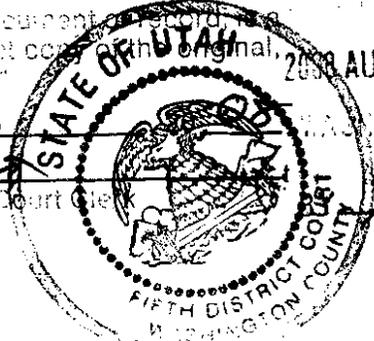


WASHINGTON DISTRICT COURT
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 WASHINGTON COUNTY
 August 20
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CHARLENE BARLOW, Bar No. 0212,
 Assistant Attorney General
 MARK L. SHURTLEFF, Bar No. 4666
 Utah Attorney General
 5272 South College Drive, #200
 Murray, Utah 84123
 Telephone: (801) 281-1221
 Facsimile: (801) 281-1224
Attorneys for Plaintiff

IN THE FIFTH JUDICIAL DISTRICT COURT IN AND FOR
 WASHINGTON COUNTY, STATE OF UTAH

THE STATE OF UTAH	:	AFFIDAVIT OF
	:	PROBABLE CAUSE
Plaintiff,	:	
Vs.	:	081501427
KEVIN LAWRENCE WRIGHT	:	Case No. 071500259
DOB October 1, 1966	:	Judge <u>Shumate</u>
Defendant.	:	

STATE OF UTAH)
 :ss
 COUNTY OF WASHINGTON)

I, DAVE HERMANSEN, being first duly sworn upon oath, depose and state the following:

1. I am an Investigator for the State of Utah, Department of Commerce, Division of Securities. I have been employed in this capacity for the past eighteen years. My investigative work has consisted of brokerage firm audits and investigations involving securities

fraud. I have also been employed in the private sector of the securities industry for an additional eight years. I am a graduate of Weber State University.

2. This case was opened by the Utah Division of Securities on August 3, 2007 to investigate a complaint filed by Steven A. Holt against Kevin Lawrence Wright , defendant.

INVESTIGATION BACKGROUND

3. During the course of this investigation, I have interviewed and/or received information from Steven Holt, Aaron J. Prisbrey (Holt's attorney), Mark Heiner (United Title), Village Bank, Chase Bank, Cedar Land Title, Iron County Recorder's Office, Beaver County Recorder's Office, Nevada Secretary of State, Utah Division of Corporations, Utah Division of Securities and the Third and Fifth District Courts for the State of Utah.

4. Based upon records obtained from the Utah Division of Corporations, Wright is the registered agent and member of J Bar T Investments, LLC., registered in the State of Utah on July 31, 2003.

5. Based upon records obtained from the Utah Division of Corporation, Wright is the registered agent and member of Arches Construction & Development LLC ("Arches Development"), registered in the State of Utah on January 6, 2006. My investigation has revealed that the Trust Deed signed by Wright on behalf of Arches Development lists Arches Development and Construction, LLC, rather than Arches Construction and Development, LLC. Based upon documents I have obtained in my investigation, these two names represent the same entity (Arches Development) whose address is 135 North 900 East, St. George, Utah.

6. Records on file with the Utah Division of Securities and the National Association of Securities Dealers reveal Wright was a licensed broker-dealer agent from May 1993 to December 1995. However, during the time period related to this matter, Wright was not licensed to sell securities in the State of Utah

7. During the course of my investigation, I researched the Utah civil court records regarding Wright's background. My research revealed Wright had three outstanding civil judgments entered against him prior to soliciting Holt for his two investments. The judgments totaling \$327,255 are as follows:

i.	10-18-02	Holladay Bank & Trust	\$310,000;
ii.	03-07-01	IHC	\$ 9,707;
iii.	12-11-01	Stonecutter Construction	\$ 7,518.

8. In addition to the civil court records, I discovered Wright was delinquent on taxes owed to the State of Utah for the years 1995 (\$8,614), 1996 (\$11,270), 1997 (\$6,781), 1999 (\$617), 2000 (\$51,795), for a total amount of \$79,077.

