, EW earned capital from the sale of her Idaho business and planned to invest \$300,000 of it.
15. EW knew one of the principals of MFG, Tyree Mackey (Mackey).
16. EW met with Mackey and Jeremy King (King) (the other principal of MFG), and decided to invest with MFG after two meetings with them. These two meetings took place in Idaho.

²Millennial Financial Group, Inc. is a Utah corporation. MFG incorporated on November 10, 2004. MFG's status as a corporation is "expired" for failure to file renewal as of February 26, 2007.

17. On March 31, 2005, EW invested \$160,000 with MFG in Idaho.
18. Soon after EW invested with MFG, King met with Pat G. Miner (Miner) who offered an investment opportunity with Patent to purchase senior life settlements, also known as viaticals, at \$0.35 on the dollar and then resell them at \$0.50 on the dollar.
19. Miner said policies could be turned every two to four weeks. Miner said Bowers was the senior partner and scheduled a follow up appointment for King to meet Bowers.
20. On or about April 2005, Bowers met with King, Mackey, and Miner in Utah County. Bowers explained senior life settlements and said he was able to purchase them in bulk through an unnamed partner in Florida.
21. Bowers made the following statements, to Mackey and King, about an investment opportunity with Patent:
 - a. Investor money would be pooled for the purchase of senior life settlements;
 - b. The policy premiums were paid at closing;
 - c. Once a block of policies was purchased, they would be broken into smaller groups and resold at a higher price;
 - d. They planned to purchase/sell settlements every two weeks;
 - e. If they invested, King and Mackey or MFG would be the beneficiaries on the policies so there was little to no risk;
 - f. The worst case scenario would be that the policies could not be resold and the

investor would own the policy which the investor purchased at a third of its face value;

- g. In a worst case scenario, the investor would wait for the insured person to die (five to seven years) and for the insurance company to pay;
- h. Warren Buffett was purchasing senior life settlements;
- i. If Mackey and King did not invest that day, they would “miss the boat;”
- j. Mackey and King would make huge profits on the deal within a very short period of time;
- k. There was no risk in investing because demand for the policies was so high;
- l. Mackey and King were guaranteed to get their investment money in Patent back within days so there is no risk; and
- m. If King and Mackey invested in Patent right away they could be part of the purchase of settlements with a buyer already lined up.

22. Bowers made the following statements about himself:

- a. He was involved in obtaining patents in the technology area and had been involved with many successful companies;
- b. He had been involved in a mine of some kind;
- c. He made millions of dollars in a multi-level marketing company;
- d. He had lost millions of dollars; and

- e. He would “never screw anyone.”
23. Based on Bowers’s statements and unbeknown to EW, King and Mackey decided to invest \$100,000 of EW’s \$160,000 investment in MFG with Patent with the understanding that MFG would earn monthly interest and could get the money back within three days if necessary.
24. On April 13, 2005, MFG executed an agreement with Patent to provide EW’s \$100,000 for 60 days, with options to renew. The agreement states:
- MFG will invest \$100k USD with [Patent]. [Patent] will manage the monies and purchase Senior Life Settlement Policies. [Patent] will pay MFG the original investment of \$100k every 60 days. This process will continue for up to 6 months or until \$300k is given back to MFG.
25. An Addendum to the April 13 agreement was executed the same day. The Addendum states:
- [Patent] agrees that in the event that MFG should require the return of the \$100,000. Before the term of the Agreement, [Patent] agrees to return the \$100,000. Within 4 business days of the request.
26. On or about April 13, 2005, King and Mackey purchased a \$100,000 cashier’s check payable to Patent Holdings, Inc. from Wells Fargo in Orem, Utah and delivered the check to Miner at Patent’s office in Utah County.

SECOND INVESTMENT

27. On or about April 2005, EW and her husband drove to Utah County, Utah where

they met with Bowers, Miner and others.

28. During the meeting, Bowers stated that:
 - a. Money could be made by providing Bowers with capital to purchase senior life policies;
 - b. Once Bowers owned a policy, he could resell the policy at a profit.
 - c. Patent had other investors;
 - d. EW's first investment had earned \$65,000 in profit;
 - e. EW's money would be used to purchase viaticals.
29. Based on Bowers' statements, EW decided to invest again with Patent. On April 26, 2005, EW issued a \$135,000 check to MFG.
30. King purchased a cashier's check payable to Patent Holding, LLC from Wells Fargo Bank and delivered the check to Bowers.
31. The check was drawn on EW's account in the name of her company at The Bank of Commerce.
32. On May 6, 2005, Bowers signed an agreement with EW titled Millennial Financial Group, Inc. in conjunction with Patent Holding, Inc. Instalment Note which called for a \$300,000 investment for the purchase of "Senior Life insurance Policies for a death benefit amount greater than or equal to twice the value of monies received."

