

Division of Securities
Utah Department of Commerce
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

TAX LIEN AGENTS, INC.;
NED B. MAJORS;
FRANKLIN INVESTMENT GROUP;
RON HAVENER; AND
LAVONNE MALONEY;

Respondents.

ORDER TO SHOW CAUSE

Docket No. SD-03-0002
Docket No. SD-03-0003
Docket No. SD-03-0004
Docket No. SD-03-0005
Docket No. SD-03-0006

TO: Tax Lien Agents, Inc.
4502 Hwy. 17 Bypass So.
Myrtle Beach, SC 29588

Ned B. Majors
4502 Hwy. 17 Bypass So.
Myrtle Beach, SC 29588

Franklin Investment Group
1021 South Fork Drive
Draper, UT 84020

Ron Havener
1021 South Fork Drive
Draper, UT 84020

LaVonne Maloney
1021 South Fork Drive
Draper, UT 84020

It appears to the Director of the Utah Division of Securities (“the Director”) that Tax Lien Agents, Inc., Ned B. Majors, Franklin Investment Group, Ron Havener and Lavonne Maloney (collectively “Respondents”) have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (“the Act”). Those acts are more fully described herein. Having reviewed the relevant facts discovered in the course of the Division staff’s investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF FACTS

1. Tax Lien Agents (“TLA”) is a corporation with its principal place of business in Myrtle Beach, South Carolina. TLA is in the business of acting as an agent in the purchase and sale of tax liens.
2. Ned B. Majors (“Majors”) is the sole owner and registered agent of TLA. The Division is informed and believes that Majors lives in or near Myrtle Beach, South Carolina.
3. Franklin Investment Group (“Franklin”) is an unincorporated company with its principal place of business in Draper, Utah.
4. Ronald Havener (“Havener”) is an owner and agent of Franklin. The Division is informed and believes that Havener lives in Draper, Utah.
5. LaVonne K. Maloney (“Maloney”) is an owner and agent of Franklin. The Division is informed and believes that Maloney lives in Draper Utah.

6. On January 27, 2003, the Division received a letter inquiring about TLA and Franklin.

The letter contained the following representations:

- A. Respondents held financial seminars;
- B. Respondents promised a return of 8-24 percent;
- C. The investment money was used to purchase tax liens;
- D. Respondents were attempting to raise 10 million dollars;
- E. Majors represented that once a property owner defaults on a tax lien, the tax lien holder owns the property free and clear of any other liens or mortgages.

7. Based upon the representations in this letter, the Division initiated an investigation. The Division's investigation into the matter revealed:

- A. Respondents Havener and Maloney conducted seminars about the program and showed a video in which Majors describes the tax-lien program.
- B. TLA purchases tax liens from county governments.
- C. The tax lien may then be paid off by the property holder, with the amount of the tax lien plus a penalty of between 8 and 25 percent being paid to the investor. Respondents receive a fee for their role in the investment.
- D. If the tax lien is not paid, the investor has the right to foreclose on the property. If this occurs, Respondents will handle the foreclosure and split the profit on the sale with the investor.
- E. TLA and Franklin personnel represent that the program is safe, provides income and growth, is convenient, liquid and a good tax shelter.

- F. Respondents offered investors \$100 for each new investor they introduce to the program.
- G. The video contains misrepresentations of material fact including, but not limited to:
1. TLA acts only as a purchasing agent.
 2. Investors are guaranteed to get either a full repayment of their investment in the tax lien plus interest of 8-25 percent, or the “government gives you the deed to the property.”
 3. Promotional materials provided by TLA represent to investors that they will receive “(1) Your money back plus 8% to 25% annual interest depending on state law or (2) You receive a deed to the property and that deed gives you *Free and Clear* ownership of that property which you could probably sell for up to 100 times your cost (**10,000% yield**). (emphasis in original).
 4. When asked about the risks, Majors stated “the risk is knowing what to do and look at the property that you’re buying.” Majors disclosed or discussed no other risk factors facing investors except that the market value of the property might decrease over the course of the lien redemption period.
 5. “The worst case is, you’ll make ten percent interest on your money.”
 6. Majors sold several hundred thousand books on tax liens.

