

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 MATTERS OF:

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

Respondents.

NATIONAL TAX LIEN AGENTS, INC.
NED B. MAJORS,
ASKFRANKLIN, LLC, and
LAVONNE MALONEY

Respondents.

TAX LIEN AGENTS, and
NED B. MAJORS,

Respondents.

ORDER OF DEFAULT

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

Docket No. SD-04-0011
Docket No. SD-04-0012
Docket No. SD-04-0013
Docket No. SD-04-0014

Docket No. SD-05-0018
Docket No. SD-05-0025

I. BACKGROUND

The Division of Securities (Division) initiated a formal adjudicative proceeding against Tax Lien Agents, Inc. (TLA), Ned Majors (Majors), Franklin Investment Group (Franklin), Ron

Havener (Havener) and Lavonne Maloney (Maloney) by issuing an Order to Show Cause (OSC) and Notice of Agency Action, bearing docket numbers SD-03-0002, SD-03-0003, SD-03-0004, SD-03-0005, and SD-03-0006, on February 14, 2003. The Division initiated a subsequent formal adjudicative proceeding against National Tax Lien Agents, Inc., AskFranklin, LLC, Majors and Maloney by issuing an OSC and Notice of Agency Action, bearing docket numbers SD-04-0011, SD-04-0012, SD-04-0013, and SD-04-0014, on May 25, 2004. The Division initiated a final formal adjudicative proceeding against TLA and Majors by issuing an OSC and a Notice of Agency Action, bearing, docket numbers SD-05-0018 and SD-05-0025, on April 15, 2005. The matters were consolidated for trial and an adjudicative hearing was ultimately set for March 26-28, 2008.

Majors, Tax Lien Agents, National Tax Lien Agents and Maloney failed to appear.

II. FINDINGS OF FACT

Docket Nos. SD 03-0002, SD 03-0003

1. Tax Lien Agents (TLA) is a South Carolina corporation with its principal place of business in Myrtle Beach, South Carolina. TLA is in the business of buying so-called tax lien certificates as an agent for interested investors.
2. Ned B. Majors (Majors) is the sole owner and registered agent of TLA. Majors lives in Myrtle Beach, South Carolina.
3. Ronald Havener (Havener) and Lavonne Maloney (Maloney) are husband and wife (the Haveners) and live in Draper, Utah. The Haveners do business under the assumed name

of Franklin Investment Group (Franklin).

4. 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 in Utah;
 - 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.
5. Based upon the representations in this letter, the Division initiated an investigation. The Division's investigation into the matter revealed:
 - a. TLA's Utah agents conducted seminars about the program and showed a video in which Majors describes the tax-lien program.
 - b. TLA purchases tax lien certificates 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. Majors and TLA 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, Majors and TLA will handle the foreclosure and split the profit on the sale with the investor.

- e. TLA and its Utah agents represent that the program is safe, provides income and growth, is convenient, liquid, and a good tax shelter.
- f. TLA and its Utah agents offered investors \$100 for each new investor they introduce to the program.
- g. The video contains misrepresentations of material fact made by Majors including, but not limited to:
 - i. TLA acts only as a purchasing agent.
 - ii. 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.”
 - iii. 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).
 - iv. 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.

- v. “The worst case is, you’ll make ten percent interest on your money.”
- vi. Majors sold several hundred thousand books on tax liens.
- vii. 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.”
- viii. “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.”
- ix. “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.”
- x. If the tax payer does not pay of the taxes in three years “you own the property for the amount of tax.”
- xi. “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.”
- xii. Investment in tax liens offers “safety, income, growth, liquidity, tax shelter and convenience.”
- xiii. “We don’t have any . . . speculation in our business.”
- xiv. “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."

- xv. TLA charges a "one-time" fee that the investor gets back.
- xvi. "Your total cost is returned."
- xvii. TLA makes its money by splitting the sale price of the property with the investor.
- xviii. "My average client is earning in excess of nine percent on their money above my fee and they didn't even get the property."
- xix. "You're going to make more than a CD and this is safer than a CD."
- xx. TLA "doesn't pay any attorney more than \$1,500 to quiet a title."
- xxi. "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."
- xxii. "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."
- xxiii. "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.'

xxiv. "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."

xxv. "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."

xxvi. "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."

