

**FILED DISTRICT COURT**  
Third Judicial District

JAN 05 2007

SALT LAKE COUNTY

By \_\_\_\_\_ Deputy Clerk

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IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR  
SALT LAKE COUNTY, STATE OF UTAH

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THE STATE OF UTAH, : Bail \$ 50,000  
 :  
 Plaintiff, :  
 : **CRIMINAL INFORMATION**  
 vs. :  
 :  
 **PHILIP T. JESSEE** : Case No: 0711900122  
 DOB: January 12, 1963 :  
 : Judge \_\_\_\_\_  
 :  
 Defendant. :

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The undersigned, Investigator DIANA PARRISH, upon oath, states on information and belief that the defendant has committed the following crimes:

**SECURITIES FRAUD, a second degree felony, 10 counts**

**COMMUNICATIONS FRAUD, a second degree felony, 1 count**

**PATTERN OF UNLAWFUL ACTIVITY, a second degree felony, 1 count**

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

Commencing on or about July 2004, in the State of Utah, County of Davis, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **ROBERT AHRENSBACK**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 2**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about December 2004, in the State of Utah, County of Davis, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **TRAVIS BELL**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 3**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about June 2003, in the State of Utah, County of Davis, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **JO ANN BROWN**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 4**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about Summer 2003, in the State of Utah, County of Salt Lake, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **DAVID and LISA CLOWARD**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 5**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about July 2004, in the State of Utah, County of Davis, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **ALLEN COHEN**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 6**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about January 2005, in the State of Utah, County of Davis, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **WESLEY LANDEN**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 7**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about October 2003, in the State of Utah, County of Salt Lake, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **GARY ODENWALDER**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 8**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about May 2002, in the State of Utah, County of Salt Lake, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **LeROY SEARLE**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 9**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about October 2000, in the State of Utah, County of Davis, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **RICHARD N. SMITH**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 10**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about January 2004, in the State of Utah, County of Salt Lake, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **THOMAS WINKLE**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 11**  
**COMMUNICATIONS FRAUD,**  
**a second degree felony**

Commencing on or about January 2005, in violation of Utah Code Ann. § 76-10-1801 (1953 as amended), in Salt Lake County, State of Utah, and elsewhere, the defendant devised a scheme or artifice to defraud **DAVID YEAMAN**, or to obtain from him money, property, or anything of value by means of false or fraudulent pretenses, representations, promises, or material omissions, and he communicated directly or indirectly with any person by any means for the purpose of executing or concealing the scheme or artifice. The total value of the property, money or thing obtained or sought to be obtained by the scheme or artifice was or exceeded \$5,000.00, a second degree felony.

**COUNT 12**  
**PATTERN OF UNLAWFUL ACTIVITY**  
**a second degree felony**

Commencing on or about June 2003, the defendant engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. § 76-10-1601. The defendant: (1) received proceeds derived, directly or indirectly, from a pattern of unlawful activity as more fully defined in Counts 1 through 11 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

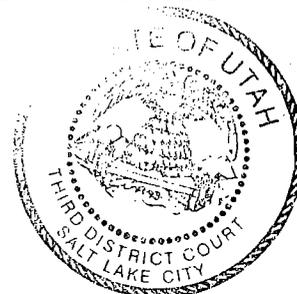
interest in or control of any enterprise; or (3) were employed by, or associated with any enterprise and conducted or participated, whether directly or indirectly, in the conduct of that enterprise's affairs through a pattern of unlawful activity. The unlawful activity included three or more violations of securities fraud and communications fraud. This is a violation of Utah Code Ann. §76-10-1601 and § 76-10-1603(5), et seq., a second degree felony.

DATED this 5 day of Jan, 2007.

Diana Parrish  
DIANA PARRISH, Affiant

SUBSCRIBED AND SWORN to before me on this 5 day of Jan, 2007.

Heidi S. Miller  
JUDGE, THIRD JUDICIAL DISTRICT COURT



This CRIMINAL INFORMATION is based upon evidence from the following witnesses:

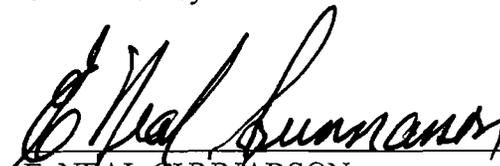
- |     |                     |     |                   |
|-----|---------------------|-----|-------------------|
| 1.  | Robert Ahrensback   | 16. | James Molina      |
| 2.  | Travis Bell         | 17. | Gary Odenwalder   |
| 3.  | Brady Belliston     | 18. | Le Roy Searle     |
| 4.  | John Bigler         | 19. | Richard N. Smith  |
| 5.  | JoAnn Brown         | 20. | Jack C. Stabler   |
| 6.  | Rodney Christensen  | 21. | Thomas E. Winkle  |
| 7.  | Richard Cloward     | 22. | David Yeaman      |
| 8.  | David Cloward       | 23. | Dana Kendrick     |
| 9.  | Lisa Cloward        | 24. | Brian Jay Richter |
| 10. | Allen Cohen         | 25. | Keath Beal        |
| 11. | Rob Heidger         | 26. | Brook Bolmen      |
| 12. | Doyle Johnson       | 27. | Chris Glazier     |
| 13. | Ralph Douglas Jones | 28. | Bob Taylor        |
| 14. | Wesley Landon       | 29. | and others.       |
| 15. | Steve Letcher       |     |                   |

APPROVED FOR PRESENTMENT AND FILING this 4 day of

January, 2007.

MARK L. SHURTLEFF  
Utah Attorney General

By:

  
E. NEAL GUNNARSON  
Assistant Attorney General

**FILED DISTRICT COURT**  
Third Judicial District

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JAN 05 2007  
SALT LAKE COUNTY  
By \_\_\_\_\_ Deputy Clerk

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IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR  
SALT LAKE COUNTY, STATE OF UTAH

---

THE STATE OF UTAH, :  
 :  
 Plaintiff, : **AFFIDAVIT OF PROBABLE CAUSE**  
 :  
 vs. :  
 :  
 **PHILIP T. JESSEE** : Case No: 071900122  
 DOB: January 12, 1963 :  
 : Judge \_\_\_\_\_  
 :  
 Defendant. :

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STATE OF UTAH )  
 :ss  
 COUNTY OF SALT LAKE )

I, DIANA PARRISH, being first duly sworn upon oath, depose and state as follows:

1. I am a certified law enforcement officer of 25 years and am currently employed as a Securities Compliance Investigator for the Utah Department of Commerce, Division of

Securities. Prior to my employment with the Division of Securities, I was employed by the Utah Attorney General's Office as an investigator and the South Salt Lake Police Department in various capacities. I am currently investigating possible violations of securities fraud statutes and related criminal code violations by PHILIP T. JESSEE.

2. The facts set forth in this affidavit are based upon the results of an investigation during which I have collected and reviewed records from witnesses and other sources. I have received information from Robert Ahrensback, Travis Bell, Brady Belliston, John Bigler, JoAnn Brown, Rodney Christensen, Richard Cloward, David Cloward, Lisa Cloward, Allen Cohen, Rob Heidger, Doyle Johnson, Ralph Douglas Jones, Wesley Landon, Steve Letcher, James Molina, Gary Odenwalder, Le Roy Searle, Richard N. Smith, Jack C. Stabler, Thomas E. Winkle, David Yeaman, Dana Kendrick, Brian Jay Richter, Keath Beal, Brook Bolmen, Chris Glazier, Bob Taylor and others.

#### **PARTIES**

3. JESSEE at all pertinent times resided in Utah.
4. JESSEE's last known address is 1310 South Cave Hollow Lane, Farmington, Utah 94025.
5. JESSEE filed Chapter 13 bankruptcy on October 13, 2005.
6. Utah court records reveal that JESSEE has been sued many times since 2003 and judgements entered against him total more than \$592,926.

