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IN THE THIRD DISTRICT COURT, SALT LAKE DEPARTMENT

IN AND FOR THE COUNTY OF SALT LAKE, STATE OF UTAH

THE STATE OF UTAH, Plaintiff, -vs- **QUINTIN FULLMER SMITH** **DOB 05/30/1980,** **AKA NONE** **1966 East 3000 South** **SALT LAKE CITY, UT 84106** D.L.# OTN SO# Defendant. MICHAEL KAY SMITH DOB 06/01/1947 Co-Defendant(s)	Screened by: STEVEN GIBBON Assigned to: STEVEN GIBBON (TUESDAY) DAO # 11008012 ECR Status: **NON-ECR** Initial Appearance: SUMMONS TO BE ISSUED Warrant/Release: NON-JAIL **INFORMATION** Case No. 111904140 Co-Def DAO# 11008016

The undersigned JONATHAN STEWART – STATE OF UTAH DEPARTMENT OF COMMERCE SECURITIES DIVISION, Agency Case No. 10-0003, upon a written affidavit states on information and belief that the defendant, QUINTIN FULLMER SMITH, committed the crime of:

COUNT 1
SECURITIES FRAUD, (941) 61-1-1 and 61-1-21 UCA, second degree felony, as follows: That on or about May 01, 2008 through April 30, 2009 at, in Salt Lake County, State of Utah the defendant did willfully, in connection with the offer, sale, or purchase of a security, directly or indirectly,
(1)(a) employ a device, scheme, or artifice to defraud;
(b) make an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
(c) engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; and
(2)(a) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and
(b)in connection with that violation, the violator knowingly accepted any money representing:
(A) equity in a person's primary residence;
(B) a withdrawal from any individual retirement account; or
(C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code.

COUNT 2
SECURITIES FRAUD, (941) 61-1-1 and 61-1-21 UCA, second degree felony, as follows: That on or about September 01, 2007 through May 29, 2009 at, in Salt Lake County, State of Utah the defendant did willfully, in connection with the offer, sale, or purchase of a security, directly or indirectly,
(1)(a) employ a device, scheme, or artifice to defraud;
(b) make an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
(c) engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; and
(2)(a) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and
(b)in connection with that violation, the violator knowingly accepted any money representing:
(A) equity in a person's primary residence;
(B) a withdrawal from any individual retirement account; or
(C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code.

COUNT 3
SECURITIES FRAUD, (941) 61-1-1 and 61-1-21 UCA, second degree felony, as follows: That on or about July 01, 2007 through June 01, 2009 at, in Salt Lake County, State of Utah the defendant did willfully, in connection with the offer, sale, or purchase of a security, directly or indirectly,
(1)(a) employ a device, scheme, or artifice to defraud;
(b) make an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
(c) engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; and
(2)(a) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and
(b)in connection with that violation, the violator knowingly accepted any money representing:
(A) equity in a person's primary residence;
(B) a withdrawal from any individual retirement account; or
(C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code.

COUNT 4
SECURITIES FRAUD, (941) 61-1-1 and 61-1-21 UCA, second degree felony, as follows: That on or about September 01, 2005 through August 03, 2009 at, in Salt Lake County, State of Utah the defendant did willfully, in connection with the offer, sale, or purchase of a security, directly or indirectly,
(1)(a) employ a device, scheme, or artifice to defraud;
(b) make an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
(c) engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; and
(2)(a) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; or
(b)(i) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth less than $10,000; and
(ii) in connection with that violation, the violator knowingly accepted any money representing:
(A) equity in a person's primary residence;
(B) a withdrawal from any individual retirement account; or
(C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code.

COUNT 5
SECURITIES FRAUD, (941) 61-1-1 and 61-1-21 UCA, second degree felony, as follows: That on or about January 01, 2007 through May 31, 2009 at, in Salt Lake County, State of Utah the defendant did willfully , in connection with the offer, sale, or purchase of a security, directly or indirectly,
(1)(a) employ a device, scheme, or artifice to defraud;
(b) make an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
(c) engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; and
(2)(a) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; or
(b)(i) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth less than $10,000; and
(ii) in connection with that violation, the violator knowingly accepted any money representing:
(A) equity in a person's primary residence;
(B) a withdrawal from any individual retirement account; or
(C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code.