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

i. The issuer's business and operating history;

(1) Tax Lien Acquisitions, Majors' former company, was unsuccessful and was put into receivership. Investors in Tax Lien Acquisitions lost money on their investments;

- ii. The market for the investment;
- iii. Financial statements;
- iv. Involvement of the issuer or the principals in certain legal proceedings, including bankruptcy and prior violations of state or federal securities laws;
 - (1) California conducted an investigation into TLA and required that TLA change its program to comply with the law.
 - (2) The State of Georgia investigated Tax Lien Acquisition for violations of the securities law.
- v. The number of other investors;
- vi. The current capitalization of the issuer;
- vii. The minimum capitalization needed to proceed with the investment;
- viii. The nature of the competition for this type of investment;
- ix. Any conflicts of interest;
- i. Additional omissions of material fact are as follows:
 - i. In the above-referenced video presentation and in promotional materials currently being distributed by TLA, 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.

- ii. 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.
- iii. The investments offered by TLA, Majors and their agents in Utah are securities under § 61-1-13 (24)(a)(vii) and (24)(a)(xi) as a participation in a profit sharing agreement (if the property goes to foreclosure) or as an investment contract.
- j. A search of the Division's records and the records of the National Association of Securities Dealers Central Registration Depository ("CRD") reveals that Majors is not registered to sell securities in Utah.
- k. A search of the Division's records reveals that the securities offered by TLA and their agents in Utah 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.

Docket Nos. SD 04-0011, SD 04-0012

- 6. National Tax Lien Agents, Inc. (NTLA) is a Georgia corporation formed January 14, 2004 with its principal place of business at 156 Church St., Marietta, GA 30060. NTLA

is a successor or affiliate entity to TLA.

7. Ned B. Majors (Majors) is the sole shareholder of NTLA and TLA. Majors lives in or near 581 Old Field Rd., Murrells Inlet, SC 29576.
8. AskFranklin, LLC (AskFranklin) is a Delaware limited liability company formed by Majors and NTLA's agent in Utah on October 8, 2003. AskFranklin was formed "to promote and market the services of Tax Lien Agents, Inc. as an independent agent."
9. During all periods relevant to the causes of action alleged herein, AskFranklin maintained and, as of the filing date of this action, still maintains a website at address www.askfranklin.com. Internet domain records, www.networksolutions.com, confirmed that a Utah resident who was an agent for Majors and NTLA as the registrant contact.
10. Specific representations made by the website to induce investment include:
 - a. AskFranklin, LLC is acting in partnership with NTLA. Clients of AskFranklin sign an Agency Contract with NTLA at the time they invest their funds;
 - b. NTLA will act as the client's Individually Contracted Purchasing Agent in acquiring tax lien certificates and AskFranklin will handle all client services "from start to finish";
 - c. Only two things happen when you purchase tax liens: You receive 8% to 25% APR penalties and interest paid by the Taxpayer or you get the property "Free and Clear" (underlining and quotations in original);
 - d. "As the tax liens 'Go to Deed' (*you get the property free and clear*) the ultimate

return of over 100% can be earned.” (italics in original);

- e. Investments in tax liens are “government guaranteed”;
- f. “[A]ll of your purchasing monies will be paid directly to the Government and all liens are recorded in your name and address. ASKFRANKLIN AND NTLA NEVER TOUCH THEIR CLIENT’S MONEY!” (underlining and capitalization in original);
- g. As client liens “go to deed” NTLA will, at the client’s request, arrange for the provision of all services necessary to quiet the tax title and sell the property. AskFranklin and NTLA offer a “Total Service Package” that provides tax lien education and processing, evaluates state and county laws and procedures, performs property research and evaluation, attends county auctions and bids as your Agent, advises in obtaining deeds, and helps in the sale of property;
- h. A presentation slide captioned “Why AskFranklin and NTLA” responds with the following representations: “Over 12 years experience in buying tax liens, represented over 1,000 clients, purchased over \$50 million in tax liens, controlled over \$1 billion in property, legal staff specializing in tax liens, proprietary selection criteria for properties”;
- i. “We make a profit only if your liens mature into property deeds and the property is sold.” (underlining in original);
- j. “The tax lien is usually priced at 1% to 2% of the estimated assessed or market