7. Great Salt Lake Mortgage Company, Inc. (GSLM) is a Utah corporation. Its only member is JESSEE who is listed as the Director and Registered Agent. GSLM registered with the Utah Department of Commerce on August 14, 1998 and is currently active. On April 3, 2003, GSLM registered Great Salt Lake Mortgage as a DBA. Utah Division of Securities records reflect no registration, exemption from registration or notice filing in any manner with respect to securities offerings of GSLM.
8. Financial Benefits Association, Inc. (FBA) is a Utah corporation. Its only member is JESSEE who is listed as the Director, President, Registered Agent, Secretary, Treasurer, and Vice President. FBA registered with the Utah Department of Commerce on December 24, 1997. FBA's status is expired as of March 24, 2004. Utah Division of Securities records reflect no registration, exemption from registration or notice filing in any manner with respect to securities offerings of FBA.
9. Hampton Ford Inc. (Hampton Ford) is a Utah corporation. Its only member is JESSEE who is listed as the Director, President, Registered Agent, Secretary and Treasurer. Hampton Ford registered with the Utah Department of Commerce on July 30, 2000. Hampton Ford's status is expired as of October 29, 2003. Utah Division of Securities records reflect no registration, exemption from registration or notice filing in any manner with respect to securities offerings of Hampton Ford.
10. Cirrus Funding, LLC (Cirrus) is a limited liability company. Cirrus registered with the Utah Department of Commerce on December 18, 2003. Brent H. Shimada, Phillip T.

JESSEE, and Richard T. Cloward are listed as Managers. According to Cirrus' Articles of Incorporation, "The business purpose of the Company is to engage in the business of loaning money, including all activities related or incidental thereto." According to Richard T. Cloward and others, Cirrus was formed specifically to make hard money loans which were arranged by JESSEE through GSLM. Cloward said Cirrus members contributed funds to Cirrus and then Cirrus loaned that money to JESSEE and GSLM for specific hard money loans.

#### **SECURITIES FRAUD**

11. Between 1998 and 2005 JESSEE issued promissory notes to at least 60 investors primarily located in Davis County and Salt Lake County, Utah. JESSEE began missing payments to investors during the fall of 2004 and eventually stopped making payments to investors in about January 2005. Most of the notes issued by GSLM and signed by JESSEE were unsecured. In some cases JESSEE told investors their notes were secured by property, a statement that was not true. In other cases, JESSEE forged documents or made fraudulent filings with the recorder's office to make it appear the investor's note was collateralized.
12. JESSEE told investors their money would be used to fund short-term hard money loans and that the investor would earn a profit.
13. JESSEE told investors their investments were safe and without risk, a statement that was not true.

14. JESSEE told some investors that their promissory notes were secured by real property, a statement that was not true. In fact, JESSEE failed to provide promised collateral or gave some investors trust deed that were not recorded or, in one case, provided an investor with a trust deed with a fraudulent recorder's stamp.
15. JESSEE told Cirrus members the loans he made with their investment funds would be collateralized and they would be in first position, a statement that was not true.
16. JESSEE told investors he has never had a deal go bad, a statement that was not true.
17. JESSEE told investors GSLM was a successful company with no problems, a statement which was not true.
18. In December 2004, JESSEE told Travis Bell that JESSEE made two or three of his clients a million dollars each for the last two years, a statement that was not true. In fact, none of JESSEE's known investors report making a million dollars as a result of JESSEE's efforts.
19. In December 2004, JESSEE told Travis Bell that JESSEE managed his own 1.8 million-dollar trust called Cirrus, a statement that was not true. In fact, Cirrus is not JESSEE's trust, it is an LLC with ten members of which JESSEE is a member. In addition, member money invested through Cirrus was \$1.2 million, not \$1.8 million.
20. In December 2004, JESSEE told Travis Bell that JESSEE held a securities license through GSLM, a statement that was not true. JESSEE's licenses has expired or termed

prior by October 2002. Utah Division of Securities records reveal that JESSEE has been licensed as a broker-dealer agent in Utah with the following:

- a. Nylife Securities Inc. Approved 09/21/1990 termed 12/12/1996
- b. Financial Network Investment Corporation approved 01/14/1997 termed 12/31/1999
- c. Consec Securities, Inc. approved 04/23/2000 termed 12/15/2000
- d. USAllianz Securities, Inc. approved 02/15/2001 termed 10/10/2002

and has been licensed as an investment adviser representative in Utah with the following:

- a. Eagle Strategies Corp. approved 12/09/1992 license ending 12/31/1993
- b. Eagle Strategies Corp. approved 03/28/1994 license ending 12/31/1994
- c. Eagle Strategies Corp. approved 12/15/1994 license ending 12/31/1995.

21. JESSEE told some investors their money would be used for a specific purpose. For example, JESSEE told David Yeaman his investment money would be borrowed by JESSEE's client, Travis Bell, to purchase property in St. George. This statement by JESSEE was not true and, in fact, Travis Bell never borrowed money from JESSEE for any purpose.
22. In connection with the offer and sale of promissory notes to Utah investors, JESSEE failed to disclose material information, including, but not limited to the following: how JESSEE and GSLM, FBA, and Hampton made money on the transaction; information regarding the business and operating history of GSLM, FBA, and Hampton; the identities of GSLM, FBA, and Hampton's principals; GSLM, FBA, and Hampton's financial statements; the track record of GSLM, FBA, and Hampton to its prior and current

- investors; whether GSLM, FBA, Hampton or JESSEE had been involved in certain legal proceedings, such as civil law suits, bankruptcies, and/or violation of state or federal securities law; any conflicts of interest that GSLM, FBA, Hampton or JESSEE may have with regard to the investment; that the investment opportunity was a security that was not registered with the Utah Division of Securities; and, that JESSEE was acting as an unlicensed agent in violation of Utah securities laws. In addition, JESSEE failed to tell later investors that he had failed to make interest payments or pay principal to earlier investors when their notes reached maturity and that checks to investors had bounced.
23. During a meeting with investors on or about February 16, 2005, JESSEE said, "I used Cirrus money to pay off other people" and "I thought I could use Cirrus money to catch up." In an email accounting of loans made with investor money, JESSEE made comments on specific loans such as "Paid off another loan. Probably not recoverable." In June 2005 investor Doyle Johnson confronted JESSEE about an unpaid note and forgery, JESSEE said, "I got in over my head" and "I'm going to make it right."
24. Investors sustained more than \$6,289,000 in losses.
25. Promissory notes are securities as defined by Utah Code Annotated §61-1-13.

**COUNT 1**  
**SECURITIES FRAUD, a second degree felony**  
**(Robert Ahrensback)**

26. Robert Ahrensback met JESSEE on July 1, 2004 in Kaysville, Davis County, Utah at the home of Doug Jones. JESSEE told Ahrensback "a fellow needed \$20,000 for

equipment” and if Ahrensback put up the money for thirty days, JESSEE would pay Ahrensback 18% interest plus a 3% loan origination fee. Ahrensback wrote a check to GSLM for \$50,000 which he gave to JESSEE. At some point after investing, JESSEE gave Ahrensback a check which cleared the bank for \$2,200 for interest and fees.

27. On July 5, 2004, JESSEE met Ahrensback at Ahrensback’s home in Syracuse, Davis County, Utah. JESSEE asked Ahrensback to invest an additional \$50,000 for a real estate transaction. Ahrensback wrote a \$50,000 check to GSLM and gave the check to JESSEE.
28. Ahrensback met JESSEE at Café 305 in Bountiful, Davis County, Utah on or about January 29, 2005. At that time JESSEE, gave Ahrensback two checks: #1017 for \$53,976 and #1018 for \$54,788 drawn on GSLM’s Wells Fargo account and dated January 29, 2005. JESSEE asked Ahrensback to hold one of the checks for a few days. Ahrensback told the affiant both checks bounced. Ahrensback then called JESSEE who “hem hawed” around and promised to make things right. Ahrensback demanded some documentation as proof of his investment.
29. On February 14, 2005, Ahrensback met JESSEE at Café 305 and accepted a signed GSLM promissory note for \$109,000 with interest paid at 2% per annum. The due date on the note was on or before February 28, 2005. The note was signed twice by JESSEE: first as president of GSLM and second personally.

30. On April 4, 2005, Ahrensback filed a law suit against GSLM and JESSEE in Second District Court and on June 30, 2005 was awarded a \$111,193.28 judgment. Collection of the judgment was stayed on December 5, 2005 as part of JESSEE's bankruptcy case.
31. Prior to investing, JESSEE did not provide Ahrensback with any disclosure documents or information about:
- a. how long GSLM had been in business;
  - b. the identities of GSLM's principals;
  - c. financial statements;
  - d. the market for GSLM's product;
  - e. competition;
  - f. capitalization;
  - g. the track record of GSLM to its investors;
  - h. risk;
  - i. the number of investors in GSLM;
  - j. suitability factors for investors;
  - k. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
  - l. if or how JESSEE was being compensated; and,
  - m. whether the promissory notes JESSEE offered were registered or exempt from registration.
32. Ahrensback said he invested for profit and had no role in GSLM other than to supply capital.
33. Specifically, JESSEE did not mention the following law suits:
- April 11, 2003 - David R. Buck vs. Jessee (dismissed Feb. '05)
  - July 15, 2003 - Ford Credit vs. FBA (dismissed Dec. '04)
  - November 17, 2003 - Dr. Sherman L. Kearl vs. GSLM
  - February 6, 2004 - Air Tech vs. FBA

March 18, 2004 - Accelerated Collection Management vs. GSLM

34. JESSEE did not mention, among other things, that in June 2003 JESSEE began having trouble meeting his monthly payments to Richard Smith on property JESSEE purchased from Smith. Nor did JESSEE mention that another investor, Le Roy Searle, had requested the return of \$8,000 but JESSEE had failed to honor that request.

