

Arts degree in English from the University of Utah. I have been employed by the Division of Securities since March 15, 2004.

This case was opened by the Utah Division of Securities in November 2003. In connection with this case, I interviewed and/or received information from victims Denton and Lorraine Cameron, Roseann and Robert Campbell, Waldo and Diane Perkins, and Kyleen Sorensen. I also examined the records from the Utah Division of Securities, Utah Division of Corporations and Commercial Code, Utah's Federal and District Courts, and the United States Bankruptcy Courts.

PARTIES

Defendant **William J. Hammons** is an individual with a last known address of [REDACTED] Utah. Hammons is the owner and CEO of Bill Hammons Investments (BHI). BHI is not incorporated in Utah or Nevada. Through his company, BHI, Hammons solicited investors for VesCor Capital Corporation (VesCor) and its president, Val E. Southwick, and was paid a commission. Mr. Southwick was sentenced in June 2008 to 1-15 years in prison on each of nine counts (consecutive) of securities fraud, for defrauding investors (from Utah and several

other states) out of approximately \$180 million.

Victims Denton and Lorraine Cameron (the Camerons), Roseann and Robert Campbell (the Campbells), Waldo and Diane Perkins (the Perkinses), and Kyleen Sorensen (Sorensen), resided in one of three different Utah counties (Utah, Washington, Salt Lake) at all times relevant to the matters asserted herein.

OFFERS & SALES

From approximately November 2005 through January 2006, in Utah County, Salt Lake County, or Washington County, Hammons offered and sold investments in VesCor promissory notes (some in the form of Commitment Letters) to at least four Utah investors, who invested at least \$1,164,888. Those investors experienced losses of at least \$1,132,946.

The promissory notes offered and sold by Hammons were signed by Val E. Southwick on behalf of VesCor Capital, Inc. The notes promised annual interest of 16% on accruing interest and 14% on interest paid monthly. The notes typically matured in 36 months.

The accruing and monthly promissory notes offered and then sold by Hammons to investors are securities under the Utah

Uniform Securities Act (the Act), Utah Code Ann. § 61-1-13.

MISREPRESENTATIONS & OMISSIONS

Misrepresentations

In connection with the offer and sale of securities, Hammons made misleading statements to the Camerons, the Campbells, the Perkinses, and Sorensen, and failed to disclose certain material information necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Hammons, directly or indirectly, made misrepresentations of material fact to some or all investors, including, but not limited to, the following:

1. The investment was safe;
2. There was very little risk involved;
3. The investment was secured by real property when in fact it was not;
4. The investor's name would appear on a first position trust deed, when in fact it would not; and
5. VesCor had made payments to investors for over 20 years, when in fact there were unpaid investors.

Omissions

In connection with the offer and sale of securities, Hammons, directly or indirectly, omitted the following material information to some or all investors:

1. In 1992, VesCor Capital Corporation entered into a Stipulation and Consent Order with the Utah Division of Securities (the Division), whereby VesCor, without admitting to the Division's findings, agreed to (1) pay a fine of \$5,000, (2) rescind its offer and sale of securities to its investors, and (3) not engage in any future violations of the Utah Uniform Securities Act (the Act).
2. In 2002 VesCor Capital Corporation and Val Southwick entered into a Stipulation and Consent Order with the Utah Division of Securities, whereby VesCor and Mr. Southwick, without admitting to the Division's findings, agreed to (1) pay a fine of \$75,000, (2) disclose the existence of the 2002 Stipulation in connection with any future offer or sale of any security for a period of ten years, (3) rescind

VesCor's offer and sale of securities to its investors,
and (4) not engage in any future violations of the Act.