- value of the real property that secures the tax lien”;
- k. “The [county assessed] tax amount is always at a reasonable level and always greatly below the property's true market value”;
 - l. “With NTLA’s research and experience, you are ensured of receiving valid liens for properties that give you value for your investment.” “After researching the property details and owner history, as few as 5% of the properties being offered at a given auction may be considered as having the strong potential of going to deed that AskFranklin and NTLA are looking for their clients”;
 - m. “Agents for AskFranklin are professional representatives who have been trained and certified to represent you in providing accurate and timely information regarding the purchase of Tax Lien Certificates”;
 - n. The home page of the web site shows a photograph of an expensive, well-manicured home;
 - o. “AskFranklin, LLC and National Tax Lien Agents, Inc. are closed companies and do not sell stocks, bonds, *nor any type of regulated security*. In fact, AskFranklin and NTLA act solely as an individually contracted purchasing agency. Therefore, *AskFranklin and NTLA are not required to be registered with any state or federal Securities and Exchange Commission (SEC). AskFranklin and NTLA do not pool clients or purchasing dollars.*” (italics added);
 - p. The investment being offered by Respondents is an exempted security under

“United States Code Service, Title 15, Chapter 2A, Section 77C,: “Securities Act of 1933”;

- q. Clients can avoid most of the federal income taxes otherwise payable on their non-redeemed tax liens by transferring them to a Roth IRA just prior to the sale of the underlying property;
 - r. Historically, NTLA has achieved a 30% ratio of tax liens “going to deed”;
 - s. On both the web site and in a March 29, 2004 interstate telephone call to Wyoming, Majors and NTLA’s agents in Utah, limited their disclosures of potential risk of loss to the client to the possibility of having to pay an additional \$5.00 - \$10.00 per-lien fee to the county;
 - t. In a March 29, 2004 interstate telephone call to Idaho, Majors and NTLA’s agent in Utah described Majors as the head of NTLA and referenced favorably his dozen years of experience in the field of tax liens.
 - u. In a March 24, 2004 interstate telephone call to Wyoming, Majors and NTLA’s agent in Utah stated that AskFranklin’s business was based in Delaware, but that it had agents scattered through the country.
11. Majors, NTLA and their agents in Utah, both through the above-mentioned web site and in three recorded interstate telephone conversations between their agents in Utah and state investigators in Wyoming and Idaho, have made the following material misrepresentations of fact:

- a. NTLA acts solely as the clients Individually Contracted Purchasing Agent;
- b. Only two things happen when you purchase tax liens: You receive 8% to 25% APR penalties and interest paid by the Taxpayer or you get the property “Free and Clear” (underlining and quotations in original).
- c. “As the tax liens ‘Go to Deed’ (*you get the property free and clear*) the ultimate return of over 100% can be earned.” (italics in original).
- d. Investments in tax liens are “government guaranteed.”
- e. “[A]ll of your purchasing monies will be paid directly to the Government and all liens are recorded in your name and address. ASKFRANKLIN AND NTLA NEVER TOUCH THEIR CLIENT’S MONEY!” (underlining and capitalization in original);
- f. In a March 24, 2004 interstate telephone conversation to Wyoming, Majors and NTLA’s agent in Utah stated “[W]e have clients who want the property and that’s really the only way we as business people make any money as well.”
- g. In a March 29, 2004 interstate telephone call to Idaho, Majors and NTLA’s agent in Utah stated that a client’s money “was nice and safe though because you’re making it out [the investment check], really to a government, ah, government entity and so nobody else can deal with that money.”
- h. In a March 24, 2004 interstate telephone call to Idaho, Majors and NTLA’s agent in Utah stated with regards to client money, “it’s going to a county and that made

me feel very comfortable . . . ah, you know, that there is only one place where that money could end up.”