**COUNT 2**  
**SECURITIES FRAUD, a second degree felony**  
**(Travis Bell)**

35. Travis Bell first heard of JESSEE and GSLM from his neighbor, Allen Cohen, in November or December 2004. Cohen said he had been investing with JESSEE for years and asked Bell if he could give Bell's phone number to JESSEE. The following day, JESSEE arrived uninvited at Bell's home in Bountiful, Davis County, Utah.
36. At the meeting JESSEE told Bell he owned GSLM, a business condo, and a farm. JESSEE said he had been doing hard-money lending and development for 16 years and his business consisted primarily of short-term lending. JESSEE said he had made two or three of his clients a million dollars each for the last two or three years. JESSEE said he managed his own 1.8 million-dollar Real Estate Investment Trust called Cirrus with only \$800,000 belonging to other investors. JESSEE said between his fund and others, he had 50 to 75 investors and invested 10 to 12 million dollars of his own money, money from his fund, and money from other business connections. JESSEE said he was looking for

“some players” so he could reduce the number of investors. JESSEE told Bell to “feel secure” because he “wouldn’t do anything foolish with [his] own money.”

37. At the meeting JESSEE told Bell he knew all the people and properties when he made a loan. JESSEE said his clients were well-established and reliable so there was no need for Bell to check them out. JESSEE said there was “zero risk” because he always dealt in real estate, never allowed the loan-to-value ratio to exceed 50%, and always put the lender in first position and would use his office condo and farm as collateral.
38. At the meeting JESSEE said deals less than \$10,000 are not worth his time. JESSEE said he had never had a deal go bad and had never been late on a payment but he had a loan go into default causing the borrower to pay additional fees to the lender. JESSEE said he was a licensed securities agent through GSLM. JESSEE suggested they begin with a few small short-term investments and said successful deals would build Bell’s trust so he would become comfortable with JESSEE.
39. Based on JESSEE’s representations, Bell decided to invest. During December 2004, Bell did three or four successful short-term deals.

#### WEBSTER DEAL

40. On or about December 21, 2004, JESSEE phoned Bell to discuss a large hard-money loan. JESSEE faxed Bell documents related to the loan and met with Bell in person at Bell’s home. JESSEE said Joey Webster of Bridgeport Capital in Texas needed \$150,000 by the end of the day. JESSEE said he had known Webster for years and

Webster owned a lot of property in Texas and a condo/apartment building in Ogden. JESSEE said Webster was willing to use the apartment building in Ogden and some certificates of deposit as collateral. JESSEE said, "This is the best hard money deal you'll ever find." Bell asked JESSEE why Webster didn't go to a bank for money. JESSEE said Webster purchased property at a bankruptcy sale and needed the cash within 48 hours, something a bank couldn't do. JESSEE said Webster would pay \$15,000 on a \$150,000 thirty-day note with a 30-day extension fee of \$15,000.

41. Bell said he decided to invest and wired \$150,000 to JESSEE's account. In exchange for his investment, Bell received a GSLM promissory note bearing JESSEE's signature and dated December 21, 2004 with a maturity date of January 20, 2004<sup>1</sup>. Bell also received a Quit-Claim Deed, a Trust Deed secured by an apartment/condo, the Bonneville, in Ogden (filed with the Davis County Recorder's office on December 30, 2004) and an assignment for several CDs with a total value of \$167,654.47 purportedly signed by Joseph Webster.
42. When the note was not paid on time, Bell called JESSEE to complain. Several days later, JESSEE delivered a \$15,000 check to Bell at Bell's home and told Bell the loan had been extended for an additional 30 days to on or about February 20, 2005. Bell told the affiant the \$15,000 check cleared the bank.

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<sup>1</sup>The promissory note due date is January 20, 2004 but this appears to be an error. The due date cannot precede the issue date. All other available information indicates the due date should have been typed January 20, 2005.

43. After February 20, 2005, Bell filed a lis pendens with the Davis County Recorder's office. At about this time the owner of the property pledged as collateral, attorney Robert Olson, tried to sell the property and discovered the lis pendens. Olson contacted Bell and said Olson is the true owner of the apartment / condo, the Bonneville. Olson told Bell he acquired the Bonneville in April 2004 when the property, then owned by JESSEE and others, went into foreclosure. Olson said the Trust Deed filing by JESSEE on December 30, 2004 was a forgery. Bell, after learning how and when Olson acquired the Bonneville and on the advice of his attorney, released the lis pendens.
44. Olson said during the process of selling and closing on the Bonneville, the title company required JESSEE's signature on several documents. On September 20, 2005, Olson obtained JESSEE's signature on a document titled "Hold Harmless." The Hold Harmless states ". . . an assignment of Certificates of Deposit owned by Webster and BCI was made to Centennial Investments LLC [Bell] which was provided by Great Salt Lake Mortgage." The document further states, ". . . the issuance of the assignment of Certificates of Deposits to Centennial Investments LLC, which did not reflect the signature of Mr. Webster." Olson does not recall if JESSEE signed the Hold Harmless document at Olson's office or at the title company.

#### YEAMAN DEAL

45. During January 2005, JESSEE called Bell and discussed a deal involving property purchased at a bankruptcy sale for \$1.8 million with an appraised value of \$3.8 million.

JESSEE asked Bell for \$1.8 million but Bell said that was impossible. JESSEE then asked Bell for \$450,000 which JESSEE said would be put into an escrow account to show / convince the court to grant the buyers 48 hours to secure funding. After assurances from JESSEE, Bell agreed to lend \$450,000 for a few days.

46. JESSEE did not return the \$450,000 when due and Bell began to pressure JESSEE to return the money. Eventually JESSEE gave Bell two cashier's checks; one check from GSLM and the other from David Yeaman, someone Bell did not know. Both checks cleared the bank.
47. On or about January 25, 2005, David Yeaman entered into an agreement with JESSEE and GSLM. Yeaman agreed to provided \$450,000 as a loan to JESSEE's client, Travis Bell. JESSEE told Yeaman Bell needed the money for a real estate transaction and would pay the money back plus an additional \$50,000 in a very short time.
48. Bell said Yeaman contacted Bell after Yeaman's note came due on February 1, 2005. At that time, Bell told Yeaman that Bell never asked JESSEE to obtain a loan on Bell's behalf and Bell knew nothing about Yeaman's loan agreement.

#### CALDWELL DEAL

49. On or about February 1, 2005, JESSEE told Bell he needed \$50,000 for a closing. As collateral, JESSEE said he would assign a first position \$200,000 note backed up by property owned by Side Kick Services in San Pete County. Bell decided to invest based on JESSEE's representation.

50. When the note came due, JESSEE wrote Bell a GSLM check to pay off the note but the check bounced. Bell's attorney, Shawn Turner, spoke to the owner of the Side Kick Services property, Stan Caldwell. Caldwell told Turner that Caldwell had paid the note months ago and he never authorized JESSEE to put a lien on the San Pete property.

#### UNSECURED NOTES

51. On or about February 5, 2005, Bell lent JESSEE \$65,000 and \$75,000 and received promissory notes from JESSEE. The notes were not secured. JESSEE presented to Bell checks to pay the notes; the checks bounced. Both notes are outstanding.
52. During February, Bell met with JESSEE. Bell told JESSEE he wanted his \$140,000 back and accused JESSEE of being a crook.
53. Prior to November 3, 2005, JESSEE signed over to Bell his office condo and farm. JESSEE told Bell the farm was worth more than \$500,000 and was paid off. In reality, records show Bell was in third position on the farm; the farm was only worth \$100,000; and there were \$141,000 liens against the farm. JESSEE told Bell the office condo was worth \$350,000 and paid off. In reality, records show Bell was in third position; there were \$144,000 in liens against the condo; and the condo was only worth \$140,000. Bell paid the liens on these properties and is now the owner of the farm and condo.
54. Prior to investing, JESSEE did not provide Bell with any disclosure documents or information about:
- a. the market for GSLM's product;
  - b. competition;

- c. the number of investors in GSLM;
- d. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
- e. if or how JESSEE was being compensated; and,
- f. whether the promissory notes JESSEE offered were registered or exempt from registration.

