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STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCE AND CORPORATE SECURITIES

In the Matter of:  
Jack Phillips and  
Elliott James,  
Respondents.

Case No. S-11-0046-A  
Order to Cease and Desist; Order  
Denying Exemptions to the Securities  
Registration Requirements;  
Order Assessing Civil Penalties; and  
Consent to Entry of Order  
AS TO JACK PHILLIPS ONLY

INTRODUCTION

The Director of the Department of Consumer and Business Services (the “Director”) through the Division of Finance and Corporate Securities (the “Division”) investigated the business activities of Jack Phillips and others for possible violations of ORS 59.005 to 59.451, 59.991 and 59.995 (the “Oregon Securities Law”).

The Director concluded that Jack Phillips did violate certain provisions of the Oregon Securities Law and on September 6, 2012 ordered Jack Phillips to cease and desist from violating any provision of the Oregon Securities Law, denied his ability to rely on any exemption to the securities registration requirements, and proposed to assess a specified amount of civil penalties (the “Notice Order”). At that time, Jack Phillips was also provided with a notice of his right to an administrative hearing and the procedures he must follow to request a hearing.

Division of Finance and Corporate Securities  
Labor and Industries Building  
350 Winter Street NE, Suite 410  
Salem, OR 97301-3881  
Telephone: (503) 378-4387





1 On October 11, 2012, Jack Phillips filed a valid hearing request.

2 On February 12, 2013, the Director amended the Notice Order.

3 Jack Phillips now, wishes to resolve and settle this matter with the Director  
4 without a hearing. To that end, Jack Phillips consents to the entry of this Order without  
5 admitting or denying the Director’s findings of fact and conclusions of law. That consent  
6 is evidenced by Jack Phillips’ Consent to Entry of Order at the end of this document.

7 NOW THEREFORE, in consideration of that consent, the Director enters the  
8 following Findings of Fact, Conclusions of Law, and Orders:

9

10 I. FINDINGS OF FACT

11 The Director FINDS that:

12 A. The Respondent

13 1. Jack Phillips (a.k.a. Jacky Junior Phillips) (“Phillips”) is an Oregon  
14 resident with a last known address of 39373 Lacombe Drive; Lebanon, Oregon 97355.

15 2. On November 4, 2002, Phillips pled no-contest to one count of Promoting  
16 Gambling, a Class C Felony, in Linn County Circuit Court (the “Court”). The Court  
17 found Phillips guilty of that count on the same day and dismissed the remaining charges.

18 B. The “Precious Few” Scheme

19 3. On or between 2006 and 2007, Phillips presented a 67-year-old Corvallis,  
20 Oregon resident (“MJ”) with the opportunity to participate in an investment scheme that  
21 involved the purchase and resale of emeralds at a profit (the “Scheme”).<sup>1</sup>

22 4. On March 1, 2007 and March 2, 2007, MJ invested \$20,000 and \$50,000  
23 in the Scheme, respectively. Her expectation was that she would obtain a return on that  
24 investment within 90 – 120 days of her investment. MJ relied on the purported expertise  
25 of Phillips, and others for that expected return.

26

<sup>1</sup> Phillips also purportedly invested \$150,000 in the Scheme personally.



1                   5. In connection with the offer or sale of interests in the Scheme, Phillips told  
2 MJ that the:

- 3                   • investment opportunity was being offered to a “precious few” investors;
- 4                   • invested funds would be pooled and used to purchase emeralds that were  
5                   located in Brazil;
- 6                   • emeralds would then be resold in the United States for three times the  
7                   purchase price and that the investor would receive a profit of three times their  
8                   initial investment within 90 – 120 days, or possibly sooner; and
- 9                   • buyer of the emeralds (the “Buyer”) was highly experienced in identifying  
10                  and locating emeralds in South America because she was a former  
11                  missionary who had made previous trips to South America and had  
12                  developed a relationship with a mine owner in Brazil.