- i. “We make a profit only if your liens mature into property deeds and the property is sold.” (underlining in original);
- j. “The [county assessed] tax amount is always at a reasonable level and always greatly below the property's true market value”;
- k. “With NTLA’s research and experience, you are ensured of receiving valid liens for properties that give you value for your investment.” “After researching the property details and owner history, as few as 5% of the properties being offered at a given auction may be considered as having the strong potential of going to deed that AskFranklin and NTLA are looking for their clients”;
- l. In a March 29, 2004 interstate telephone conversation to Idaho, Majors and NTLA’s agent in Utah stated that NTLA personnel “[a]bsolutely . . . drive by every single [property] before they, ah, before they bid on them.”;
- m. “AskFranklin, LLC and National Tax Lien Agents, Inc. are closed companies and do not sell stocks, bonds, *nor any type of regulated security*. In fact, AskFranklin and NTLA act solely as an individually contracted purchasing agency. Therefore, *AskFranklin and NTLA are not required to be registered with any state or federal Securities and Exchange Commission (SEC). AskFranklin and NTLA do not pool clients or purchasing dollars.*” (italics added);

- n. The investment being offered by NTLA, Majors and their agents in Utah is an exempted security under “United States Code Service, Title 15, Chapter 2A, Section 77C,: “Securities Act of 1933”;
 - o. Clients can avoid most of the federal income taxes otherwise payable on their non-redeemed tax liens by transferring them to a Roth IRA just prior to the sale of the underlying property;
 - p. Historically, NTLA has achieved a 30% ratio of tax liens “going to deed.”
12. NTLA, Majors and their agents in Utah, both through the above-mentioned web site and in three recorded interstate telephone conversations between their agent in Utah and state investigators in Wyoming and Idaho, omitted to state the following material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading:
- a. Majors first tax lien purchasing company, Tax Lien Acquisitions, Inc. (TLAQ), a Georgia corporation operated in substantially the same manner as NTLA, was placed into receivership and is currently insolvent;
 - b. Majors and his second tax lien purchasing company, TLA, which was operated in substantially the same manner as NTLA, were issued an Order by the Division on February 14, 2003 directing them to show cause why they should not be ordered to cease violating the registration, licensing, and antifraud provisions of the Utah Securities Act. Majors and NTLA’s agents in Utah were also named as

respondents;

- c. On September 9, 2004, the Securities Section of the South Carolina Attorney General's Office filed an Order to Cease and Desist against Majors and TLA. In a January 2004 decision by hearing officer G. Marcus Knight, the TLA Agency Contract was determined to be a security and Majors and TLA were held to have violated the registration provisions of the South Carolina Uniform Securities Act;
- d. On March 3, 2004, the Mississippi Secretary of State Business Regulation and Enforcement Division filed an Order to Cease and Desist against Majors, TLA, Franklin, LLC, the Haveners and Steve Hartung. The Order alleged violations of Mississippi's Uniform Securities Act;
- e. Upon complaint, the Georgia State Bar commenced an investigation of Majors, which resulted in an August 29, 2002 recommendation that he be disbarred, and on July 10, 2003, the Supreme Court of Georgia upheld the recommendation and disbarred Majors. This disbarment was directly related to Majors' commingling of personal and TLAQ client funds in trust accounts controlled by Majors.
- f. TLAQ and TLA client checks made out to "County Treasurer for Tax Liens" were in many cases deposited directly into trust accounts controlled by Majors without any further client or county endorsements appearing on the instruments.
- g. Majors and NTLA's agents in Utah were put on notice of the allegations about the commingling of funds by Majors in TLAQ through the Division's February 14,

2003 Order to Show Cause, but has continued to represent that it is not possible for Respondents to touch client monies.

- h. NTLA, Majors and their agent in Utah were not licensed to offer securities in or from this state;
 - i. The investment contract offered by NTLA, Majors and their agents in Utah was not registered for sale in or from this state;
 - j. The figure of “30% going to deed” has not been independently verified by any representative of AskFranklin and has been contradicted significantly in a deposition of Majors and by statements of former employees of TLA. Published statistics relating to redemption rates likewise to not support his representation.
 - k. AskFranklin does not have a principal place of business located in Delaware. It maintains only a registration and agent for service of process in that state;
 - l. The expensive, well-manicured home pictured on the home page of the web site was selected by Majors and NTLA’s agents in Utah simply for its attractiveness and is not indicative of the properties obtained through the investment program;
13. The agency contract and investment opportunity offered or sold by NTLA, Majors and their agents in Utah is a security. The security is not registered with the Division, no exemption has been claimed, and no notice filing has been made.
14. NTLA, Majors and their agent in Utah are not licensed to sell securities in Utah.