3. In October 2004, Val Southwick, on behalf of VesCor Capital Corp., and Christopher Layton and Shawn Moore (Managers), on behalf of VesCorp Capital IV-M, LLC, VesCorp Capital IV-A, LLC, and VesCorp Capital, LLC, each signed a letter/agreement, addressed to the Division's Director of Corporate Finance (Benjamin Johnson), affirming that neither they nor any employee, director, officer, agent, affiliate, member or successor of the relevant issuing entity or its affiliate, agent, or successor, would sell, offer to sell, or solicit offers to purchase any security (including roll-overs of existing notes/securities) in or from Utah.
4. A preliminary draft of the combined financial statements for VesCor and its affiliates for the year ended December 31, 2003, prepared by Tanner LC in July 2005, which shows a deficit of \$67,095,011.
5. A preliminary draft of the combined financial

statements for VesCor and its affiliates for the year ended December 31, 2004, prepared by Tanner LC in July 2005, which shows a deficit of \$77,064,876.

6. Val Southwick had an extensive history of civil litigation, which included, between March 1987 and April 2007, a total of \$4,813,295 in judgments; five settlements for unknown amounts; two then pending claims; and two satisfied claims totaling \$70,962.
7. Hammons would receive a commission in return for bringing in investor money.
8. New investor funds were being used to pay interest to prior investors, i.e. a Ponzi scheme.

**COUNT 1
SECURITIES FRAUD
a second degree felony**

In November 2005, Hammons met with Denton and Lorraine Cameron at the Camerons' home in Utah County, Utah, to discuss an investment opportunity with VesCor. At the meeting Hammons provided the Camerons with a brochure about investing in VesCor trust deeds and about VesCor, the company, in general. The trust deed brochure included ten bullet points that read, "First Trust

Deeds Only, Your Name is on the Trust Deed, Loans are on Income Producing Property, 50% to 60% Loan-to-Value, Assignments of Rents on Trust Deeds, We Use Electronic Lock Boxes, No 'Pooling' of Your Money, No Vacant Land Loans, 30 Years of Honesty."

At the same November 2005 meeting, Hammons told the Camerons that VesCor was invested in several different properties; the Camerons' money would be invested in VesCor and then VesCor would invest their money in a certain project; their money would be invested in real estate and building management; their names would be listed on a trust deed; and that Hammons had invested his own money in VesCor.

Hammons failed to tell the Camerons about VesCor's 1992 and 2002 Stipulation and Consent Orders with the Division; about the October 2004 Non-Solicitation letters; about VesCor's equity deficits for the end of the year 2003 and 2004; about Southwick's prior litigation history; that Hammons would receive a commission from VesCor for bringing in investor funds; and that investor funds were being paid to prior investors, i.e. VesCor was a Ponzi scheme.

On November 21, 2005, the Camerons invested \$50,000 in

VesCor, by personal check made payable to VesCor. On or about November 29, 2005, in return for their investment, the Camerons received a signed Commitment Letter in the mail from Mr. Southwick on behalf of VesCor, which outlined the terms of the investment. The Camerons also received a bound booklet which purportedly summarized their "assigned investment collateral."

The Commitment Letter bears Val Southwick's signature and states that VesCor would invest the Camerons' funds temporarily in a segregated money market account at Bank West of Nevada, and then invest their funds in "First Trust Deeds under Assignment for Security documents that are recorded in your name as beneficiary, with Bill Hammons [sic] approval." The Commitment Letter also states that the Camerons would receive interest of 14% per year, or \$583.33 per month, for a period of 36 months.

The Camerons received monthly interest payments from VesCor of \$583.33, from approximately December 2005 through June 2006, for a total of approximately \$4,083. The Camerons have received no additional payments of principal or interest from VesCor and are still owed \$50,000 in principal alone.

COUNT 2
SECURITIES FRAUD
a second degree felony

Sometime in August 2004, Roseann and Robert Campbell met with Hammons at Hammons' home in Washington County, Utah, to discuss an investment in VesCor. Hammons told the Campbells that VesCor was in the business of buying and selling real estate; their money would be placed in a general fund at VesCor and then invested in a real estate project when the opportunity arose; they would be in first position on a deed of trust; there was very little risk involved because they would own real estate; that Hammons had millions invested in VesCor; and that Val Southwick was honorable, forthright, and trustworthy.