7. Liens may be paid off or satisfied but “once (a) lien is placed on your property, you have a very hard time borrowing money on that property.”
8. “There’s (sic) only two things can happen when you own a tax lien. You receive the 8–25 percent interest or you own the property free and clear, no mortgage.”
9. “In 26 states throughout the United States, state law says that all mortgages and all other encumbrances are wiped out by the tax lien itself.”
10. If the tax payer does not pay of the taxes in three years “you own the property for the amount of tax.”
11. “A proper ad valorem property tax sale eliminates any tax lien on behalf of the Department of Revenue. This is because the ad valorem tax lien is always the first lien on the property taxes. Therefore, if the tax sale is confirmed, the Department would have no lien on the property.”
12. Investment in tax liens offers “safety, income, growth, liquidity, tax shelter and convenience.”
13. “We don’t have any . . . speculation in our business.”
14. “If you hire us as your agent and you want to sell your tax liens, we’ll buy them from you . . . I think you’re stupid if you sell them, but if you want to sell them. we’ll buy them from you. And if you will wait six months and one day to sell them to us after you buy them, we’ll not only buy them back from you, but we’ll pay you the 8% interest a year on your money.”
15. TLA charges a “one-time” fee that the investor gets back.

16. "Your total cost is returned."
17. TLA makes its money by splitting the sale price of the property with the investor.
18. "My average client is earning in excess of nine percent on their money above my fee and they didn't even get the property."
19. "You're going to make more than a CD and this is safer than a CD."
20. TLA "doesn't pay any attorney more than \$1,500 to quiet a title."
21. "To us, a recession is not a problem. In fact, a recession really sort of helps us because this month, October, instead of 30-35 percent hit ratio, we hit 45.1 percent of all the dollars we had invested in previously matured to deed."
22. "In seven years, you and I can make enough money that we'll have more money than Bill Gates, Warren Buffet and Ted Turner put together. And that's one of my goals, ok."
23. "If we buy \$50,000 worth of tax liens for you, even this year, three years from now, you should grow even at a ten percent maturity rate, you'll grow to \$355,000. If you do my tax deferment techniques and take all that money. . .reinvest after seven total years even at 10 percent, 1/3 of what I normally hit, you're worth 1.9 million dollars for a \$50,000 investment."
24. "You do not have to pay the subsequent taxes until you get ready to sell the property. Now they'll be sold at another tax sale, but that's ok. They get a second lien on the property or third lien or fourth lien."

25. “My \$10,000 I give [to my children] controls about a million dollars worth of property. If they got the whole million dollars, as long as they spend it on education to and from school, books, tuition . . . , its 100% tax writeoff. They pay no tax on that.”
26. “Offshore banking, we can talk about that privately but basically you can earn money tax free and never pay tax the rest of your life through offshore (sic) bank account.”

II. The video also omits the following facts which are necessary to make the other statements not misleading:

1. The issuer’s business and operating history;
 - (a) Tax Lien Acquisitions, Respondent Majors’ former company, was unsuccessful and was put into receivership. Investors in Tax Lien Acquisitions lost money on their investments;
2. The market for the investment;
3. Financial statements;
4. Involvement of the issuer or the principals in certain legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
 - (a) California conducted an investigation into TLA and required that TLA change its program to comply with the law.
 - (b) The State of Georgia investigated Tax Lien Acquisitions for violations of the securities law.

5. The number of other investors;
6. The current capitalization of the issuer;
7. The minimum capitalization needed to proceed with the investment;
8. The nature of the competition for this type of investment;
9. Any conflicts of interest;

I. Additional Omissions of material fact are as follows:

- (a) In the above-referenced video presentation and in promotional materials currently being distributed by TLA, Respondent Majors represents himself as an attorney licensed in the State of Georgia. In connection with this representation, however, Majors fails to disclose that the State Bar of Georgia investigated him for attorney conduct violations and recommended, by order of a Special Master dated 29 August 2002, that he be disbarred for offenses related to conflict of interest and violations of standards governing the maintenance of attorney trust accounts.
- (b) Respondent Majors failed to disclose that state laws vary widely on the priority of both prior and subsequent municipal and state-held liens on parcels of real property.