COUNT 6
SECURITIES FRAUD, (941) 61-1-1 and 61-1-21 UCA, second degree felony, as follows: That on or about January 01, 2007 through June 01, 2009 at, in Salt Lake County, State of Utah the defendant did willfully, in connection with the offer, sale, or purchase of a security, directly or indirectly,
(1)(a) employ a device, scheme, or artifice to defraud;
(b) make an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
(c) engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; and
(2)(a) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; or
(b)(i) at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth less than $10,000; and
(ii) in connection with that violation, the violator knowingly accepted any money representing:
(A) equity in a person's primary residence;
(B) a withdrawal from any individual retirement account; or
(C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code.

COUNT 7
PATTERN OF UNLAWFUL ACTIVITY, (98) 76-10-1603 UCA, second degree felony, as follows: That on or about September 01, 2005 through August 31, 2009 at, in Salt Lake County, State of Utah the defendant did, (a) having received any proceeds derived, whether directly or indirectly, from a pattern of unlawful activity in which the defendant had participated as a principal, use or invest, 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 the establishment or operation of, any enterprise;
(b) through a pattern of unlawful activity, acquire or maintain, directly or indirectly, any interest in or control of any enterprise;
(c) having been employed by or associated with any enterprise, conduct or participate, whether directly or indirectly, in the conduct of that enterprise's affairs through a pattern of unlawful activity; or
(d) conspire to violate any of the above provisions.

THIS INFORMATION IS BASED ON EVIDENCE OBTAINED FROM THE FOLLOWING WITNESSES:

JONATHAN STEWART

AFFIDAVIT OF PROBABLE CAUSE:

Background

Newport Financial Services, LLC is a Utah Limited Liability Company which filed with the Utah Division of Corporations on April 5, 2005. The current status of the company shows Expired. Michael K Smith is listed as a Member and Quintin F Msith [sic] is listed as a Member.

Investors

Baird, Jonathan H.

Jonathan Baird (Baird) stated that his cousin, Mark Maughan introduced him to the defendants, MICHAEL KAY SMITH (Mike) & QUINTIN FULLMER SMITH (Quintin) and told him about Newport Financial Services, LLC. Baird had a meeting with Mike and Quintin at Newport

Financial's office in Salt Lake City, Utah at the end of April or beginning of May, 2008. Quintin told him they would be able to offer him 18% return on his money. Michael and Quintin told him the interest rate was guaranteed. Quintin told him that they have never had a default rate over 22% and that included the time Quintin had worked for another company that had the exact same business model. Michael & Quintin insisted that the worst case would be that investors would receive their principal back. Quintin said that Michael told him that Newport makes over 100% on their money. Michael & Quintin told him that he could get his money out at anytime with 30 days notice. Baird told Michael & Quintin that the money he could invest was going to be coming from his 401k. Mike & Quintin told him about American Pension Services, a company that would allow him to invest his 401k with Newport.

Baird invested $85,649.66 by transferring money from his 401k to Newport Financial Services on June 9, 2008 through American Pension Services. Baird received an unsecured promissory note from Quintin through email or fax for $85,649.66 dated May 29, 2008 that contained the signature of Quintin Smith.

On September 5, 2008, Baird asked for all of his money back. Quintin told Baird that he could return all of his money, but he needed 90 days. On December 8, 2008 Baird sent an email to Quintin asking if he was going to be able to get all of his money back by the end of the year. Quinitn responded by telling Barid that they would be "unable to budget for the return of your entire investment by December 31, 2008. We will be able to forward to you a significant portion of your total investment at that time."

Baird said that in March or April of 2009 they had a meeting at the Newport office, several investors were there, Mike and Quintin Smith were there with their attorney. Baird said that Mike & Quintin were asked where the money went and they responded by telling everyone that the money was all gone, they had spent it all, and that it was easy to spend money.
Even though request has been made, Baird has not received his investment money back from Michael or Quintin Smith

Burdette, Steve

Steve Burdett (Burdette) stated that he became acquainted with the defendants through his son. In or about September 2007 Burdette made an appointment with Quintin and Michael to learn more about an investment opportunity. Burdette met with both of them at their office at 7369 Creek Road in Salt Lake City, Utah. During the meeting, the defendants told him that their company name was Newport Financial and their primary activity was the purchasing of finance contracts from furniture stores around the country. Quintin and Michael told him the following about an investment with Newport Financial:

Newport typically purchases contracts of furniture customers who could not qualify for traditional financing options;