55. Specifically, JESSEE did not mention several law suits:

April 11, 2003 - David R. Buck vs. Jessee (dismissed Feb. '05)

July 15, 2003 - Ford Credit vs. FBA (dismissed Dec. '04)

November 17, 2003 - Dr. Sherman L. Kearl vs. GSLM

February 6, 2004 - Air Tech vs. FBA

March 18, 2004 - Accelerated Collection Management vs. GSLM

October 18, 2004 - Workforce Services vs. GSLM with Judgment \$345.75

56. JESSEE did not mention, among other things, that beginning in June 2003 JESSEE started having trouble making payments on property JESSEE purchased from Richard Smith; that investor, Le Roy Searle had asked for the return of \$8,000 in February 2004 but JESSEE failed to return the funds; and that JESSEE issued investor Allen Cohen a Trust Deed and Note in July 2004 bearing a fraudulent county recorder's stamp.

**COUNT 3**  
**SECURITIES FRAUD, a second degree felony**  
**(Jo Ann Brown)**

57. JoAnn Brown and JESSEE are neighbors. Brown's husband died on June 15, 2003, and about two weeks later Brown asked JESSEE to help her with death benefits and

investments. Between June 15 and July 30, 2003, JESSEE told Brown he wanted to establish a \$200,000 “portfolio” for her. JESSEE said he invested in real estate and commercial buildings and he usually has a buyer lined up when he purchases a building so investor money is only tied up a short time. JESSEE said money he invested for Brown would be deeded in her name and he would purchase a life insurance policy with Brown as the beneficiary in the exact amount of her investment. JESSEE said Brown could expect a return of 17 to 19%, but investing always involves risk.

58. Bank records show Brown invested \$221,911.64 with JESSEE between June 15, 2003 and August 15, 2003.

July 29, 2003	Trans to JESSEE’s acct. from Brown’s acct.	20,000.00
July 30, 2003	Page loan	50,000.00
Aug. 1, 2003	Trans to JESSEE’s acct. from Brown’s acct.	10,000.00
Aug. 4, 2003	Trans to JESSEE’s acct. from Brown’s acct.	40,000.00
Aug. 6, 2003	Trans to JESSEE’s acct. from Brown’s acct.	19,000.00
Aug. 7, 2003	Cashiers’ check to JESSEE	11,000.00
Aug. 15, 2003	Insurance check signed over to JESSEE	<u>71,911.64</u>
	Total invested	221,911.64

59. Brown’s first investment of \$20,000 on July 29, 2003 was deposited into JESSEE’s account at America First Credit Union taking the account balance to \$24,850. On the same day JESSEE withdrew \$\$4,600 in cash; purchased a \$12,000 cashier’s check

payable to Stage Investments<sup>2</sup>; and purchased another cashier's check payable to JESSEE for \$3,900, leaving the account balance at \$4,350.

60. Brown's second investment was made on July 30, 2003 through an arranged loan from Larry Page to Brown. Brown gave the \$50,000 she received from Page directly to JESSEE. Bank records show JESSEE did not deposit the \$50,000 check until August 6, 2003 (see below).
61. Brown's third investment of \$10,000 on August 1, 2003 was deposited into JESSEE's account at America First Credit Union on August 1, 2003 taking the account balance to \$17,288. On the same day, JESSEE withdrew \$1,000 in cash; purchased a \$10,000 cashier's check payable to JESSEE; and purchased a \$5,500 cashier's check payable to Global Products<sup>3</sup>, leaving the account with a balance of \$788.24.
62. Brown's fourth investment of \$40,000 on August 4, 2003 was deposited into JESSEE's account at America First Credit Union taking the account balance to \$40,788.24. Bank records show that same day JESSEE transferred \$22,200 to another America First account owned by Wade Dorius<sup>4</sup>; withdrew \$1,500 in cash; purchased a \$12,000

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<sup>2</sup>Stage Investments is a company owned and operated by Larry Page. Stage Investments' principals are Larry Page and Rodney Stephens. Page is a known associate of Jessee. An investor survey was mailed to Page but he failed to respond.

<sup>3</sup>Global Products, Inc. is registered with the Utah Department of Commerce, Division of Securities. Allen Cohen is listed as the president and director. Allen Cohen is also listed in this report as a GSLM/Jessee investor.

<sup>4</sup>Wade Dorius is a known GSLM investor.

cashier's check payable to Stage Investments; purchased a \$2,500 cashier's check payable to Sally Holloway<sup>5</sup>; and purchased a \$4,000 cashier's check payable to Lewis Jones<sup>6</sup> leaving a balance of \$312.42.

63. Brown on August 6, 2003, transferred \$34,798.60 and \$19,000 to JESSEE's account. The \$34,798.60 was money Brown transferred to JESSEE so JESSEE could pay off the balance on her home mortgage; the \$19,000 was for investment purposes. These deposits took JESSEE's account balance to \$54,111.02. Bank records show JESSEE immediately withdrew \$100 in cash; purchased a \$8,000 cashier's check payable to investor Todd Holloway; purchased a \$3,000 cashier's check payable to Richard Smith<sup>7</sup>; and a \$1,400 cashier's check to Norvech<sup>8</sup> taking the account balance to \$41,611.02. Bank records show on August 7, 2003, JESSEE deposited the \$50,000 (money Brown borrowed from Page) check he received from Brown taking the account balance to \$91,611.02. Bank records also show on August 7, 2003, JESSEE transferred \$10,000 to an account at America First Credit Union owned by Richard Cloward; wired \$15,390.43 to Monument Title (wire fee \$8); and purchased a \$62,375 cashier's check payable to Scott Martin<sup>9</sup>.

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<sup>5</sup>Sally Holloway is Todd Holloway's wife. Todd Holloway is a GSLM/Jessee investor.

<sup>6</sup>Lewis Jones has not been identified.

<sup>7</sup>Richard Smith is a known GSLM/Jessee investor.

<sup>8</sup>Norvech is not registered with the Utah Division of Corporations.

<sup>9</sup>Scott Martin has not been identified.

Bank records show the following day JESSEE withdrew \$3,000 cash leaving the account with a balance of \$855.59.

- 64. It is not known where JESSEE deposited the Brown's last two investment checks.
- 65. On November 25, 2003, and several times prior to this date, Brown said she asked JESSEE to return her money. JESSEE told Brown he had invested \$150,000 of Brown's money and only \$68,311 remained available. He then made excuses as to why the \$68,311 could not be returned. Brown said she enlisted the help of her CPA, Dirk Rasmussen; a friend and attorney, Russ Workman; and her brother-in-law, John Harding, to assist Brown in recovering her money.
- 66. Bank records show between October 23, 2003 and December 18, 2003, JESSEE returned \$230,800.00 to Brown as detailed below:

October 23, 2003	Deposited into Brown's acct.	3,600.00
December 1, 2003	Cashiers' check deposited	55,000.00
December 1, 2003	Cashiers' check deposited	13,400.00
December 18, 2003	Check deposited	<u>158,800.00</u>
		230,800.00

- 67. JESSEE contacted Brown and told her the \$8,800 above what she had invested reflected her earnings and to expect a 1099 from Bridgeport. Brown never received a 1099.
- 68. Prior to investing JESSEE did not provide Brown with any disclosure documents or information about:

- a. how long GSLM had been in business;
- b. the identities of GSLM's principals;
- c. financial statements;
- d. the market for GSLM's product;
- e. competition;
- f. capitalization;
- g. the track record of GSLM to its investors;
- h. the number of investors in GSLM;
- i. suitability factors for investors;
- j. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
- k. if or how JESSEE was being compensated; and,
- l. whether the promissory notes JESSEE offered were registered or exempt from registration.

69. Specifically JESSEE did not mention the following law suit:

April 11, 2003 - David R. Buck vs. Jessee (dismissed Feb. '05)

**COUNT 4**  
**SECURITIES FRAUD, a second degree felony**  
**(David and Lisa Cloward)**

70. David Cloward said he was introduced to JESSEE by Richard Cloward in 2003.
71. David said he invested successfully in two or three side-notes valued less than \$15,000 with JESSEE before the formation of Cirrus. David said he did not receive a note in every case and no longer has copies of the notes.
72. Between summer and winter of 2003, David said he invested \$75,000 with JESSEE through Cirrus via transfers from David's account to Cirrus's account at Zion's Bank.