9. Based upon a prior securities investigation I conducted regarding Wright in 2005 and 2006 which involved victims in Salt Lake County, I was the affiant to a probable cause statement alleging securities fraud against Wright. Felony securities fraud charges were filed in Third District Court on March 3, 2006. On July 17, 2006, Wright entered a guilty plea and was convicted of a third degree felony for a charge of securities fraud. Consequently,

Wright was ordered by the court to pay restitution, sentenced to two year's probation and 20 days of jail time to be served in Washington County. (Third District Court Case #061901215).

10. Based upon a *second* securities investigation I conducted in 2006 and 2007 involving Wright, I am the affiant to a probable cause statement alleging second and third degree securities fraud against Wright for defrauding a Washington County investor in 2004 of a \$100,000 investment. At the time he solicited an investment from Holt, Wright knew that he had defaulted on the 2004 investment from Jarrett Taylor. This case was filed in Fifth District Court on February 15, 2008 (Case #071500259). Wright has been bound over for trial in this matter and the trial is scheduled to begin December 1, 2008.

11. My review of title records obtained from the Iron County Recorder's Office revealed that a Trust Deed note involving 108 acres in Kanarraville, Utah which was supposed to secure Holt's investment was never recorded by Wright, as promised to Holt.

CASE HISTORY

Holt's First Investment

12. On or about May 19, 2006, in Washington County, State of Utah, Wright met with Holt to solicit an investment secured with real property. Wright told Holt that he needed short-term funds for sixty days to purchase 500 acres of land in Beaver, Utah, which he could sell quickly to a waiting buyer and repay Holt with the profits. To entice Holt to invest, Wright told Holt he owned 108 acres in Kanarraville, Utah, upon which Wright would give Holt a *recorded* Trust Deed Note representing that Holt held *first position* to secure his investment. In

addition to promising to repay the note in sixty days, Wright told Holt he would receive a return on his investment of 12% interest plus 8 points on the principal amount.

13. Based upon the solicitation and promises by Wright, on May 23, 2006, Holt agreed to the investment and issued a cashier's check in the amount of \$600,000 to United Title in St. George, Utah. United Title later contacted Holt and told him the cashier's check needed to be made payable to Wright's company, J Bar T Investments. Holt delivered a new cashier's check made payable to J Bar T Investments. Later that day, Holt received from United Title a faxed copy of the signed and notarized *unrecorded* Trust Deed Note for the 108 acres in Kanarraville to secure his investment. The Trust Deed Note was signed by Wright representing Arches Development as Trustor. The note outlined the terms of Holt's \$600,000 investment and the return of 12% interest with 8 points due and payable in 60 days. The Trust Deed Note also allowed for an extension of 45 days upon which Holt would receive an additional return of 4 points. The final due date for repayment if this extension were to be exercised would be September 6, 2006.

14. During my interview of Holt, I asked if Wright had disclosed to him prior to this investment the unpaid tax liens to the State of Utah, outstanding civil judgments, the fact that he was not licensed to sell securities in Utah, that Wright was a defendant in a criminal proceeding and had defaulted on promissory notes to another investor in Washington County (paragraphs 6, 7, 8, 9 and 10, above). Holt told me that Wright never disclosed any of the information to him.

Holt's Second Investment

15. On or about September 15, 2006 in Washington County, State of Utah, Holt met with Wright to inquire about the past due payoff for Holt's first investment. Wright informed Holt the 500 acre land purchase in Beaver County had fallen through. However, Wright told Holt that Wright had a financial interest in another property in southern Utah that had \$600,000 of built in equity, but Wright needed short-term funds until the end of September when final financing by a lender would be complete. Wright promised to pay Holt from this new financing. Both parties agreed and signed a *second* Trust Deed Note secured by the same Kannarville property as outlined in the first investment. On September 28, 2006, in Washington County, State of Utah, this second note in the amount of \$672,000 (original \$600,000 from the first note plus accrued interest and points) was signed by Wright on behalf of Arches Development. The terms of the note promised to repay Holt his \$672,000 principal investment plus a return of \$26,880 (total \$698,880) on or before November 27, 2006. Similar to the first note, a 45-day extension was allowed for an additional \$24,000.

