

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS



In the Matter of:

JESSE W. HARRIS,
d/b/a HARRIS CUSTOM PROJECTS, LLC,

Docket No. 18E047
KSC No. 2018-6477

Respondents.

_____/

Pursuant to K.S.A. 17-12a604

FINAL ORDER TO CEASE AND DESIST

1. On February 5, 2018, after considering allegations presented by the Staff of the Office of the Kansas Securities Commissioner (“KSC Staff”) that the Respondents, Jesse W. Harris (“Harris”), d/b/a Harris Custom Projects, LLC (“HCP”), had committed violations of the Kansas Uniform Securities Act, the Securities Commissioner of Kansas (“Commissioner”) issued an *Order to Cease and Desist* pursuant to K.S.A. 17-12a604, naming Harris and HCP as Respondents.
2. On February 5, 2018, Harris was personally served a copy of the *Order to Cease and Desist* by Randy Mullikin, Director of Enforcement and Compliance.
3. The *Certificate of Service* attached to the *Order to Cease and Desist* indicates that two copies of the *Order to Cease and Desist* were mailed to both Harris and HCP on February 7, 2018. Copies were sent by regular first-class mail and certified mail addressed to: Jesse D. Harris, [REDACTED] (“96th Street Address”). Copies were also sent by regular first-class mail and certified mail addressed to: Harris Custom Projects, LLC, 345 S. Hydraulic, Wichita, KS 67221 (“Hydraulic Address”). The copy sent by certified mail to the 96th Street Address was returned unclaimed on March 5, 2018. The copy sent by certified

mail to the Hydraulic Address was claimed on February 12, 2018. The copies sent by regular mail to the 96th Street Address and the Hydraulic Address were not returned.

4. On February 7, 2018, the Commissioner issued an *Order to Cease and Desist (Nunc Pro Tunc)*, which corrected Harris's middle initial in the case caption and Paragraph 1 of the *Order to Cease and Desist* issued on February 5, 2018.
5. The *Certificate of Service* attached to the *Order to Cease and Desist (Nunc Pro Tunc)* indicates that two copies of the *Order to Cease and Desist (Nunc Pro Tunc)* were mailed to both Harris and HCP on February 7, 2018. Copies were sent by regular first-class mail and certified mail addressed to: Jesse D. Harris, [REDACTED] ("96th Street Address"). Copies were also sent by regular first-class mail and certified mail addressed to: Harris Custom Projects, LLC, 345 S. Hydraulic, Wichita, KS 67221 ("Hydraulic Address"). The copy sent by certified mail to the 96th Street Address was returned unclaimed on March 5, 2018. The copy sent by certified mail to the Hydraulic Address was claimed on February 12, 2018. The copies sent by regular mail to the 96th Street Address and the Hydraulic Address were not returned.
6. Both the *Order to Cease and Desist* issued on February 5, 2018, and the *Order to Cease and Desist (Nunc Pro Tunc)* notified Harris and HCP that if they wished to contest the facts alleged therein or offer evidence and argument to mitigate those facts, then they must file a request for hearing within thirty-three (33) days after the date of mailing on the attached *Certificate of Service*, that the request for hearing must be in the manner and form prescribed by K.A.R. 81-11-3 and K.A.R. 81-11-5, that such request for hearing must be filed with the Office of the Kansas Securities Commissioner, 109 SW 9th Street, Ste. 600, Topeka, KS 66612, and that, in

the event a request for a hearing was not timely filed, the Commissioner could issue a final order without further proceedings.

7. Harris and HCP failed to file a request for hearing for the *Order to Cease and Desist* or the *Order to Cease and Desist (Nunc Pro Tunc)* in a timely manner.
8. Pursuant to K.S.A. 17-12a604(c)(2) and K.A.R. 81-11-5, the *Order to Cease and Desist* and the *Order to Cease and Desist (Nunc Pro Tunc)* became final as to Harris and HCP by operation of law on March 12, 2018.
9. NOW THEREFORE, the Commissioner issues the following findings of fact, conclusions of law, and Final Order.