13                  6. MJ’s funds were not used to purchase emeralds. She did not receive a  
14                  return of three times her initial investment 120 days it was made. She also has not  
15                  received any return on her investment as of the date of this Order. In addition, Phillips did  
16                  not inform MJ that he had a criminal record prior to her investing in the Scheme.

17                  C. Complaint by MJ against Phillips and others.

18                  7. On or about January 27, 2009, MJ filed a complaint against Jack Phillips  
19                  and a second party in Linn County, Oregon (the “Complaint”). The Complaint, among  
20                  other things, alleged that in connection with the purchase or sale of interests in the  
21                  Scheme, the defendants 1) committed elder abuse, 2) engaged in securities fraud, 3) sold  
22                  unregistered securities, 4) sold securities without a license, and 5) engaged in breach of  
23                  contract. The Complaint also, among other things, claimed a total of \$490,000 in  
24                  damages jointly and severally against the defendants. Phillips answered the Complaint  
25                  and denied the operative allegations.

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1 II. CONCLUSIONS OF LAW

2 The Director CONCLUDES as a matter of law that:

3 A. Definitions under ORS 59.015

4 8. The Scheme is a “security” as that term is used under ORS 59.015(19)(a)  
5 because it is an “investment contract.”

6 B. Violations of ORS 59.135(2) (Securities Fraud)

7 9. Phillips violated ORS 59.135(2) when he directly or indirectly in  
8 connection with the purchase or sale of securities made untrue statements of material fact  
9 or omitted to state material facts necessary in order to make the statements made, in the  
10 light of the circumstances under which they are made, not misleading to investors.

11 10. In particular, Phillips did not disclose to MJ that he had a criminal record.  
12 He also told MJ that: 1) her funds would be used to purchase emeralds in Brazil, 2) the  
13 emeralds would be resold for three times the purchase price, and 3) she would receive a  
14 profit of three times her initial investment within 90 – 120 days of that investment.

15  
16 III. ORDERS

17 NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:

18 A. Order to Cease and Desist

19 11. The Director, pursuant to the authority under ORS 59.245(4), ORDERS  
20 Phillips and any affiliated and/or successor business or corporation, to CEASE and  
21 DESIST from violating any provision of the Oregon Securities Law and Administrative  
22 Rules promulgated thereunder.

23 B. Order Denying Exemptions to the Securities Registration Requirements

24 12. The Director, pursuant to the authority under ORS 59.045, DENIES  
25 Phillips and any affiliated and/or successor business or corporation the use of the  
26

1 exemptions to the securities registration requirements allowed by ORS 59.025 and ORS  
2 59.035.

3 C. Order Assessing Civil Penalties

4 13. The Director, pursuant to the authority under ORS 59.995, assesses  
5 \$70,000 in Civil Penalties against Phillips for his violations of ORS 59.135.

6 14. The Director agrees to suspend collection of the imposed Civil Penalties  
7 so long as Phillips 1) complies with all term of conditions of these Orders – including the  
8 requirement that he not commit any new violations of the Oregon Securities Law, and 2)  
9 settles the Complaint with M.J.; fully pays to M.J. the damages specified under the terms  
10 of that settlement by December 31, 2013; and provides proof of payment of those  
11 damages in a form that is satisfactory to the Director.

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1 IV. AUTHORITY OF THE DIRECTOR TO SEEK OTHER REMEDIES UNDER  
2 OREGON LAW

3 15. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that  
4 provision, the entry of this Order does not limit other remedies that are available to the  
5 Director under Oregon law.

6  
7 IT IS SO ORDERED.

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9 Dated this 17th day of June, 2013 at Salem, Oregon.

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11 PATRICK M. ALLEN, Director  
12 Department of Consumer and Business Services

13  
14 /s/ David Tatman  
15 David Tatman, Administrator  
16 Division of Finance and Corporate Securities

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