33. According to the agreement, EW's company would receive \$15,000 monthly interest payments starting June 15, 2005 and ending May 15, 2006 totaling \$180,000.
34. EW never received the \$15,000 monthly interest payments.
35. Bank records analyzed by James Burns, Idaho Department of Finance, Securities Bureau revealed that:

No viaticals were ever purchased. Instead, Bowers used [EW]'s money for various personal reasons. When the initial \$100,000 was deposited into Bowers' account on April 13, 2005, it was \$3,021.87 overdrawn...Bowers wrote a check to Miner in the amount of \$6,000 on April 15, 2005 and another in the amount of \$24,000 on April 18, 2005. Bowers transferred \$9,691.50 to his personal checking account, he bought a Mustang automobile for \$13,375, he wrote checks to himself totaling \$6,400, he paid \$6,000 in commissions, he paid \$14,000 to other individuals, and otherwise paid personal expenses. By April 25, 2005, when Bowers received \$135,000 from [EW], he had only \$2,449.23 left in his checking account. Bowers similarly frittered away the \$135,000 on his personal expenses, and by July 1, 2005, he had spent the entire amount.³

CAUSES OF ACTION

³*State of Idaho, Department of Finance, Securities Bureau vs. Tyree Mackey, Jeremy King, Pat G. Miner and Millennial Financial Group, Inc. Docket No. 2007-07-35. Consent Order entered September 30, 2008.*

COUNT I
Securities Fraud under § 61-1-1 of the Act

36. In connection with the offer and sale of a security to the investors, Bowers directly or indirectly, made false statements, including but not limited to, the following:
- a. That all money invested would be used for the purchase and resale of viaticals when in fact none of EW's investment money was used to purchase viaticals;
 - b. That an independent CPA would hold EW's money so everything was on the "up and up" and Bowers could not touch EW's money until the CPA firm was certain "everything was fine" when in fact, none of EW's money was held by a CPA firm but was deposited into Bowers' account where he used the money for various personal expenses;
 - c. That EW's company would be the beneficiary of viaticals purchased with their investment funds when in fact, Bowers purchased no viaticals and EW's company was never named as the beneficiary of a single viatical;
 - d. That a worst case scenario involved the investor holding viaticals until the insured party died when in fact, Bowers purchased no viaticals;
 - e. That because the viaticals would be in the name of EW's company, the investment was safe and secure when in fact, Bowers purchased no viaticals and the investment

was not safe and secure;

f. That EW's first investment had earned \$65,000 in profit when in fact, Bowers had not purchased any viaticals with EW's money and had used the money for various personal expenses so there could be no profit.

37. In connection with the offer and sale of a security, Bowers, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements not misleading:

- a. That Bowers and Miner⁴ had a history of law suits and judgments. Specifically, Bowers was sued five times between July 2001 and August 2004 and those suits resulted in two judgements of \$2,012,410 and \$2,686.84.⁵
- b. That Bowers had filed for Chapter 13 bankruptcy on October 31, 2001 and that the case was terminated May 9, 2002.
- c. Some or all of the information typically provided in an offering circular or prospectus

⁴See footnote 1.

⁵*IHV Technologies v. OSDNA, Steven Bowers* filed July 13, 2001; *Calvin B. Smith v. Hitt Tech, Steven Bowers*, filed December 03, 2001 and resulted in a \$2,012,410 judgment; *EPN v. Steven Bowers* filed June 12, 2002 and resulted in a judgment of \$2,686.84; *REO Holdings v. Glenn Kovar, Steven Bowers et al.* filed April 16, 2002; and *Matthew V. Morgan v. Steven Bowers* filed August 10, 2004.

regarding Patent, such as:

- i. Patent's financial statements;
- ii. The track record of Patent to other investors;
- iii. The number of other investors;
- iv. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- v. Any involvement of Patent in certain legal proceedings;
- vi. Whether the investment is a registered security or exempt from registration;
and
- vii. Whether the person selling the investment is licensed.