Docket Nos. SD 05-0018, SD 05-0019

15. TLA offers an investment opportunity in tax lien certificates through general solicitation or general advertisement on the Internet at its website www.taxlientagents.com. The investment opportunity is a security, but the website does not restrict the offer or sale from Utah. The website does not state that the advertisement is not directed to anyone in Utah, that the securities being offered or sold are not sold in Utah, and that no sales are made in Utah.
16. On February 18, 2005, the Division notified TLA of its concerns about TLA's offer by general solicitation or general advertisement on the Internet.
17. TLA had not modified the website at the time of the OSC.

III. CONCLUSIONS OF LAW

18. Majors, TLA and NTLA are in default for failure to appear at the adjudicative hearing on March 26 and 27, 2008.
19. The agency contract and investment opportunity in tax lien certificates through TLA and NTLA are securities under § 61-1-13 of the Utah Uniform Securities Act (the Act).
20. The securities are not registered in violation of § 61-1-7.
21. Majors is not licensed to sell securities and he employed unlicensed agents in the State of Utah in violation of § 61-1-3 of the Act.
22. In connection with the offer and sale of securities, Majors misrepresented material facts to investors and failed to disclose material information which was necessary to make the statements made not misleading in violation of § 61-1-1(2) of the Act.

IV. ORDER

Based on the above, the Director hereby:

1. Declares Ned B. Majors, Tax Lien Agents, Inc., and National Tax Lien Agents, Inc., in default for failure to appear at the adjudicative proceeding on March 26, 2008 and March 27, 2007. Enters, as its own findings, the Finding of Fact described in Section II above.
2. Enters, as its own conclusions, the Conclusions of Law described in Section III above.
3. Finds that Ned B. Majors, TLA and NTLA are not licensed to sell securities in the State of Utah in violation of § 61-1-1(3).
4. Finds that Ned B. Majors, TLA and NTLA employed unlicensed agents in violation of § 61-1-1(3).
5. Finds that Ned B. Majors, TLA and NTLA offered or sold unregistered securities in the State of Utah in violation of § 61-1-7.
6. Finds that Ned Majors, TLA and NTLA violated the Utah Uniform Securities Act by misrepresenting material facts in connection with the offer and sale of a security in or from Utah in violation of § 61-1-1(2).
7. Finds that Ned B. Majors, TLA and NTLA violated the Utah Uniform Securities Act by omitting to disclose material information in connection with the offer and sale of a security in or from Utah in violation of § 61-1-1(2).
8. Finds that Ned B. Majors violated the Utah Uniform Securities Act by engaging in acts, practices, or courses of business that operate or would operate as a fraud or deceit on an

investor in violation of § 61-1-1(3).

9. Orders Ned B. Majors, TLA and NTLA to permanently CEASE and DESIST from any violations of the Act.
10. Orders Ned B. Majors to pay a fine in the combined amount of \$75,000 within thirty days of entry of this Order.
11. Orders NTLA to pay a fine in the amount of \$50,000 withing thirty days of entry of this Order.
12. Orders TLA to pay a fine in the combined amount of \$100,000 within thirty days of entry of this Order.

DATED this 28th day of August 2008.


KEITH WOODWELL
Director, Division of Securities



Pursuant to § 63-46b-11(3), Respondent may seek to set aside the Default Order entered in this proceeding by filing such a request with the Division consistent with the procedures outlined in the Utah Rules of Civil Procedure.

Certificate of Mailing

I, Pam Radzinski, certify that on the 28th day of August, 2008, I mailed a true and correct copy of the Notice of Entry of Default and Order to:

Ned Majors
Tax Lien Agents
National Tax Lien Agents
133A Ivystone Drive
Myrtle Beach, SC 29588-1284


Pamela Radzinski
Executive Secretary