Hammons also provided the Campbells with a brochure about investing in VesCor trust deeds and about VesCor, the company, in general. The trust deed brochure includes ten bullet points that read, "First Trust Deeds Only, Your Name is on the Trust Deed, Loans are on Income Producing Property, 50% to 60% Loan-to-Value, Assignments of Rents on Trust Deeds, We Use Electronic Lock Boxes, No 'Pooling' of Your Money, No Vacant Land Loans, 30 Years of Honesty."

Hammons failed to tell the Campbells about VesCor's 1992 and 2002 Stipulation and Consent Orders with the Division; Southwick's prior litigation history; that Hammons was not aware of VesCor's financial condition because VesCor had no audited financial statements; that Hammons would receive a commission from VesCor for bringing in investor funds; and that investor funds were being paid to prior investors, i.e. VesCor was a Ponzi scheme.

The Campbells invested a total of \$100,000 with VesCor on or about August 5, 2004. The Campbells mailed a personal check for \$100,000 made payable to VesCor, to VesCor's offices in Davis County, Utah.

On or about August 9, 2004, the Campbells received a signed Commitment Letter in the mail from Val Southwick on behalf of VesCor. The Commitment Letter states that their funds would be "temporarily in a segregated money market account at Bank West of Nevada" and that VesCor would later invest their funds in "First Trust Deeds under Assignment for Security documents that are recorded in your name as a beneficiary." The Commitment Letter also states that the Campbells would receive annual interest of

14%, paid monthly, for 36 months.

In November 2006, the Campbells received a letter in the mail from Shawn Moore (Manager of several VesCor entities), indicating that the Campbells were invested in the Apex Vegas Vista project in Nevada. Included with the letter was their "loan closing book" which included a plat map of the Apex project, and documents purportedly evidencing the Campbells' security interest.

The Campbells received monthly interest payments of \$1,160 from VesCor from September 2004 through June 2006, totaling approximately \$24,360. The Campbells have received no additional funds from VesCor and are still owed \$100,000 in principal alone.

COUNT 3
SECURITIES FRAUD
a second degree felony

Waldo and Diane Perkins own a second residence in St. George, Utah, and Hammons is one of their neighbors. Over the course of about two years, Hammons often told Waldo Perkins about the investment opportunity in VesCor.

In late 2005, early 2006, Hammons told Waldo Perkins that VesCor was in the business of real estate investment; that Val

Southwick had a 20 year track record and had never missed a payment to investors; and that Hammons invested \$6 million of his own money with VesCor.

Hammons failed to tell the Perkinses about VesCor's 1992 and 2002 Stipulation and Consent Orders with the Division; about the October 2004 Non-Solicitation letters; about VesCor's equity deficits for the end of the year 2003 and 2004; about Southwick's prior litigation history; that Hammons would receive a commission from VesCor for bringing in investor funds; and that investor funds were being paid to prior investors, i.e. VesCor was a Ponzi scheme.

On or about January 24, 2006, the Perkinses invested \$964,888.93 in VesCor, by transferring Waldo Perkins' IRA account to the Trust Company of America. At the time, Waldo Perkins was in his late seventies. In return for their investment the Perkinses received a VesCor Capital Inc. Accrual Promissory Note and Security Agreement, both signed by Val Southwick. The Note is dated January 24, 2006, and the Security Agreement is dated January 1, 2006. The Note states that Waldo Perkins would receive interest of 16% per year (accrued) in 36 months (January

1, 2009). The Security Agreement states that Waldo Perkins would be secured by collateral worth "twice the outstanding principal balance of the respective Note."

On or about December 7, 2006, the Perkinses received a packet in the mail from Shawn Moore (Manager of several VesCor entities) on behalf of VesCor, which included a "summary of [the Perkinses'] assigned investment collateral." The packet included a plat map of the Apex property, an assignment of VesCor's interest in a secured promissory note, and a loan management agreement.

On July 17, 2007, the Perkinses received another packet of information from Shawn Moore on behalf of VesCor, which included an "Amended Summary of [the Perkinses'] Investments." In the cover letter, Moore states "As instructed by Bill Hammons, we are providing a summary of your assigned investment collateral." This packet of information apparently took into account the accrued interest earned by the Perkinses to date.