38. Based upon the foregoing, Bowers violated § 61-1-1(2) of the Act.

II. THE DIVISION'S CONCLUSIONS OF LAW

39. Based on the Division's investigative findings, the Division concludes that:

- a. The investment opportunities offered and sold by Bowers are securities under § 61-1-13 of the Act;
- b. Bowers violated § 61-1-1(2) of the Act by misstating and omitting to state material facts in connection with the offer and sale of a security.

III. REMEDIAL ACTIONS/SANCTIONS

40. Patent and Bowers admit the Division's findings and conclusions and consent to the sanctions below being imposed by the Division.
41. Patent and Bowers represent that any information they provided to the Division as part of the Division's investigation of this matter is accurate.
42. Patent and Bowers agree to the imposition of a cease and desist order, prohibiting them from any conduct that violates the Act.
43. Bowers agrees that he will be barred from (i) associating⁶ with any broker-dealer or investment adviser licensed in Utah; (ii) acting as an agent for any issuer soliciting investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah.
44. Patent and Bowers agree to cooperate with the Division, the State of Utah, and the Federal Government in any future investigations and/or prosecutions relevant to the matter herein.
45. Bowers agrees to pay restitution as ordered in the criminal case, *State of Utah v. Steven Lynn Bowers*, Case No. 101400038, Fourth Judicial District Court of Utah (2010).

⁶“Associating” includes, but is not limited to, acting as an agent of, receiving compensation directly or indirectly from, or engaging in any business on behalf of a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah. “Associating” does not include any contact with a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah incidental to any personal relationship or business not related to the sale or promotion of securities or the giving of investment advice in the State of Utah.

IV. FINAL RESOLUTION

46. Bowers acknowledges that this Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.
47. Bowers further acknowledges that if the Securities Commission does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.
48. Bowers acknowledges that the Order does not affect any civil or arbitration causes of action that third-parties may have against him rising in whole or in part from their actions, and that the Order does not affect any criminal causes of action that may arise as a result of his conduct referenced herein.
49. The Stipulation and 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 the Order in any way.

Utah Division of Securities

Date: 5/29/11

By: [Signature]
Michael Hines
Director of Enforcement

Approved:

[Signature]
Jeff Buckner
Assistant Attorney General
D.P.

Respondent Bowers

Date: May 24, 2011

By: [Signature]
Steven Lynn Bowers

Approved:

[Signature]
J. Kent Holland
Attorney for Respondent

ORDER

IT IS HEREBY ORDERED THAT:

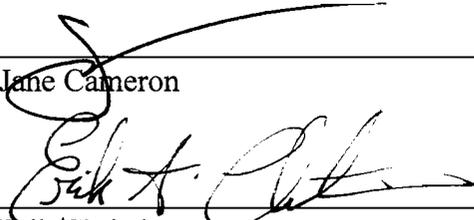
1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Patent and Bowers cease and desist from violating the Utah Uniform Securities Act.
3. Bowers agrees to be permanently barred from the securities industry.
4. Patent and Bowers cooperate with the Division in any future investigations.
5. Bowers agrees to pay restitution as ordered in the criminal case, *State of Utah v. Steven Lynn Bowers*, Case No. 101400038, Fourth Judicial District Court of Utah (2010).

BY THE UTAH SECURITIES COMMISSION:

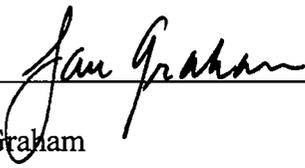
DATED this 28th day of JULY, 2011.

Tim Bangerter

Jane Cameron



Erik Christiansen



Jan Graham



Laura Polacheck

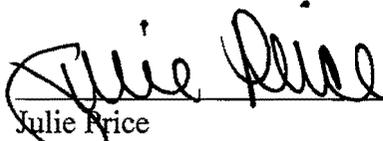
CERTIFICATE OF MAILING

I, Julie Price, hereby certify that on the 3rd day of August 2011, I mailed, by certified mail, a true and correct copy of the forgoing **Stipulation and Consent Order as to Patent**

Holding, LLC and Steven Lynn Bowers to:

Steven Lynn Bowers
c/o Attorney J. Kent Holland
P.O. Box 902278
Sandy, UT 84090

Certified Receipt #: 7007 0220 0001 0063 6295



Julie Price
Executive Secretary