16. Shortly after agreeing to the second Trust Deed Note, Holt became aware that earlier in the year Wright had been prosecuted in Third District Court for defrauding a Salt Lake County investor. Holt then called United Title in St. George and spoke to Mark Heiner who had accepted his \$600,000 check on behalf of Wright and had faxed Holt the copy of the first Trust Deed Note. Mr. Heiner informed Holt the deed for the Kanarrville property had never been

recorded. Furthermore, there were now two lien holders recorded on the property and the first lien holder was in the process of foreclosing on the property.

17. During my interview of Holt, I asked if Wright had disclosed to him prior to this second investment the unpaid tax liens to the State of Utah, outstanding civil judgments, the fact that he was not licensed to sell securities in Utah, that Wright was a convicted felon on probation for securities fraud and had defaulted on a promissory note to another investor in Washington County (paragraphs 6, 7, 8 and 9, above). Holt told me that Wright never disclosed any of the information to him prior to this investment. Holt further stated that had he been told of Wright's background he would never have invested any of his money with him.

COUNT 1
SECURITIES FRAUD (a second degree felony)
or in the alternative
COMMUNICATIONS FRAUD (a second degree felony)

18. In or about May 2006, in Washington County, State of Utah, Wright solicited Holt to invest \$600,000 for the purpose of securing 500 acres of land in Beaver County, Utah. On May 23, 2006, Holt agreed to the investment and issued a cashier's check for \$600,000 to Wright's company, J Bar T Investments. In return Wright promised to secure Holt's investment with a recorded first position Trust Deed Note to 108 acres he owned in Kanarraville, Utah. Wright also agreed to pay Holt 12% interest plus 8 points on the principal investment within sixty days. Wright failed to record and secure the Trust Deed and defaulted on the agreement.

19. In connection with the offer and sale of a security, Wright willfully failed to disclose material information to Holt, which was necessary in order for Holt to make an informed investment decision. Specifically, Wright failed to disclose the following:

- A. Disclosures pertaining to the Kanarrville and Beaver properties such as:
 - i. The business and operation history of Wright;
 - ii. Whether Wright was licensed to sale securities;
 - iii. Identities of all principals along with expertise in real estates sales and development;
 - iv. Conflicts of interest;
 - v. Financial statements;
 - vi. The market for the real estate;
 - vii. The nature of the competition for the product;
 - viii. The liquidity of the investment;
 - ix. Risk factors;
 - x. The description of the property, debts, liens and current ownership of the property;
 - xi. Names and financial status of perspective buyers for the property.

- B. Wright had three unpaid civil judgments against him totaling \$327,255 (paragraph 7, above):

- C. Wright was in default to the State of Utah for not paying taxes for a period of five years totaling \$79,077 (paragraph 8, above).

- D. Wright had been charged with felony securities fraud in Third District Court on March 3, 2006, prior to Holt's first investment (paragraph 9, above);

- E. Wright was in default to another investor in Washington County and might have been subject to civil and/or criminal proceedings (paragraph 10, above);

F. Wright was not licensed to sell securities in the State of Utah.

20. In connection with the offer and sale of a security, Wright willfully misrepresented the investment to Holt. Specifically, Wright stated the following:

- A. The Trust Deed Note for the Kanarraville property securing Holt's investment would be recorded and Holt would be in first position;
- B. There was a party waiting to buy the Beaver property and Holt would be paid from the proceeds.