FINDINGS OF FACT

10. Respondent Jesse W. Harris is a Kansas resident currently residing in Sedgwick. His current address is [REDACTED]
11. Harris purportedly does business as Harris Custom Projects, LLC, with a mailing address of 345 S. Hydraulic, Wichita, KS 67211. A limited liability company with the same name was organized under the laws of the State of Kansas in 2010, with a mailing address of 4701 College Blvd., Ste. 110, Leawood, KS 66217. This LLC's articles of organization were forfeited on July 15, 2012, for failure to timely file an annual report with the Kansas Secretary of State's Office. It is not believed the Harris has any connection with the LLC organized in 2010.
12. The FINRA Central Registration Depository (CRD) contains no listing for Harris or HCP, and neither Harris nor HCP have ever been registered with KSC in any capacity.

Fraud and Unregistered Activity

13. Between October 31, 2017, and January 23, 2018, Randy Mullikin, Director of Compliance and Enforcement for the Office of the Kansas Securities Commissioner, interviewed four

individuals who attend the same church as Harris. These four individuals generally claimed that Harris was soliciting investment funds from members of the church, which funds were purportedly to be used for the purchase and resale of concrete in connection with construction jobs undertaken by Harris. In connection with these interviews, Mullikin received evidence of Harris's activities, including images of text messages and a recording of a telephone conversation which evidence Harris raising investment funds purportedly for the purchase and resale of concrete in connection with construction jobs undertaken by Harris.

14. On December 14, 2017, KSC Staff received bank account records for the personal checking account Harris holds with his wife, Kristina N. Harris, at Bank of the West. These records were produced to KSC Staff pursuant to KSC subpoena 18S022. A review of these records shows the following:

- a. From January through early April 2017, account deposits totaled \$45,492.28. From mid-April to December 2017, account deposits totaled more than \$5 million.
- b. Of the \$5 million referenced above, approximately \$286,000 was deposited in 11 transactions from Square Inc. between April and July, 2017, and approximately \$1.7 million was deposited in 45 transactions from PayPal between August and November, 2017.
- c. A preliminary review of account records indicates that only a nominal amount of funds from the account were deposited or withdrawn in connection with concrete, construction work, or similar business activity.
- d. Several deposited checks reference "concrete" or "concrete investment."
- e. Sources of various deposits into the account received payments from the account within approximately 30 days for amounts greater than their initial deposit.

- f. Withdrawals from the account also involved common personal expenditures.
15. Based on the above, Mullikin interviewed Harris on January 30, 2018. This interview occurred at Harris's and HCP's office located at 345 S. Hydraulic in Wichita, Kansas. During this interview, Harris stated the following:
- a. Harris used funds from investors to purchase real estate at depressed prices with the intent to renovate and lease the properties to tenants. Harris claims the properties are owned by him outright or are under contract.
 - b. Harris told prospective investors their funds were to be used for construction. When asked by Mullikin if he told investors their funds were to be specifically used for purchases of concrete, Harris said he told investors he charged \$12.00 per square foot of concrete at a cost of \$7.50 per square foot.
 - c. Mullikin reviewed with Harris information from images of alleged investor checks which referenced concrete, and Harris stated that he had bid some concrete jobs that he did not get, but he did not inform the investors that the funds were not used for concrete because he believes the money was given for construction work generally.
 - d. Harris stated he did some concrete work when he first started in May 2017, but most of what he has been involved in is construction.
 - e. Harris acknowledged that his business did not generate income sufficient to cover payments due to investors, so he used funds from some investors to make payments to other investors. Harris acknowledged using investor funds to make payments due to other investors from roughly June through December 2017. Harris claimed he paid back principal plus 20% interest to investors 30 days after investment until December 2017, at which point he started paying interest only.

- f. Harris said investors were unaware that he was using investor funds to pay existing investors, but that he does not regard this as a Ponzi scheme because he intends to pay everyone back by refinancing his properties.
 - g. Harris acknowledged using \$200,000 of investor funds in November 2017 for the purchase, under contract for deed, of the home where he now resides on [REDACTED] [REDACTED] (“96th Street Residence”). Harris stated that, pursuant to the contract, he owes the owners of the residence \$500,000 by June 2018.
 - h. Harris acknowledged using approximately \$10,000 of investor funds in November 2017, to purchase furniture to furnish the 96th Street Residence.
 - i. Harris acknowledged using \$15,687.00 of investor funds on or about September 7, 2017, to purchase a 2011 Dodge Challenger.
 - j. Harris acknowledged using \$10,000 of investor funds on or about September 22, 2017, to purchase real property located at 315 S. Hydraulic in Wichita, Kansas.
 - k. Harris acknowledged that he did not inform investors that their funds were being used to purchase real estate instead of for construction or the purchase of concrete.
 - l. Harris stated no one else was aware of what he was doing with investor funds.
16. Between January 30 and February 2, 2018, KSC Staff interviewed numerous individuals who claimed to have invested with Harris in connection with the purchase and resale of concrete, or generally in connection with construction. These individuals claimed they were not aware Harris was using investor funds to purchase real estate or for the purposes acknowledged by Harris as described above.

