

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

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**IN THE MATTER OF:**

ASSET DEVELOPMENT GROUP, LLC,  
JLT INVESTMENT GROUP, LLC,  
JOE L. THOMAS,  
SCOTT R. LINDSAY

**Respondents.**

**STIPULATION AND CONSENT  
ORDER AS TO JLT INVESTMENT  
GROUP, LLC AND JOE L. THOMAS**

Docket No. SD-11-0034

**Docket No. SD-11-0035**

**Docket No. SD-11-0036**

Docket No. SD-11-0037

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The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Respondents JLT Investment Group, LLC and Joe L. Thomas, hereby stipulate and agree as follows:

1. Asset Development Group, LLC (ADG), JLT Investment Group, LLC (JLT), Joe L. Thomas (Thomas), and Scott R. Lindsay (Lindsay) 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. Based on its investigation, the Division issued an Order to Show Cause against them on May 10, 2011, alleging securities fraud.
3. Respondents JLT and Thomas are represented by Attorney Paul Moxley only for the purposes of resolving this matter and are satisfied with the representation they have received.
4. Respondents JLT and Thomas waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.
5. Respondents JLT and Thomas 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.
6. Respondents JLT and Thomas admit the jurisdiction of the Division over them and over the subject matter of this action.

## **I. THE DIVISION'S FINDINGS OF FACT**

### **THE RESPONDENTS**

7. JLT is a Utah limited liability company, registered on January 15, 2004. Joe Thomas is the managing member and registered agent of ADG. JLT's status as a business entity is expired. JLT has never been licensed by the Division as a broker/dealer agent or as an issuer/agent to sell securities in the State of Utah.
8. Thomas was, at all relevant times, a resident of the State of Utah. Thomas has never been licensed as a broker/dealer, agent, or as an investment adviser representative in Utah.

### GENERAL ALLEGATIONS

9. From December 23, 2004 to March 6, 2009, Respondents offered and sold securities to a group of investors, in or from Utah, and collected a total of \$4,741,000.
10. Respondents made material misstatements and omissions in connection with the offer and sale of securities to the investors below.
11. Four of those investors are listed herein and lost approximately \$3,454,506 of their investment funds.

#### INVESTOR R.G.

12. In or about late 2005, a mutual business acquaintance referred R.G. to ADG.
13. Shortly thereafter, Thomas and Lindsay met R.G. at his office in Utah County, Utah to discuss an investment in ADG. During the meeting, Lindsay and Thomas explained that their business strategy was to invest with people who were purchasing property or apartments.
14. After their initial meeting, Thomas made an investment offer to R.G. over the course of one or more telephone calls made in Utah County, Utah.
15. During the conversations, Thomas and Lindsay made the following statements about a potential investment in ADG:
  - a. ADG required thirty days' notice for a return of funds, however it had never taken longer than a week for an investor to receive his or her funds;
  - b. ADG would not put R.G.'s money in any investment in which they themselves

- would not be invested;
- c. Thomas and Lindsay's money always "went in first" and they took their money out last;
  - d. ADG was capitalized with \$5 million of their own money;
  - e. Only once had they foreclosed on a property. The property was ultimately sold and the proceeds were used to pay both capital and interest to investors;
  - f. ADG had a list of hundreds of people waiting to borrow money from them and they used this list to "cherry pick" the best opportunities;
  - g. Investor funds would be diversified among different projects;
  - h. All investments had to have a 60% debt to value ratio;
  - i. The typical transaction lasted ninety to 120 days;
  - j. ADG made a profit by charging 24% interest plus fees on loans;
  - k. Thomas and Lindsay were compensated in three ways:
    - i. Loan fees;
    - ii. 6% difference on 24% interest charged to borrower with remaining 18% interest paid to investors; and
    - iii. 24% interest charged to borrowers on Thomas and Lindsay's own funds.
  - l. The return on investment with ADG was a fixed 18% per annum;
  - m. The investment risk was "literally zero" because:
    - i. ADG had their money in first and would take it out last; and

- ii. All properties had a 60% loan to value ratio.
  - n. Worst-case scenario would be if the borrower defaulted and ADG foreclosed on the property;
  - o. There was no place else an investor could get this kind of return with this level of security; and
  - p. Investors were secured by “personal guaranty” of Thomas, Lindsay, and ADG.
16. Based on Thomas and Lindsay’s statements, R.G. invested a total of \$268,000 in ADG.
17. R.G. invested in the following manner:
- a. \$50,000 on August 12, 2005 in exchange for a promissory note from JLT;
  - b. \$18,000 on November 19, 2005 in exchange for a promissory note from ADG<sup>1</sup>;
  - c. \$100,000 on May 2, 2007 in exchange for a promissory note from ADG; and
  - d. \$100,000 on June 8, 2007 in exchange for a promissory note from ADG;
18. In or about December 2007, R.G. requested his funds be returned.
19. R.G. has received payments from Respondents totaling \$5,000 and is still owed \$263,000 in principal alone.