73. Sometime before September 20, 2004, JESSEE phoned David Cloward's wife, Lisa, at her home in Draper, Salt Lake County, Utah. JESSEE said he needed \$100,000 for a bridge loan and the money would remain in an escrow account. JESSEE said Lisa and David's money would not be touched and said he would put JESSEE's home up as collateral. JESSEE told David the only risk was if the closing didn't happen and then Lisa and David's money might sit in an escrow account for thirty days and not earn any interest. Lisa said after talking to JESSEE she phoned David and relayed JESSEE's request.
74. David said he phoned JESSEE immediately after hearing from Lisa. JESSEE told David he needed a \$100,000 loan, the money would remain in escrow, and JESSEE would put his house up as collateral. David said, "You don't do anything in 30 days." JESSEE then admitted he would need the money for 45 days and promised to pay \$10,000 as a loan interest fee.
75. Lisa said on September 22, 2004, she transferred \$100,000 from her account at Zion's bank to JESSEE's account at Zion's Bank. On or about September 22, 2004, David and Lisa received a unsecured promissory note from GSLM signed Philip JESSEE. The note matured on October 22, 2004.
76. David said JESSEE did not pay the note when it matured. David said he phoned JESSEE many times and each time JESSEE made excuses about why he could not pay the note and worked out arrangements to extend the note.

77. David said he received a \$10,000 check from JESSEE on or about February 4, 2005 but the check bounced. Lisa said the check bounced more than once so she took it to JESSEE's bank, Washington Mutual, where she learned from a teller that there was no point in sending the check through again.
78. After the \$10,000 check bounced, David said he began phoning JESSEE but could never reach him. Mid February 2005, David said he sent JESSEE a fax in which David expressed his understanding of their agreement and asked JESSEE to phone.
79. David said he has not recovered any principal on his \$100,000 note. David said he received \$19,581.33 on his \$75,000 Cirrus investment but his principal has not been returned.
80. Prior to investing JESSEE did not provide David and Lisa with any disclosure documents or information about:
- a. how long GSLM had been in business;
  - b. the identities of GSLM's principals;
  - c. financial statements;
  - d. the market for GSLM's product;
  - e. competition;
  - f. capitalization;
  - g. the track record of GSLM to its investors;
  - h. risk;
  - i. the number of investors in GSLM;
  - j. suitability factors for investors;
  - k. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
  - l. if or how JESSEE was being compensated; and,
  - m. whether the promissory notes JESSEE offered were registered or exempt from registration.

81. Prior to transferring the \$100,000 JESSEE did not tell Lisa or David, among other things, that in June 2003 JESSEE began having trouble making the monthly payments on property JESSEE purchased from Richard Smith; that investor Le Roy Searle had requested the return of \$8,000 but JESSEE had not returned the money; that the recorder's stamp on the Trust Deed and Note securing Allen Cohen's July 2004 was fraudulent; and that notary Brook Bolmen's signature on Thomas Winkle's July 2004 promissory note was forged. Specifically, JESSEE did not tell David and Lisa about the following law suits:

April 11, 2003 - David R. Buck vs. Jessee (dismissed Feb. '05)

July 15, 2003 - Ford Credit vs. FBA (dismissed Dec. '04)

November 17, 2003 - Dr. Sherman L. Kearl vs. GSLM

February 6, 2004 - Air Tech vs. FBA

March 18, 2004 - Accelerated Collection Management vs. GSLM

**COUNT 5**  
**SECURITIES FRAUD, a second degree felony**  
**(Allen Cohen)**

82. Allen Cohen and his wife were independent mortgage brokers working through GSLM for about six months in 2003. After Cohen stopped closing loans through JESSEE, JESSEE told Cohen about investing in GSLM short-term promissory notes.

83. JESSEE said he specialized in short-term high-interest loans of 30, 60, or 90 days to people willing to pay 10% interest. JESSEE said he had been in business for 10 or 15

years. JESSEE said the need for notes would never run out and people were willing to pay high interest, so he could pay Cohen a 10% up-front fee on all notes. JESSEE said the worst case scenario would be if a borrower failed to pay the note which would cause GSLM to foreclose but when the property was sold, everyone would be paid. JESSEE said he had a trust deed on each loan and he liked notes of \$10,000 to \$30,000.

84. JESSEE said he owned property in Bountiful on which he wanted to build a restaurant but he needed \$175,000. JESSEE said if Cohen lent him the money, JESSEE would secure the loan with the property. JESSEE gave Cohen a copy of an appraisal for the property by Rigby & Company Appraisers dated March 26, 2004 which valued the property at \$520,000. Cohen decided to lend JESSEE the money for which Cohen received an unrecorded Trust Deed and Trust Deed Note dated July 1, 2004 “between Hampton Ford, a Utah Corporation, Philip Jessee, President, Trustor, Backman Stewart Title Insurance, as Trustee, and Allen Cohen ...” The Trust Deed Note of the same date specifies the terms: \$175,000, either cash or trade, at 8% per annum. The note matured October 1, 2005. Later, JESSEE gave Cohen a recorded copy of the Trust Deed and Trust Deed note. The Davis County recorder’s stamp indicates the documents were recorded November 4, 2004 (E 2029557 B 3659 P 296).
85. Cohen did not give JESSEE the money in a lump sum, instead Cohen paid workers as they completed a job at the restaurant. Cohen spent \$185,000 on contractors, materials, and services.

86. During October 2004, JESSEE told Cohen he could earn 10% interest on short-term GSLM notes. Cohen borrowed \$75,000 from Far West Bank on October 20, 2004, using the Trust Deed on the restaurant as collateral, something JESSEE knew. Cohen received a cashier's check from Far West made out to GSLM which he gave to JESSEE. JESSEE gave Cohen a promissory note dated August 16 with the principal and interest due November 16, 2004. Cohen has received \$20,000 in payments on this note.
87. During March 2005, interest checks on the \$185,000 loan and the short-term note began to bounce. On March 9, 2005, JESSEE gave Cohen an interest check #5015 for \$2,200 drawn on Utah First Credit Union which bounced. JESSEE provided Cohen with a replacement check which also bounced. On March 18, 2005, JESSEE gave Cohen a check for \$13,500 which bounced. On March 18, 2005, JESSEE gave Cohen a check for \$35,000 which bounced. Cohen talked to JESSEE about the bounced checks. JESSEE said money was tight and he would catch up.
88. Also during March 2005, Cohen began receiving information from Dick Cloward about Cloward's attempts to recover money from JESSEE ; Travis Bell told Cohen that Bell lent \$400,000 to JESSEE and Bell couldn't collect.
89. Shortly after talking with Bell, Cohen said he received a phone call from JESSEE. JESSEE told Cohen, "I'm going to kill Travis Bell." JESSEE said Bell was putting a lot of pressure on JESSEE to get Bell's money back ...

90. Cohen said he was becoming concerned and in about March 2005 he took his \$175,000 recorded Trust Deed to the Davis County Recorder's office. The clerk told Cohen the Trust Deed Cohen had was a forgery. The book and page listed on Cohen's Trust Deed (E 2029557 B 3659 P296) did not match the document actually filed under that book and page number. The document filed by the Davis County Recorder is actually a Trust deed dated October 1, 2004 "between Hampton Ford, a Utah Corporation, Trustor, Monument Title as Trustee, and Richard N. or Aalice O. Smith, as Beneficiary . . . For the purpose of securing (1) payment of the indebtedness evidenced by a promissory of even date herewith in the principal sum of \$650,000 made by Trustor payable to the order of Beneficiary . . ." Cohen said he confronted JESSEE about the forgery but JESSEE said the Recorder's Office made a mistake. JESSEE said he would make it right.
91. Prior to investing JESSEE did not provide Cohen with any disclosure documents or information about:
- a. the identities of GSLM's principals;
  - b. financial statements;
  - c. competition;
  - d. capitalization;
  - e. the track record of GSLM to its investors;
  - f. risk;
  - g. the number of investors in GSLM;
  - h. suitability factors for investors;
  - i. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
  - j. if or how JESSEE was being compensated; and,
  - k. whether the promissory notes JESSEE offered were registered or exempt from registration.

92. Specifically, JESSEE did not mention that in June 2003 JESSEE began having trouble making the monthly payments on property JESSEE purchased from Richard Smith and that investor Le Roy Searle had requested the return of \$8,000 and JESSEE had not returned the funds.