The Perkins' note was not to mature until January 2009, consequently they have received no return of principal or interest, and are still owed \$964,888.93 in principal alone. In

the VesCor Capital, Inc. bankruptcy, which was filed in Utah in May 2007, the Perkinses were listed as unsecured creditors.

COUNT 4
SECURITIES FRAUD
a second degree felony

Kyleen Sorensen worked with Hammons at Sunbrook Communities in St. George, Utah. Sunbrook Communities markets several residential developments in St. George, Utah.

Sometime in October or November 2005, Hammons told Sorensen about an investment opportunities in VesCor. Hammons told Sorensen that her investment would be used for commercial real estate development and rentals; that Sorensen's name would be on a trust deed to the property; that there were a large number of investors; that the investment was safe; and that Hammons knew Southwick personally.

Hammons also provided Sorensen with a brochure about investing in VesCor trust deeds and about VesCor, the company, in general. The trust deed brochure includes ten bullet points that read, "First Trust Deeds Only, Your Name is on the Trust Deed, Loans are on Income Producing Property, 50% to 60% Loan-to-Value, Assignments of Rents on Trust Deeds, We Use Electronic Lock

Boxes, No 'Pooling' of Your Money, No Vacant Land Loans, 30 Years of Honesty."

Hammons failed to tell Sorensen about VesCor's 1992 and 2002 Stipulation and Consent Orders with the Division; about the October 2004 Non-Solicitation letters; about VesCor's equity deficits for the end of the year 2003 and 2004; about Southwick's prior litigation history; that Hammons would receive a commission from VesCor for bringing in investor funds; and that investor funds were being paid to prior investors, i.e. VesCor was a Ponzi scheme.

On or about November 7, 2005, Sorensen invested \$50,000 in VesCor, via personal check made payable to VesCor. In return for her investment, on or about November 8, 2005, Sorensen received a signed Commitment Letter in the mail from Val Southwick on behalf of VesCor. The Commitment Letter states that Sorensen would receive interest of 14% per year, monthly payments of \$583.33 for 36 months. The Commitment Letter also states that "VesCor will be investing your funds temporarily in a segregated money market account at Bank West of Nevada. Then VesCor will invest your funds in First Trust Deeds under Assignment for Security

documents that are recorded in your name as beneficiary, with Bill Hammons [sic] approval."

From December 2005 through May 2006, Sorensen received monthly interest payments of \$583.33 from VesCor. Sorensen has received no additional payments of principal or interest since May 2006, and is still owed \$50,000 in principal alone.

COUNT 5
SALE BY AN UNLICENSED AGENT
a third degree felony

In November 2005, in Utah County, Utah, Hammons offered an investment opportunity in VesCor securities to Lorraine Cameron. On November 21, 2005, Cameron invested \$50,000 in VesCor, by personal check made payable to VesCor. When offering and selling these securities on behalf of VesCor, Hammons was acting as an agent of an issuer (VesCor), and Hammons received a commission from VesCor in return. Hammons has never been licensed to sell securities in Utah as an agent of this issuer, or any other issuer.

COUNT 6
SALE BY AN UNLICENSED AGENT
a third degree felony

In August 2004, in Washington County, Utah, Hammons offered

an investment opportunity in VesCor securities to Roseann and Robert Campbell. On August 5, 2004, the Campbells invested \$100,000 in VesCor, by personal check made payable to VesCor. When offering and selling these securities on behalf of VesCor, Hammons was acting as an agent of an issuer (VesCor), and Hammons received a commission from VesCor in return. Hammons has never been licensed to sell securities in Utah as an agent of this issuer, or any other issuer.

COUNT 7
SALE BY AN UNLICENSED AGENT
a third degree felony

In late 2005, early 2006, in Washington County, Utah, Hammons offered an investment opportunity in VesCor securities to Waldo and Diane Perkins. On or about January 24, 2006, the Perkinses invested \$964,888.93 in VesCor, by transferring Waldo Perkins' IRA account to the Trust Company of America, which then invested the funds with VesCor. When offering and selling these securities on behalf of VesCor, Hammons was acting as an agent of an issuer (VesCor), and Hammons received a commission from VesCor in return. Hammons has never been licensed to sell securities in Utah as an agent of this issuer, or any other issuer.