1. Everyone needs a bed, everyone needs a couch...;
2. Their pitch to furniture retailers included the statement that they could, "turn 80% of credit rejections into sales";
3. Newport conducted no credit checks and only required customers to have a checking account and state that they had a job;
4. Customers were required to pay a $25.00 fee and sign a financing contract
5. Michael said that a "typical" purchase contract was for $1,000 and required 12 payments of $150;
6. Customers were also given the option of 90 days same as cash;
7. Newport made money from the $25 fees, from purchasing the contracts at a discount of 20% from furniture retailers, and from payments received over the amount of the contract purchase amount;
8. A $1,000 contract would be purchased for $800 and at maturity would yield a total of $1,825;
9. Michael said that default rate was about 10%, and described it as the cost of doing business;
10. Michael said that with such high returns no efforts were made to collect or repossess on past due accounts;
11. Newport was doing really well and they were trying to grow it slowly so it did not get out of control; The investment instrument issued to investors was a promissory note; and,
12. Could get money out at any time with 60 or 90 days advance notice

Burdette eventually invested $30,000 on November 6, 2007 by giving an SRF Ventures, LLC, check to Michael and Quintin at the Newport Financial office in Salt Lake City, Utah. Quintin promised him a promissory note, which he did not receive. After he invested he received monthly Investor Reports by email showing his rate of return at 16% and his interest earned to date. Because of the Investor Reports, he decided to invest again on March 10, 2008 by giving Michael and Quintin a check for $118,296.14 drawn off of a Charles Schwab SRF Ventures check on March 10, 2008. Shortly thereafter he received an unsecured promissory note dated March 10, 2008 in the amount of $149,953.13. The note reflected an interest rate of 18%. Burdette contacted Michael and Quintin via email to ask about the interest rate. After he contacted Newport he received a new unsecured promissory note dated April 3, 2008 in the amount of $151,513.28.

On August 26, 2008 he made a withdrawal of $60,000 which came in the form of two separate checks, one for $20,000 and another for $40,000. Burdette reinvested the $60,000 on October 24, 2008 by giving an SRF Ventures, LLC, check for $60,000 to Michael and Quintin Smith at the

Newport office. Burdette told Michael and Quintin that all of his investment funds were from his IRA.

Burdette said that on May 25, 2009 he received a telephone call from Michael advising him that the weak economy and a large increase in the default rate would force Newport to close its doors. Burdette said that Michael told him investors would not receive their accumulated interest, but he was confident that investment principal would be fully returned.
Although request has been made for a return of all investment funds, Burdette has only received back $3,336 in interest payments and is still owed a total of $144,960.14.

Maughan, Mark D.
Mark Maughan (Maughan) said that he became re-acquainted with Quintin and Michael Smith in July of 2007. In July of 2007, Maughan attended a meeting at Newport Financial's office in Salt Lake City, Utah. Michael and Quintin Smith were the only others in attendance. Prior to investing, Maughan attended two meetings with Michael and Quintin at Newport Financial's office. During the investor meetings Michael and Quintin said they could promise an 18% return per annum on any money invested in their company, Newport Financial. Michael and Quintin said they could guarantee the 18% return, but then said, we really can't guarantee the 18%, but we can. Michael and Quintin said that customers were required to pay a $25.00 fee and sign a financing contract. Michael said that a typical purchase contract was for $1,000 and required twelve payments of $150.00 each. Michael said that they made money with the $25.00 fee, from purchasing the contracts at a discount of 20% from furniture retailers, and from payments received being over the amount of the contract purchase amount. A $1,000 contract would be purchased for $800 and at maturity would yield a total of $1,825. Maughan asked about the default rate and Michael said that he estimated it to be around 18% and that the 18% default rate had been consistent for the past seven years, which included Quintin's employment at another company. Michael and Quintin said the investment instrument issued to investors was a promissory note. Michael and Quintin said that the annual returns on the furniture loans exceeded 100% per year. Michael and Quintin said that the 100%+ return on the loans they made was calculated after accounting for an 18% default rate. During the course of several meetings Michael and Quintin also made the following representations:

They said that if the defaults rise to 40% in a worst case scenario that they could still cash flow on all operating expenses of the company including overhead, employee salaries, and all interest payments to investors. This fact was repeated numerous times.