INVESTOR D.F.

20. In or about early 2006, D.F. met Thomas at the Spanish Fork Gun Club. After their initial meeting, Thomas made an investment offer to D.F. over the course of one or more telephone calls made in Utah County, Utah.

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<sup>1</sup> On or about November 17, 2005, R.G. signed a dated a document titled “Accredited Investor Acknowledgement.” The document included paragraphs titled: “Risk of Investment”, “Lack of Diversification”, and “Risk of Default.”

21. During the conversations, Thomas made the following statements about a potential investment in ADG:
  - a. Thomas had an “investment pool” that was capitalized with approximately \$30 million;
  - b. Thomas had clients that needed money quickly while awaiting long-term financing;
  - c. Thomas was able to obtain a high interest rate for “quick in and out” bridge funding;
  - d. Thomas had done this type of investing for some time with several people;
  - e. Thomas was able to generate high returns with no risk;
  - f. Investment funds would be diversified among different hard money loans;
  - g. Even if a loan “went bad” Thomas had collateral to cover it, and if something went “really bad” the company was diversified;
  - h. Thomas’s investments were collateralized by property; and
  - i. Thomas and Lindsay earned more than the 18% they passed onto investors.
22. Based on Thomas’s statements, D.F. invested a total of \$800,000 of his own money in ADG. D.F. also invested a total of \$2,500,000 in ADG using funds from a business that D.F. owned.
23. D.F. invested in the following manner:
  - a. \$500,000 on March 16, 2006 in exchange for a promissory note from ADG signed

- by Thomas;
- b. \$200,000 on May 15, 2006 in exchange for a promissory note from ADG signed by Thomas and Lindsay;
  - c. \$300,000 on August 30, 2006 in exchange for a promissory note from JLT signed by Thomas and Lindsay;
  - d. \$250,000 on June 5, 2007 in exchange for a promissory note from ADG signed by Thomas;
  - e. \$2,000,000 on July 27, 2007 in exchange for a promissory note from ADG signed by Thomas; and
  - f. \$50,000 on March 6, 2009 in exchange for a promissory note from ADG signed by Thomas.
24. D.F. has received payments from Respondents totaling \$253,394 and is still owed \$3,046,606 in principal alone.

INVESTORS J.B. AND L.B. (HUSBAND AND WIFE)

25. In July 2007 in Utah County, Utah, Thomas and Lindsay held a group meeting to discuss an investment opportunity. J.B., L.B., and three of L.B's brothers were in attendance.
26. During the conversation, Thomas made the following statements about a potential investment in ADG while Lindsay did not add nor correct any statements:
- a. Investors could invest any amount they wanted;
  - b. Investors would receive 18% per annum;

- c. Funds would be invested in the Saratoga Springs real estate development project;
  - d. ADG was “first in line” and even if the developer could not pay, the land was worth three times the amount of the loan;
  - e. Thomas and Lindsay personally invested in the project;
  - f. “Short of an earthquake putting Saratoga Springs at the bottom of Utah Lake there was no way to lose money;”
  - g. Thomas taught business seminars around the world;
  - h. Thomas made more money than he could spend; and
  - i. Thomas had other investors who had leveraged their houses to invest additional funds<sup>2</sup>.
27. Based on Thomas’s statements, J.B. and L.B. invested \$75,000 in ADG.
28. On August 6, 2007 while in Utah County, Utah, J.B. and L.B. gave Thomas a personal check for \$75,000 made payable to Asset Development Group, LLC.
29. In exchange for the investment funds, J.B. and L.B. received a promissory note from ADG.
30. On May 1, 2008, J.B. and L.B. requested \$10,000 of their funds be returned.
31. Thomas denied the request and J.B. and L.B. then requested all of their funds be returned.
32. J.B. and L.B. have received up to \$4,000 in payments from ADG and are still owed \$71,000 in principal alone.

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<sup>2</sup> Thomas encouraged J.B. and L.B. to leverage their house and cars to invest additional funds into ADG.

INVESTOR S.B.

33. In early September 2007, S.B.'s husband died and six weeks later she received approximately \$150,000 in life insurance funds.
34. In October 2007, Thomas met with S.B. at her office in Utah County, Utah to discuss an investment opportunity for S.B.'s insurance funds.
35. During the conversation, Thomas made the following statements about a potential investment with Thomas:
  - a. He was a "hard money lender;"
  - b. He was very successful;
  - c. The investment would yield 18% per annum;
  - d. Investing with Thomas was a good way to "make your money work for you;"
  - e. S.B. could receive her funds back after ninety days' notice;
36. Based on Thomas's statements, S.B. invested \$75,000 in ADG.
37. On or about October 31, 2007 while in Utah County, Utah, S.B. gave Thomas a personal check for \$75,000 made payable to Asset Development Group, LLC.
38. In exchange for the investment funds, S.B. received a promissory note from ADG.
39. S.B. received two interest payments totaling \$1,100 for her investment in ADG.
40. In May 2008, S.B. sent a certified letter to ADG requesting her investment funds back.
41. R.S. has not received any payments from ADG and is still owed \$73,900 in principal alone.

