

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: ST. PAUL FILM FOUNDATION)
its board members, agents, employees, affiliates,)
successors and assigns.)

FILE NO. 0200414

TEMPORARY ORDER OF PROHIBITION

TO RESPONDENT: St. Paul Film Foundation
PO Box 38
Blaine, WA 98231

St. Paul Film Foundation
288 Martin Street
Blaine, WA 98230

Stephen Jones
PO Box 38
Blaine, WA 98231

Stephen Jones
288 Martin Street
Blaine, WA 98230

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

1. That St. Paul Film Foundation (hereinafter "Foundation" or collectively with "Jones," "Respondents.") is a not for profit film production foundation with known addresses at 288 Martin Street, Blaine, WA 98230, and PO Box 38, Blaine, WA. 98231.
2. That Stephen Jones ("Jones" or collectively with Foundation, "Respondents") is or was the president and member of the board of St. Paul Film Foundation, with last known addresses at 288 Martin Street, Blaine, WA 98230, and PO Box 38, Blaine, WA. 98231.

Temporary Order of Prohibition

-2-

3. That between about July and October 1997 one or more Illinois residents responded (“Responses”) to a mailing received in Illinois, and /or advertisements in the Observer and the Catholic Post, which solicited prospective investors for the production of religious films by Respondent Foundation to call the number listed in the advertisement.
4. That between about July and October 1997, following up on the Responses, Respondents caused to be sent to one or more Illinois residents an Information Memorandum (“Offering Document”) for Saint Paul Film Foundation Notes (“Offering”), along with a prepaid airbill. A few days later, a representative of Respondent Foundation also called said Illinois residents (“Telephone Call”), and reiterated the offer to sell such Notes.
5. That accompanying the Offering Document was a letter acknowledgement (“Acknowledgment”) and a letter from Father Thomas Nicholson, Respondent’s “spiritual adviser, to tell you why he feels so confident about his investment in St. Paul Bonds.” (“Priest Letter #1)
 - a. In the Acknowledgment Respondents reminded Investors of “wonderful Catholic films like *Going My Way* and *The Song of Bernadette* and informed them that, “In the long history of movie- making, very few films have failed to make money for their investors, especially INDEPENDENT films where the budgets are tightly controlled and the costs low.” – “Because there are no studio heads, talent agents and a dozen middle men to be paid millions of dollars before investors see a single cent, we can produce films at extraordinarily low cost and thus offer investors the highest possible return at low risk.” Citing Foundation’s current project “[*St.*] *Patrick*” as a perfect example, Respondents maintained the entire budget for [*St.*] *Patrick* was “less than ONE TENTH the cost of the typical Hollywood movie” with no sacrifice in skill or quality. “It’s simple. Cut out the middle-men and the big salaries and movie making suddenly becomes a very low risk proposition indeed.” Signed: Stephen Jones, President.
 - b. In Priest Letter #1 “Father Tom” in an undated letter assured Investors, “I am certain this is a wonderful chance for Catholic families like yours to safely build equity while achieving great things for our children and our Faith.”
6. That separately, but in tandem with Respondent’s mailing of the Offering Document, Acknowledgment and Priest Letter #1, one or more Illinois residents were sent a letter (“Priest Letter #2”) touting investment in St. Paul Bonds as, “one of the best financial and spiritual investments ANY Catholic can make.” The Letterhead stated “Father Mark Merz, St. Catherine of Sienna Parish, 7070 Somerled Avenue, Montreal, PQ H4V IV9,” and the Letter was signed “F. Mark Merz.”

Temporary Order of Prohibition

-3-

7. That between about August and October 1997, following receipt of the Offering Document, Telephone Call, Acknowledgment and Priest Letters 1 & 2, one or more Illinois residents ("Investors") filled in said Offering Document and returned it along with payment to Respondent Foundation by means of the prepaid airbill.
8. That between about August and October 1997, the Investors purchased two-year notes yielding 10.55% non-compounding interest per annum and payable quarterly, and five year notes yielding 10.55% with compounded annual interest to be paid at the end of the Term ("Investments"), investing an aggregate amount of \$18,000. The proceeds of the notes were to be used to finance production of "wholesome Catholic films," like *[St.] Patrick*, which was then "currently entering production."
9. That notwithstanding the "low risk" and rosy promotion, subsequent to the Investments Respondent Foundation made no films whatsoever. Payment of the quarterly interest payments on the non-compounding notes ceased after March 1999, and Respondent Foundation defaulted on both the two-year and the five-year notes.
10. That despite Respondent Foundation's continued inactivity in terms of actually producing a film - any film - and the fact it was about to default on its quarterly interest payments:
 - a. On December 17, 1998, Respondents sent a letter to the Investors that stated, "while we continue to press forward to make this project (*[St.] Patrick*) a reality, we will be adding other productions to the roster." Signed: Stephen Jones, President.
 - b. Then on March 8, 1999, Respondents sent the Investors a letter updating the status of the *[St.] Patrick* project: "The Foundation has already made considerable advances toward the production of *[St.] Patrick* by this time, including the design and manufacture of many costumes, work with a major accounting firm and government officials in Ireland towards arranging Section 35 financing, the completion of the script and shooting schedule and selection of principal locations." Respondents had also structured a long-term plan built around an intermediary project, a film called *Waters of the Wolf*, based on Blessed Juan Diego's encounter with Our Lady of Guadalupe in 16th century Mexico. This film would be smaller in scale than *[St.] Patrick*. Respondent Foundation would be co-producing it with "St. Clare Film Fund, a Canadian organization with mission objectives similar to those of the Foundation," and Respondents expected it would generate the revenue required to complete *[St.] Patrick* and to repay the investors. "Unfortunately we regret that in order for this plan to succeed, it is necessary for the Foundation to suspend all interest payments to its investors until further notice, including the repayment on principal owing on bonds coming due starting this May, 1999." Signed:

Temporary Order of Prohibition

-4-

Stephen Jones, President. What Respondents neglected to mention was that its new co-producer St. Clare Film Fund shared more than “mission objectives” with Respondents. They also shared the same address at P.O. Box 38, Blaine WA.

- c. November 10, 1999 Respondents updated the Investors on Foundation’s intent to switch from *[St.] Patrick* to *Waters of the Wolf*, now renamed *Prince of Eden*, and informed them that their fundraising website was located at <http://www.princeofeden.com/>. The letter went on to detail various woes it had encountered, not least of which was that the Irish co-producer on *[St.] Patrick* had “launched his own *[St.] Patrick* for television release, pilfering the Foundation’s research and project development.” Signed: Stephen Jones.
 - d. December 30, 1999, Respondents sent “Bond Statement” to the Investors with tax information and a book, “containing the findings of the Pontifical Commission on Juan Diego and his encounter with the Virgin of Guadalupe!” “The book itself will be part of the donor campaign promotion and will also serve as a working document for the *Prince of Eden* screenplay.” Signed: Stephen Jones, President.
 - e. February 7, 2000 Respondents sent the Investors a letter with information about “1099s and your investment.” Regarding the financial restructuring, Respondent Foundation had secured a co-producer for *Prince of Eden*.
 - f. September 12, 2000 Respondents sent the Investors a letter with “some positive news to share with you about our operations.” Among other things, they were still considering whether to sue Fox and the producers of the television *[St.] Patrick* on behalf of the investors. And to bypass the halt to its operations due to its heavy liabilities, “the Foundation has sought to rely on the work of co-producers to complete the film, *Prince of Eden*, free of the Foundation’s debt burden.” Instead, the Foundation was participating in the new project as a co-producer with “creative and sweat equity in terms of the treatment, script and additional production expertise.” Respondents went on to propose, “the balance of the investments could be retired with the realization of profits from *Prince of Eden*.” Signed: Stephen Jones, President. Just how Respondent Foundation would be able to retire its heavy debt obligations and repay the Investors through “sweat equity” profits from a film financed by “donors” – and that essentially now belonged to their “co-producers” -- is simply not explained.
11. That the September 12, 2000 letter was the last communication Respondents sent to the Investors. Shortly after that, its telephone was disconnected and mail returned to sender.

Temporary Order of Prohibition

- 5 -

12. That the activities described in paragraphs 2, 3, and 4 above constitute the offer and sale of a security and therefore a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").
13. That Section 12.F of the Act provides, *inter alia*, that it shall be a violation for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
14. That, on opinion and belief, the conduct at paragraphs 5-6 misrepresented the risks of investing in film production to the Investors and operated as a fraud or deceit on the upon the purchaser or seller thereof.
15. That, on opinion and belief, the conduct described in paragraphs 9-10 constitutes lulling conduct designed to distract the Investors with promises of false hope from the fact that they had been swindled, and is a continuing course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
16. That the aforementioned findings are based upon credible evidence.
17. That Section 11.F (2) of the Act provides, *inter alia*, that the Secretary of State may temporarily prohibit the offer or sale of securities by any person, without notice and prior hearing, if the Secretary of State shall deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors that will occur as a result of prior violations of the Act.
18. That the entry of this Temporary Order prohibiting Respondent Jones and Respondent Foundation, its board members, agents, affiliates, successors and employees, from offering or selling securities in the State of Illinois is in the public interest and for the protection of the investing public and is consistent with the purposes intended by the provisions of the Act.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Respondent Stephen Jones and Respondent St. Paul Film Foundation, its board members, agents, affiliates, successors and employees, are PROHIBITED from offering or selling securities in this State until the further Order of the Secretary of State.

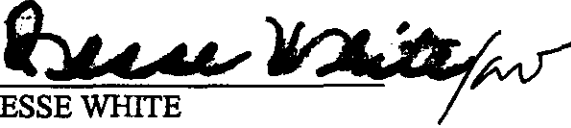
NOTICE is hereby given that Respondents may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69 West Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry of the Temporary Order of Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

Temporary Order of Prohibition

-6-

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated: This 24th day of June 2003.


JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

Samuel F. Freiman
Cheryl Goss Weiss
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
312-793-3384