**COUNT 6**  
**SECURITIES FRAUD, a second degree felony**  
**(Wesley Landen)**

93. Wesley Landen said he first learned of JESSEE and GSLM from his neighbor, Allen Cohen, who told Landen he had been investing with JESSEE for about two years with positive results.

94. On January 19, 2005, Landen and JESSEE met at Landen's home in Bountiful, Utah. JESSEE explained "he was using invested funds for short-term loans to individuals whose permanent home financing was in processing, for whom the short-term loans enabled them to acquire their new homes while long-term financing was pending." JESSEE said in these cases he ran a preliminary credit check and had appraised valuations in excess of the amounts being lent.

95. During the January 19, 2005 meeting, JESSEE told Landen he was president of GSLM and implied there was an ongoing need for short-term financing. JESSEE said he had a few investors and mentioned Cohen and Smith and suggested he had a number of satisfied investors. JESSEE said he had small investors in the \$10,000 range who were members of his Ward but was seeking larger investors willing to put in \$50,000. JESSEE

said Landen's money would be used for bridge loans on a specific property and that he charged borrowers a fee and interest. JESSEE said the loan-to-value ratio and preliminary credit checks provided investors with a way to invest with "minimal or no risk." JESSEE said there might be a situation where the payoff on a note may be a little late but provisions for late payment would be put into the promissory note.

96. Later in the day on January 19, 2005, Landen phoned JESSEE and said he was ready to invest \$50,000. JESSEE returned to Landen's home where he picked up Landen's check drawn on Landen's investment account at T.D. Waterhouse. JESSEE gave Landen a \$50,000 promissory note with a \$5,000 loan / interest fee dated January 19, 2005 with a maturity date of April 22, 2005. JESSEE also gave Landen a handwritten receipt dated January 19, 2005 which states, "Phil Jessee received from Wesley Landen a check in the amount of \$50,000 for a loan proceeds #151 JD Waterhouse. Phil Jessee Great SL Mortgage."
97. During the next two weeks, Landen received several telephone calls from JESSEE asking Landen to invest additional funds and offering to use a property in Farmington or JESSEE's office as security. Landen said he wanted to see his note paid before he invested more money.
98. On April 21, 2005, Landen phoned JESSEE who assured Landen his note would be paid the following day. During the next several days Landen phoned JESSEE many times. Each time JESSEE said Landen's note would be paid soon yet the note was never paid.

99. Prior to investing JESSEE did not provide Landen with any disclosure documents or information about:

- a. how long GSLM had been in business;
- b. the identities of GSLM's principals;
- c. financial statements;
- d. competition;
- e. capitalization;
- f. the track record of GSLM to its investors;
- g. risk;
- h. the number of investors in GSLM;
- i. suitability factors for investors;
- j. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
- k. if or how JESSEE was being compensated; and,
- l. whether the promissory notes JESSEE offered were registered or exempt from registration.

100. Specifically, JESSEE did not mention the following law suits:

April 11, 2003 - David R. Buck vs. Jessee (dismissed Feb. '05)

July 15, 2003 - Ford Credit vs. FBA (dismissed Dec. '04)

November 17, 2003 - Dr. Sherman L. Kearl vs. GSLM

February 6, 2004 - Air Tech vs. FBA

March 18, 2004 - Accelerated Collection Management vs. GSLM

January 1, 2005 - Workforce Services vs. GSLM (\$308.17 judgment)

101. JESSEE did not mention, among other things, that in June 2003 JESSEE began having trouble meeting his monthly payments on property JESSEE purchased from Richard Smith; that in February 2004 and investor, Le Roy Searle, asked JESSEE to return \$8,000

but JESSEE did not comply; that the county recorder's stamp on the Trust Deed and Note securing Allen Cohen's July 2004 investment was fraudulent; that the notary signature on documents provided to other investors had been forged; and that promissory notes issued to David Cloward and Ralph Doug Jones were not paid when they matured.

**COUNT 7**  
**SECURITIES FRAUD, a second degree felony**  
**(Gary Odenwalder)**

102. Gary Odenwalder and Dick Cloward are friends. Cloward invited Odenwalder to a meeting of the Cirrus Group in October 2003 where JESSEE made a presentation. Odenwalder said the Cirrus Group was formed to invest with JESSEE and the minimum to join was \$100,000. Odenwalder didn't have \$100,000, so he did not join.
103. Odenwalder spoke to JESSEE after the meeting. JESSEE told Odenwalder he could participate in side loans. JESSEE said his company, GSLM, has been in business many years. JESSEE said he makes short-term loans to people with cash flow problems and he never had a loan go bad. JESSEE said he makes money on the fees and the investor makes money on the interest but in some cases he takes a split on the interest. In Odenwalder's case, JESSEE said he would only take his broker's fee. JESSEE said there is always some risk but his loans are safe and secure because he covers himself with property worth more than the loan. JESSEE said so many people need loans he had to turn some down.

104. On January 2, 2004, Odenwalder phoned JESSEE to say he was ready to invest. JESSEE drove to Odenwalder's house in South Jordan, Salt Lake County, Utah where Odenwalder, Darlene Odenwalder, and JESSEE spoke briefly. Darlene asked JESSEE what would happen to their investment if something happened to JESSEE. JESSEE replied the Odenwalders should contact Brook, his assistant. JESSEE said Brook was his "right arm" and Brook "knows everything that is happening with him." Odenwalder gave JESSEE his investment check of \$25,000. Odenwalder received an unrecorded Trust Deed and Trust Deed Note dated January 2, 2005; The note matured on April 2, 2004.
105. JESSEE did not mention any of the following law suits which had been filed against JESSEE prior to Oldenwalder's January 2, 2004 investment.
- April 11, 2003 - David R. Buck vs. Jessee (dismissed Feb. '05)
  - July 15, 2003 - Ford Credit vs. FBA (dismissed Dec. '04)
  - November 17, 2003 - Dr. Sherman L. Kearl vs. GSLM
106. JESSEE did not mention that in June 2003 he began having trouble making his payments on property he purchased from Richard Smith.
107. On or about April 15, 2004, JESSEE delivered two checks to Odenwalder in South Jordan. The first check represented Odenwalder's principal investment of \$25,000 and the second check represented the interest/fee of \$2,500. JESSEE said he had another loan lined up for the \$25,000. Odenwalder told JESSEE to keep the \$25,000 and reinvest

it in the new loan. Odenwalder kept the interest/fee check which cleared the bank. Later in the day, JESSEE dropped of a note titled, Secured Promissory Note. JESSEE signed the note in Odenwalder's living room. The due date on the note was August 15, 2004.

108. Darlene said she was concerned about the second promissory note because it contained wording indicating the note was secured by approximately 85,000 shares of stock in Freedom Oil & Gas. Darlene said she searched the Internet for the stock but could not find any information on Freedom Oil & Gas.
109. At the time of the second promissory note JESSEE did not mention the following law suits which had been filed against him since their last meeting:

February 6, 2004 - Air Tech vs. FBA

March 18, 2004 - Accelerated Collection Management vs. GSLM

110. JESSEE did not mention that in February 2004 an investor, Le Roy Searle, had requested JESSEE return \$8,000, something JESSEE did not do.
111. On or about August 30, 2004, JESSEE met with Odenwalder at his home. JESSEE gave Odenwalder a check for \$2,500 which represented the interest on the April 15, 2004 promissory note. JESSEE did not offer to repay Odenwalder's principal. Odenwalder asked for the return of his principal but JESSEE said he had already reinvested the money in a new note. JESSEE gave Odenwalder a copy of the new unsecured note which had a due date of December 31, 2004. JESSEE told Odenwalder he would personally guarantee the note.

112. JESSEE did not mention the following law suits which had been filed against him since their last meeting.

April 15, 2005 - Centennial Investment Co. vs. Northstar Funding, GSLM, Jessee

April 4, 2005 - A&J Homes vs. GSLM (judgment \$111,193.28)

April 5, 2005 - Workforce Services vs. GSLM (\$247.45 judgment)

May 9, 2005 - Utah State Tax Comm vs. Phillip T. Jessee (\$33,030.00 judgement)

May 9, 2005 - David R. Yeaman vs. Phill Jessee

June 24, 2005 - Kurt E. Ostler JKO Limited vs. Majestic Capital, Jessee, GSLM

July 14, 2005 - Firetrol Protection Systems vs. GSLM

113. JESSEE did not mention that the county recorder's stamp on the Trust Deed and Note securing investor Allen Cohen's investment was fraudulent.