COUNT 2
SECURITIES FRAUD, a second degree felony
or in the alternative
COMMUNICATIONS FRAUD, a second degree felony

21. In or about September 2006, in Washington County, State of Utah, Wright solicited Holt to invest \$672,000 for the purpose of short-term funding for a new piece of land in Southern Utah. Wright claimed he held a financial interest in the property valued at \$600,000. On September 28, 2006 Holt agreed to the investment and a second Trust Deed Note was signed to be secured by the 108 acres in Kanarraville, Utah. Again, Wright promised to record the Trust Deed Note to secure Holt's investment with Holt holding first position. Wright also agreed to pay Holt a return of \$26,880 with an allowable extension period until the final due date of November 27, 2006. Wright failed to record the Trust Deed to secure the investment and defaulted on the agreement.

22. In connection with the offer and sale of a security, Wright willfully failed to disclose material information to Holt, which was necessary in order to make an informed investment decision. Specifically, Wright failed to disclose the following:

- A. Disclosures pertaining to the Kanarrville and southern Utah properties such as:
 - i. The business and operation history of Wright;
 - ii. Whether Wright was licensed to sale securities;
 - iii. Identities of all principals along with expertise in real estate sales and development;
 - iv. Conflicts of interest;
 - v. Financial statements;
 - vi. The market for the real estate;
 - vii. The nature of the competition for the product;
 - viii. The liquidity of the investment;
 - ix. Risk factors;
 - x. The description of the property, debts, liens and current ownership of the property;
 - xi. Names and financial status of perspective buyers for the property.

- B. Wright had three unpaid civil judgments against him totaling \$327,255 (paragraph 7, above):

- C. Wright was in default to the State of Utah for not paying taxes for a period of 5 years totaling \$79,077 (paragraph 8, above).

- D. Wright had been charged with felony securities fraud in Third District Court on March 3, 2006 (paragraph 9, above).

- E. Prior to this second investment, Wright had entered a guilty plea in Third District Court to securities fraud on July 17, 2006 and was a convicted felon on a 2 year probation (paragraph 9, above);
- F. Wright was in default to another investor in Washington County and could be subject to civil and/or criminal proceedings (paragraph 10, above);
- G. Wright was not licensed to sell securities in the State of Utah.

23. In connection with the offer and sale of a security, Wright willfully misrepresented the investment to Holt. Specifically, Wright stated the following:

- A. The Trust Deed Note for the Kanarraville property securing Holt's investment would be recorded and Holt would be in first position;
- B. Wright had \$600,000 of built in equity in a new property located in southern Utah and he would repay Holt with funds from conventional financing that was near completion.

**COUNT 3
UNLICENSED SALES AGENT, a third degree felony**

24. In or about May 2006 and September 2006, Wright solicited Holt to make two investments as listed in Counts 1 and 2, above. Records on file with the Utah Division of Securities indicate Wright was not licensed to sell securities in the State of Utah at the time of the two solicitations..

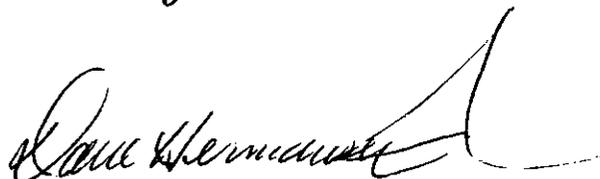
SUMMARY

There is probable cause to believe that the defendant, **KEVIN LAWRENCE WRIGHT**
committed the offense(s) of:

SECURITIES FRAUD
a second degree felony, 2 counts
or in the alternative
COMMUNICATIONS FRAUD
a second degree felony, 2 counts

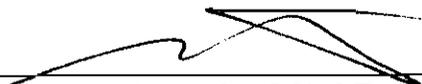
UNLICENSED SALES AGENT
a third degree felony, 1 count

DATED this 20 day of August, 2008



DAVE HERMANSEN, AFFIANT

SUBSCRIBED AND SWORN to before me on this
20 day of Aug, 2008



JUDGE, FIFTH DISTRICT COURT