They said they had a collection procedure in place to collect on that 18-20% of borrowers who were in default. They had hired two assistants as well as an office manager to go after the collections of these defaulted borrowers. They said these three employees' principal function

was to collect funds from any borrowers in default. They said that they (Michael & Quintin) personally made collection calls as well and in the vast majority of cases they could at least recover the initial principal amount that was loaned out to the borrowers.

They said the return on all funds that were loaned out to borrowers was over 100%, they repeated this fact numerous times during many face to face meetings. They stated the ROI was over 100% even after accounting for the 18% default rate.

They stated that the principals of Newport Financial had over $1,000,000 of their own funds invested into the company and that in a worst case scenario that if there were ever any losses to the company that the principals $1,000,000 would be taken as a loss before any investors ever lost a dime of their own funds.

Maughan invested with Newport Financial on five separate occasions, $40,000 on August 6, 2007; $40,000 on August 8, 2007; $70,000 on August 31, 2007; $85,000 on September 19, 2007; and $51,378.65 on September 10, 2008. The first four investments were made with money from his ING Personal Account and the last investment was taken from Maughn's IRA and invested through American Pension Service. Prior to his final investment, Maughan received a Newport Financial Executive Summary. Maughan received ten interest payments from Newport from July 2008 to May 27, 2009 totaling $33,414.57. When Maughan's first note expired, Quintin Smith lumped all of Maughan's investments into one lump sum and created a new unsecured promissory note for $270,000, less $12,000 that Quintin said he would pay Maughan within two months. Maughan never received the promised $12,000. The unsecured promissory note for $270,000 was dated September 26, 2008 and was set to expire 365 days from that date. Maughan requested that ownership of all of his investment funds be transferred to a new entity: MCR Capital, LLC of which Maughan's wife was the sole owner. When Newport transferred ownership of the funds over to MCR Capital they also issued a new unsecured promissory note dated January 26, 2009 and was set to expire 365 days from that date. Maughn has since requested that the promissory note between Newport Financial and MCR Capital be paid in full with accrued interest and Maughan has not received a response from Quintin or Newport Financial. On May 29, 2010, Maughan had a meeting with Michael and Quintin at Newport's office. Maughan said that at this meeting Michael and Quintin said that they had to close up shop, but they were going to be able to return all of his money minus interest through collection efforts. At the beginning of June 2009, Maughan attended another meeting at Newport's office with Michael, Quintin, John Baird, Fritz Van De Kamp, Steven Burdette, and William Potter. At this meeting, Michael and Quintin told them that Newport did not have any of the investment funds to return to investors then or in the future. Michael and Quintin told them that there had been enormous amounts of bad debt losses that they had written off as tax losses instead of being pursued by collection efforts and that there had never been formal collection efforts to go after defaulted contracts. Michael and Quintin also told them that they had not invested $1,000,000 of

their own money into the company as they had previously stated. On June 1, 2009, Newport Financial stated that they were insolvent and would not be repaying any promissory notes. Although request has been made, Maughan has only received back $33,414.57 of his investment funds.

Carter, David

David Carter (David) said that he met Quintin Smith through his wife. Sometime in late 2005 Quintin started Newport Financial and Quintin would say things like "you should get in on this." David had a meeting with the principals, Barney Carlson, Michael Smith, and Quintin Smith at Newport's offices located in Salt Lake County, Utah. Carlson told David that this investment was better than development, and that it just works. Mike & Quintin told David that an investment with Newport would return 18%. Mike told David that the default rate of Newport Financial had consistently been around 10-18% for the past several years, including the time that Quintin had spent at his previous company. Mike and Quintin said they were making money "hand over fist." Mike & Quintin told David that they make 100% on every dime they put out there. Quintin and Mike said that the business model would work even if the default rate rose to 40%. Mike and Quintin insisted that the worst case would be that the investors would receive their principal investment back. Quinton continually assured David that he was busy making money, that Newport couldn't keep up with demand from all of the customers, and that the default rate was staying "below 20%." Quintin continually spoke about the future and how much money the company could make if they had more to invest. Mike & Quintin said that they had so much money out there that they could both retire today. David invested a total of $181,600 although he could only find four investment checks totaling $170,400. David received an unsecured promissory note from Quintin Smith for $202,929.34 dated June 26, 2009 that contained the signature of Quintin as the Manager of Newport. David received Investor Statements most months from Newport and the information in the statements affected his decision about whether or not to invest again. David received two payments from Newport Financial, $17,245.13 on August 13, 2007 and $7,000 on March 1, 2008 for a total of $24,245.13. In the summer of 2009 after payments had stopped, a large and expensive accounting was done of the company. David believes that this was the first accounting the company had done since inception. The true numbers showed that the company was not profitable and only continued to operate with new investor money. The accounting contradicted what Mike and Quintin stated as fact about the solvency of the company; new investor money was used to pay the principals, some investors, and stores.

