

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
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:**

**JOHN D. TAYLOR**

**Respondent.**

**ORDER TO SHOW CAUSE**

Docket No.

SD-11-0001

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It appears to the Director of the Utah Division of Securities (Director) that John D. Taylor has engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

**STATEMENT OF JURISDICTION**

1. Jurisdiction over Respondent and the subject matter is appropriate because the Division alleges that they violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of securities in or from Utah.

## **STATEMENT OF FACTS**

### **THE RESPONDENT**

2. John D. Taylor (Taylor) was, at all relevant times, a resident of the state of Utah. Taylor has never been licensed as a broker-dealer, agent, investment advisor, or as an investment advisor representative in Utah.

### **GENERAL ALLEGATIONS**

3. From November 2005 to December 2005, Taylor offered and sold promissory notes to investors in or from Utah, and collected a total of at least \$270,000.
4. Promissory notes are securities under the Act.
5. Respondent failed to disclose material information in connection with the offer and sale of the securities.
6. The investors lost at least \$270,000 in principal alone.

### **INVESTOR WFC (DW AND SP)**

7. In November 2005, a friend told DW and SP about a potential investment in Indian Oil, Inc.<sup>1</sup> (Indian Oil). DW and SP were principals of their company, WFC, a Utah corporation, and were looking into Indian Oil as a potential investment opportunity for WFC.

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<sup>1</sup>On February 3, 2009, the Division filed an order to show cause against Indian Oil, Inc. and Michael Kesler alleging securities fraud for, but not limited to, the misconduct described in this order. The alleged losses were \$920,500. Criminal charges were also brought in the Fourth District Court of Utah against Michael Kesler for securities fraud. On September 29, 2010, Michael Kesler pleaded guilty to two counts of securities fraud. *State of Utah v. Michael Les Kesler*, Case No. 091400271 Fourth Judicial District Court (Utah 2009).

8. The friend then introduced DW and SP to the principals of Indian Oil, Michael Kesler (Kesler) and Taylor at a meeting in Indian Oil's facility in Lindon, Utah.
9. During the meeting, Kesler and Taylor took DW and SP on a tour of the facility and Kesler told them he had invented a process and built a machine to convert used motor oil into diesel fuel. Kesler claimed there was no other machine in the world that could accomplish this process.
10. Kesler, in the presence of Taylor, made the following statements about a potential investment by WFC in Indian Oil:
  - a. The equipment was ready to go into production immediately;
  - b. The required permits to begin production would be issued in the very near future;<sup>2</sup>
  - c. The production capability would make all shareholders wealthy in a short period of time;
  - d. Indian Oil needed \$1 million for operating capital in order to begin production, so Kesler and Taylor were selling stock;
  - e. WFC would be granted 33% ownership in Indian Oil if it invested \$1 million; and
  - f. Investments in Indian Oil would be secured by property and equipment.
11. Taylor knew that the required permits would not be issued in the very near future, but failed

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<sup>2</sup>Indian Oil had been fined by the Utah Division of Environmental Quality (DEQ) prior to 2005 for site contamination. Taylor applied for new operating permits three times, but was denied on each application. Indian Oil also had outstanding Notices of Violation from the DEQ.

to correct Kesler's statement to the contrary.

12. Based on Kesler's statements, WFC invested \$270,000 in Indian Oil.
13. In exchange for the investment funds, WFC received two promissory notes from Indian Oil that were signed by Taylor:
  - a. A note for \$250,000 dated March 16, 2006;
  - b. A note for \$20,000 dated August 14, 2006.
14. To date, Indian Oil made no payments to WFC and still owes WFC \$270,000 in principal.

#### **CAUSES OF ACTION**

##### **COUNT I**

##### **Securities Fraud under § 61-1-1 of the Act**

15. The Division incorporates and re-alleges paragraphs 1 through 14.
16. The investment opportunities offered and sold by Respondent are securities under § 61-1-13 of the Act.
17. In connection with the offer and sale of a security, Taylor, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:
  - a. In 1986, Taylor petitioned for Chapter 13 bankruptcy;<sup>3</sup>
  - b. In 1996, Taylor collected investment funds from family and others for a business which subsequently failed and lost the investment funds;

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<sup>3</sup>*United States Trustee v. John David Taylor*, Case #86-23479 (Utah 1986)

- c. In 1998, Taylor petitioned for Chapter 13 bankruptcy;<sup>4</sup>
- d. Another investor owned a controlling interest in Indian Oil;
- e. DEQ had levied fines against Indian Oil;
- f. On January 6, 2005, DEQ told Taylor that Indian Oil's site contamination needed to be addressed before new operating permits would be issued;
- g. On November 2, 2005, DEQ told Taylor that Indian Oil's outstanding Notices of Violation needed to be addressed before new operating permits would be issued; and
- h. Kesler's statement that all the required permits to begin production would be issued in the very near future was false.

### **ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on Tuesday, March 1, 2011, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the

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<sup>4</sup>*United States Trustee v. John D. Taylor*, Case #98-28865 (Bankr. D. Utah 1998)

Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondent may show cause, if any he has:

- a. Why Respondent should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondent should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and
- c. Why Respondent should not be ordered to pay to the Division a fine amount to be determined by stipulation or by the presiding officer after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investors.

DATED this 12<sup>th</sup> day of January, 2011.

  
KEITH WOODWORTH  
Director, Utah Division of Securities



Approved:

  
JEFFREY BUCKNER  
Assistant Attorney General  
D.W.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
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**BEFORE THE DIVISION OF SECURITIES  
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**IN THE MATTER OF:**

**JOHN D. TAYLOR,**

**Respondent.**

**NOTICE OF AGENCY ACTION**

**Docket No.** 11-11-0001

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THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the

facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

**Signed originals to:**

Administrative Court Clerk  
c/o Julie Price  
Utah Division of Securities  
160 E. 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

**A copy to:**

Jeff Buckner  
Assistant Attorney General  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, UT 84114-0872  
(801) 366-0310

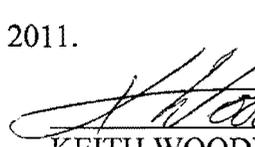
An initial hearing in this matter has been set for March 1, 2011 at the Division of Securities, 2<sup>nd</sup> Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. This adjudicative proceeding will be heard by Mr. Eklund and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Securities Division. Questions regarding the Order to Show Cause should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

Dated this 12<sup>th</sup> day of January, 2011.

  
KEITH WOODWELL  
Director, Division of Securities



**Evidence of Mailing**

I certify that on the 17<sup>th</sup> day of January, 2011, I mailed a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

John D. Taylor  
9676 South Shettleon Circle  
South Jordan, UT 84095

Certificate # 7007 0220 0001 0005 4701

Represented by:  
Richard VanWagoner  
Snow, Christensen & Martineau  
10 Exchange Place  
P.O.B. 4500  
Salt Lake City, UT 84145

Certificate # 7007 0220 0001 0005 4705

  
Executive Secretary