CONCLUSIONS OF LAW

17. The Commissioner has jurisdiction over Respondents and this matter.
18. Under K.S.A. 17-12a604(a), the Commissioner may issue an order directing the Respondents to cease and desist from engaging in an act, practice, or course of business constituting a violation of the Kansas Uniform Securities Act (“KUSA”) or a rule or order issued thereunder.
19. This Order is necessary and appropriate, in the public interest, issued for the protection of investors, and consistent with the purposes intended by the KUSA.

Unregistered Activity

20. In violation of K.S.A. 17-12a301, Respondents offered or sold securities in Kansas, and the securities were not registered with the Office of the Kansas Securities Commissioner, were not exempt from registration, and were not federal covered securities.

Securities Fraud

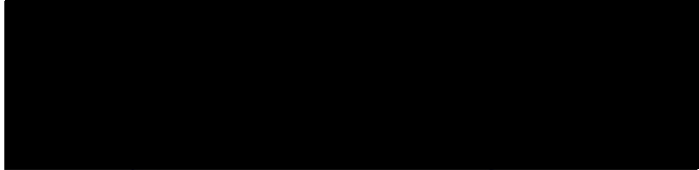
21. In violation of K.S.A. 17-12a501, Respondents, in connection with the offer, sale, or purchase of a security, directly or indirectly:
 - a. made untrue statements of material fact, or omitted to state material facts necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading; or
 - b. engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon another person.

FINAL ORDER TO CEASE AND DESIST

IT IS THEREFORE ORDERED that the Respondents and their officers, agents, servants, employees, and any person in concert or participation with them who receives actual notice of this Order, shall immediately **CEASE AND DESIST** in the State of Kansas, and are permanently prohibited from, soliciting offers to purchase or making offers to sell, or effecting or transacting sales of securities, or the securities of any other person or issuer; from directly or indirectly aiding and assisting in the same or attempting to do the same; or from all acts or practices otherwise in violation of the Kansas Uniform Securities Act or any rule or order issued thereunder.

IT IS SO ORDERED BY THE COMMISSIONER

Entered at Topeka, Kansas, this 9th day of May, 2018,



John R. Wine, Jr.
Kansas Securities Commissioner

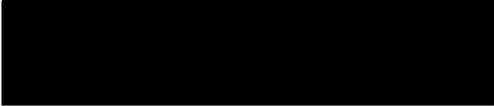
NOTICES

- (1) Under K.S.A. 17-12a508(a), an intentional violation of an order issued under the Kansas Uniform Securities Act is a felony criminal offense.
- (2) A party to this action may petition for reconsideration within 15 days after service of a final order, following the procedures in K.S.A. 77-529. Under K.S.A. 77-528, a party may petition for a stay of effectiveness of this order until the time at which a petition for judicial review would no longer be timely.
- (3) This decision may be subject to judicial review. The agency officer to receive service of a petition for judicial review on behalf of the Office of the Kansas Securities Commissioner is John R. Wine, Jr., Securities Commissioner, at 109 SW 9th Street, Suite 600, Topeka, Kansas 66612.

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that on the 10th day of May 2018, a copy of the above and foregoing document was sent by certified mail, return receipt requested, and by first-class mail, postage prepaid, addressed to:

Jesse W. Harris

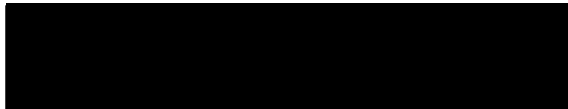


Harris Custom Projects, LLC
345 S. Hydraulic
Wichita, KS 67211

Kristina Harris



Sonya Harris



Nickie Oathout
Administrative Clerk