## CAUSES OF ACTION

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

42. The Division incorporates and re-alleges paragraphs 1 through 41, above.
43. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
44. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
  - a. The investment risk was “literally zero,” when in fact, Respondents had no reasonable basis for making such a statement; and
  - b. Investor funds would be diversified among different projects, when in fact Thomas admitted to R.G. that the funds were entirely invested in a development project in Sarasota Springs, Utah;
  - c. Respondents were able to generate high returns with no risk, when in fact, Thomas had no reasonable basis for making such a statement;
  - d. “Short of an earthquake putting Saratoga Springs at the bottom of Utah Lake there was no way to lose money,” when in fact, Respondents had no reasonable basis for making such a statement;.
45. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

- a. The difference between JLT and ADG;
- b. How much was required to capitalize the Saratoga Springs project;
- c. What would happen if ADG did not obtain sufficient capitalization;
- d. Thomas was involved in an adversarial bankruptcy in 2007; and
- e. Some or all of the information typically provided in an offering circular or prospectus regarding ADG, JLT, Thomas and Lindsay, such as:
  - i. Financial statements;
  - ii. Risk factors;
  - iii. Suitability factors for the investment;
  - iv. Nature of competition;
  - v. Whether the investment was a registered security or exempt from registration; and
  - vi. Whether Respondents were licensed to sell securities.

## **II. THE DIVISION'S CONCLUSIONS OF LAW**

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

47. Respondents JLT and Thomas neither admit nor deny the Division's findings and/or conclusions and hereby consent to the sanctions below being imposed by the Division.
48. Respondents JLT and Thomas represent that any information they provided to the Division as part of the Division's investigation of this matter is accurate to the best of their knowledge and belief.
49. Respondents JLT and Thomas agree to the imposition of a cease and desist order, prohibiting them from any conduct that violates the Act.
50. Thomas agrees that he will be barred from (i) associating<sup>3</sup> with any broker-dealer or investment adviser licensed in Utah; and (ii) acting as an agent for any issuer soliciting investor funds in Utah.
51. Respondents JLT and Thomas 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.

#### **IV. FINAL RESOLUTION**

52. Respondents JLT and Thomas acknowledge that the form of Consent Order attached hereto, upon approval by the Securities Commission shall be the final compromise and

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<sup>3</sup> "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.

settlement of this matter.

53. Respondents JLT and Thomas further acknowledge 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.
54. Respondents JLT and Thomas acknowledge that the Order does not affect any civil or arbitration causes of action that third-parties may have against them rising in whole or in part from their actions, and that this Stipulation and Consent Order does not affect any criminal causes of action that may arise as a result of their conduct referenced herein.
55. This 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: \_\_\_\_\_

By: \_\_\_\_\_  
Michael Hines  
Director of Enforcement

Approved:

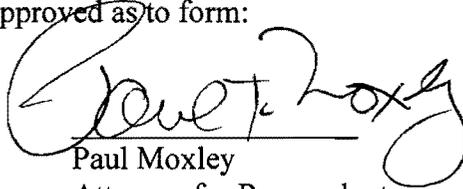
\_\_\_\_\_  
D. Scott Davis  
Assistant Attorney General  
D.W.

JLT Investment Group, LLC

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Joe L. Thomas as Member of JLT  
Investment Group, LLC and as an  
individual

Approved as to form:

  
\_\_\_\_\_  
Paul Moxley  
Attorney for Respondents

**ORDER**

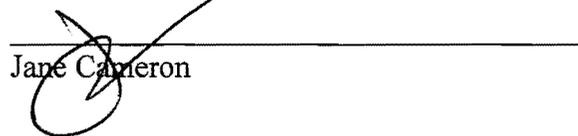
IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Respondents JLT and Thomas cease and desist from violating the Utah Uniform Securities Act.
3. Thomas agrees to be permanently barred from the securities industry.
4. Respondents JLT and Thomas cooperate with the Division in any future investigations.

**BY THE UTAH SECURITIES COMMISSION:**

DATED this 27 day of October, 2011.

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

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

\_\_\_\_\_  
Erik Christiansen

  
\_\_\_\_\_  
Jan Graham

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

**CERTIFICATE OF MAILING**

I, Julie Price, hereby certify that on the 2nd day of November 2011, I mailed, by certified mail, a true and correct copy of the forgoing **Stipulation and Consent Order as to JLT**

**Investment Group, LLC & Joe L. Thomas to:**

Joe Thomas  
c/o Attorney Paul Moxley  
Parsons Kinghorn  
111 East Broadway, 11<sup>th</sup> Floor  
Salt Lake City, UT 84111

Certified Receipt #: 7007 0220 0001 0063 6615

  
\_\_\_\_\_  
Julie Price  
Administrative Secretary