J. The investments offered by Respondents are securities under §61-1-13 (24)(a)(vii) and (24)(a)(xi) as participation in a profit sharing agreement (if the property goes to foreclosure) or as an investment contract.

K. A search of the Division's records and the records of the National Association of Securities Dealers Central Registration Depository ("CRD") reveals that

Respondents Havener, Maloney and Majors are not registered to sell securities in Utah.

- L. A search of the Division's records reveals that the securities offered by TLA and Franklin are not registered for sale in Utah, are not federal covered securities for which a notice filing has been made, and do not appear to qualify for an exemption.

CAUSES OF ACTION

COUNT I (Unlicensed Agent under § 61-1-3(1) of the Act)

1. The Division incorporates and re-alleges paragraphs 1 through 11.
2. Section 61-1-3(1) of the Act states:

It is unlawful for any person to transact business in this state as a broker-dealer or agent unless the person is licensed under this chapter.
3. Section 61-1-13(2) of the Act defines an agent as:

(A)ny individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.
4. Respondents acted as agents of TLA and Franklin who effected and attempted to effect the purchase or sale of the tax lien program.
5. Since Respondents are not licensed as broker-dealers or agents in Utah, their offer and sale of securities violates § 61-1-3(1) of the Act.

COUNT II (Employing an Unlicensed Agent under § 61-1-3(2)(a) of the Act)

6. The Division incorporates and re-alleges paragraphs 1 through 16.

7. Section § 61-1-3(2)(a) of the Act states:

It is unlawful for any broker-dealer or issuer to employ or engage an agent unless the agent is licensed.

8. By offering investors a commission for introducing new investors to Respondents, Respondents attempted to employ or engage individuals who were not licensed to sell securities in Utah in violation of §61-1-3(2)(a).

COUNT III
(Sale of Unregistered Securities under § 61-1-7 of the Act)

9. The Division incorporates and re-alleges paragraphs 1 through 19.

10. Section 61-1-7 of the Act states:

It is unlawful for any person to offer or sell any security in this state unless it is registered under this chapter, the security or transaction is exempted under Section 61-1-14, or the security is a federal covered security.

11. The securities offered by Respondents are not registered for sale in Utah, are not a federal-covered security, and do not appear to qualify for any exemptions.

COUNT IV
(Securities Fraud under § 61-1-1 of the Act)

12. The Division incorporates and re-alleges paragraphs 1 through 22.

13. Section 61-1-1 of the Act states:

It is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to:

- 1) employ any device, scheme, or artifice to defraud;**
- 2) make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements**

made, in the light of the circumstances under which they are made, not misleading; or
3) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

14. Respondent omitted and misrepresented material facts, as stated above, in connection with the offer and sale of the securities of TLA in violation of §61-1-1 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will take place at a date and time agreed upon by the parties after an answer has been filed. If Respondents fail to file an answer and appear at the hearing, an order to cease and desist may be issued and a fine imposed by default against Respondents, as provided by Utah Code Ann. § 63-46b-11. At the hearing, Respondents may show cause, if any they have:

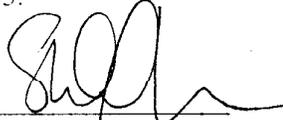
1. Why Respondents should not be found to have engaged in the violations alleged by the Division;
2. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of §§ 6-1-1, 61-1-3, 61-1-7, or any other section of the Act;
3. Why Respondents should not be ordered to pay a fine to the Division in the following amounts:

- | | | |
|-----|-----------------------|----------|
| (a) | Tax Lien Agents, Inc. | \$50,000 |
| (b) | Franklin Investments | \$10,000 |
| (c) | Ron Havener | \$10,000 |

(d) LaVonne Malone \$10,000

(e) Ned. B. Majors \$25,000

DATED this 14th day of February, 2003.



S. Anthony Taggart
Director
Utah Division of Securities

Approved:

for: Wayne Klein
Jeffrey Buckner
Assistant Attorney General