Carter, Stan & Susan

Stan Carter (Stan) said that he and his wife, Susan Carter (Susan) were introduced to Mike & Quintin Smith by their son, David Carter. Stan, Susan, and David first met with Quintin at the

beginning of January, 2007, at the Newport Financial office in Salt Lake County, Utah. Quintin told them that the return on an investment with Newport was a guaranteed 18%, they would get a monthly statement, if they needed a small amount of money they could get it out within a week or 10 days, if they wanted all their money out it would take 30 days, and they could choose to have regular interest payments if they wanted. After they met with Quintin, Quintin took all of them into Mike's office. Mike told them that everything was great, business was doing well, they were looking for investors, companies were calling all the time to get on the loan list and that is why they needed more investors. Mike also told them that the 18% was guaranteed. Stan and Susan invested with Newport Financial on January 3, 2007 by mailing an official check for $25,000 and two personal checks, one for $15,000 and one for $5,000 all made payable to Newport Financial to Mike & Quintin in Salt Lake County, Utah. Stan and Susan decided to invest again on January 12, 2007 by mailing a bank check for $20,000 made payable to Newport Financial to Mike & Quintin in Salt Lake County, Utah. Stan and Susan were not given a promissory note for their first two investments, but they did receive monthly statements sporadically regarding their account. By July 1, 2008, their anniversary date, Newport Financial rolled over their accumulated interest into principal. The interest amount that was rolled over was $9,680.83. Stan and Susan decided to invest again on March 20, 2009 by mailing a bank check for $30,000 made payable to Newport Financial to Mike & Quintin Smith in Salt Lake County, Utah. Stan and Susan then received an unsecured promissory note on March 31, 2009 for the total amount of all of their investments totaling $99,680.83. The note was signed by Quintin Smith. The unsecured promissory note stated that Stan and Susan would receive eighteen percent (18%) per annum. The note also stated that the Borrower shall pay the Principal Amount, accrued interest and the Origination Fee in a single lump-sum payment on the anniversary of the date of this Note (The "Maturity Date"). Stan and Susan received Investor Statements from Newport several times throughout their investment process. They received statements in September 2007, October 2007, December 2007, March 2008, January 2009, February 2009, February 2009, March 2009, and May 2009. The representations made in the statements helped in their decision whether or not to invest again.

Petersen, Doug

Doug Petersen (Peterson) said he first learned about Newport Financial Services, LLC through his friend Barney Carlson, who later introduced Peterson to Michael Smith. Michael would then talk to him about Newport while they were at church. Michael told him that if he invested he would make 18% per year on his money. Michael said they were doing so well that they needed more money because the demand was so high. Michael said that Newport got 20%-25% off of the furniture up front. Michael said that things were going great, and that they were making 60, 70, and even 80% on other people's investment money. Michael said that Newport was growing, moving into new markets, and companies were approaching them. Petersen decided to invest on January 29, 2007 by transferring $50,000 via ACH from his bank account at First Community

Bank to Newport Financial's bank account at Wells Fargo. Petersen decided to invest again on February 2, 2007 by transferring $50,000 via ACH from his bank account at First Community Bank to Newport Financial's bank account at Wells Fargo. Petersen invested twice in March of 2007, once on the 2nd, and once on the 6th. Both investments were for $50,000 transferred via ACH from Peterson's bank account at First Community Bank to Newport Financial's bank account at Wells Fargo. Petersen received periodic Investor Statements from Newport Financial from March 1, 2007 until February 16, 2009. Petersen's last Investment Statement shows a total investment of $270,715.07 and Total Interest Earned: $42,587.56. Petersen said that after investing Michael and Quintin Smith would occasionally invite him to lunch. Michael and Quintin told him that 80% of their clients who agreed to the 90 days same as cash would extend the loan for the full term which was one year. Michael and Quintin told him that if everything cut off today we would have enough to pay every investor back and still have $2 million left over. Petersen said that this lunch occurred just one month before Michael and Quintin told them that all the money was gone. Petersen said that at one point Bill Potter, another investor, told him that interest payments had been late a few times. Petersen said that because of this he went to the Newport Office with Potter and they both requested all their money back. Petersen said that Michael and Quintin told them they couldn't pay them back.