114. Odenwalder has tried unsuccessfully to contact JESSEE about his unpaid August 2004 note.

115. Prior to investing JESSEE did not provide Odenwalder with any disclosure documents or information about:

- a. how long GSLM had been in business;
- b. the identities of GSLM's principals;
- c. financial statements;
- d. competition;
- e. capitalization;
- f. the track record of GSLM to its investors;
- g. risk;
- h. the number of investors in GSLM;
- i. suitability factors for investors;

- j. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
- k. if or how JESSEE was being compensated; and,
- l. whether the promissory notes JESSEE offered were registered or exempt from registration.

116. Odenwalder said he invested for profit and he had no managerial responsibilities regarding GSLM.

**COUNT 8**  
**SECURITIES FRAUD, a second degree felony**  
**(Le Roy Searle)**

117. Le Roy Searle said he first met JESSEE in about 1995. At that time, JESSEE was handling Searle's retirement funds.

118. In May, June, or July 2002, Searle said JESSEE solicited Searle and Searle's partner, Dennis McIver to invest. Searle said the meeting took place at Searle's office located in South Salt Lake, Salt Lake County, Utah. JESSEE told Searle and McIver that JESSEE needed some short term money. JESSEE said he was making short term loans at high interest and, if Searle invested, he could make 7 to 10% interest per month. JESSEE said in several years he had never had a default. JESSEE said Searle could "cash out" his investment in two or three weeks and there was little or no risk involved because his loans were backed by property.

119. Based on what he learned from JESSEE, Searle said he decided to invest and gave JESSEE \$500 in cash. Searle said about two or three months later, JESSEE paid him \$700.
120. In July 2002, Searle said he invested \$6,000 with JESSEE. Searle said he met JESSEE in a parking lot near Searle's home in Sandy, Salt Lake County, Utah. Searle said he gave JESSEE a personal check and JESSEE gave Searle an FBA promissory note dated July 31, 2002. JESSEE also gave Searle a personal guarantee stating JESSEE, as president of FBA doing business as Great Salt Lake Mortgage, personally and severally guarantees the note. In the note, JESSEE promises to pay Searle \$6,000 plus a loan / interest fee of \$1,170 on October 31, 2002.
121. When the \$6,000 note came due, Searle said he spoke to JESSEE and asked what would happen if Searle let his money ride. JESSEE replied the money would continue to build interest.
122. On January 10, 2003, Searle invested \$13,000 with JESSEE by mailing a cashier's check to JESSEE's office in Davis County, Utah. Searle said the money came from his IRA, something JESSEE knew. Searle said he told JESSEE the \$13,000 was all he had and his only pension. JESSEE said Searle's money would be safe. JESSEE told Searle his check would act as evidence of the loan. JESSEE did not provide Searle with a promissory note for this investment but told Searle he would earn 5 to 10% interest per month.

123. Searle said he asked several times for paperwork, statements, etc. but JESSEE made excuses and put him off. Searle said he received one email from JESSEE in which JESSEE said Searle's balance had grown to \$30,000 or \$40,000, but Searle no longer has the email.
124. During February 2004, Searle said he contacted JESSEE and asked to withdraw seven or eight thousand dollars. At that time JESSEE told Searle his account would be worth about \$49,000 by the end of the month. Searle said he did not receive the requested funds by mid March 2004.
125. Between mid March 2004 and late April 2006, Searle said he contacted JESSEE many times and each time JESSEE made excuses about why Searle had not received the requested funds. JESSEE said: it would take a couple of weeks for Searle to get his funds; the check is in the mail; the check must be lost and replacement check would be mailed; and, he'll deposit the money directly into Searle's checking account. Searle never received the requested funds.
126. Searle said he met with an attorney, Ryan Kelly, in June or July 2005. The attorney arranged for a meeting with JESSEE. At the meeting JESSEE said things were screwed up but the money was all there. JESSEE asked Searle to "hang with me" and assured Searle and Kelly that things were okay. Searle said JESSEE agreed to a payment plan with the first payment to start six or eight weeks later. JESSEE never made the agreed upon payments.

127. Prior to investing JESSEE did not provide Searle with any disclosure documents or information about:

- a. how long GSLM had been in business;
- b. the identities of GSLM's principals;
- c. financial statements;
- d. the market for GSLM's product;
- e. competition;
- f. capitalization;
- g. the track record of GSLM to its investors;
- h. risk;
- i. the number of investors in GSLM;
- j. suitability factors for investors;
- k. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
- l. if or how JESSEE was being compensated; and,
- m. whether the promissory notes JESSEE offered were registered or exempt from registration.

**COUNT 9**  
**SECURITIES FRAUD, a second degree felony**  
**(Richard N. Smith)**

128. Richard N. Smith said he did business with JESSEE between 1999 and 2004. Smith said he has purchased about 250 notes during that time and nearly all have been paid off.

129. Currently, Smith said he holds about seven unsecured notes reflecting investments of about \$621,700. Some of the money comprising the \$621,700, according to Smith, was rolled from prior notes making it difficult to say exactly how much principal is involved. Smith's investment money came from Smith's retirement (42 Exchange Place, Inc.) and a family partnership (CVS Family Partnership).

130. In addition to the notes, on October 6, 2000, Smith said he sold a historic home located at 305 South Main, Bountiful, Utah to JESSEE's company, Hampton Ford, on contract for \$550,000. Smith said JESSEE kept up the payments until June 2003 when JESSEE began having trouble making payments. Smith said JESSEE extensively remodeled the house into a restaurant, Café 305, which opened October 2004 but is now out of business. JESSEE owes Smith \$475,215 in principal for the property.
131. JESSEE phoned Smith in January 2005. JESSEE said he needed to borrow some money from David Yeaman for five days to a week but Yeaman required collateral. JESSEE asked Smith if he could use the 305 property as collateral. Smith agreed and Yeaman lent JESSEE \$450,000 (see Count 11).
132. Prior to investing JESSEE did not provide Smith with any disclosure documents or information about:
- a. how long GSLM had been in business;
  - b. the identities of GSLM's principals;
  - c. financial statements;
  - d. the market for GSLM's product;
  - e. competition;
  - f. capitalization;
  - g. the track record of GSLM to its investors;
  - h. risk;
  - i. the number of investors in GSLM;
  - j. suitability factors for investors;
  - k. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
  - l. if or how JESSEE was being compensated; and,
  - m. whether the promissory notes JESSEE offered were registered or exempt from registration.

**COUNT 10**  
**SECURITIES, a second degree felony**  
**(Thomas Winkle)**

133. Thomas Winkle said he learned about Cirrus and JESSEE from Richard Cloward. Cloward said he and others formed Cirrus and were receiving great returns on short-term investments. Winkle said he was interested but since Cirrus required a minimum net worth of a million dollars, he could not participate. Cloward said JESSEE would be willing to work directly with Winkle.
134. During January 2004, Winkle said he attended a Cirrus meeting at Karl Malone Toyota in Sandy, Utah. JESSEE told the group of about eight that he wanted them to raise more money to cover all the opportunities coming into his office.
135. Winkle said he spoke to JESSEE at the meeting. JESSEE said he had plenty of opportunity to invest Winkle's money and the minimum investment amount was \$25,000.
136. Soon after the January meeting, JESSEE telephoned Winkle at Winkle's office in Sandy, Utah. JESSEE asked Winkle if he was interested in investing \$50,000. Winkle said he was only willing to invest \$25,000.
137. Winkle said on or about January 28, 2004, JESSEE picked up Winkle's \$25,000 investment check at Winkle's office. On February 5, 2005, Winkle said he received an unsecured promissory note by fax from JESSEE. The terms required the repayment of the principal and a \$1,500 loan fee on March 1, 2004.
138. Prior to Winkle's first investment, JESSEE did not mention the following law suits.

April 11, 2003 - David R. Buck vs. Jessee (dismissed Feb. '05)

July 15, 2003 - Ford Credit vs. FBA (dismissed Dec. '04)

November 17, 2003 - Dr. Sherman L. Kearl vs. GSLM

139. JESSEE did not tell Winkle that in June 2003, JESSEE began having trouble making payments on property JESSEE purchased from Richard Smith.
140. On March 17, 2004, Winkle said he sent JESSEE an email complaining JESSEE had not paid the note due March 1. JESSEE telephoned Winkle and said, "Why don't we leave the money in Great Salt Lake Mortgage?" Winkle said "no" and on or about April 14, 2004, JESSEE delivered a check drawn on Zion's Bank for the principal and loan fee to Winkle at Winkle's office. Winkle said he deposited the check which cleared the bank.
141. On or about March 20, 2004, Winkle said he mailed a \$30,000 investment check to JESSEE. Prior to this investment JESSEE did not tell Winkle about the following law suits which had been filed against JESSEE since Winkle's first investment:
  - February 6, 2004 - Air Tech vs. FBA
  - March 18, 2004 - Accelerated Collection Management vs. GSLM
142. Nor was Winkle told that investor Le Roy Searle had requested JESSEE return \$8,000 in February 2004, something JESSEE did not do.
143. Winkle said he received a promissory note with principal and a \$1,000 loan fee due April 5, 2004. On April 12, 2004, Winkle said he received a \$31,000 check from JESSEE drawn on Zions Bank which check cleared the bank.