COUNT 8
SALE BY AN UNLICENSED AGENT
a third degree felony

In October or November 2005, in Washington County, Utah, Hammons offered an investment opportunity in VesCor securities to Kyleen Sorensen. On or about November 7, 2005, Sorensen invested \$50,000 in VesCor, by personal check made payable to VesCor. When offering and selling these securities on behalf of VesCor, Hammons was acting as an agent of an issuer (VesCor), and Hammons received a commission from VesCor in return. Hammons has never been licensed to sell securities in Utah as an agent of this issuer, or any other issuer.

COUNT 9
ABUSE OF A VULNERABLE ADULT
a second degree felony

Waldo and Diane Perkins were 65 years of age or older when in 2006, on the advice of Hammons, they invested \$964,888.93 in VesCor, by transferring Waldo Perkins' IRA account to the Trust Company of America. Hammons had a business relationship with the Perkinses, and deceptively obtained and used these funds with the intent to temporarily or permanently deprive them of the use, benefit, or possession of their property.

COUNT 10
PATTERN OF UNLAWFUL ACTIVITY
a second degree felony

Commencing on or about May 24, 2002, Hammons engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. § 76-10-1603. The defendant: (1) received proceeds derived, directly or indirectly, from a pattern of unlawful activity as more fully defined in Counts 1 through 8 above, in which he participated as a principal, or he used or invested, directly or indirectly, any part of that income, or the proceeds of the income, or the proceeds derived from the investment or use of those proceeds, in the acquisition of any interest in, or establishment or operation of, any enterprise; (2) through a pattern of unlawful activity acquired or maintained, directly or indirectly, any interest in or control of any enterprise; or (3) was employed by, or associated with any enterprise and conducted or participated, whether directly or indirectly, in the conduct of that enterprise's affairs through a pattern of unlawful activity. The unlawful activity included three or more violations of securities

fraud. This is a violation of Utah Code Ann. § 76-10-1603(5), a second degree felony.

SUMMARY

There is probable cause to believe defendant **William J. Hammons** committed the following offenses:

SECURITIES FRAUD,
A second degree felony, 4 counts

SALE BY AN UNLICENSED AGENT,
A third degree felony, 4 counts

ABUSE OF A VULNERABLE ADULT
A second degree felony, 1 count

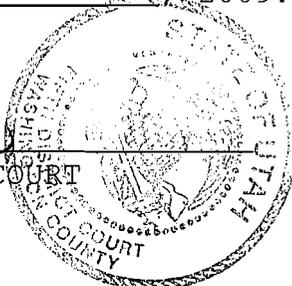
PATTERN OF UNLAWFUL ACTIVITY,
A second degree felony, 1 count

DATED this 29th day of January, 2008.⁹

Jennifer R. Korb
JENNIFER R. KORB, Affiant

SUBSCRIBED AND SWORN to before me this
29 day of January, 2009.

William J. Hammons
JUDGE of the FIFTH DISTRICT COURT



Arts degree in English from the University of Utah. I have been employed by the Division of Securities since March 15, 2004.

This case was opened by the Utah Division of Securities in November 2003. In connection with this case, I interviewed and/or received information from victims Denton and Lorraine Cameron, Roseann and Robert Campbell, Waldo and Diane Perkins, and Kyleen Sorensen. I also examined the records from the Utah Division of Securities, Utah Division of Corporations and Commercial Code, Utah's Federal and District Courts, and the United States Bankruptcy Courts.

PARTIES

Defendant **William J. Hammons** is an individual with a last known address of [REDACTED] Utah. Hammons is the owner and CEO of Bill Hammons Investments (BHI). BHI is not incorporated in Utah or Nevada. Through his company, BHI, Hammons solicited investors for VesCor Capital Corporation (VesCor) and its president, Val E. Southwick, and was paid a commission. Mr. Southwick was sentenced in June 2008 to 1-15 years in prison on each of nine counts (consecutive) of securities fraud, for defrauding investors (from Utah and several