The defendants made thefollowing misrepresentations and omissions of material facts to the above described victims:

Misrepresentations of Material Fact

That Newport got 20%-25% off of the furniture up front;

Guaranteed return of 18%;

Worst case would be that investors would receive their principal investment back;

Their business had never experienced a default rate higher than 22% including the time and that included the time Quintin had worked for another company that had the exact same business model;

Quintin had been involved with this business for 9 years.

Newport Financial's default rate was about 10%

The principals of Newport Financial had invested over $1,000,000 of their own funds into the company.

Omissions of Material Fact

Based on the predicate statement "if they invested they would make 18% per year on their money" the following were omissions of a material fact:

- How can Newport guarantee a return of 18% per year;
- What risks are involved in this type of an investment;
- Financial statements for Newport Financial;
- The track record of the company to previous investors;
- Michael Smith had filed for Chapter 13 bankruptcy in 2001;
- The IRS filed a tax lien on the home of Michael Smith for $22,639 in 2004; and,
- The IRS filed a tax lien on the home of Michael Smith for $132,998 in 2005.
- Newport's business and operating history;
- What efforts did Newport make to collect past due accounts
- Dollar amount of default payments
- How much management would be compensated and if it would come from investor funds or revenue from loans.
- Jonathan Baird had requested back all of his money in September of 2008 and was not able to get his money from Newport.

Based on the predicate statement "Newport is doing really well" the following are material omissions:

- Audited financial statements
- The market for the product of the company

- The nature of competition for the product
- Risk factors for lending to people who could not qualify for traditional financing
- Proposed use of investment proceeds
- The track record of the company to previous investors;

Brent Wilson

Brent Wilson, owner of Progressive Finance, the company Quintin Smith worked for prior to starting Newport Financial, said that there are two ways to look at the default rate because they have two plans they offer to customers. Wilson said that they offer a 90 days same as cash plan and if you include those that sign up for the 90 days same as cash the default rate is about 14-15%. Wilson said that if you do not account for those that sign up for the 90 days same as cash, their default rate is 23-24%. I also asked Wilson about the efforts to collect from those that default. Wilson told me that he has 9 full-time employees, one full-time manager, and one part-time employee that is almost full-time (30-35 hours a week) all involved in collection efforts. Wilson told me that Quintin worked for his company from May 31, 2002 until May 2004. Wilson said that when Quintin worked for him he was in collections for a while and did some sales, but did not have the experience or knowledge necessary to leave and start up a similar company and have it be successful.

Other Investors

According to the statements of the below listed individuals, in addition to the above described transactions, the defendants solicited investment funds from numerous other individuals during the same time period. Similar material misrepresentations and omissions were made to each of these investors. The additional investors and the amount each invested are as follows:

1. Brent Allen, $150,000.00
2. Barney Carlson, $233,003.61
3. Carter and Sarah Chow, $400,000.00
4. Norm Chow, $500,000.00
5. Brian Homer, $306,959.40
6. Kirk Woolley, $42,857.16
7. Bill Potter, $100,000.00
8. Blake Seifers, $15,000.00
9. Elsie K. Smith, $35,000.00
10. Linda Smith, $55,000.00
11. John Vandekamp, $69,034.74

12. Kirk J. Wooley, $45,000.00

NOTICE IS GIVEN that, with regard to Counts I-III, it is alleged that in connection with the violations of Utah Code Annotated 61-1-1, the defendants knowingly accepted any money representing: (A) equity in a person's home; (B) a withdrawal from any individual retirement account; or (C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code. The defendants are, therefore, subject to enhanced penalties pursuant to Utah Code Annotated 61-1-21(2)(c).

Pursuant to Utah Code Annotated § 78B-5-705 (2008) I declare under criminal penalty of the State of Utah that the foregoing is true and correct to the best of my belief and knowledge.

Executed on: June 6, 2011

JONATHAN STEWART
Declarant

Authorized for presentment and filing:

SIM GILL, District Attorney

Deputy District Attorney
6th day of April, 2011
/ JLP / DAO # 11008012