144. On April 15, 2004, Winkle said he invested \$50,000 with JESSEE possibly by transferring money to JESSEE's account and received a unrecorded Trust Deed Note with terms indicating principal and a \$5,000 fee would become due July 15, 2004. Winkle said JESSEE paid the note on July 21, 2004.
145. Winkle said he purchased a \$50,000 cashier's check from Bank One on July 26, 2004 and deposited the check into GSLM account at Zion's Bank the same day. Winkle received a unrecorded Trust Deed Note from JESSEE dated July 15, 2004 and a recorded Trust Deed also dated July 15, 2004. The recorded Trust Deed is signed, Phillip T. Jessee and notarized by Brook Bolmen. Blomen states her signature on this document is a forgery. The principal and \$5,000 loan fee were due on October 15, 2004. On November 18, 2004, Winkle said he received full payment of the note from JESSEE in the form of two checks totaling \$56,133.00. Winkle deposited the checks which cleared the bank.
146. JESSEE told Winkle he needed money for a specific real estate transaction. On or about November 19, 2004, Winkle said he wrote a personal check to GSLM for \$50,000 and deposited the check into GSLM's account at Zion's Bank. Winkle said he received an unrecorded Trust Deed Note dated November 16, 2004 from JESSEE. The note states the principal and a \$5,000 fee were due on February 17, 2005. JESSEE did not pay the note when it matured nor did he return any of Winkle's phone messages. Winkle then spoke to Richard Cloward who said JESSEE lost six to eight million dollars and was out of business.

147. Winkle said he invested five times for profit and had no managerial responsibilities at GSLM.
148. Prior to investing JESSEE did not provide Winkle with any disclosure documents or information about:
- a. how long GSLM had been in business;
  - b. the identities of GSLM's principals;
  - c. financial statements;
  - d. the market for GSLM's product;
  - e. competition;
  - f. capitalization;
  - g. the track record of GSLM to its investors;
  - h. risk;
  - i. the number of investors in GSLM;
  - j. suitability factors for investors;
  - k. the involvement of GSLM or any of their principals in legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
  - l. if or how JESSEE was being compensated; and,
  - m. whether the promissory notes JESSEE offered were registered or exempt from registration.

**COUNT 11**  
**COMMUNICATIONS FRAUD, a second degree felony**  
**(David Yeaman)**

149. David Yeaman said his accountant, Richard Smith, introduced Yeaman to JESSEE in 2005. Yeaman said JESSEE called him many times and in January 2005 solicited him to invest. The solicitation occurred by telephone; Yeaman was in Salt Lake City at the time.
150. During the phone calls, JESSEE said his client, Travis Bell, needed \$450,000 to purchase real estate in St. George. JESSEE said Bell would immediately resell the property at a

substantial profit. JESSEE said Bell would repay the principal plus \$50,000 by February 1, 2005. In addition, JESSEE said Bell would pay \$500 per day in late fees if necessary. Yeaman told JESSEE he would need collateral and JESSEE arranged for Richard Smith to use property he owned and which JESSEE was purchasing (Café 305) as collateral. JESSEE told Yeaman the deal was “done” and there was no risk of loss or late payment.

151. On or about January 25, 2005, Yeaman and JESSEE signed an agreement wherein “Yeaman agrees to provide the sum of \$450,000 . . . on behalf of Phil’s client and associate, Travis Bell, to close a purchase of property in St. George . . .” The document states “Travis has agreed to, within one week from the date hereof, repay to David said \$450,000 plus \$50,000 for a total of \$\$500,000.00 (sic)” and “Phil guarantees repayment to David.”
152. Yeaman said JESSEE did not repay the \$450,000 and he and Richard Smith have sued JESSEE. Travis Bell said he never borrowed money from JESSEE and he never authorized JESSEE to solicit a loan on his behalf.

**COUNT 12**  
**PATTERN OF UNLAWFUL ACTIVITY, a second degree felony**

153. Commencing on or about June 2003, JESSEE engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. §76-10-1603. JESSEE: (1) received proceeds derived, directly or indirectly, from a pattern of unlawful activity as more fully defined in Counts 1 through 11 above, in which he participated as principal, or he used or invested, directly or indirectly, any part of that 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**

154. Based on my review of the evidence there is probable cause to believe that JESSEE committed the crimes of:

**SECURITIES FRAUD**  
**a second degree felony, 10 counts**

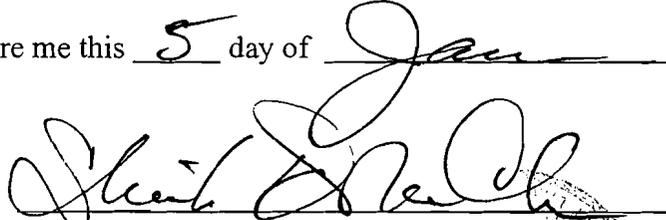
**COMMUNICATIONS FRAUD**  
**a second degree felony, 1 counts**

**PATTERN OF UNLAWFUL ACTIVITY**  
**a second degree felony, 1 count**

DATED this 5 day of January, 2007.

  
\_\_\_\_\_  
DIANA PARRISH, Affiant

SUBSCRIBED AND SWORN before me this 5 day of Jan,  
2007.

  
\_\_\_\_\_  
JUDGE, THIRD DISTRICT COURT



E. NEAL GUNNARSON, Bar No. 1273  
CHARLENE BARLOW, Bar No. 0212  
Assistant Attorneys General  
MARK L. SHURTLEFF, Bar No. 4666  
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Facsimile: (801) 281-1224

**FILED DISTRICT COURT**  
Third Judicial District

JAN 05 2007

SALT LAKE COUNTY

By \_\_\_\_\_ Deputy Clerk

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IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR  
SALT LAKE COUNTY, STATE OF UTAH

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THE STATE OF UTAH,

Plaintiff,

vs.

**PHILIP T. JESSEE**

DOB: January 12, 1963

Defendant.

Bail \$ 50,000

**WARRANT OF ARREST**

Case No: 01910022

Judge \_\_\_\_\_

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THE STATE OF UTAH TO ANY PEACE OFFICER IN THE STATE OF UTAH,

GREETINGS:

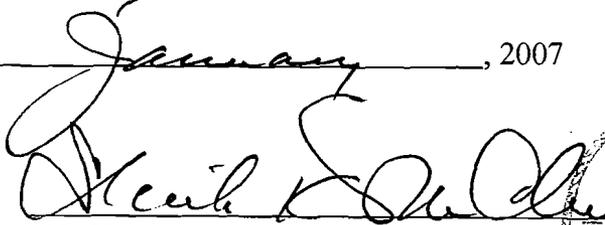
An Information, upon oath, having been this day made before me by Investigator Diana Parrish, and it appearing from the Information, or affidavit filed with the Information, that there is probable cause to believe that the public offense(s) of: **Securities Fraud, a second degree felony, 10 counts; Communications Fraud, a second degree felony, 1 count; and Pattern of Unlawful Activity, a second degree felony, 1 count,** has been committed, and that the

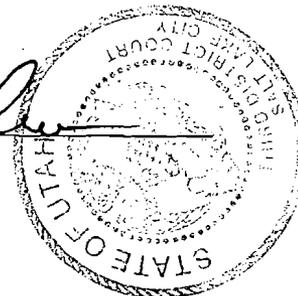
defendant, PHILIP T. JESSEE, has committed these offenses,

**YOU ARE THEREFORE COMMANDED** to arrest the above named defendant forthwith and bring the defendant before this court, or before the nearest or most accessible magistrate for setting bail. If the defendant has fled justice, you shall pursue the defendant into any other county of this state and there arrest the defendant. The offenses listed above are felonies.

Bail is set in the amount of \$ 50,000.

DATED this 5 day of January, 2007

  
HONORABLE,  
JUDGE, THIRD DISTRICT COURT



Defendant's Address:

1310 South Cave Hollow Lane  
Farmington, UT

