

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

<p>IN THE MATTER OF:</p> <p>JOHN D. TAYLOR</p> <p>Respondent.</p>	<p>STIPULATION AND CONSENT ORDER</p> <p>Docket No. <u>SD-11-0001</u></p>
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The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and John D. Taylor, hereby stipulate and agree as follows:

1. John D. Taylor (Taylor) 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. Taylor is represented by Attorney Richard Van Wagoner of the law firm Snow, Christensen & Martineau and Attorney Tim Taylor in this matter and is satisfied with the representation he has received.

3. Taylor waives any right to a hearing to challenge the Division's evidence and present evidence on his behalf.
4. Taylor acknowledges 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.
5. Taylor admits the jurisdiction of the Division over him and over the subject matter of this action.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENT

6. Taylor was, at all relevant times, a resident of Salt Lake County, Utah. Taylor has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

GENERAL ALLEGATIONS

7. 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.
8. Promissory notes are securities under the Act.
9. Respondent failed to disclose material information.
10. The investors lost at least \$270,000 in principal alone.

INVESTOR WFC (DW AND SP)

11. In November 2005, a friend told DW and SP about a potential investment in Indian Oil, Inc.¹ (Indian Oil). DW and SP were principals of their company, WFC, a Utah corporation, and were looking into Indian Oil as an investment by their company.
12. 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.
13. During the meeting, Kesler took DW and SP on a tour of the facility and 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.
14. Kesler 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;²
 - c. The production capability would make all shareholders wealthy in a short period of time;

¹On February 3, 2009, the Division filed an order to show cause against Indian Oil, Inc. and Michael Kesler alleging securities fraud for similar misconduct described in this stipulation. 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).

²Indian 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.

- 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.
15. Based on Kesler's statements, WFC invested \$270,000 in Indian Oil.
16. 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.
17. To date, Indian Oil has made no payments to WFC and still owes WFC \$270,000 in principal alone.

SECURITIES FRAUD

18. In connection with the offer and sale of a security to WFC, Taylor directly or indirectly, made false statements, including but not limited to, the following:
- a. The required permits to begin production would be issued in the very near future, when in fact, Taylor had no reasonable basis for making such a statement.
19. 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;³
- b. In 1996, Taylor collected investment funds from family and others for a business which subsequently failed and lost the investment funds;
- c. In 1998, Taylor petitioned for Chapter 13 bankruptcy. The case was subsequently dismissed;⁴
- d. That DEQ had levied fines against Indian Oil;
- e. That on January 6, 2005, DEQ told Taylor that Indian Oil's site contamination needed to be addressed before new operating permits would be issued; and
- f. That 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.

II. THE DIVISION'S CONCLUSIONS OF LAW

20. Based on the Division's investigative findings, the Division concludes that:
 - a. The investment opportunities offered and sold by Taylor are securities under § 61-1-13 of the Act;
 - b. Taylor 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.

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

III. REMEDIAL ACTIONS/SANCTIONS

21. Taylor neither admits nor denies the Division's findings and conclusions and consents to the sanctions below being imposed by the Division.
22. Taylor represents that any information he provided to the Division as part of the Division's investigation of this matter is accurate.
23. Taylor agrees to the imposition of a cease and desist order, prohibiting him from any conduct that violates the Act.
24. Pursuant to Utah Code Ann. § 61-1-6(1)(d) and in consideration of the guidelines set forth in Utah Admin. Code Rule R164-31-1, the Division imposes a fine of \$20,000 with the following provisions:
 - a. The \$20,000 fine will be held in abeyance contingent on no securities laws violations for sixty months from entry of this Order.
 - b. If Taylor materially violates any of the terms of this Stipulation and Consent Order within the abeyance period following the entry of the Order, after notice and opportunity to be heard before an administrative officer, the entire fine shall become immediately due.

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

25. Taylor agrees that he will be barred from (i) associating⁵ with any broker-dealer or investment adviser licensed in Utah; and (ii) acting as an agent for any issuer soliciting investor funds in Utah.
26. Taylor agrees 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.

IV. FINAL RESOLUTION

27. Taylor acknowledges that this Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.
28. Taylor 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.
29. Taylor 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.

⁵“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.

30. 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

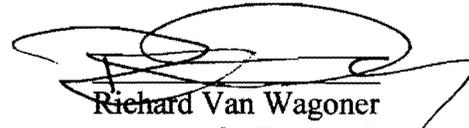
Date: 6/16/11

By: [Signature]
Michael Hines
Director of Enforcement

Approved:

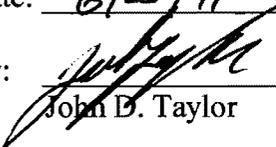
[Signature]
Jeff Buckner
Assistant Attorney General
D.W.

Approved:

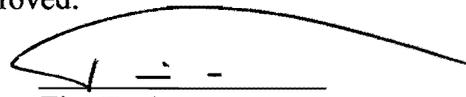

Richard Van Wagoner
Attorney for Respondent

Respondent Taylor

Date: 6/5/11

By: 
John B. Taylor

Approved:


Tim Taylor
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. Taylor ceases and desists from violating the Utah Uniform Securities Act.
3. Taylor pay a fine of \$20,000. The fine will be waived contingent on no securities laws violations for sixty months from the date of the entry of the Order.

4. Taylor agrees to be permanently barred from the securities industry.
5. Taylor cooperates with the Division in any future investigations.

BY THE UTAH SECURITIES COMMISSION:

DATED this 28th day of JULY, 2011.

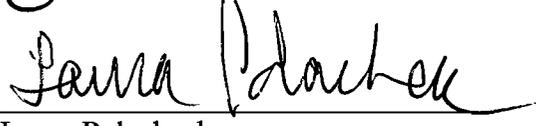
Tim Bangerter



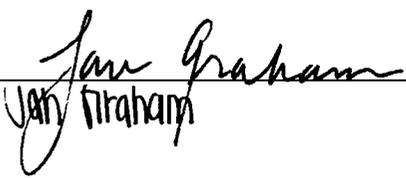
Jane Cameron



Erik Christiansen



Laura Polacheck



Jan Graham

Certificate of Mailing

I certify that on the 21st day of AUGUST, 2011, I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

John D. Taylor
c/o Rick Van Wagoner
Snow, Christensen & Martineau
10 Exchange Place
P.O. Box 4500
Salt Lake City, UT 84145
Certified Mailing # 7007 0220 0001 0003 4204


Executive Secretary